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## CO-OPERATIVE MOVEMENT IN MEGHALAYA

### Its Growth, Performance and Weaknesses

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#### BACKGROUND

##### Rise of Cooperative Movement: Historical Context

The modern cooperative movement began in the West European countries as a means to protect the interest of the marginalised members of society following the far-reaching economic, social and political consequences of industrial revolution and consequent disintegration of the feudal system during the eighteenth and nineteenth centuries. In fact, the modern cooperatives are indirect descendants of medieval European Guilds. These guilds were a kind of association of craftsmen which sprang up during the 16th century in England, France and Germany. The guilds, with a closed membership, sought to safeguard wages and conditions of employment, and to regulate supplies of goods and their prices through developing a common code of conduct. Their cooperative effort in a common pursuit makes the guilds the forerunners of the more advanced type of cooperatives which emerged in England, with the advent of the factory system, towards the beginning of eighteenth century (Namjoshi: 1977).

The rise of capitalism in the West not only brought material prosperity but also rising spectre of misery, destitution and poverty for the working class. Mixed by the sweated conditions of labour many a

philanthropists tried to ameliorate them by organizing the labourers in mutual self-help societies for supplying credit.

In England, the Utopian Socialist thinker, Robert Owen (1771-1858) inspired the up spring of a consumer's movement which had its first success in the venture of Rochdale Pioneers, started in 1844, with 28 flannel weavers in Rochdale.

In fact the philosophy of the Utopian Socialists played a key role in the development of the doctrine of cooperation. The Utopian Socialists largely believed that the original constitution of human society was in essence communistic. The growth of private property system has destroyed the natural harmony of the society resulting into the rising spectre of poverty and unhappiness. They believed that the greed of human beings under competitive capitalism could be rectified through united action, and here lies the rationale of the doctrine of cooperation.

Thus the modern cooperative movement intended to help the small man. However, cooperatives are in no way welfare institutions to support the poor, but are self-help organizations. This unique form of economic organization can operate in societies irrespective of socio-political system - capitalist or socialist - without violating the basic socioeconomic norms and principles. It can be used to ameliorate the miseries of marginalised man under competitive capitalist social framework as well as miseries of man arising out of general economic underdevelopment, isolation, and market imperfections that are commonly seen in the third world countries.

It was this second consideration that led British colonial administration to introduce cooperation in India at the beginning of the present century. In fact, the colonial government became aware of the problems of rural indebtedness following the unrest in Deccan in 1875. The peasants of Poona and Ahmednagar rose against the money lending classes who were charging usurious rates of interest that kept them in perpetual indebtedness. The peasants forcibly snatched away their promissory notes and mortgage deeds from the money lenders and destroyed them (Tyagi: 1968: p.2). It was this incident that had prompted the British administration to think of cooperation as a structural instrument for lasting solution to the problems of small peasants. British followed the Raiffeisen and Luzzatti models of agricultural cooperatives that were developed in Germany by Friederich Wilhelm Raiffeisen (1818-88) and in Italy by Luigi Luzzatti (1841-1927). In 1892 Madras Government sent Frederick Nicholson, a civilian, to Germany to study the working

of village banks organized there on cooperative lines for the benefit of small farmers. Nicholson in his report, submitted in two volumes in 1895 and 1897, made a strong plea for the introduction of cooperative credit societies. The Indian Famine Commission also substantiated the views of Nicholson in its report of 1901 by suggesting the formation of mutual credit associations. Another committee under the presidency of Sir Edward Law, set up by the Government of India in 1901, also recommended the organization of credit cooperative societies on the Raiffeisen model. Following all these recommendations of various committees, the British government finally enacted the Cooperative Credit Societies Act in 1904 which has been the milestone in the modern cooperative movement in India (Tyagi: 1968: pp. 2-3).

However, the Act of 1904 was greatly restricted in the sense that it only permitted the registration of primary credit societies and left non-credit institutions out of its purview. As a result, a new act was passed on 1912 known as Cooperative Societies Act of 1912 in order to remove the drawbacks of the Act of 1904. This Act of 1912 laid down the basic legal framework for the modern cooperative movement in India. In fact, this central act of 1912 was adopted with modifications by most of the Indian states following the Montagu-Chelmsford Constitutional Reforms of 1919, which made cooperation a transferred subject. The first provincial Act was passed in Bombay in 1925 and gradually the other provinces followed suit. The movement got momentum only after independence when the instrument of cooperation has been viewed to be a powerful means to develop the rural India and it has been accommodated into the programmes of planned development.

It is only after independence that Assam passed its own cooperative act in 1950 known as the Assam Cooperative Societies Act 1950. Meghalaya, after getting statehood on 1972, adapted this Assam Act of 1950 in 1976.

Before discussing the trend of growth of the cooperative movement in Meghalaya, a profile of the State has been outlined in the next section.

### **State Profile**

**Location:** Meghalaya is situated in the north-east of India between 2511' and 2615' north latitudes and 85'49' and 92'52' east longitudes. The state was created on 21st January 1972 out of two hill districts of united Assam namely United Khasi and Jaintia Hills district and Garo Hills district. At present the state has seven districts, viz. East Khasi

Hills, West Khasi Hills, Ri-Bhoi, Jaintia Hills, East Garo Hills, West Garo Hills and South Garo Hills. Table 1 shows the details of area and population in the districts. The boundaries of Meghalaya consists of Brahmaputra Valley of Assam in the north and Surma Valley of Bangladesh in the south. The east and west are also bounded by Assam and Bangladesh respectively. The state has about 496 km international boundary with Bangladesh.

**Table 1: District-wise Area, Population and District Headquarters of Meghalaya**

Sl.No.	District	Headquarters	Area	Population*
1	East Khasi Hills	Shillong	2748	5,37,906
2	Ri-Bhoi	Nongpoh	2448	1,27,312
3	West Khasi Hills	Nongstoin	5247	2,20,157
4	East Garo Hills	Williamnagar	2603	1,88,830
5	West Garo Hills	Tura	3714	4,03,027
6	South Garo Hills	Baghmara	1850	77,073
7	Jaintia Hills	Jowai	3819	2,20,473
Meghalaya			22,429	17,74,778

\*Stands for provisional.

Source : Draft Proposals of Ninth Five Year Plan, vol. 1.

**Physical Features :** The state covers a land surface of about 22,429 sq. km. which consists predominantly of mountain terrain with narrow valleys in between and strips of plain land in the south-west and north bordering Bangladesh and Assam respectively. The western dissected hilly tract of the Garo Hills covers an area of 8180 sq.km. and has an average elevation of less than 600 metres. The central and eastern part of Meghalaya, i.e., the Khasi and Jaintia Hills region together covers an area of 14,249 sq.km.

**Population :** The state is predominantly inhabited by the Khasi, Jaintia and Garo tribes each having their distinct tradition, custom and culture. There are also a number of smaller tribes. As per 1991 census, a total of 17 tribal groups are there in Meghalaya. The total population of the state is 17,74,778 (1991). A little more than 81 percent lives in rural areas and tribal population constitutes about 86 percent of the total. The density of population in the state is 79. As per 1991 census,

the state has a total of 5492 villages and only half of them are connected with roads (Draft Proposals, Vol. 1: p-4).

**Natural Resources :** The state is rich in natural resources. Occurrences of various mineral deposits like coal, limestone, kaolin, sillimanite, clay, fire-clay, glass sand, quartz, granite and uranium have been reported in the state. However commercial exploitation has been possible only of coal, limestone, sillimanite and very recently uranium deposits. As regards the distribution of minerals, it is observed that coal is available in the eastern part of Garo Hills, southern part of Khasi hills and Jaintia Hills, together accounting for 6,301 million tons of coal reserves (Draft Proposals, Vol. 1: p. 2). Limestone, which is worth of 4.23 million tons, is distributed mainly in Cherrapunji-Dawki area. Sillimanite is extensively found in Sonapahar area of West Khasi Hills district, which accounts for almost 95 percent of country's total output (Dutta: 1996). Sillimanite reserves is estimated at 5 lakh tons and industrial clay 71 million tons. Besides mineral resources, the state has a total forest coverage of 8,510 sq.km. accounting for 37.5 percent of total geographical area. However, about 92 percent of total forest area is owned by private individual and only 8 percent by the Forest Department. The significant sources of forest revenue are sal, bamboos, timber lac and *tezpat*.

**Agriculture :** The economy of Meghalaya is basically agrarian. About 81 per cent of the total population of the state lives in the rural areas and mainly depends on agricultural activities for their livelihood. The cultivated area forms about 9 per cent of the total geographical area of the state. The gross cropped area is 2.39 lakh hectares (provisional) while the net cropped area was about 2.01 lakh hectares during 1994-95 (Draft Proposals, Vol. II, p. 1).

The *jhum* or shifting cultivation with reduced *jhum* cycle is still persistent and about 26 per cent of the net cropped area is under annual *jhumming* (State Focus Paper: 1997, p-8). Paddy is the main food crop grown all over the state. Maize, wheat, millet and pulses are some of the other food crops grown in different parts of the state. Potato, jute, mesta, short staple cotton, mustard, ginger, turmeric, arecanut, betel leaf are some of the main cash crops. The state has enough potential for growing a number of horticultural crops ranging from sub-tropical to temperate ones. Varieties of banana, pineapple and citrus fruits, mainly orange are grown in abundance in the medium and lower altitude regions and temperate fruits like plum, pear and peach are grown in the high

altitude temperate region of the state. Vegetables cover a substantial area under cultivation particularly in the central plateau and are grown almost throughout the year.

The state is running in deficit in food grains by 1.14 lakh tonnes annually. However, horticultural crops have registered a significant increase in production of 2.15 lakh tonnes leading to a good marketable surplus (Draft Proposals, Vol. II: p-3).

As per 1991 census about 75 per cent of the total main workers in the state is engaged in the primary sector, and the share of the secondary and tertiary sectors is 3.73 and 21.46 per cent respectively (Census of India 1991, Series-1, Paper - 2 of 1992, p. 172). The contribution of the primary sector to total Net State Domestic Product was 33.58 per cent during 1990-91 and it has declined marginally to 32.13 per cent during 1995-96 (Quick Estimate) indicating the stagnation of the economy of the state.

**Industry :** In spite of being rich in minerals, the industrial base of the state is very weak. There are only 7 units in the category of large and medium industries in the state as on 31 March, 1994, out of 166 in the north eastern region (Basic Statistics: 1995). A total of 58 factories have been registered in the state till 1995 employing together 2800 persons. Of them, 48 units are in Khasi Hills, 1 in Jaintia Hills and 9 in Garo Hills (Statistical Handbook: 1996). Up to 1996, a total of 202 companies have been registered in the state. Of them 39 are public and 163 are private. Of all the companies, 187 are in Khasi Hills, 3 in Jaintia Hills and 12 in Garo Hills (Statistical Handbook: 1996). Up to 1995-96, a total number of 2533 small scale units have been registered in Meghalaya and a total of 14,791 persons are employed in them. Of the total small scale units, 1702 units are in Khasi Hills, 327 in Jaintia Hills and 504 units in Garo Hills (Statistical Handbook: 1996).

However, the figures relating to factories, companies and small scale industries in Meghalaya hardly portray the actual picture of the industrial sector of the state, unless it is known as to how many of these registered units are actually functioning and how many are defunct. Moreover, cross-verification of the available statistics on the small scale industries in the state also provides conflicting trends of the growth of the small-scale sector. So far no empirical study has been made in order to assess the actual strength of the industrial sector in the state.

However, according to the 1991 Census, out of 715,587 main workers in the state, only 2,885 persons are engaged in the household manufacturing and 12,509 persons in other manufacturing activities, i.e., only 2.15 per cent of the main workers is engaged in the manufacturing sector. This no doubt indicates a very weak industrial base of the state.

In view of the resource potential of the state as well as conspicuously weak public and private initiatives, a wide space is left for the cooperative sector to grow and play a pivotal role in the development of the economy of Meghalaya. Before we evaluate the actual performance of the cooperative sector, the trend of growth of the cooperative movement in the state is presented in the next section.

### **Growth of Cooperative Movement in Meghalaya**

The modern co-operative movement was formally launched in Meghalaya with the establishment of the regional office of the Assistant Registrar of Cooperative Societies in Shillong covering all the hill districts in 1948 (Khasi Hills District Gazetteers: 1991, p: 254). Even before 1948, during the second world war, when the prices of consumer goods rose very high, a consumers' cooperative was organized in Tura (Garo Hills District Gazetteer: 1996, p: 85). However, the movement took an organized shape only after the enactment of the Assam Cooperative Societies Act., 1950. Until 1971, Meghalaya was a part of united Assam. In 1972, the state of Meghalaya was carved out of erstwhile Assam districts of United Khasi and Jaintia Hills, and Garo Hills. During 1971-72, there were a total of 953 cooperative societies in Meghalaya having a total membership of about 57 thousand, Rs. 32 lakh of share capital and Rs. 133 lakh of working capital (Table 2).

However, records on the functioning, performance, type, viability and distribution of the cooperative societies in Meghalaya are not available while it was a part of Assam. For an assessment of the cooperative movement in Meghalaya prior to 1972, one has to consult the records with the Registrar of Cooperatives, Assam which needs a separate effort.

The number of cooperative societies in the state continued to rise steadily in the early years. From 904 during 1970-71, the number went up to 1,053 during 1975-76 (Table-2). For the same period, the total membership went up from 40 to 84 thousand, share capital from Rs. 32 lakh to Rs. 124 lakh and working capital from Rs. 120 lakh to Rs. 479 lakh (Table-2).

Table 2: Trend of Growth of Cooperative Societies in Meghalaya Since 1970-71 (including Apex Societies)

<i>Year</i>	<i>No. of Societies</i>	<i>Membership (in 000)</i>	<i>Share Capital (in Rs. Lakhs)</i>	<i>Working Capital (in Rs. Lakhs)</i>
1970-71	904	40	32.16	119.62
1971-72	953	57	34.74	132.99
1972-73	978	61	36.29	165.42
1973-74	990	63	36.84	148.54
1974-75	1,010	74	94.44	458.46
1975-76	1,053	84	123.88	479.34
1976-77	804	88	163.93	694.29
1977-78	899	72	267.01	969.65
1978-79	851	75	264.00	1,224.74
1979-80	782	79	295.00	1,497.83
1980-81	688	78	366.57	1,700.39
1981-82	707	87	260.51	1,541.73
1982-83	582	104	496.66	2,090.07
1983-84	NA	NA	NA	NA
1984-85	620	95	419.96	2,451.58
1985-86	646	111	512.45	5,283.52
1986-87	661	116	547.14	4,493.00
1987-88	678	117	408.30	4,242.69
1988-89	698	111	714.72	3,541.61
1989-90	708	126	1,968.51	8,813.64
1990-91	723	140	1,998.75	11,653.70
1991-92	763	163	2,240.03	12,192.70
1992-93	784	175	2,446.26	12,811.41
1993-94	763	166	2,446.31	13,949.48
1994-95	792	169	2,913.35	16,597.35
1995-96	803	184	3,816.55	19,982.06

Source : Compiled from different Statistical Abstracts and Statistical Handbooks of Meghalaya.

During 1970-71, the averages for membership, share capital and working capital of the cooperative societies in Meghalaya were 44, Rs. 3.5 thousand and Rs. 13 thousand respectively. These figures rose up to 80, Rs. 1011.76 thousand and Rs. 45.52 thousand respectively during 1975-76 (Table-2). The appreciable increase in the average share capital and working capital during 1975-76 was largely because of government

contribution to the two apex level societies. However, it may be noted that there were large number of small societies in the state having insignificant economic viability. There was hardly any vertical linkage between the primary and apex level societies and hence cooperative effects could not be felt. In fact, the primary societies grew mostly as part of the programme of target fulfilment on the part of the cooperative department rather than as peoples' cooperative efforts towards economic development.

With the achievement of statehood, the Government of Meghalaya took up the task of restructuring the cooperative sector. Emphasis has been laid upon the consolidation of the existing societies through horizontal integration of the primary societies as well as vertical integration by creating state level societies.

As the majority of the existing societies were Primary Agricultural Credit Societies (PACS), the Meghalaya Cooperative Apex Bank (MCAB) was incorporated on February 16, 1971, in order to cater the credit needs of the rural cooperative sector. MCAB started functioning from July 1, 1971. For providing marketing facilities to the produce of the PACS as well as to supply them essential inputs, the Meghalaya State Cooperative Marketing and Consumers' Federation (MECOFED) was established on July 1, 1975. Thus, the creation of these two apex level societies has provided the much needed infrastructural support to the PACS as well as other primary societies.

It has been felt that the strength of the cooperative movement depends much on the smooth functioning of the primary societies rather than their mushroom growth. As most of the primary societies were small, spread over far reaching areas, and unviable, the government took initiative to restructure them in the line of recommendations, of the Gorwala Committee, i.e., All-India Rural Credit Survey Committee 1954, as suggested by the RBI. The restructuring programme was initiated in 1974 under a Master Plan and largely completed by 1977. As per the Master Plan, the PACS were reorganized on the following line in order to make them economically viable: That every primary service cooperative society should have at least 500 membership. The size of the minimum population within which a PACS will be organized is 10,000. The area of operation of each of the PACS will be within a radius of 10 km. Contiguity of area is to be maintained. And a minimum business turn over of Rs.2 lakh will be required for the independent existence of a society. On the basis of these criteria, existing PACS were reorganized through amalgamation and liquidation.

On reorganization, the total number of PACS has reduced from 329 during 1976-77 to 180 in the subsequent years (Table-3). However, the membership of PACS has gone up from 52 thousand during 1976-77 to 71.5 thousand during 1982-83 and to 88.5 thousand during 1990-91 indicating a steady progress as far as membership is concerned. While the share of PACS to total number of primary societies in the state has declined from 41 per cent during 1976-77 to 25 per cent during 1990-91, the share of PACS membership has increased from 59 to 63 per cent during this period (Table-3).

**Table 3: Growth of Primary Cooperative Societies in Meghalaya by Type**

Sl.No. Type of Society	1976-77		1982-83		1990-91	
	No. of societies	No. of members	No. of societies	No. of members	No. of societies	No. of members
01. Primary Agricultural Credit Societies (PACS)	329	52000	180	71527	180	88495
02. Marketing Coop. SoCs.	73	2699	33	1513	33	470
03. Consumers' coop. SoCs.	57	6321	44	5596	54	7911
04. Industrial Coop. SoCs.	82	2053	67	2761	107	3035
05. Weavers' Coop SoCs	78	3103	38	2261	46	2689
06. Cooperative Urban Banks	3	900	3	2649	3	5483
07. Farming Coop. SoCs.	24	911	30	1122	49	1756
08. Milk Producers's Coop. Soc.	25	1742	39	2870	41	3185
09. Fisheries coop. SoCs.	35	1321	41	1678	51	2299
10. Housing Coop. SoCs.	17	679	29	1342	34	2835
11. Thrift Coop. SoCs.	30	6290	36	8545	48	14375
12. Labour Contract Coop Soc.	8	437	13	329	24	717
13. Piggery and Poultry Coop. Soc.	3	156	8	155*	9	270
14. Multipurpose coop. SoCs.	25	7331	Nil	Nil	2	70
15. O'hers	12	1471	16	1413	39	5803
Total	801	57414	577	103761	720	139393

Source : Constructed from various issues of Statistical Abstract and Statistical Handbook of Meghalaya.

\* members of two societies in Jaintia Hills are not included.

However, unlike PACS, other types of societies were not drawn into the reorganization programme. Except the marketing cooperative societies and the multipurpose societies, other societies like consumers',

industrial, weavers', cooperative urban bank, farming, diary, fisheries, housing, thrift, labour contract and piggery made marginal progress since 1976-77 (Table-3).

Following the reorganization of the PACS and its effects on the marketing and consumers' societies, the total number of primary cooperative societies in the state declined from 801 during 1976-77 to 577 during 1982-83. But the total membership in the state went up from 87,414 to 1,03,761 indicating a 18.7 per cent growth during the 5 years (Table-3).

Along with the programme of reorganization, the government also established Meghalaya Cooperative Training Institute on August 2, 1976, in order to train the cooperators associated with the department of cooperation as well as the primary level cooperators. Another apex level society viz, Meghalaya Supervision and Cadre Management Cooperative Society was also established in 1976 in order to supervise the working of the primary level societies. In view of the fact that most of the primary level societies were run by non-trained part-timers who hardly could find time to work for the society, the government introduced a cadre scheme which intended to provide full time secretaries to the primary level societies at government expenditure. Initially, all the reorganized 180 PACS were brought under the scheme in 1976. Since 1986-87, another 29 weaving societies were also brought under the purview of the cadre scheme. The Cadre Management Society has been entrusted to look after the implementation of the scheme which has provided the much needed stability to the primary societies.

Another apex level society, viz., Meghalaya Cooperative Union, was established in 1978 in order to propagate the principles and ideology of cooperation for the healthy growth of the cooperative movement in the state. Besides the Meghalaya Cooperative Training Institute, Cooperative Union also conducts special training courses for the primary level cooperators. The Union undertakes the task of publication of periodicals, books, booklets, pamphlets, leaflets, etc., on cooperation.

Thus, the Training Institute, Cadre Management Society and Cooperative Union together have created an infrastructure for the healthy growth of the cooperative movement in the state.

Besides these training and managerial societies, another two apex level societies, viz., Meghalaya State Housing Financing Cooperative Society and Meghalaya Apex Hand loom Weavers & Handicraft Cooperative Federation (MEGHALOOM) were established in 1976 and

Table 4: Typewise and area-wise Distribution of Primary Cooperative Society in Meghalaya (As on 31.03.1997)

Sl.No.	Type of Societies	Khasi Hills			Jaintia Hills			Garo Hills			Meghalaya		
		Total	F	NF	Total	F	NF	Total	F	NF	Total	F	NF
		01.	PACS	82	82	-	21	21	-	76	76	-	179
02.	Weaving	18	14	4	3	3	-	38	38	-	59	55	4
03.	Fisheries	25	20	5	3	2	1	37	23	14	65	45	20
04.	Housing	22	15	7	3	-	3	11	1	10	36	11	25
05.	Industrial	69	49	20	23	20	3	15	5	10	107	74	33
06.	Consumers*	44	35	9	4	4	-	10	7	3	58	46	12
07.	Thrift	37	34	3	1	1	-	23	18	5	61	53	8
08.	Dairy	44	16	28	5	4	1	11	10	1	60	30	30
09.	Horticulture	-	-	-	1	-	1	8	8	-	9	8	1
10.	Coop. Canteen	3	1	2	-	-	-	-	-	-	3	1	2
11.	Labour Contract	17	13	4	2	2	-	-	-	-	19	15	4
12.	Marketing	18	11	7	4	3	1	7	5	2	29	19	10
13.	Piggery	9	6	3	16	14	2	2	2	-	27	22	5
14.	Joint Farming	43	28	15	-	-	-	-	-	-	43	28	15
15.	Transport	18	12	6	16	15	1	1	1	1	35	27	8
16.	Processing	-	-	-	1	-	1	1	1	-	2	1	1
17.	Forest labours	3	2	1	-	-	-	-	-	-	3	2	1
18.	Poultry	2	1	1	-	-	-	-	-	-	2	1	1
19.	Coop. Urban bank	1	1	-	1	1	-	1	1	-	3	3	-
20.	Multipurpose	16	16	-	-	-	-	2	2	-	18	18	-
21.	Others	24	20	4	1	1	-	11	9	2	36	30	6
	Total	495	376	119	105	91	14	254	206	48	854	668	186

F = Functioning, NF = Not Functioning

Source : Office of the Registrar of Cooperatives, Meghalaya.

1989 respectively in order to assist and integrate the activities of the primary housing and weaving societies in the state.

Presently, as on 31 March, 1997, there are 6 state level and 854 primary level cooperative societies in the state. While all the apex societies are functioning, 78.22 per cent, i.e., 668 primary societies are reported to be functioning in the state and 21.78 per cent, i.e., 186 societies are non-functioning (Table-4).

The total membership during 1995-96, in all types of societies including the apex societies, amounts to 1,83,543 indicating a rise of about 32 per cent during the last five years, i.e., during 1990-91 to 1995-96. The number of primary societies had gone up from 720 during 1990-91 to 854 during 1996-97 thereby registering an increase of 18.61 per cent. For the same period, the share capital has increased from Rs.1998.75 lakh (1990-91) to Rs.3816.55 lakh, i.e., a rise by 90.95 per cent.

Thus the growth of the cooperative movement in the recent years in the state is not very impressive. While the annual average growth of the movement in terms of number of societies is only 3 per cent (1990-91 to 1996-97), the same for membership is accounted for 6.4 per cent (1990-91 to 1996-97). During the last six years (1990-91-1996-97), certain types of societies like PACS, joint farming, marketing, and labour contract societies have experienced negative growth. Both the industrial societies and urban cooperative banks have registered zero growth. While the consumers' and housing societies have grown marginally, significant progress has been made by the piggery, fishery, dairy, thrift and multi-purpose societies. Although the cooperative movement in the state has largely stuck at traditional lines, it had also broke fresh grounds in areas like transport, horticulture and processing.

The spatial distribution of the cooperative societies and the members associated with them reveal that the movement has always been relatively strong in the Khasi Hills region. Presently (1996-97) 58 per cent of the total primary cooperative societies in the state is located in the Khasi Hills region that consists of three districts of East Khasi Hills, West Khasi Hills and Ri-Bhoi. In this region the progress of the movement is largely concentrated in the lines of agricultural marketing, consumer, industrial, dairy, thrift, housing, joint farming and transport cooperatives. However, the region has the highest percentage of non-functional societies to the total number of registered societies in it. Of the 495 registered primary societies in Khasi Hills, 376 are functioning and 119 are defunct (Table-4).

Garo Hills ranks second in terms of number of primary societies as well as membership associated with them. Presently 30 per cent of the total primary societies in the state is located in Garo Hills. Here the movement has made considerable progress in agricultural, weaving, fisheries and horticultural lines. About 81 per cent of the total number of registered societies in Garo Hills (1996-97) is functional and 19 per cent is defunct (Table-4).

Since inception, the cooperative movement has remained weak in Jaintia Hills. Recently, of course, there has been a significant progress particularly in the lines of piggery and transport cooperatives. Out of a total of 105 primary level societies, 91 are functioning and 14 are defunct. The percentage of non-functioning societies in Jaintia Hills is the least i.e., 19 only (Table-4).

#### THE COOPERATIVE MOVEMENT IN MEGHALAYA: A VIEW FROM ABOVE

Altogether 860 cooperative societies, including the 6 apex level societies, are there in Meghalaya. This paper is written on the basis of the experience gained from survey of the apex societies as well as from the discussions held with the cooperators working for these societies and the cooperators associated with the department of cooperation, Meghalaya. As a result, the observations contained in this paper are the partial reflections of the ground reality as far as it is manifested from the state of functioning of the apex level societies. An attempt is made here to assess the performance of the apex level societies and their contribution to the growth of the cooperative movement in the state.

#### **The Meghalaya Cooperative Apex bank (MCAB) and the Flow of Credit to the Cooperative Sector**

The MCAB is the apex body in the cooperative credit-structure in Meghalaya. It was incorporated in 1971 in order to act as a balancing centre for all registered cooperative banks and societies in Meghalaya besides its normal banking functions. The objectives as they are laid down in the bye-laws of MCAB in relation to the cooperative movement are : (i) to provide loans to registered cooperative institutions, (ii) to provide long term loans for the development of agriculture and allied sector in the state, and (iii) to develop, assist and coordinate the work of affiliated societies and to arrange for their supervision as well as to establish, promote and maintain the cadre of key-personnel for the benefit of affiliated societies (Bye-Laws of MCAB, 1988).

Thus MCAB is viewed not merely as an apex credit organisation but as leader of the cooperative movement.

Starting with a share capital of Rs.6.97 lakh in 1971, the bank has made a considerable progress during the last 25 years. The share capital has gone up to Rs.214.38 lakh in 1996 (Table-5), of which the government share amounts to Rs.122.58 lakh i.e., 57.18 per cent, contribution of the affiliated societies accounts for Rs.91.74 lakh, i.e., 42.79 per cent and the rest comes from the individual members (Annual Report -1995-96, MCAB). There are 859 registered societies (excluding MCAB) in the state and of them 463 societies are affiliated to the MCAB. Although government contribution still forms a major chunk of the Bank's share capital, it has also succeeded to mobilize a considerable amount from the affiliated societies.

Starting with two branches - one at Shillong and the other at Tura - in 1971, presently the Bank has 37 branches spread all over the state. Of them 17 branches are in Khasi Hills, 15 in Garo Hills and 5 in Jaintia Hills.

The working capital of the Bank has steadily increased from Rs.7.01 lakh in 1971 to Rs.942.29 lakh in 1981, Rs.6829.57 lakh in 1991 and to Rs.14843.31 lakh in 1996 (Table-5). The deposit mobilization of the Bank and its capacity to advance loans have registered a steady rise over the years. During 1995-96, the Bank has mobilized deposits to the tune of Rs.12985.47 lakh and advanced loans to the tune of Rs.4349.60 lakh. The credit-deposit (C-D) ratio for the year, thus, amounts to 33.5 per cent. Although the Bank has the highest C-D ratio in the state compared to other nationalized banks, the C-D ratio of MCAB in recent years has declined substantially, while the average C-D ratio during 1971-80 was 43.86 per cent, it went up to 47 per cent during 1981-90 and then in recent years (1991-96) has declined to 33.59 per cent (Table-5). Although the MCAB is making marginal profits, the rate of return on capital is not significant. For the year 1995-96, the rate of return on share capital amounts to 4.90 per cent only.

The Bank has been extending short-term agricultural loans both under the Normal Credit Limit System and through Cash Credit System. As on June, 1997, the Bank has issued a sum of Rs. 987.27 lakh out of the sanctioned amount of Rs. 1297.70 lakh as short term agricultural loans to 157 PACS involving a total of 58,933 borrowers. Out of the amount issued, a total of Rs. 583.55 lakh has been recovered indicating 59.14 per cent rate of recovery. Although the recovery rate may be considered as

satisfactory while viewed from the overall repayment position of agricultural credit in the north-eastern region, it does not reflect the ground realities about the performance of the PACS in the state.

Table 5: Growth of Meghalaya Cooperative Apex Bank

(Rs. in lakhs)

Year	Share Capital	Working Capital	Deposits	Loans & Advances	C-D Ratio	Profit (+) Loss(-)
1971	6.97	7.01	0.02	-	-	-0.06
1972	17.27	129.52	108.89	25.60	23.50	+0.22
1973	22.96	268.05	197.04	86.48	43.89	+0.58
1974	33.03	258.30	214.78	110.18	51.30	+0.73
1975	37.71	297.00	240.70	136.39	56.66	+0.85
1976	42.98	366.98	281.81	147.96	52.50	+1.02
1977	51.46	417.17	325.16	175.12	53.86	+1.13
1978	64.29	536.70	425.52	223.00	52.41	-8.54
1979	72.27	688.38	530.84	290.67	54.76	-2.87
1980	75.22	885.77	700.00	347.81	49.69	+0.65
1981	82.84	942.29	739.42	340.91	46.10	+0.86
1982	87.77	1086.97	880.92	457.38	51.92	+12.68
1983	100.85	1317.34	1081.09	628.65	58.15	+2.76
1984	110.83	1720.75	1457.65	710.69	48.76	+1.48
1985	119.35	2024.05	1734.35	901.64	51.99	+3.58
1986	128.91	2351.56	2041.65	1051.23	51.49	+2.74
1987	135.08	2887.81	2521.58	1137.66	45.12	+2.82
1988	140.11	3426.32	3003.78	1261.34	41.99	+3.48
1989	144.09	4457.96	3895.59	1472.40	37.80	+3.78
1990	161.17	5518.27	4803.61	1761.20	36.66	+5.73
1991	171.77	6829.57	5834.05	2012.47	34.50	+9.52
1992	181.43	6959.23	5807.58	1999.37	34.43	+10.71
1993	192.23	8530.85	7163.47	2302.88	32.15	+11.50
1994	201.82	9794.32	8222.46	3058.24	37.19	+5.57
1995	204.58	12017.89	10168.10	3026.43	29.76	+7.49
1996	214.38	14843.31	12985.47	4349.60	33.50	+10.51

Source: Compiled and calculated from various issues of Annual Report of MCAB.

This high recovery rate is due to the intervention of both the state and central governments, who time to time come forward to rescue the small and marginal farmers from perpetual indebtedness by releasing fund. However, the fact that 94.15 per cent of the amount on demand

Table 6: Branch-wise (MCAB) Position of short Term Loan to Coop. Societies (as on June 1997)

(Rs. in lakhs)

Sl. No	Name of Branch	Amount Sanctioned	No. of SCs Involved	No. of borrowers Involved	Amount Issued	Amount Recovered	Amount Outstanding	Amount Overdue	Demand
<b>KHASHI HILLS</b>									
1	Shailong	212.51	20	3,844	108.11	86.72	21.39	18.66	22.25
2	Cherrapunjee	8.02	2	365	6.55	3.19	3.36	3.36	3.36
3	Smit	67.65	5	1,496	57.99	34.83	23.16	17.35	20.45
4	Balat	102.99	6	2,616	100.93	68.39	32.54	32.54	32.54
5	Nongpoh	39.19	9	6,125	28.17	23.14	5.03	5.03	5.13
6	Umsing	50.03	5	1,763	42.93	22.49	20.44	16.22	16.65
7	Nongstoin	49.99	10	3,193	47.87	36.91	10.96	10.96	11.31
8	Mairang	69.21	6	2,051	47.63	37.35	10.28	5.43	6.92
9	Mawkyrwat	62.39	7	1,436	49.44	35.96	13.48	8.13	9.82
<b>JAINTIA HILLS</b>									
10	Jowai	24.43	3	1,021	19.34	17.99	1.35	1.35	1.39
11	Ladthalaboh	12.25	2	551	2.20	0.09	2.11	2.09	2.16
12	Dawki	1.75	2	129	1.69	1.44	0.25	0.25	0.26
13	Nartiang	14.70	2	739	6.97	6.97	-	-	-
14	Khitehriat	18.04	5	901	14.34	13.67	0.67	0.67	2.08

contd.

Table 6: (contd.)

Sl. No.	Name of Branch	Amount Sanctioned	No. of SCS Involved	No. of borrowers Involved	Amount Issued	Amount Recovered	Amount Outstanding	Amount Overdue	Demand
<b>GARO HILLS</b>									
15	Tura	12.90	4	961	9.65	7.86	1.79	1.23	1.27
16	Aramile	17.23	4	1,139	13.66	0.14	13.52	13.49	13.76
17	Phulbari	103.59	9	5,947	90.81	35.61	55.20	54.79	55.92
18	Garobaadha	92.09	11	6,385	77.70	39.77	37.93	37.20	37.31
19	Dala	33.48	8	2,295	31.81	15.55	16.26	15.69	17.95
20	Mahendraganj	55.66	4	1,819	28.86	12.82	16.04	12.12	14.39
21	Tikkrikilla	28.38	3	1,960	11.58	6.83	4.75	4.45	4.76
22	Chokpot	34.85	7	3,007	34.41	9.59	24.82	24.52	26.22
23	Baghmara	14.53	4	1,009	14.08	6.74	7.34	7.08	7.78
24	Williamnagar	23.90	4	1,789	17.91	10.87	7.04	7.04	8.21
25	Mendipathar	69.57	6	2,123	48.69	21.15	27.54	27.54	27.55
26	Rongjeng	22.27	5	1,677	21.70	13.69	7.71	7.42	7.51
27	Bajengdoba	56.20	4	2,592	52.25	13.79	38.76	38.36	39.25
<b>Total</b>		<b>1,297.70</b>	<b>157</b>	<b>58,933</b>	<b>907.27</b>	<b>583.55</b>	<b>403.72</b>	<b>372.97</b>	<b>396.14</b>

Source: MCAB, Shillong.

(as on June, 1997) has become overdue (Table-6) reveals the dismal repayment capacity of the primary agricultural societies in the state. In spite of government subsidy, the total outstanding with the PACS against short term loans amounts to Rs.403.72 lakh and total overdue amounts to Rs.372.97 lakh (Table-6). This has substantially reduced the lending capacity of the MCAB as well as made the short-term agricultural credit through cooperative societies less rewarding.

The Bank has been providing financial assistance in the shape of overdraft facilities, Cash Credit Accommodation and Term Loans to state level cooperative institutions namely MECOFED, Meghalaya State Cooperative Housing Financing Society and Meghalaya State Cooperative Union. The amount outstanding against them as on 31.03.96 amounts to Rs. 300.48 lakh. This huge amount of outstanding has, no doubt, made the Bank handicapped.

The Bank has been catering to the credit needs of the farmers and growers for allied agricultural activities in the shape of medium, and long term loans through the Land Development Banking Division since 1977-78. Credit facilities are provided for a variety of allied agricultural purposes like land development, minor irrigation, farm-mechanization, piggery, poultry, goatery, dairy, horticulture and plantation schemes. Separate statistics relating to amount of loans issued for these activities through cooperative societies, recovery thereof and amount outstanding are not readily available. However, as on 31 March, 1996, total outstanding against loans issued to societies as well as individuals for allied activities amounts to Rs.610.31 lakh (Table-7).

The Bank has been providing cash credit accommodations to marketing, consumers, urban banks and other type of cooperative societies and the amount outstanding against them as on 31 March, 1996 amounts to Rs. 102.84 lakh. Similarly the total outstanding against loans given to the industrial and transport cooperatives and individuals as on 31 March, 1996 amounts to the tune of Rs.428.36 lakh.

This huge outstanding against loans to the cooperative sector has substantially blocked the Bank's loanable fund. In recent years the flow of credit to the cooperative sector has declined compared to that of the private sector. While during 1994-95, 47.41 per cent of the total loans has gone to the cooperative sector and 52.59 per cent to the sectors other than co-operatives, the same for the year 1995-96 have been 40.63 and 59.37 per cent respectively,

**Table 7: Outstanding Position of Loans Issued to Allied Activities (As on 31.03.1996)**

(Rs. in Lakhs)

<i>Activities</i>	<i>Loan issued During 1995-96</i>	<i>Recovered During 1995-96</i>	<i>Outstanding at the end of 1996</i>
Piggery	7.44	1.34	157.20
Dairy	1.30	0.30	28.01
Fishery	3.49	0.44	37.42
Land Reclamation	-	0.16	9.77
Poultry	0.64	0.05	2.93
Plough Cattle	1.17	0.33	17.32
Tractor	-	-	20.30
Horticulture	13.48	2.07	111.27
Goatery	2.42	0.49	49.44
Power Tiller	1.34	2.58	11.06
Others	24.30	1.39	165.59
<b>Total</b>	<b>55.58</b>	<b>9.15</b>	<b>610.31</b>

*Source* : Annual Report, 1995-96, MCAB.

### **Meghalaya Supervision and Cadre-Management Cooperative Society and the Primary Agricultural Cooperative Societies**

The Meghalaya Supervision and Cadre Management Cooperative Society was registered in 1976 in order to create and maintain a cadre for secretaries, managers and other paid employees of the primary cooperative credit societies. In 1976, the state government initiated a cadre scheme as part of the programme of reorganization of the Primary Agricultural Cooperative Societies (PACS) also known as, Service Cooperative Societies (SCS) in order to make them viable, functional and efficient. After reorganization, the total number of PACS in the state reduced from 548 in 1975 to 180 in 1979. All these 180 PACS were brought under the supervision of the Cadre Management Society. The managing committee of each society selected its secretary and referred the name to The Cadre Management Society for approval. The secretaries of the PACS appointed under the cadre scheme are paid from the fund of the Cadre-Management Society that has been created out of contribution from government, MCAB and other beneficiaries of the scheme. During 1986-87, another 29 primary weaving societies are also brought under the scheme. Presently, the cadre management society

deals with 209 primary societies - 179 PACS (1 PACS is not functioning) and 29 weaving societies.

More than 80 per cent of society's fund comes from the state government and the whole fund is used to pay the salary bill of the 209 primary societies as well as its own staff (Table 8).

**Table 8: Annual Financial Position of Meghalaya Supervision & Cadre Management Cooperative society (1991-92 - 1996-97)**  
(Rs. in Lakhs)

Particulars	1991-92	92-93	93-94	94-95	95-96	96-97
Contribution from:						
(i) Government	22.00	19.75	21.00	22.00	20.00	20.00
(ii) MCAB	1.00	1.00	1.25	1.25	1.25	1.25
(iii) SCS	2.63	2.23	2.39	1.66	2.11	1.93
(iv) HWCS	0.37	0.19	0.49	0.30	0.36	0.48
(v) Meghaloom	0.15	0.15	0.25	0.30	0.30	0.30
<b>Total Income</b> (i to v)	<b>26.15</b>	<b>23.32</b>	<b>25.38</b>	<b>25.51</b>	<b>24.02</b>	<b>23.96</b>
<b>Expenditure</b> on Salary	<b>26.51</b>	<b>23.16</b>	<b>24.80</b>	<b>25.14</b>	<b>24.68</b>	<b>25.36</b>

Source : Meghalaya Supervision & Cadre Management Coop. Society

Note : MCAB = Meghalaya Cooperative Apex Bank

SCS = Service Cooperative Society

HWCS = Handloom and Weaving Cooperative Society

Contribution of the primary societies to the annual fund of the cadre management society amounts to only 9.5 per cent indicating their very weak financial base.

The Managing Committee of the society consists of 7 members. The Registrar of Cooperatives acts as Chairman and Managing Director of MCAB as secretary. Besides them, the Secretary to Government of Meghalaya, Agricultural Department or his nominee, three members from PACS nominated by the Registrar of Cooperatives and one representative from Meghalaya Cooperative Union act as members.

The Society is thus mainly controlled and financed by the government. The day-to-day business of the society is managed by the two Deputy Secretaries - one posted in Shillong and the other at Tura - and one Assistant Secretary posted in Shillong. Both the Deputy Secretaries are retired officials of the Department of Cooperation.

The activities of the Society, like any other government department, has become mechanical and routinized. Since its inception, the Society is only acting as a via medium between the government and the primary societies - receiving annual government grants and disbursing it through local branches of MCAB to the secretaries of primary societies. It does not have adequately efficient manpower to motivate the primary societies to conduct their business with professional spirit and to reorient the cooperative movement based on the principle of self help by reducing its dependence on the government. It is learnt that out of the 197 functioning PACS, only about one third of them are making marginal profit. About 39 PACS are almost defunct. However, a detail survey of the primary societies can only reveal the actual position of their operation.

The statistics relating to PACS released time to time by the office of the Registrar of Cooperation, Meghalaya, hardly useful for any sort of trend analysis. Because, in the first place, it is not known as to how they are arrived at, and secondly the wild variations in them are left unexplained. However, an analysis of the performance of the PACS for the last decade exhibits a slow growth in their performance.

**Table 9: Position of the PACS/SCS\* for the period 1986-87 - 1995-96**  
(Rs. in Lakhs)

<i>Year</i>	<i>Membership (Nos.)</i>	<i>Share Capital</i>	<i>Working Capital</i>
1986-87	73,790	124.65	807.25
1987-88	79,414	130.75	894.89
1988-89	95,406	160.56	1084.14
1989-90	79,054	122.77	2068.79
1990-91	88,495	135.14	1002.08
1991-92	90,495	138.00	906.68
1992-93	97,822	226.36	973.52
1993-94	98,109	230.49	653.11
1994-95	98,493	296.57	524.80
1995-96	1,13,050	517.04	700.38

*Source* : Different issues of Statistical Handbook of Meghalaya.

\*For all these years there were 180 PACS/SCS in the state.

During 1970-71, a total of 1970 persons (members) were organized under 508 PACS. These figures went up to 33,147 persons under 548

PACS during 1974-75, just before the initiation of the reorganization scheme in 1976. During 1990-91, 88,495 members were there under 180 PACS, i.e., 18.24 per cent of the agriculturists (cultivators and agricultural labourers) had been brought into the cooperation movement. During 1995-96, the total membership of the PACS has gone up to 1, 13,050. Calculated on the basis of 1991 population figures, 23.30 per cent of the agriculturists have been brought into the movement during 1995-96. Although a comparison between 1990-91 and 1995-96 positions provides only an approximation, it however shows a positive trend about the performance of the PACS in the state as far as membership is concerned. The average annual rate of growth of membership during 1986-96 has been only 5.37 per cent (Table-9). This, no doubt, indicates very slow progress of the movement during the last decade.

**Table 10: Year-wise position of loans and advances issued by the PACS/SCS during 1986-87 - 1995-96**

(Rs. in Lakhs)

<i>Year</i>	<i>No. of Societies (Nos.)</i>	<i>Loans &amp; Advances During the Year</i>	<i>Amount Outstanding at the end of the year</i>
1986-87	180	198.06	432.06
1987-88	180	61.36	201.02
1988-89	180	58.67	209.66
1989-90	180	391.53	995.00
1990-91	180	136.15	664.46
1991-92	180	378.20	991.74
1992-93	180	353.23	662.33
1993-94	180	224.64	985.70
1994-95	180	280.61	1013.51
1995-96	180	340.96	687.61

*Source* : Different issues of Statistical Handbook of Meghalaya.

Besides membership, the share capital of the PACS has grown annually at the rate of 20.56 per cent on an average (Table-9) and the average annual rate of growth of the working capital amounts to only 5.56 per cent (Table-9). The average annual rate of growth of sales turnover during the decade 1986-96 has been 19.16 per cent (Table-11) and that of loans and advances has been 67.75 per cent (Table-10). All these indicate a tardy progress of the PACS in the state.

Table 11: Sales Turnover of the PACS/SCS During 1986-87 – 1995-96  
(Rs. in Lakhs)

Year	Sales Turnover from			Total
	Agricultural Produce	Consumer Goods	Others	
1986-87	13.97	43.92	40.31	98.20
1987-88	12.76	129.35	2.81	144.92
1988-89	18.68	98.48	14.57	131.73
1989-90	4.70	73.11	2.61	80.42
1990-91	5.44	106.14	3.35	114.93
1991-92	34.20	142.13	-	176.33
1992-93	51.68	326.93	-	378.61
1993-94	143.60	337.60	-	481.20
1994-95	163.60	184.20	-	347.80
1995-96	102.00	70.00	45.20	217.20

Source : Different issues of Statistical Handbook of Meghalaya.

The credit activity of the societies went on smoothly for few years after reorganization. But with the gradual accumulation of overdues at the ultimate borrowers level the flow of credit to the farmers through the societies came to a halt. The government then came up with debt relief scheme and waved the loans. This has helped in reopening the line of fresh credit flow. But again after few years the line of credit flow got choked due to accumulation of overdues. Again government intervention was sought to reopen the line. This has now become a perennial problem and has entangled with the interest of electoral politics. Political parties and aspirant politicians have largely contributed to the growing indiscipline in loan repayment by making promises to help in waving loans on their election.

#### Meghalaya State Cooperative Union: Its Role in the Progress of Cooperative Movement in the state

The Meghalaya State Cooperative Union was registered in 1978 with the following objectives:

- (i) to propagate cooperative principles and ideology for healthy growth of the cooperative movement in the state,
- (ii) to serve as exponent of cooperative opinion and render advice to the government on all matters effecting the movement,

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- (iii) to promote different types of cooperative societies as per the need of the people of the state,
- (iv) to promote and strengthen inter-cooperative relationship and discipline within the same sector of the movement and among different sectors,
- (v) to plan, implement and review education and training activities in the state,
- (vi) to promote studies on cooperation and allied subjects and to carry on research activities relating to the movement;
- (vii) to arrange for the mass education programmes,
- (viii) to publish periodicals, books, booklets, pamphlets, leaflets, teaching aids, educational material and other literature on cooperative and allied subjects,
- (ix) to organize exhibitions, study tours for the promotion and development of the cooperative movement
- (x) to act as information bureau for and on cooperative matters,
- (xi) to run training centres, schools and colleges for cooperative personnel,
- (xii) to convene conferences, seminars, meetings, workshops, fairs, etc.,
- (xiii) to organize cooperative union at the district as well as sub divisional level and to coordinate their activities.

Thus, the Union is viewed to be the brain of the movement - the mind of the mass of cooperators working both at primary and state levels. It is expected to act as the watchdog which will always keep an eye on the day to day running of the movement. The Union is supposed to inject fresh blood into the movement through constant interaction with the cooperators in the field - identifying the drawbacks, searching the means to solve them and prescribing the solutions to the government as well as concerned societies.

Although the Union was registered in 1978, it started functioning only in 1983. All types of cooperative societies in the state are supposed to be the members of the Union. But till now, only 131 members (including 24 individual members) are there in the Union. It has only two zonal offices - one at Shillong and the other at Tura. Apart from publication

of a journal, organizing one or two training courses for the cooperators at the primary level, a few study tours - the Union has largely remained defunct.

It is learnt that the Union receives about Rs.20 lakh annually from the state government under different heads but it has to pay a salary bill to the tune of Rs.27 lakh annually to its more than 50 staffs. It has utterly failed to generate resources by extending its base among the cooperative societies in the state. Since its inception, the Union is running under perpetual financial crisis. While the author visited the office of the Union, it was almost deserted. As the employees are not getting their salaries for last eight months, they hardly have any interest in attending to their duties.

Thus the Union, which is supposed to lead the movement in the state, itself is struggling for its survival.

#### **Meghalaya State Cooperative Marketing and Consumers Federation (Mecofed): Its Role in Marketing Agro-Horticultural Produce of the State**

The Meghalaya State Cooperative Marketing and Consumers Federation Ltd. (MECOFED) was established on 1st July, 1975, after taking over all the assets and liabilities of the erstwhile Assam Hills Cooperative Development Corporation. The main objectives of MECOFED are to organize, promote and develop marketing, processing, storage and sale of agricultural and minor forest produce, and to produce and distribute by sale of consumer goods, agricultural inputs and to assist, aid, guide its affiliated member societies in the state.

The Federation is run by an elected Board of Directors consisting of members of different types of cooperative societies and government no-nines. The Chief Executive of the Federation is the Managing Director and till date all Managing Directors were appointed by the state government on deputation and drawn from the I.A.S. cadre.

The Federation started with initial authorized capital of Rs.5 crore and subsequently enhanced it to Rs.8 crore during 1990-91. The paid up share capital, as on 31 March, 1997, is Rs.688.52 lakh and 99.63 per cent of total share capital is contributed by the state government.

The membership of the Federation consists of state government, PACS, primary and sub-area marketing cooperative societies, consumers and industrial societies, individuals of erstwhile Assam Hills Cooperative

Development Corporation and other types of societies. As on 31 March, 1997, the Federation has a total of 195 members. Besides state government, there are 134 PACS, 25 marketing societies, 15 individual members and 20 other types of societies. All the societies together have contributed only 0.28 per cent of the share capital of the Federation. This, no doubt, indicates a very weak base of the Federation.

At present the activities of the Federation are basically confined to (i) procurement and disposal of agricultural and minor forest produce, (ii) procurement and distribution of inputs like chemical fertilizers and potato seeds, and (iii) procurement and sale of consumer goods.

To undertake the above business, the Federation has set up 6 branch offices and 12 retail outlets throughout the state. It also runs one emporium at Kolkata. It has also constructed storage godowns with financial assistance from National Cooperative Development Corporation (NCDC) at different points with a total capacity of 24,250 M.T.

As far as procurement and sale of agricultural produce are concerned, MECOFED mainly deals in potato, ginger, *tez patta*, broom sticks, jute and mesta, cotton and mustard seeds. Jute and mesta mostly grow in Garo Hills and the Federation has established Jute Bailing Plant at Phulbari, Ampati, Zikzak and Dalu where the raw jute and mesta are bailed before dispatching to the mills outside the state. The cotton and mustard seeds procured by the Federation are ginned and crushed for mustard oil extraction at the Garo Hills Cooperative Cotton Ginning and Oil Mills Ltd., Phulbari. The Federation procures most of the agricultural produce directly from the farmers as well as through the PACS at the village level. It also takes up price support operation for agricultural produces on behalf of the state government in case the market price goes down abnormally below the cost of production level.

However, the procurement capacity of the Federation is far below the amount of marketable surplus of agricultural produce. Moreover, a number of agri-products having marketable surplus are not marketed by the Federation (Table-12). Generally it markets the agri-products through national level cooperatives like National Agricultural Cooperative Marketing Federation (NAFED) and Tribal Cooperative Marketing Development Federation (TRIFED). Since the national marketing cooperatives do not have sustained demand, MECOFED finds it difficult to market the agri-products outside the state.

**Table 12: Production and marketing Surplus of Important Agro-Horticultural Crops in Meghalaya During 1994-95**

<i>Sl. No.</i>	<i>Crops</i>	<i>Units</i>	<i>Production</i>	<i>Estimated Marketable surplus</i>
1.	Cotton	Bales*	5,317	5,100
2.	Jute & Mesta	Bales*	56,694	53,900
3.	Turmeric	M.T.	1,756	1,400
4.	Ginger	M.T.	43,337	39,000
5.	Potato	M.T.	1,21,240	84,900
6.	Pineapple	M.T.	76,888	53,800
7.	Banana	M.T.	60,549	30,349
8.	Misc. Fruits	M.T.	37,124	27,800
9.	Citrus Fruits	M.T.	32,838	26,300
10.	Vegetables	M.T.	68,000	27,200

*Source* : Draft Proposals, Ninth Five Year Plan, Vol. II, Planning deptt. Govt. of Meghalaya.

\*Cotton in Bales of 170 kg each and Jute and Mesta in Bales of 180 kg each.

Although agricultural marketing is one of the main objectives of the MECOFED, its performance in this area is not very commendable. Sale of agricultural produce constituted only 6 per cent of the total turnover of the Federation during 1991-95. The same for the year 1995-96 has been about 18 per cent and about 15 per cent during 1996-97 (Table-13).

**Table 13: Type-wise Sales Turnover of MECOFED**

(Rs. in lakh)

<i>Particulars</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>
Chemical fertilizers	258.25	347.71	410.90
Agricultural Produce	36.06	152.31	121.07
Consumer Goods	270.88	327.31	294.08
<b>Total</b>	<b>565.19</b>	<b>827.33</b>	<b>826.05</b>

*Source* : MECOFED.

Instead of emphasizing the agricultural marketing, the Federation is increasingly involving itself in consumer goods and fertilizer business.

Fertilizers are procured by the Federation directly from the manufacturers and distributed to the farmers through the PACS, private retailers possessing licenses from the agricultural department and through its own retail outlets.

As far as consumer goods business is concerned, the Federation deals in groceries, toiletries, plastic goods exercise books and stationeries. Most of these goods are procured locally from the distributors of different companies and from local traders. Sale of fertilizers and consumer goods contributed 94 per cent of the total turnover of the Federation during 1994-95 and the same has been 82 and 85 per cent for the years 1995-96 and 1996-97 respectively.

The average annual rate of growth of turnover of the Federation during 1993-97 has been only about 7 per cent and that of purchase has been only 6 per cent. This indicates almost a stagnant position in its business. The accumulated loss of the Federation during 1996-97 amounts to more than 12 crore (Table 14). Whatever gross profit the Federation makes in its annual transaction, it has to pay more than double the amount as salary bill to its 193 employees that comes to Rs. 118.89 lakh (1996-97).

**Table 14: Financial Position of Mecofed (1992-93-1996-97)**

(Rs in Lakhs)

<i>Particulars</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i> <i>(9 months)</i>	<i>1995-96</i>	<i>1996-97</i>
Sales turnover	682.01	705.83	565.19	827.33	826.05
Purchase	601.60	587.39	526.29	753.95	708.70
Gross Profit	71.74	80.85	49.14	73.74	71.65
Net Loss	78.52	70.08	39.67	85.15	150.51
Accumulated Loss	858.11	928.19	967.87	1053.02	1203.54
Storage Subsidy received from Govt.	3.25	3.50	3.50	3.50	3.50
Managerial Subsidy from Govt.	13.75	22.37	16.00	23.74	20.00
Godown Subsidy	7.31	-	-	-	-
Govt. Share Capital	22.45	24.51	-	26.50	27.40

Source : MECOFED.

Because of this perpetual financial crisis, the Federation has to frequently fall back upon its working capital in order to pay the

employees which in turn adversely affects its business turnover. As a result, it failed to instill business confidence among its members.

There is hardly any vertical integration between the Federation and the affiliated primary societies. It is learnt that out of 179 affiliated primary societies, only 10 to 12 societies are having regular business with the Federation. Usually the Federation runs its business through its branch offices and retail outlets. As a whole, MECOFED has failed to generate any significant positive cooperative effects in the economy of the state and agricultural marketing through cooperatives still poses to be the most serious problem in the state.

#### **Meghalaya Apex Handloom Weavers and Handicrafts Cooperative Federation (Meghaloom)**

The Meghalaya Apex Handloom Weavers and Handicrafts Cooperative Federation (Meghaloom) was registered in 1982 in order to organize, promote, aid and guide the primary handloom and handicraft societies in the state by way of producing raw materials such as yarns, dyes, chemicals, etc. and supplying them to the affiliated primary societies, purchasing weaving appliances such as looms and accessories for and buying the finished products from the member societies, carrying out inter-state trade in raw materials, undertaking processing activities connected with handloom activities, acting as the central marketing centre of the affiliated societies and render technical guidance and assistance to them to implement improved methods, qualities and design.

The Federation is run by a board of directors, consisting of 15 members. Of them, 5 members are from the primary weaving societies, 3 from other societies, 2 from individual promoters, 3 government officials including the Registrar of Cooperatives or his nominee and the Managing Director of MCAB as well as Meghaloom. Till now, all the office bearers are nominated by the state government.

As on 31 March, 1997, 42 primary weaving societies are affiliated to Meghaloom out of 55 functioning societies in the state. Out of the total number of affiliated societies, 34 are functioning and 8 societies are defunct. However, the figures released by the office of the Registrar of Cooperatives relating to defunct weaving societies does not tally to that collected from Meghaloom. This is indeed a serious problem that a researcher has to face in making an objective assessment of the movement based on data released by the government departments. In most cases, the reliability of such data is not beyond the doubt.

However, besides the weaving societies, 3 primary handicraft societies are also affiliated to Meghaloom.

The paid up share capital of Meghaloom during 1995-96 has been Rs.44.40 lakh. The government contribution to total share capital amounts to 99.54 per cent. This indicates its complete dependence on government. All the affiliated societies together have contributed only 0.42 per cent of the total share capital of Meghaloom which shows their abjectly poor financial base.

Meghaloom is basically dealing with buying and selling business. It purchases yarns in bulk and sells them to the affiliated societies and in turn buys a portion of the produce of the affiliated societies and sells them. For conducting this business, Meghaloom maintains 3 godowns one each at Guwahati, Nongpoh and Tura and runs two sale counters one each at Shillong and Tura.

Although buying and selling of yarns is the major activity of Meghaloom, the volume of this business carried out annually is also not very significant (Table-15). As a result it hardly generates any substantial economies of scale that can make the produce of primary societies competitive in the market.

**Table 15: Trading Position of Meghaloom**

(Rs. in Lakh)

Year	Purchase of Yarn	Sale of Yarn	Net Profit During the year
1990-91	0.23	0.090	0.13
1991-92	0.03	0.005	0.04
1992-93	1.10	0.060	0.10
1993-94	2.77	1.850	0.07
1994-95	2.33	1.460	0.01
1995-96	4.74	3.390	0.09

Source : Meghaloom.

Most of the weavers associated with the primary societies are accustomed with the traditional looms and produce traditional ethno-cultural products like shawl, *gamocho*, bed sheet, curtain, clothes, table mat, *dakmanda* (a piece of cloth used as traditional ladies ware by the Garo women), *jainkyrsha* (traditional ladies ware used by Khasi women) etc. Similarly, the craftsmen associated with the primary handicrafts

societies use to produce traditional craft-goods like bamboo basketry, wood carving products, wooden pipes, spoons, etc. These traditional goods are losing their market with the fast changing consumer's taste and preferences even within the state. Meghaloom neither has the financial strength nor adequate trained manpower to modernize the handloom and handicraft sector so that it can keep pace with the changing market taste and preferences.

Although Meghaloom is making a marginal profit (Table- 15), its rate of return on share capital is almost insignificant.

#### **Meghalaya State Housing Financing Cooperative Society**

The Meghalaya State Housing Financing Cooperative Society was established in 1976. The society started functioning since 1980. The prime objective of the society is to provide financial assistance in the form of loans and advances to primary housing cooperative societies for construction, repair, addition and alteration of houses. The membership of the society is also open to other registered cooperative societies.

The society is managed by a Board of Directors drawn from the primary housing societies, other societies, government officials as well as financing agencies. The Chief Executive, i.e., the Managing Director is a government nominee.

As on 31 March, 1997, 30 primary housing societies are affiliated to this organization. Of them 17 societies are from Khasi Hills, 4 from Jaintia Hills and the rest 9 from Garo Hills. Out of these 30 affiliated societies, 15 are not functioning. All the four societies in Jaintia Hills are defunct. In Khasi Hills, out of 13, 6 societies are not functioning and another 5 societies in Garo Hills are not functioning. This indicates the very weak base of the apex housing society. However, the figures relating to primary societies released by the office of the Registrar of Cooperatives and the same collected from Housing Financing Society do not tally.

At present the authorized capital of the society is fixed at Rs.5 crore. As on 31 July, 1997, the paid up share capital amounts to Rs.72.32 lakh. The contribution of the state government to the total share capital comes to 96. 10 per cent indicating society's complete dependence on the government. Besides share capital participation, the society annually receives some amount from the government by way of managerial

subsidy. Since inception, the society has received Rs. 57.65 lakh as managerial subsidy.

As on 31 July, 1997, the society has a working capital of Rs. 136.77 lakh. As of now, the society has issued loans to the tune of Rs.77.18 lakh to the 14 primary societies involving 263 members. As far as the repayment is concerned, the society could realize 54 per cent of the principal amount and the lion's share of the rest 46 per cent is long overdue. The lack of regular communication between the apex body and the primary societies is acting as a big hurdle against the timely realization of the society's fund. Although the society is making a marginal profit, the rate of return on capital is almost insignificant.

### WEAKNESSES OF THE MOVEMENT

The foregoing discussion although not exhaustive, unfailingly indicates that even after 25 years of planned efforts cooperative movement in the state has failed to take off. At this stage of enquiry, it is neither possible to make an in-depth analysis of the causes of failure of the movement nor it is desirable to make too many inferences about them. A detail survey of the primary societies at the village level can only enable us to make a critical assessment of the movement and in-depth analysis of the causes of its failure.

However, the experience gained from the study of the apex level societies in the state and the trend analysis of the available statistics relating to primary societies reveal certain major trends of weaknesses of the movement. While some of them are part of the general weaknesses of the movement in the country, i.e., they are not in any way unique to the state alone rather unique to the movement across the country, some other, of course, are specific to the state. However, the specificities of general weaknesses are more important and an attempt is made here to outline some of them. The observations made here are tentative in nature and need to be substantiated by further studies.

**1. Lack of spontaneity :** Although cooperation at the social and community level has always been a unique feature of the tribal societies in the state, the modern cooperative movement did not spring from the traditional values of cooperation. While the traditional values of cooperation among the different tribal communities are based on informal reciprocity at the household level, the legal framework of modern cooperative movement is based on the reciprocity at the institutional level. The spontaneity of the movement is, perhaps, lost due to the

failure of the general legal framework in codifying the traditional principles of reciprocity. As a result the movement has been superimposed by the state and it is yet to be internalized by the people. The excessive dependence of the movement on the government is thus obvious.

**2. Excessive Dependence on the Government:** The movement has not only been initiated by the government but it has taken the form of a government department. The cooperators both at the village and apex level always look for government assistance in running their business. The government officials working for the promotion of the movement have utterly failed to propagate the self-help principle of cooperation. The chief executives of most of the state level societies are appointed by the government and all of them exclusively depend on the government contribution to their share capital. As a result, these societies function as almost extended government departments, even in case of the primary societies, which have been brought under the cadre scheme controlled by the department of cooperation the secretaries of these societies are paid from the government coffer, they feel themselves to be the most deprived government employees having very low basic salary scale. This has largely frustrated the cadre scheme which was devised to improve the conditions of the primary societies.

**3. Lack of Funds :** The financial base of both the primary as well as state level societies is very weak. Because of the principle of unlimited liability, the rural rich class hardly associate itself in the primary credit societies. As most of the state level societies completely depend on the government contribution to their share as well as working capital, the financial base of the state and its attitude to cooperation largely determine the flow of fund into this sector. The revenue base of the state is very narrow. About 85 per cent of the budgetary expenditure of the state comes from the centre in the form of grants-in-aid and the state can only cover about 15 per cent from its own revenue. The sectoral allocation of plan outlays shows that cooperative sector has never been treated as priority sector in the state. Four five years plans have been completed since Meghalaya got its statehood. None of the plan has given much importance to the cooperative sector. The share of the cooperative sector to the total plan outlay has steadily declined from 2.43 per cent in the Fifth Plan (1974-79) to 2 per cent in the Sixth Plan (1980-85), 1.24 per cent in the Seventh Plan (1985-90) and to 1.02 per cent in the Eighth (1992-97). In the proposed Ninth Plan (1997-2002)

this share is fixed to 0.89 per cent (Table-16). Thus, in a state like Meghalaya, where the cooperative movement gets its sustenance from the government resources, gradual withdrawal of government support long before the movement takes off may result in the ultimate collapse of the movement.

**Table 16: Sector-wise distribution of Plan Outlays of Meghalaya(%)**

Sl. No.	Sectors	Fifth Plan (1974-79)	Sixth Plan (1980-85)	Seventh Plan (1985-90)	Eighth Plan (1992-97)	Ninth Plan (1997-2002)
1.	Agriculture and allied service	22.10	20.70	18.54	8.63	9.43
2.	Cooperation	2.43	2.00	1.24	1.02	0.89
3.	Irrigation, Flood Control & Power	18.34	18.60	18.89	15.79	15.59
4.	Industry & Minerals	6.10	4.80	4.40	4.57	3.78
5.	Transport and Communications	21.04	21.20	18.18	24.30	21.52
6.	Social & Community Services including Rural Development	17.09	29.20	27.89	31.17	4.16
7.	Economic Services	6.37	0.30	1.72	2.92	2.68
8.	General Services	2.43	3.20	6.49	5.82	2.70
9.	Others	4.10	-	2.65	5.78	3.25
Total		100.00	100.00	100.00	100.00	100.00

Source : Basic Statistics, 1995, and Draft Proposals for Ninth Plan, Vol. I, Govt. of Meghalaya.

**4. Lack of Management Efficiency and Professionalism :** The chief executives of most of the state level societies are appointed by the state government. They are mainly drawn from the retired officials of the department of cooperation as well as from retired government bureaucrats. At times, political considerations in such appointments undermine the efficiency criteria. Of course, the appointment of retired personnel involves less expenditure as far as salary head is concerned, but simultaneously such appointments often fail to bring the necessary drive, innovation, initiative and professionalism without which the societies become handicap to face the tremendous challenge in building up the movement. Moreover, the *ad hoc* nature of such appointments and consequent frequent change of the chief executives have largely engulfed the movement into *ad hocism*.

As far as the primary societies are concerned, the secretaries of the societies under the cadre scheme have to undergo training programme conducted by the government run Cooperative Training Institute in order to improve their managerial efficiency. The Training Institute conducts Junior Basic Certificate Course of 6 months' duration for the cooperators associated with the department of cooperation, Certificate Course for cadre secretaries of 3 months, duration and Management Course for office bearers of the primary level societies of 2 weeks' duration. The Institute has adapted the curricula of the National Cooperative Union of India for all these courses. The course materials of these training mainly deal with the legal aspects of the cooperative societies. The Institute does not have trained manpower to conduct business specific training to the cooperators associated with different business specific societies. As a result, the training imparted to the secretaries hardly helps them in the promotion of their business conditions as well as market competitiveness.

**5. Very Weak Vertical Linkage :** The weak vertical linkage between the state level societies and the primary level societies affiliated to them seems to be a major structural problem for the healthy growth of the movement in the state. As far as the societies under cadre scheme are concerned, their performance is supervised by the Cadre Management Society but they do not have any business dealings with it. The PACS are affiliated to MECOFED and they buy agricultural inputs and consumer-goods from it and market their produce through it. But MECOFED has no control over the PACS and it cannot take any measures against the non-performing primary societies. Similarly, the primary weaving societies under the cadre scheme are controlled by the Cadre Management Society but they do business with Meghaloom. Meghaloom without any controlling power, hardly can do anything against the non-performing primary weaving societies. Thus there is a need to link the cadre scheme with the level of performance. Moreover, most of the affiliated societies hardly take any interest in running the business of their respective apex bodies. The organic vertical linkage between them is a necessary condition for the growth of the movement which is yet to be established.

**6. Faulty Re-organization :** The programme of re-organization of the PACS undertaken during 1976-77 had laid too much emphasis on the viability criteria that appeared to have undermined the principle of homogeneity in forming the co-operative society. Customs, traditions,

clan lineage, etc., vary from village to village among the tribal communities in the state. Fixation of a minimum 500 members criterion for a viable society and consequent amalgamation of a number of small societies into one have drawn different villages under one society irrespective of their differences at the cultural plane and clan loyalty. This has led to the growth of diversity of interest and heterogeneity of purpose and thereby has shaken the mutual confidence among the members. As a result the re-organization could hardly improve the overall functioning of the PACS. Many of them do exist only on paper.

**7. Weak Forward Linkage :** The softest point of the cooperation movement in the state is very weak forward linkage between production and marketing. While a considerable amount of marketable surplus is generated in agro-horticultural produce, the problem of marketing of such produce is acting as a disincentive to the growers. The failure of MECOFED as well as other primary marketing societies to market them is ultimately helping the private traders to appropriate large part of surplus by way of unequal exchange. This in turn substantially reduces the loan repayment capacity of the members of primary societies leading to the ever mounting volume of outstanding against the society loans to this sector.

**8. Traditional Land Tenure System :** The traditional land tenure systems of the different tribal groups in the state are full of ambiguities in relation to ownership, control and occupancy rights over land. So far neither any cadastral survey has been undertaken nor any effective attempt has been made in order to codify the traditional customs in order to clearly define the concepts of ownership, control and occupancy rights. There exists multiple authority of public land. Private land is largely owned clan-wise where individual occupancy is recognized. Because of the complicated land tenure system, most of the cultivators do not have any legal land ownership documents. As a result, it is very difficult to use land as mortgage for getting loans from banks. In fact, the security structure of banks does not correspond to the traditional land ownership pattern of the tribal societies that stands on the way of free credit flow to agriculture and allied sectors.

**9. Non-Correspondence Between Cooperative Democracy and Tribal Democracy:** The principles of cooperative democracy hardly take into confidence the institutions of tribal democracy that mobilize and control peoples' initiative at different levels. In the Khasi society, the institutions like village Durbar and village headman, Durbar Raid and

the office of Basan or Lyngdoh or Sirdar, Durbar Hima and the office of the Syiem play the pivotal role in the management of community life at village, Raid and Syiemship levels respectively. Similarly, among the Jaintias, the office of the village headman and Doloi and among the Garos the office of the Nokma use to play crucial roles in the management of the Jaintia and Garo societies respectively. These traditional institutions use to mobilize resources in order to undertake activities of common interest like village sanitation, water supply, health, roads, education, etc. They lead the people at the local level, speak for their people and protect the collective interest of the people. Unless these traditional institutions are accommodated and allowed to play their due role in the cooperative movement, the spontaneity will remain a far cry.

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