

CHAPTER. _ II

REVIEW OF THE RELATED LITERATURE

: CHAPTER - II :

REVIEW OF THE CO-OPERATIVE PRINCIPLES AND MOVEMENT :

I) Co-Operation Defined :-

The term Co-operation has been defined by various writers in their own way. Though couched in different words, the various definitions throw light on the essentials of Co-operative activity.

Paul Lambert defines a Co-operative Society as " An enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and community as a whole." 1

According to H. Calvert " Co-operation is a form of Organisation in which the persons voluntarily associate together on the basis of equality for the promotion of their economic interests." 2

These two definitions are sufficient to bring out the salient features of Co-operative organisation. The enterprise is owned and managed by the Co-operators themselves. It has democratic basis and service objective. It is an organisation of men rather than money, and intends to remove economic weaknesses of the people through mutual help.

II) Brief Review of Co-operative Principles :-

"The principles of Co-operation are normally traced to Rochdale pioneers who established their equitable society in 1884,

though their origin goes back to Robert Owen and Dr. William Kind of Brighton and to some of the utopian socialists. The Co-operative principles, though revolutionary in character, were never stridently announced from the pulpit or the platform and though of deep Philosophical importance, they were not enunciated in any weighty tone of learned Philosopher. They were simply the rules of the business recorded in the proceedings of a small consumer society of handful of weavers who came together for providing common mutual services. But herein lies the secret of the profound combination of vision and realism in the principle of Co-operation when seen together as a totality.

More than a century has elapsed since the principles were first enunciated. through the years have been examined and commented upon, refurbished and refurnished, but their original statement remains almost unaltered in all the essential aspects." 3

Three Principles Have Come to be Known as " ROCHDALE PRINCIPLES".

They had been clearly formulated and had universal applications. These principles are as follows

- 1) Democratic control.
- 2) Open membership.
- 3) Limited interest on capital.

- 4) Patronage dividend.
- 5) Cash tradings.
- 6) Political and religious neutrality.
- 7) Promotion of education.

Schultze Delitzsch System : -

Under which Herr Schultze of Delitzsch of Germany started town banks to serve the needs of small traders, artisans and middle class people in town. The principles enunciated were as given below.

- 1) Self-help (with exclusion of any outside help, private or Public).
- 2) Large territory of operation.
- 3) Division of surplus in proportion to operations.
- 4) High interest on shares to attract large subscription of shares.
- 5) Limited Liability of members.
- 6) Business specialisation.
- 7) Allocation of 10% of surplus to reserves.

Raiffeisen System :-

Under which agricultural societies were started by Von Raiffeisen, the Burgomaster of Weyerbusch (Germany) in 1882, to

protect the farmers from the clutches of the money-lenders.
The principles followed by Raiffesien Societies were fallow.

- 1) Self help.
- 2) Limited area.
- 3) Allocation of entire surplus to indivisible reserves.
- 4) Membership without subscription of shares.
- 5) Unlimited liability of members.
- 6) Limitation of the business to members only.
- 7) Voluntary work by board members.

It may be noted that all these three systems have some common features. According to "Davidovic George," they are all actually based on the same principles-Voluntary association of people having common needs and interest.⁴

In the early thirties, doubts began to be expressed whether these principles hold good in the changing times, with advanced technology, hence a special committee was set-up by the international Co-operative Alliance (I.C.A.) to examine and formulate the principles of Co-operation in 1937. The Paris Congress of 1937 of the I.C.A. considered the Report of the committee and finally approved of four principles as essential conditions of membership of I.C.A.

- 1) Open membership.
- 2) Democratic control.
- 3) Dividend on purchase.
- 4) Limited interest on capital.

5)

The other three were :-

- 1) Political and religious neutrality.
- 2) Cash trading.
- 3) Promotion of education were considered not obligatory.

This classification did not find favour with either the capitalists or the socialists because they were considered to be unrealistic and even outdated in the changing world.

Thus world Co-operative movement is confronted with an organisational revolution, a technological revolution and ideological revolution. It was the task of the commission to examine how the Co-operative principles could be redefined so as to make them applicable to the new world. A world where there are countries with different standard of technology and scientific development and also with different economic systems like capitalism, socialism, and mixed economy etc.

The composition of the commission itself represented the ideological and technological spectrum of the new world to which

the Co-operative principles had to be applied. The commission consisted of five persons and its composition represented a balance between the affluent countries of the west and the poor and developing countries of the east.

The commission went in to the whole question and attempted a new statement of the Co-operative principles, in presenting a unanimous report to the Vienna Congress of the I.C.A. held in 1966 and getting its unanimous approval, the commission did a near miracle in formulating these principles in such a way, as to make them acceptable to the countries with different standards of technology and ideology. The commission's report underlined the point that their endeavours brought out the essential soundness of the Rochdale formulation; for what their report attempts is not a wholesale rejection of the Co-operative principles but their refurnishing and refurbishing so that they shine with a new luster in the contemporary world and the I.C.A. considered these principles as "essential to genuine and effective Co-operative practice"⁵

This Commission Laid Down the Following Basic Principles in its Report Published in 1966 :-

- 1) "Voluntary and open membership"
- 2) Democratic control.
- 3) Limited interest on capital.
- 4) Equitable distribution of surplus of patronage dividend.

- 5) Co-operative education.
- 6) Co-operation among Co-operatives.

I.C.A. considered above principles as " essential to genuine and effective Co-operative practice.

Other Principles Stated by I.C.A. Commission as Below :-

- 1) Self help and mutual help.
- 2) A sprit of service or non profit motive.
- 3) Principle of thrift.
- 4) Principle of publicity.
- 5) Principle of honest trading.

The Role of Co-operation in Economic Development; and Govt.

Efforts to Strengthen Co-operative Movement Among the SC/ST

People since 1951 :-

The directive principles of state policy as embodied in Article 46 of our constitution lays down that the state shall promote, with special care, the educational and economical interests of the weaker sections of the community, in particular of the sheduled castes and scheduled tribes; and shall protect them from injustice and all forms of exploitation. The number of these people who warrant special protection under this directive principle laiddown in Article 46 is very huge in itself.

rehabilitation of these can be accelerated and sustained only through Co-operation.

The Role of Co-Operation :-

Since the birth of the International Co-operative movement and almost until the Second World War, the Co-operative activity was considered narrowly as a means to uplift the weakerman in his economic activity. This outlook has undergone a change and, without denying the basic role of a Co-operative activity, it has been assigned a wider role in the circumstances after the Second World War programmes of economic development of the countries in the third world recognised the utility and importance of the Co-operatives in the process of rural development particularly.

The emergence of Co-operation in a new role as a development instrument was recognised by the I.L.O. in 1966.

The I.L.O. held that the establishment and growth of Co-operatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries more specially, it urged the development of Co-operation for the following objectives.⁶

- a) Improving the economic, social and cultural status of persons of limited resources and opportunities as well as encouraging their spirit of initiative.

- b) Increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit.
- c) Contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus.
- d) Increasing national income and employment by fuller utilisation of resources.
- e) Improving social conditions and supplementing social services.

The Role of Co-operation Defined in the Third Plan :-

The role of Co-operation has been very aptly defined in the third plan as :-

"In a country whose economic structure has its roots in the village, Co-operation is something more than a series of activities organised on Co-operative lines, basically its purpose is to evolve a scheme of Co-operative community. Organisation which touches up on all aspects of life: within the rural economy, in particular, Co-operation is the primary means for raising the level of productivity, extending improvements in technology and expanding employment so as to secure the basic necessities for every member of the community. The influence of Co-operation extends far beyond the particular activities organised on Co-operative lines, and gives to the social structure and national

economy balance, direction and sense of values"7

Appointment of Study Groups By the Central Government :-

Bhargava Committee 1961 :-

Union Ministry of Home Affairs set-up a special working group under the chairmanship of Mr. M.P. Bhargava in June, 1961 to study the progress of the backward classes and specially the scheduled tribes, in the field of Co-operation during the first and second plan period and to suggest measures for further improvement in this direction during the third and the following plans :

The following terms of reference were given to the group for consideration and report :-

- 1) To examine the extent to which the backward classes generally, and the scheduled tribes in particular have benefited from the development of the Co-operative movement during the first and second year plans;
- 2) To consider as to how backward classes can be enabled to derive full advantage from the development of Co-operation under the third five year plan : In particular, to suggest any special type of Co-operative organisation, and any amendment of the normal rules, bye-laws, and orders in

respect of subsidy etc, that may be necessary to enable the tribal population, and the other backward classes to improve their economic condition and social life.

- 3) To make recommendations about special assistance to be provided from the Ministry of Home Affairs for the welfare of backward classes to supplement provision from the general allocation for Co-operation.

Recommendations of The Study Group :-

With the experience gained during the period of first and second five year plans and after a detailed study of all the problems the special working group proceeded to make recommendations and suggestions and to point out certain measures necessary for achieving the objectives embodied in the directive principles of the constitution and for making a real impact on the tribal economy.

The Co-operative schemes and activities which attracted the attention of the working group during its tour of the different areas for study in particular were :- Forest labour Co-operatives of Gujarat and Maharashtra; the Andhra Pradesh tribal Co-operative development and finance corporation; the Grain goals of Orissa and the Grain banks of Maharashtra; the Cocoon growers Co-operative societies of M.P.

According to the study group the many factors that have led to the slow and lopsided development of Co-operation among the tribal folks, may be mentioned structural weakness, operational defects, management problems, faulty procedures, slack supervision, slowly flowing credit, etc. But all the same, a good deal of experience both positive and negative, has been gained during this period.

Suggestions and Recommendations of the Study Group :-

"Co-operatives for the scheduled Tribes *

- 1) At the primary level an integrated service Co-operative with a minimum of hundred members should be organised at the hat centre. It should provide grain loans, cast-loans, marketing facilities to all its members, thereby rendering partially all the services which are being rendered at present by the petty traders and money lenders in village.
- 2) Under a phased programme by the end of the third plan at least 60% tribal population should be covered by such Co-operatives.
- 3) The value of share in such a society should be fixed both in kind as well as in the Cash, maximum credit limit of a member should be determined to some multiple of either the

grain share of cash share held by him in the society. The minimum grain share may be atleast one maund of grain, interest rate on grain should not be initially more than 25% and value of cash share should not be more than 10%.

- 4) This society should act as an agent of nearby marketing society for making outright purchase of tribals produce.
- 5) Essential consumer goods such as salt, edibles, Kerosene Oil, matches, gur, tea, etc; should also be sold by this primary society and sales may be made both on cash or against barter of their produce.
- 6) Existing societies should be reorganised as indicated above and those not fit for revitalisation should be wound up and their membership transferred to the new societies.
- 7) Existing marketing societies in tribal areas should also be like wise reorganised and remodelled and equipped to render all possible assistance to the members in marketing of their produce these may also be allowed to make outright purchases these should cater to production requirements and agricultural implements of the service Co-operatives.
- 8) In states with a tribal population exceeding 10 lacks separate regional marketing societies affiliated to apex societies should be set-up.

- 9) The regional marketing society or the separate wing of marketing society should confine its activity to blocks with substantial tribal population and should lend administrative, technical and financial support to primary Co-operative marketing societies in the agricultural and forest produce.

Undertake commodity studies, secure and build up the expert advice and make the experience available to the primary marketing societies!

'Effect Co-ordination among primary marketing societies!'

- 10) To safe-guard the interest of the tribal in the marketing of commodities involving interstate and export trade and for lending support to the regional marketing societies, a National Corporation for Co-operative development for tribal areas be established and it should have promotional,

developmental, financial and commercial functions. The corporation should work only through regional Co-operative marketing societies but where these do not exist the corporation should assist their formation. It should provide marketing intelligence to regional Co-operative marketing societies and train their staff in business methods. To begin with, corporation should be registered as a private limited company and eventually be converted into a national apex organisation of regional societies.

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