

" Ideals are like the stars. We never reach them, but like the mariners on the sea, we chart our course by them. "

- C. Schurz -

CHAPTER II

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PHILOSOPHY OF COOPERATION.

We find, primarily 3 kinds of enterprises viz, Private, Public and Cooperative. These enterprises are based on three different economic principles. The Private enterprises are based on Capitalism, Public enterprises on Socialism while cooperative enterprises on Cooperative principles. These three kinds of enterprises have their own specialities, while they may have their pros and cons.

In Capitalism, individual profits is the main aim and has great importance. 'Survival of the fittest' is the rule of this system and hence relations between various elements of society are always tense and threatened. In Capitalism, competition, exploitation and excess profit are the normal features. Capital overpowers man and naturally money concentrates in the hands of very few people. Consequently money and power are combined to rule the society.

The picture is quite different in Socialism. There is no private ownership, on the contrary it is governed by society or the state. The powers are in the hands of the state. There is no private profit or individual freedom. State is the supreme authority and individual person is less important. Thus in Socialism, there is a kind of compulsion to achieve targets laid down by the state for which any means can be utilised.

Till today, the world had been divided into these two kinds of systems. However, in both of these systems, there have been vital defects. In Capitalism, there is exploitation and concentration of capital, while in Socialism individual freedom suffers very much. Therefore, cooperation is such a system which incorporates combination of many good aspects of the other two

systems.

Cooperation aims at total change in social structure. There is individual freedom as well as state control. The chief characteristics of this system is that the whole economic system is governed by those who work in the organisation. Moreover, it is totally based on the principle of democracy. In Cooperation, many weak people can come together and work to make themselves economically strong and stable. In a way, Cooperative system is an economic movement.

It can be called as moderate path of achieving economic development. This system is such a one that does not follow extreme principles of other economic systems. So, Cooperation may be considered as a sound economic system by both developing as well as under-developed countries. Cooperation can give the world a new philosophy and a new view to look at the economic problems of the society.

Definitions

The word 'Cooperation' in the general sense of the term, as used in common parlance or as understood loosely, stands for the idea of 'Living together and working together'. Many thinkers have tried to define Cooperation, but we hardly find any resemblances between any two of the definitions. Every definition appears to be different. Moreover, not a single definition contains all the aspects of Cooperative ideology.

The reasons for the differences in the definitions may be due to the fact that, the cooperative movement has been developed in different countries in different social and economic conditions and hence various definitions reflect those circumstances in them. One more reason for the variation is that, in some countries Cooperation is supported by the government itself, in some

countries, the government has been a partner of it and in some countries Cooperation has been taken as the means of economic planning of the country.

1. Holyoake *"Cooperation is a voluntary concept with equitable participation and control among all concerned in any enterprise."*

This definition points out the defects in the economic system during and after industrial revolution, particularly the defects in the capitalistic system. This definition reflects the suppressed feelings of the poor workers.

2. C.R.Fay *"A cooperative society is an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all, who are prepared to assume the duties of membership, may share in it, rewards, in proportion, the degree in which they make use of their associates".*

The definition seems to be unbalanced one since, this does not speak about voluntary aspect, which has the great importance in Cooperation. Moreover, this definition seems to be related with societies which had come into existence for joint trading.

3. R. Philips *"The cooperative association is an association of firms or households for business purposes, an economic institution through which economic activity is conducted in the pursuit of economic objectives".*

The economic motive in Cooperation has been stressed more in this definition. Cooperative organisation is concerned as an economic institution with economic motive is considered to be the only motive of Cooperation. This definition neglects some of the basic principles of Cooperation such as to help each other to create opportunities for the weak to progress.

4. H. Calvert - *"Cooperation is a form of an organisation wherein persons voluntarily associate together as human beings, on a basis of equality for the promotion of the economic interest of themselves"*.

This definition attempted to contain many important aspects of Cooperation. The deficiencies of this definition are, that the interests other than economic interests are not considered. The definition considers the economic interests of members only, whereas, in any Cooperative society, the interests of the society is also equally important.

5. Paul Lambert - *" A Cooperative society is 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 the community as a whole."*

This definition seems to be more comprehensive than the previous definitions. The special aspect of this definition is that it stresses the point that Cooperative society serves both its own members and community as a whole and the principle of democracy can be applied to it. Therefore, this definition is widely accepted.

Others like Lois, W.P. Watkins, E.H. Hough and V.L. Mehta have also given various definitions but they stressed one or other aspects of Cooperation and hence they can not be considered as comprehensive definitions of Cooperation.

Nature of Cooperative Principles

All the different types of societies in past, which were working on Cooperative basis, adopted certain rules. These rules were applied to all Cooperative organisations of different countries and under different sectors of economic life and under

different situations. These rules were generalised and eventually broadened into the principles of Cooperation.

For a statement to be a principle it must have three distinguishing characteristics -

- 1) It must state basic or essential facts.
- 2) It must be a systematic statement of facts
- 3) It must have certain amount of universality.

Some principles are called "Moral principles" in the sense that they are statements of universal basic values which are a guide to human conduct. On the other hand, statements made on process of observation and logical analysis are called as "Scientific principles". Such principles are positive statements with predictive values. Both of these kinds of principles have a universal validity. Scientific principles could be divided into natural sciences principles and social sciences principles.

Cooperative principles are based on certain moral values or certain ideals. They are aimed at the realisation of certain moral values of life, but they themselves are not values or ideals. The Cooperative principles simply describe the essential characteristic features of a Cooperative organisation. In other words, the Cooperative principles define the Cooperative form of organisation.

Broadly there are three types of Cooperative systems,

- 1) The Rochdale system
- 2) The Raiffeisen system and
- 3) The Schulze Delitzch system.

Though a Cooperative organisation is based on any one of the above system, it follows some special principles. Generally the principles laid down by Rochdale Pioneers in the middle of 19th century are followed everywhere.

Following principles are considered to be the important principles of Cooperation.

1. Universality : [Open membership]

Any person who is ready to shoulder the responsibilities and duties of a Cooperative society can become the member of the society. Membership can not be denied on the basis of cast, creed, colour and religion. However, it is not open membership in the real sense of the term. A person must fulfil the conditions of that particular society and it is expected that the members of such society should work in view of the benefits of the society and other members.

2. Democratic Control :

The working of any Cooperative society is carried by its members. All members are treated equally and the members are not distinguished according to cast, creed, colour, religion and financial condition. Every member enjoys equal rights. Every member has a right to vote. In every society, assembly of all the members is considered to be the supreme body.

3. Cooperative Education :

Everyone connected with Cooperation must have sound knowledge of the Cooperative, so it is important that the members, officials, servants and the people at large must get Cooperative education.

4. Political and Religious Neutrality :

The Cooperative organisation is considered as neutral. However, a member or members may belong to any political party. It is considered that any Cooperative organisation should keep itself away from any political party or religious group. [However, in practice, this is not followed strictly].

5. Liberty :

Everyone has liberty to become a member of an organisation or to continue it. In Cooperation 'each for all and all for each' is the objective and hence there is no place for compulsion. [There are differences of opinion on this principle].

6. Limited Interest On Capital :

The principle aim of a Cooperative organisation is not to make profits, but to make economic uplift of its members. It should utilise the excess income for the benefit of members. It means that the organisation should keep aside some profit to face the difficulties in future, or to give more service to its members or to give more interest [under specific rules and conditions] on the share capital.

7. Publicity :

No secrecy is observed for any transactions or activity in Cooperation. The accounts of the organisation, its working and its progress etc. are always made public.

Besides the above, following principles are also needed in Cooperation. [1] Thrift, [2] Service, [3] Equity, [4] Unity and Fraternity, [5] Honest trading, [6] Honorary service and [7] Social ownership.

The above principles are practiced everywhere. Today they have become part and parcel of all the Cooperative activities all over the world.

Reformulation of the Principles :

Cooperation is a movement. The principles of Cooperation guide, in what direction this movement should grow or progress. However, there are differences of opinions about their practical applications and meaning. Sometimes they do not come into practice as they are. They change according to various conditions. These

principles of cooperation are also elastic while they are to be applied.

If we look at the history of cooperation, we find that these principles have been altered from time to time according to circumstances. For example, take the principle of democracy. It is not possible to apply this principle because as long as members can not take part in the working of the organisation, the principle is meaningless. The members of many cooperative societies do not attend general body meetings even for years, sometimes he can not afford to bear the expenses of attending such a meeting. In this situation the principle of democracy is void.

As the cooperative movement progressed the principles were slightly changed and rearranged in 1934. The International Cooperative Alliance appointed a sub-committee and it stated some very important and some less important principles. In 1966 the commission gave its report and stated the principles distinctly.

It is clear, therefore, it is difficult to apply and follow all the principles of cooperation day to day. It is necessary to reformulate these principles as the social and economic conditions change. And it can be said, for the healthy development of cooperation the reformulation is essential and which explains the very existence of the movement.

Evolution of Cooperative Movement.

The origin of cooperation finds its roots in the first appearance of human society. Social structure and the very existence of society is impossible without cooperation. Today's economic development and social progress is the fruit of cooperation.

If we look at the ancient social framework, we find that cooperation had been given great importance. The rural life in

ancient India was completely based upon cooperation. The feelings of cooperation in the ancient joint family institutions may be considered as the roots of modern system of cooperation.

Rochdale Pioneers started a consumer cooperative store at Todd lane, Rochdale, Lancashire, North England on 24th October, 1844. This event marked the birth of the cooperative movement. In modern times, the cooperative movement began after the industrial revolution in England in the real sense.

The backlashes of industrial revolution were, increased working hours, poor wages, scarcity of essential commodities, adulteration of food grains, rising cost of living, unemployment, concentration of money and poverty of masses. Many such problems made common man's life difficult and miserable. This gave rise to alternative economic system of cooperation. Thinkers put forward the principles of cooperation as a solution to these problems, the poor found monetary gain in the system while the idealists found a new hope for new society to come into existence.

The cooperative organisations started with consumer business, then spread rapidly to other fields of economic activities and to countries beyond the English channel and later to the 'New World' and then to countries of Asia and Africa.

Among the various sectors of economic life, where cooperation developed, were agricultural credit, marketing, processing etc. If historically, consumer and agricultural producer cooperatives have been the two major streams of the cooperative movement, a comparatively minor and yet distinct stream of cooperative movement has been that of industrial cooperatives. If the distinct contribution of England and Sweden was consumer cooperatives, the agricultural producer cooperatives was a distinct contribution of Germany and Denmark, whereas



industrial cooperatives was a distinct achievement of France.

In all, this worldwide evolution of the cooperative movement, we find one common factor. It is comparatively the weaker people who came together for organising certain services.

The theory underlying cooperation is that, the weak individuals are enabled to improve their individual productive capacity and consequently their moral and material position by combining among themselves and bringing into this combination, a moral effort.

The historic vindication of the cooperative movement has been that, it was "the shield of the weak and not the sword of the strong".

Rise of Cooperative Movement in India

In the nineteenth century it was one of the instruments of economic policies adopted by the then British government to solve the rural economic problems i.e. low productivity of agricultural indebtedness and poverty of farmer community. It initiated the process of developing the rural economy through the establishment of primary agricultural cooperative credit societies, consumer cooperative societies and multipurpose societies.

The cooperative movement was imposed upon the people by the government. However, the movement created sufficient infrastructure in the rural areas and it helped a lot in creating the well built, three tier cooperative credit structure in rural India. It was particularly during the planned period, that the cooperative movement could get a grip in the field of agricultural credit and could strengthen the agro-based industrial sector of marketing agricultural products inputs, processing of agricultural commodities like sugarcane, cotton, jute etc. Thus the spread of

cooperative movement in the agro-industrial sector could give more scope to farming community for enhancing the level of income during the planned period.

The cooperative sugar industry, particularly in Maharashtra state is one of the biggest cooperative processing industries, which is functioning as growth centre for rural development. The cooperative sugar factories not only function as an instrument for raising the agricultural output but also help in developing the whole region through the activities like production of by-products like alcohol, liquor, paper, poultry, animal feed etc.

It is surprising to note that during the second planned period, the sugar industry was located mainly in northern India i.e. mainly in Bihar and Uttar Pradesh. At that time these states were ahead of Maharashtra regarding sugar production. Maharashtra state at that time [1960] had a small share of 17.3 percent of the total production in India.

At present the situation has changed to such an extent that the contribution of Maharashtra state in sugar production accounted for the highest percentage [42%] out of the total 96 sugar factories in Maharashtra, nearly 92 factories are in the cooperative sector as in 1989-90.