

CHAPTER II

CO-OPERATION -- A BRIEF REVIEW

INTRODUCTION :

India is one country, where tradition of co-operatives is not only the longest among the developing countries, but the range and coverage of co-operatives are also the widest. The advent of planning with its moorings in democracy and socialism, the thrust on growth with social justice and adoption of socialistic pattern of society have added a new significance, dimension and positive role to co-operatives in supporting the farmers, the worker, the artisan and the consumer.

WHY CO-OPERATION ?

Co-operatives offer a countervailing force against the exploitative propensities that develop in the economy and thus protect and promote the interests of the weaker sections.

In India there is predominance of weak economic units in almost all facets of economy particularly in agriculture where 80 per cent of the farmers are small and marginal. These small and weak units are not able to earn adequate income because of their smallness of size. Thus, there is a vast potential for co-operative effort in this country.

One of the reasons why these weak units persist to be weak is that they pursue their activities on the basis of traditional backward lines. But once they combine together into a co-operative, their skill of operations increases and they are obliged to make use of modern methods of production which in

turn raises their productivity, their incomes and their well-being. Co-operative, will therefore, enable them to acquire necessary skills in modern management.

Co-operative being an institution organised for the welfare of the poor sections of the society, fulfill the social responsibility vis-a-vis other institutions. It is said that co-operatives create assets out the nothing.

GENESIS OF THE CO-OPERATIVE MOVEMENT :

Co-operation means working together. The principle of co-operation is as old as human society. It is truly the basis of domestic and social life. What is known as co-operative effort is ultimately the group instinct in man which enable him to live together, work together and help each other in times of stress and strain. Unconsciously the principle has always penetrated the life of man. The history of modern civilization is, in fact, the history of co-operation, for without it social and economic progress would have been might impossible. Therefore, co-operation is to be considered as an important aspect of economic life. There is no better substitution for co-operation as a way of organising economic activity in the field of agriculture, industry, banking etc.

In 1876, J.S. Mill. in his ' Principles of Political Economy ' that, " co-operation is the noblest ideal. It transforms human life from a conflict of classes struggling for opposite interests to a friendly rivalry in the pursuit of the common good of life ".¹

Charles Gide noted French Economist has stated that,
 " Competition is essentially a kind of warfare which means the triumph of the strong and ruin of the weak ", while
 " co-operation means nothing less than an economic system destined to supersede capitalism by mutual aid ". ²

In the modern technical sense the genesis of co-operative movement and its application in the economic field can be traced to the period after the Industrial Revolution in England. Co-operation as is understood today, particularly, as an economic system, was born as peaceful reaction against the mercantile economy and Industrial Revolution which had resulted concentration of wealth, mass-poverty and degradation in a word ' decay of men '.

Co-operation as a new philosophy, therefore, developed as a result against capitalism and irrational inequality the bane of capitalism. Edwin. G. Nourse has stated that the co-operative movement grew out of the circumstances of the Industrial Revolution and was a reaction against early abuses or atleast regours of the Capitalist Industrial System " . ³

Although the ideas of the co-operative movement are basically the same all over the world, its form and content vary from country to country. Co-operative organisations were formed in different countries among people with different economic interests and for performing different economic functions. Everywhere, however, it originated as a defensive bulwork against exploitation of the weak by those in a stronger economic position.

GROWTH OF CO-OPERATIVE MOVEMENT IN INDIA :

In India the principles of co-operation were in practice in its wider sense, from times immemorial. The villages have through out the ages worked together on an informal co-operative basis with regard to their religious, social and cultural life. The co-operative element in the community life in India was represented by the joint-family system. The spirit of various communities in India was almost entirely co-operative. The thought of natural aid and common social wealth is found in Indian religious books.

The ancient Indian Scripture, the Reg Veda, states ;

" May you all have a common purpose
may you hearts be in unison
may you all be the same mind
so that you can do work efficiently well." 4

The Arthashastra of Kautilya, provides that, " Whoever stays away from any kind of co-operative undertaking shall send his servants to carry on the work, shall have a share in the expenditure but non in the profits. " 5

Towards the end of the last century, the peasantry was in the grip of the sahuakar and the rural debt was mounting. The condition of the agriculturists was really deplorable. The joint-family system was breaking down. As a result of increase in population and the absence of rapid industrialization, more and more people depended upon agriculture resulting in excessive pressure on land. The land got increasingly divided and subdivided. Farmers who were

once prosperous become petty peasants with tiny holdings and some were finally reduced to the status of landless labourers. They were in the clutches of the money lenders. Rural debt was mounting. Under all such conditions the government of India felt that the farmer could be helped through some type of co-operative effort.-

The Land Improvement Act of 1883 and the Agriculturists Loans Act of 1884 as well as other relief measures were found to be highly incommensurate in coping with the stupendous and complex problem of rural indebtedness. The Famine Commission of 1901 remarked, " We, therefore, think that the time for palliative measures has passed." ⁶ The appalling and distressing conditions of the downtrodden peasantry called for more radical and revolutionary remedies.

The Government of Madras in 1882 deputed Sir Frederick Nicholson to probe into the possibility of introducing land and agricultural banks in that province. Mr. Duperness of Indian Civil Service, after a careful study of the problem, began to experiment with the Village Banks in U.P. and published an interesting and suggestive book entitled, 'People's Bank for Northern India '. These came to the notice of the Government of India in 1900 and became the basis for the Bill, passed into Law in 1904, as the Co-operative Credit Societies Act.

The Co-operatives in India received a real fillip at the beginning of the planning era. The credit for this should go to the All India Rural Credit Survey Committee, appointed in

1951, under the Chairmanship of Gorwala, which submitted its report in 1954. The Committee found that, " at the rural base no form of credit organisation will be suitable except the co-operative society. Co-operation has failed but co-operation must succeed. The foremost objective of policy then becomes the positive and deliberate creaction of conditions on which co-operative credit will have a reasonable chance of success. " 7 Among other recommendations the Committee's Scheme of " Integrated Rural Credit Scheme " is commendable and paved the way for the growth of agricultural co-operatives in India.

A number of Committees were appointed after the Survey Committee, to go into the question of the co-operatives, particularly in the rural sector. Some of these are; Committee on Co-operation (1958), The All India Rural Credit Review Committee (1966), The Banking Commission (1972), Study Team on Overdues (1974), Committee on Land Development Banks (1974), Committee on Integration of Co-operation Credit Institutions (1975), Committee on Urban Co-operative Banks (1978), Committee on Institutional Credit and Rural Development (1981) etc.

DEFINITION OF CO-OPERATION :

The concept and meaning of co-operation has been given by utopian socialists, religious-thinkers, sociologists, economists and reformists in their own way in the context of the circumstances prevelent in their respective countries and times. Some of these definitions are ;

1. Holyoake defined Co-operation " as a voluntary concert,

with equitable participation and control among all concerned in any enterprise " 8

2. According to C.R. Fay, " A Co-operative 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 its rewards, in proportion to the degree in which they make use of their association. " 9
3. R. Philips defined a co-operative association as, " an association of firms or households for business purposes - an economic institution through which economic activity is conducted in the prusuit of economic objectives. " 10
4. Prof. P.H. Casselman has stated that, " Co-operation is an economic system with a social content. " 11
5. Frank Robotka defines co-operation, " as an association of autonomous units (farm or other business units or household) whose purpose it is to conduct jointly some activity which is an integral part of the operations of the participating units, as a means of increasing incomes, reducing costs or otherwise enhancing the economic interests of participating units. " 12
6. H.Calvert defined co-operation, " as a form of organization, where in persons voluntarily associate together as human beings, on a basis of equality, for the promotion of the economic intersts of themselves. " 13
7. Prof. Paul Lambert a leading authority on co-operation and the editor of the famous journal, " Annals of Public and Co-operative Economy " in his renowned book, " Studies in the Social Philosophy of Co-operation " has given the

following definition of a co-operative undertaking :

" A co-operative society is an enterprise formed and directed by an association of users, applying itself the rules of democracy and directly intended to serve both its own member and the community as a whole. " 14

8. According to Talmaki, " co-operation is an organisation where a person voluntarily associates together with others on a basis of equality for the promotion of their economic interest by honest means. " 15

9. Dr. Louis P.F. Smith defines a co-operative as, " an association belonging to economic units (whether of producers or consumers) controlled by them for service to themselves in which the risk of profit or loss is borne by a variable price of goods and services rather than the profit on capital. " 16

10. A good definition of organized co-operation is found in the ' Report, of the Inquiry on Co-operative Enterprise in Europe, published by the Government of United States. It states, " A co-operative enterprise is one which belongs to the people who use its services, the control of which rests equally with all its members and the gains of which are distributed in proportion to the use they made of its services. " 17

11. According to Prof. V.K.R.V. Rao, " co-operation means the coming together of people which gives them a strength for development which they cannot get when they function as individuals. It also means using their pooled resources for collective utilisation and individual advancement. It must involve self-reliance and stimulate democratic ways of working and democratic principles of living.

Co-operation has once again to become a movement with all the fervour, campaign, education, and committed cadres that an ideology requires for its propagation. " 18

12. V.S. Bhide has stated that, " co-operation represents a happy mean between the forces of extreme individualism on the one hand and socialism and communism on the other. It stands for individual rights tempered by considerations of justice, equity and fair dealing as between man and man, and its one great aim is to prevent the exploitation of the weaker by the stronger party." 19
13. International Labour Organisation defines a co-operative as, " an association of persons usually of limited means who have voluntarily joined of persons together to achieve a common means and economic ends through the formation of democratically contralled business organisation. " 20
14. The Indian Planning Commission states that, " co-operation represents institutionlization of the principles and impulse of mutual aid. It has the merit of combining freedom and opportunity for the small and man with the benefit of large scale mamagement and organisation. " 21
15. Addressing a conference of State Ministers of Co-operation in October, 1961, Pandit Jawaharlal said :
" I hope that I have made you appreciate my own rather strong feelings on the subject of co-operation. I think it is a basic thing for our agriculture, for our industry, and still more for our whole attitude to life. national and international. It is not a Government directed show, although it is Government assisted of

of course. There are to be no big bosses of the Government sitting in big offices with chaprasis outside, directing and controlling the whole thing. That would be quite objectionable. In co-operation there is mutuality, a feeling of comradeship, fellowship, a feeling that any ordinary peasant can walk in, unafraid of the big boss. " 22

CHARACTERISTICS OF A CO-OPERATIVE ECONOMY :

A careful study of the many definitions quoted above reveals the following chief characteristics of co-operative enterprises.

1. It is an association of persons.

The chief feature of a co-operative society is that it is an association of persons and not an impersonal grouping of capital like a joint-stock company. There is no denying that a co-operative society is also in need of capital but the emphasis is on man not a capital he contributes.

" In economic co-operation, it is man that counts, not money. "

2. It is an undertaking.

A co-operative is not only an association it is also an undertaking. It is not a charitable or philanthropic association. A co-operative enterprise is run by members themselves at their own expense and at their own risk.

3. It is a voluntary organisation.

A co-operative enterprise is based upon a voluntary form of organisation. No one is coerced to join a society against ones will, coercion in any form is considered to

be incompatible with the concept of co-operation.

4. It is democratic organisation.

A co-operative organisation is governed on the basis of democratic principles. Every member of the society has only one vote and no more irrespective of the number of shares held by him/ her.

5. The keynote is service and not profit.

The keynote of a co-operative enterprise is service and not profit. A co-operative enterprise is motivated by a spirit of service, its whole business mechanism is geared towards the provision of most economical service.

6. The basis of equality.

Another feature of a co-operative enterprise is that within its membership relations between man and man are governed by a rule of equality. Irrespective of possible differences of race, creed, political opinion, social status, or subscription of capital, all the persons possess equal rights and duties. There can be no co-operation unless it is between equals.

7. It is based on proportionality or equality.

The distinctive feature of a co-operative social economy is in the method of distributing the social product. The surplus is distributed not according to share holdings but according to the proportion of business operation a member has effected with the society.

8. It is a socio-economic movement.

The co-operative movement is a socio-economic movement. It aims at bringing about revolutionary changes in the social and economic structure by peaceful means. It is based on self-help and stands for moral uplift and honesty.

9. At the service of both of the members and the community .

The basic objective of a co-operative under-taking is not only to serve its members but also to serve the community as a whole.

10. It is a universal movement. It is found in all the countries of the world.

11. It is a movement whose watchword is action.

12. It is an autonomous body, based on the principle of democracy.

BENEFITS OF CO-OPERATION :

A co-operative association is an association of isolated individuals, who by association with others and through mutual support obtain material advantages which are usually available to wealthy or powerful persons and thereby develop themselves to the fullest extent. By working together these poor individuals succeed in getting the advantages which are available to those who work in large scale enterprises. The union of forces in co-operative society thus secures the material advancement for its members and united action fosters

self-reliance.

David A. Morse, former Director-General of the I.L.O., had observed : " Co-operatives have helped rationalize distribution patterns, increase purchasing power, promote consumer protections, narrow the housing gap. They have contributed to the modernization of small-scale production in agriculture, fisheries, handicrafts and industry. They have made improved quality and greater volume of production possible and have led to more efficient marketing of increased outputs. They have stimulated productive capital formation among larger number of individuals. In a wider sense, co-operative growth has thus become an effective stimulant to economic growth. " 23

According to Henry W. Wolff, co-operation represents one of poor people's best and most useful and most trustworthy allies in the battle for progress and economic and social emancipation.

ECONOMIC BENEFITS :

From the economic stand-point, co-operatives are engaged in securing for their members services of various kinds at low costs. They may include services of various socio-economic activities in the consolidation of holdings, the establishment of irrigation schemes, the contouring of land, the procurement of technical knowledge, the administration of credit, the buying of fertilizers, pesticides, seeds, electricity and machine services, of consumers' goods and services, the processing and marketing of produce, the

provision of insurance, health and medical care or education.

The following is the list of economic advantages of co-operative organizations :

1. The substitution of the profit incentive in business by that of service to humanity or production for consumption. In other words, priority is given to the satisfaction of human needs instead of greed for profits.
2. A more equitable distribution of wealth.
3. The breaking up of monopolies and trusts which operate at the expense of the consumer.
4. The increase of the workman's purchasing power and real wages by giving him more and better goods for his money.
5. The reduction in cost of distributive system by :
 - i. elimination of unnecessary middlemen;
 - ii. removal of useless duplication of services;
 - iii. eradication of such practices as misleading advertisement and high pressures on salesmanship;
 - iv. the elimination of fraudulent practices like adulteration, short weight, etc.
6. The rejection of accounting inaccuracies by encouraging frankness in business.
7. The more accurate correlation of demand and supply as a result of the greater certainty and regularity of the consumer market.
8. Stabilization of employment which will result from the regularity of demand and the absence of speculation.
9. The fair treatment of all labour and general improvement in employer- employee relations.
10. The training of people to spend wisely.

SOCIAL BENEFITS :

Co-operation offers not only a economic benefits to members but also confers a number of benefits to the society. This is so because the object of co-operation is to transform the member's condition in such a way that he makes his social life richer and happier. The well-known authority on co-operation, Dr. Fauquet, has stated : " The ultimate aim of co-operation is to develop men-men imbued with the spirit of self-help and mutual aid in order that individually they may rise to a full personal life and collectively to a full social life. " 24

Modern life is full of social tensions : urban vs. rural; consumers vs. producers; labour vs. capital; there are tensions with regard to religion, caste, language, state, race and occupation, etc. Co-operatives tend to lessen these tensions and show all people how they can work together on common group. A.F. Laidlaw states, " The co-operative movement provides the means of social change without resorting to the undesirable methods and violence. " 25

" The co-operative movement frees its memebbers not only from usures and profiteers, but also from themselves and their bad habits. It teaches them virtues which are not always natural to them, such as, ordarliness, foresight, punctuality and strict respect for engagements entered into. " 26

Therefore, modern co-operatives are now regarded as social organizations. A co-operative order returns ownership of the means of production, in an indirect form, to the workers and the class struggle is resolved.

The social purposes of co-operation are more diverse than economic purposes. They may be to provide a unique education in democracy, responsibility and toleration; to train for political power; to evolve an industrial relationship in which the element of authority is much more evenly distributed than in private business; to preserve strong friendly or family spirit and sense of pride and power which is impersonal; to encourage a general advance rather than the advance of particular individuals; to secure rational, constructive and unifying approaches to social and economic problems; to prevent under-employment; to secure the moral as well as the physical satisfaction of pure quality, good weight, honest measure, fair dealing in trade; or to achieve better physical and mental health. " 27

Co-operation teaches that man is his brother's keeper and that he can best lighten his own burden by lightening the burden of others, that he can achieve his own happiness only by including within it the happiness of others. " The co-operative movement is an exercise in fellowship, which seeks to end the exploitation of man by man. " The movement teaches man and women to rise above their own interests and to think in terms of the general good.

EDUCATIONAL EFFECTS OF CO-OPERATION :

The chief educational effect is a consequence of the experience gained in the practical work of co-operation. No influence is so important in the economic education of farmers as their own efforts in co-operation. The very attempt on the part of small people to solve their problems teaches them

basic economic truths. The effect on the whole country of co-operatives in which people learn to work together freely and loyally in furthering their own business can not fail to be great.

Co-operation and education have gone hand in hand; sometimes the co-operatives sponsoring education. This is only to be expected since, as Dr. Fauquet says, " the first object of the co-operative is to improve the economic situation of its members, but because of its methods and the qualities it demands and develops in the members it achieves a higher aim. The goal of the co-operative is, then, to provide men with self-reliance and with team spirit so that each will give rise to a full personal life and all to a full life in society. " 28

REFERENCES

1. Mathur B.S., Co-operation in India : Himalaya Publishing House, Bombay 1988, P 2
2. Bowen E.R., The Co-operative Road to Abundance : P 114
3. Nourse Ewdin, The Economic Principles of Co-operation, an Articles in Agricultural Co-operation, edited
4. Mathur B.S., Op. Cit. P 2
5. Hough E.M., The Co-operative Movement in India : P 43
6. Mathur B.S., Op. Cit. P 53
7. Nakkiran S. and Winfred A. John, Co-operative Banking in India: Rainbow Publications, Coimbutture 1988, P 9
8. Mathur B.S., Op. Cit. P 5
9. Fay C.R., Co-operation at Home and Abroad, Vol I
10. Phillips R., Economic Nature of Co-operative Association, P 74, quoted by Yehuda Don: Year Book of Agricultural Co-operation 1960
11. Mathur B.S., Op. Cit. P 6
12. Ibid. P 7
13. Calvert H., The Law and Principles of Co-operation (1921) P 11
14. Rambert, The Social Philosophy of Co-operation (1963)
15. Talmaki S.S., Co-operation at Home and Abroad Vol I
16. Smit Louis P.F., The Evolution of Agricultural Co-operation (1961) P 206
17. Mathur B.S., Op. Cit. P 8

18. Shendurnikar G.S., The Maharashtra State Co-operative Bank
Shendurnikar P.S. Ltd., 'Insearch of Co-operative
(Ed) Excellence' Platinum Jubilee 1911-86
P 11
19. Hough E.M., Op. Cit. PP 43-44
20. I.L.O., Co-operation : A Workers Education
Manual
21. Agrawal A.N., Indian Economy : Draft of Fifth Plan
Vol II
22. Shendunikar G.S., Op. Cit. P 7
Shendurnikar P.S.
(Ed)
23. Canadian Co-operative Digest, Vol 8, No 4, 1965, P 3
24. Mathur B.S., Op. Cit. P 12
25. Laidlaw A.F., Extension in the Co-operative
Movement (1958) P 50
26. Colombain Maurice, Co-operation and Fundamental
Education, UNESCO 1950 P 13
27. United Nations, Rural Progress Through Co-operatives
(1954) P 14
28. Smith Louis P.F., Op. Cit. P 111