

CHAPTER — I

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1.1 INTRODUCTION :-

Tendency to co - operate is as old as human civilisation; but co-operation as a form of business organisation has emerged in the 19th century as reply to capitalism and irrational economic inequality that arose out of industrial revolution. A co-operative form of organisation gives economic as well as moral strength, combines freedom and opportunity for the small man with the benefits of large scale management and organisation. "A co-operative society is a business organisation wherein persons associate not as contributors of capital but as persons having the same economic need. The share is allotted only if the person seeking membership is qualified to be admitted to the society by virtue of his having the common need. Thus, the members of a co-operative associate as human beings having a common need and not as persons who have provided capital."¹ It is voluntary and democratic

¹ Weerman P.E. 'The Co-operative Principles', Indian Co-operative Review, Vol X, No 3, Apr. 1973, P 328

association of human beings based on equality (of control and opportunity) and equity (of distribution) and mutuality for the promotion of their common interests. Co-operation, thus, aims at giving strength to the economically weak through self help and mutual aid. Its ultimate objective is to create egalitarian society free from exploitation. On the background of these objectives the 'principles of co-operation' have been formulated, and accordingly the genuineness of a co-operative venture is judged. Success of any form of organisation depends on how far that venture follows the principles, on the basis of which that venture is set up. Experience in many countries inclines to show that co-operative enterprises are losing their co-operativeness.² Experience in India (so also in the state of Maharashtra, especially in sugar co-operatives) also supports this conclusion. The present study deals with the sugar co-operatives in the Sangli District in Maharashtra from the point of view of the implementation of co-operative principles therein.

2. A well known study of cooperatives in England by G.N. Ostergoard and A.H. Halsey - 'Power in Co-operatives' 1965, supports this,

1.2 PRINCIPLES OF CO-OPERATION :

1.2.1 MEANING :-

Principles are the set of rules which govern the life and activity of an organisation. They are the guidelines and groundrules for the concerned enterprise. It is largely on their application that the success of an enterprise depends. So, once the objectives of an enterprise are determined, it becomes necessary to set rules of that organisation. The set of rules or principles describe and define the basic and essential characteristics of a particular system or type of organisation.

In the words of the International Co-operative Alliance Commission, "the principles are, practices which are essential and absolutely indispensable to the achievement of the co-operative movement's purpose. Thus the ideas inherent in co-operation are stated in the shape of principles which should determine the mode and manner of action. In actual practice the principles are reflected in the rules formulated for the administration and activity of co-operative organisation³".

3. Quoted by Dr. Kamat G.S. - New Dimensions of Co-operative Management , Himlaya , Bombay , 1978 .

1.2.2 CO-OPERATIVE PRINCIPLES : A HISTORICAL REVIEW4.

Co-operative principles as they are accepted today have their origin in the rules that the pioneers of Rochdale store had adopted in England in 1844. The store of groceries started by these pioneers was the only successful venture run on co-operative basis at that time. So others looked upon the Rochdale Store as a model. They adopted the Rochdale rules and methods of operation. In the course of time those rules came to be known as 'Rochdale Principles' of co-operation. These principles related to -

- 1] Membership : it should be open to all on equal footing.
- 2] Management : it should be democratic, each member having only one vote irrespective of the number of shares held.
- 3] Return on Capital : it should be fixed and limited.
- 4] Distribution of Surplus. : in proportion to the transactions made with the society by the members.
- 5] Basis of Trading : it should be strictly on cash terms and not on credit.
- 6] Quality of Goods Sold. : goods sold should be pure i.e. unadulterated.
- 7] Education of Members. : members should be taught objectives, principles and importance of co-operation.
- 8] Attitude to Religion and Politics. : it should be one of neutrality.

4. A seminar paper by Prof. Nadkarni R.V. VMNICM , Pune.

On the background of the objectives of co-operation this set of rules was accepted as principles.

When the International Co-operative Alliance was formed in 1895, one of its objectives was "to elucidate by international discussion and correspondence the nature of true co-operative principles."

At one time there was controversy on the essential features of co-operative organisation. Producers' co-operatives were trying hard to make 'profit sharing employee co-partnership' as an essential feature of co-operatives. While consumers' co-operatives opposed it. One more debated issue was whether acceptance of any aid from the State was consistent with the 'true principles' of co-operation. Hence, a Special Committee was appointed by the I.C.A. to enquire into the conditions under which the Rochdale principles were applied in various countries and if necessary to define them. In 1934 the Committee submitted its report. It classified Rochdale principles as :-

A) Essential Principles :

- i] Open membership
- ii] Democratic control
- iii] Distribution of surplus on the basis of transactions with the society.
- iv] Limited interest on capital.

B) Non-Essential Principles :

- i] Political and religious neutrality.
- ii] Cash trading.
- iii] Promotion of education.

In 1964, however, the Central Committee of the I.C.A. felt the need for restatement of principles. Because far-reaching changes had occurred in the political situation and economic organisation of nations especially after the second World War. Some of the principles were not being followed in actual practice in some parts of the world. In view of the changed economic, political and technological environment co-operatives were required to adopt new patterns necessary to meet the requirements of the future. So, in 1965 the I.C.A. reformulated the principles. It dropped the classification of principles as essential and non-essential and stated the principles more clearly and accurately with elements common to all the co-operatives. The following principles have been accepted as principles of co-operation :-

1] Open and voluntary membership :

Membership of a co-operative should be open to all those and only to those who need the services of a co-operative, are willing and able to make appropriate use of these services, are prepared to accept duties and

responsibilities involved in membership and to whom the co-operative has the capacity to serve. Membership should not be refused on grounds of political or religious affiliations of the applicant for membership.

The principle of open membership in wider sense requires that the co-operative society should not merely permit but even encourage and induce all eligible persons to join it as members. This rule of open membership provides a safe guard against the co-operative degenerating into profit motivated private capitalist business as any one can join the society on equal terms with the original members.

Membership of a co-operative should be voluntary and not under any external pressure. If any member does not desire to stay with in the co-operative must have the freedom to withdraw. On the other hand, the co-operative management must have the freedom to exclude or expel from membership those working against the objectives and interests of the co-operative.

2] Democratic management :-

Management of the co-operative must be democratic, each member having only one vote irrespective of the number of shares held by him. All members must have equal opportunity for participating in

decision - making and equal status and voice in this process. A co-operative venture is essentially an association of 'human beings' so the principle of 'one member one vote' is accepted as fundamental one. The members as a body must have the ultimate authority and those placed in charge of conducting day to day business must be chosen by them and accountable to them.

In large sized co-operatives device of representative general body is employed consistent with the principle of democracy in management. System of multiple votes to affiliated co-operatives in proportion to their own respective membership or volume of business with the federal organisation, but subject to some ceiling is not inconsistent with the spirit of democratic management.

3] Limited interest on capital :-

This is another important principle of co-operation which subordinates capital in a co-operative enterprise to the ultimate objective of service to its members. The Rochdale Pioneers considered that it would be ideal if no interest was paid on capital. But later, on the basis of experience they had to pay interest to raise the necessary capital. In the words of Lambert "Co-operators do not pay interest on capital out of any sense of fairness or in order to encourage savings but

solely out of necessity. Thus, there is no obligation to pay any return on capital, but if it is to be paid, it must be limited and fixed."

This principle is intended to safeguard the non-profit character of co-operation.

4] Disposal of surplus :-

The surplus of a co-operative society must be distributed in such a way that there is no inequality or one member gaining at the expense of other. This surplus may be funded for their collective benefit or distributed among themselves in proportion to their transactions with the co-operative. The surplus earned by co-operatives is expected to be distributed by the decision of members in the following manner :

- a] provision for development of the business,
- b] provision of common services,
- c] division among the members in proportion to their transactions with the society.

5] Education :-

This principle was particularly stressed strongly by the Rochdale Pioneers under the rules of business framed by them. They had provided for earmarking 2.5% of surplus for education of members. The membership of the co-operative must be enlightened and the conduct of affairs of the co-operative organisation

should be placed in the hands of people who are properly educated in the principles of co-operation. Education of all citizens in the merits of co-operation, education of members in appropriate co-operative as well as business practice and education of administrative, management and other personnel is essential. This principle embodies the spirit of co-operation which has to be awakened and renewed in every fresh generation that takes over the work of the movement from its predecessors.

6] Co-operation among the co-operatives :-

The I.C.A. Commission of 1966 has added a new principle of co-operation which is described as the 'principle of growth'. All co-operative organisations in order to serve best the interest of their members and their communities should actively co-operate in every practical way with the other co-operatives at local, national and international levels. Co-operation among co-operatives has become necessary in order to be able to take advantage of the newly developed scientific and technological processes which require sizable resources of financial, managerial and technical nature. In the words of I.C.A. Commission, if the co-operative movement is to rise its full stature, either within each country or internationally, the several co-operatives must support one another. They must act as members of the

common unit aiming at realising the ideal of the movement as a whole.

7] Political and religious neutrality :-

The I.C.A. Commission - 1966 considered neutrality in politics and religion in two situations - relations between the co-operatives and their members and relations with external religious, social and political organisations and systems. Non-discrimination while admitting applicants for membership on religious or political grounds is covered by the principle of open membership. It also extends to non-discrimination in the matter of extending services to the members.

In external relations, political parties, government and their policies in economic matter can affect interests of co-operatives in which case they can not be expected to remain passive, but they should not get involved in political issues which do not directly or indirectly affect the co-operatives.

The Commission did not considered neutrality as a principle, but a desirable policy in certain circumstances.

Rules like cash trading, dealing in goods of the highest standards of purity adopted by Rochdale Pioneers are rules of business which have validity in particular situation in business but do not constitute

principles of co-operation.

Thus, these are the principles of co-operation which guide the working of any kind of co-operative venture. These principles support one another and increase the strength of each in the process. They determine the shape and quality of the system of which each co-operative unit is a part.

1.3 BEGINNING OF CO-OPERATIVE MOVEMENT IN INDIA

In India the co-operative movement was started not through people's initiative but through the Government's initiative. In 1904 the Government of India passed the first Act relating to co-operative sector. This was the formal introduction of co-operative movement in India. Initially this movement was mainly confined to credit and mostly to agricultural credit. The rapid and substantial progress in the co-operative field took place only after Independence. Industrial Policy Resolution, 1956 stressed the need for expanding co-operative activity to agro-processing. As a result, co-operation in processing came to be considered significant and various agro-processing units were started on co-operative lines, sugar co-operatives being one of them.

The need for the establishment of sugar factories on co-operative basis was felt mainly to

improve the condition of the local sugarcane growers and to get rid of exploitation by private manufacturers. With a view to provide assured market and guarantee price to sugarcane the idea of establishing sugar co-operatives was put forward. A co-operative sugar factory started in Maharashtra in 1950 at Pravaranagar achieved tremendous success. This success generated confidence among the sugarcane growers and then onwards the co-operative sector of sugar industry grew rapidly.

No doubt, the co-operative sugar factories in Maharashtra have brought about socio-economic development in the respective regions, but today some disturbing forces and tendencies are developing in this co-operative sector. The principles of co-operation and also its objectives are being forgotten by the sugar co-operatives. On this background the present study of sugar co-operatives in the Sangli District has been undertaken.

1.4 SCOPE OF THE STUDY

The present study gives a profile of co-operative sugar factories in the Sangli District from the point of view of the implementation of the co-operative principles therein.

The principles of co-operation reflects the objectives of co-operation and also show the distinct

nature of co-operative enterprise. Hence, genuineness of any co-operative venture depends on the implementation of the principles mentioned before and achievement of the objectives. The present study deals with the seven sugar co-operatives (which were already in operation in 1989-90) in the Sangli District from this point of view.

In the context of the present study,

- i] open and voluntary membership
- ii] democratic management and
- iii] political and religious neutrality are the three principles of co-operation which have been considered and stressed as these principles basically determine the genuineness of co-operative enterprise.

The analysis of these principles relating to the sugar co-operatives in Sangli District has been done under the following heads :-

- a) Membership of sugar co-operatives
- b) Number of shares per member
- c) Share capital
- d) Democratic management and
- e) Political neutrality.

1.5 OBJECTIVES OF THE STUDY

The present study of the sugar co-operatives in the Sangli District has been undertaken with the

following objectives --

- 1) To find out how far and in what way the principles of co-operation are being followed by the co-operative sugar factories in the Sangli District.
- 2) To have a comparative picture of sugar co-operatives in the District in this respect.
- 3) To suggest possible measures to overcome the problems noticed in the detailed study in this respect.

1.6 METHODOLOGICAL FRAMEWORK

1.6.1 UNIVERSE OF THE STUDY :-

Co-operative sugar factories (which were already in operation in 1989-90) in the Sangli District is the crux of the study.

The Sangli District has been selected for the present study because --

- a) the researcher stays in the city of Sangli which is district place; so it is convenient to select sugar co-operatives in the Sangli district.
- b) the similar study of the sugar co-operatives in the Kolhapur district has already been done⁵. As the Sangli district is its neighbouring district, which is also included in the southern zone of Maharashtra (i.e. high

5. Dr. Doshi R.R. - 'कोल्हापूर जिल्ह्यातील राहताशी शहर कारखानेदारी'

recovery zone), the researcher is interested and curious to know the situation of sugar co-operatives in the Sangli district from the point of view of the implementation of co-operative principles therein.

1.6.2 SAMPLING METHOD :-

'Census method' has been used in the present study. All sugar co-operatives (7) in the Sangli district (which were already in operation in 1989-90) have been studied.

1.6.3 SOURCES OF INFORMATION :-

The present study is mainly based on secondary source of information. The most important source of information used for the study is Annual Reports of the concerned sugar co-operatives. In addition, some information has been collected from the Regional Deputy Directorate of Sugar, Kolhapur and also through personal discussions with a number of persons related to sugar co-operatives in one or the other form.

1.6.4 PRESENTATION OF DATA :-

Data collected through the above mentioned sources of information has been presented in tabular form. Some data has been presented in the form of bar - diagram also. Averages and percentages have been calculated wherever necessary.

1.6.5 PERIOD OF TIME COVERED BY THE STUDY :-

In the present study, different periods of time have been considered for different aspects as per the requirement of analysis. e.g. discussion under the heading Democratic Management covers the period from the very first year of the factory when the first Board of Directors was appointed to 1989-90. This first year is never the trial season or regular crushing season. The analysis of number of shares per member considers figures in the first regular crushing season in comparison to the figures in the year 1989-90.

1.7 LIMITATIONS OF THE STUDY

As the age of all sugar factories in the district is not the same it is found difficult to assess their comparative performance. Three sugar co-operatives in the district are relatively old while the four others are relatively new. Hence, it is found difficult to compare various aspects and thus to draw general conclusions applicable to all the sugar co-operatives in the district.

Still, the trends and tendencies in the sugar co-operatives in the district with an exception incline to show that there is not much difference in the old and the new sugar co-operatives from the point of view of implementation of co-operative principles.

However, conclusions of this study may not be applicable to the co-operative sector of the sugar industry as a whole. Even then the conclusions of the study will give broad idea of the kind of practices followed by the sugar co-operatives in Maharashtra.

1.8 PLAN OF DISSERTATION

The dissertation is divided into 5 chapters.

The first chapter is introductory in nature. It, at first, deals with the meaning, historical review and a detailed explanation of the Principles of Co-operation. The beginning of co-operative movement in India is described in brief. This chapter then explains the scope, the objectives and the methodological framework along with the limitations of the study.

The first part of the second chapter, Sugar Industry in India and Maharashtra, deals with the history and development of sugar industry in India. It explains the origin, development and present State-wise position of sugar industry, as well as the emergence of co-operative sugar factories in India. The second part of this chapter deals with the Sugar Co-operatives in Maharashtra - their emergence, growth, region-wise and district-wise distribution, and place of sugar co-operatives in the sugar industry in Maharashtra.

The third chapter gives General Information

about the sugar industry in the Sangli district. This information relates to the cane crushing capacity, capacity utilisation percentage, crushing days and sugar recovery percentage (maximum, minimum and average over the period from the first regular crushing season of each factory to 1989-90) attained by each factory in the district. It also provides information about sugarcane crushed, sugar produced in the year 1990-91 and final rate paid to sugarcane in the year 1989-90 by the sugar co-operatives in the district. Thus, this chapter furnishes general information about the sugar industry in the Sangli district.

The fourth chapter is the soul of this dissertation. It deals with the sugar co-operatives in the Sangli district from the point of view of implementation of co-operative principles. Three principles of co-operation viz. open and voluntary membership, democratic control and political neutrality have been considered for this purpose, as the genuineness of co-operative enterprise, the researcher thinks, is determined largely by these three principles. The principle of limited interest on capital is not much important in determining the 'co-operativeness' of the venture, as in this dynamic world at least the market rate of interest has to be paid. The principle relating

to the distribution of surplus is generally followed by all the co-operatives. Two other principles of co-operation viz. co-operation among the co-operatives and education in the principles of co-operation have been mentioned in brief.

The fifth chapter is devoted to Conclusions and Suggestions/measures.

The Bibliography has been appended at the end.