

CHAPTER NO. 1

BRIEF HISTORY OF CO-OPERATIVE MOVEMENT

- 1.1 - Introduction
 - 1.2 - Genesis of the co-operative movement
 - 1.3 - Definition of co-operation
 - 1.4 - Principles of co-operation
 - 1.5 - Co-operative movement in India
 - 1.6 - Progress of co-operative movement in India.
 - 1.7 - Progress of co-operative movement in Sangli district
 - 1.8 - Summary
- References.

CHAPTER - I

1 Brief History Of Co-Operative Movement

1.1 - INTRODUCTION :-

Co-Operation means working together. The principle of Co-Operation is as old as human society. It is truly the basis of domestic & social life. What is known as co-operative effort is ultimately the group instinct in man which enables 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 human race. The history of modern civilization is, in fact, the history of co-operation, for without it social and economic progress would have been impossible.

Man's evolution has not been competitive in terms of aggression as has been supposed by Darwin and his followers. It has been competitive in terms of co-operation. Man is now considered to be essentially co-operative rather than aggressive. "Nature", says H.G. Wells, "is a great friend of co-operation; it is a gross lebel upon her to say that she is always 'red in tooth & claw. It is difficult to presume that nature loves contradiction or as Nietzsche believed that there is "antagonism at the heart of the world." (1)

Informal co-operation, means some sort of joint economic action on the part of two or more persons, began as soon as people began to associate as social beings. In joint family system we find an excellent example of practical co-operation.

Members of such a family earn and spend jointly. They have common ties and are joint in food, worship and estate. There is, in such family, a sort of voluntary insurance against unemployment and a member who earns little for the common pool has an equal share with others who earn much more.

Co-operation as a new philosophy, therefore developed as a result against capitalism and irrational inequality - the ban of capitalism. Edwin G. Nourse has stated :"- The movement grew out of the circumstances of the Industrial Revolution and was a reaction against early abuses or at least, rigours of the capitalistic industrial system." (2) Co-operation was conceived as the answer to the injustice of capitalism & was developed as its antidote. Poorer men saw in it a price advantage, economists a new incentive to efficiency, and the utopian socialists as a method of developing a completely new society. "The herd found that by showing a common front they were a match for the economic carnivores." (3)

Although the ideas of the co-operative movement are basically the same all over the world, its form and content varies from country to country. Co-operation took birth 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.

1.2 GENESIS OF THE CO-OPERATIVE MOVEMENT :-

The co-operative movement which saw the light of the

day in Europe has spread through out the world. "Co-Operation" , Dr. Fauquet writes, " Is perhaps more widely distributed geographically than any other modern form of organization." In 1937, there were 8,10,000 co-operative societies of various types in 103 countries of the world. These societies had a membership of more than 143 million. If this membership represented a like number of families, it would correspond to something like 30 percent of all families in the world.⁽⁴⁾ Since 1937, the co-operative movement has grown by leaps and bounds, throughout the world.

Today, co-operatives are the most important types of voluntary organization throughout the world. In some countries, they are the principal form organization in agriculture, marketing and supply provision of credit and distribution of consumer goods.

An idea of the all pervasive nature of co-operation and its influence into the very life of the Brithishers can be had from the following quotation.

"In most towns the housewives and for that matter the whole family buy every single. One of their many needs from the co-operative society whether it be food, clothes, fuel, perfumes, lingeries, chemists goods, cigarettes, household furnishings of every kind and in fact all the tremendous range of goods which even the smallest household needs. the family can have its hair attended to in the co-operative shop, it can make theatre reservations, book train tickets or arrange a holiday through the

society." (5)

In Scandinavian countries, virtually all milk and livestock for slaughter are marketed through farmers' co-operatives. In Finland, admittedly a co-operative country par excellence, the total volume of business transacted in local co-operative of all kinds, rural and urban, exceeds 30 percent of the net national income "The central fact of the story of Scandinavian co-operation is that the northern people have learnt to live together, to work, to play, to sing, to consume and even to think together." In many other countries co-operative also play a vital role in of all sector e.g. Milk, Vegetable marketing, fruits, production of wool, seeds and fertilizers etc.

In Israel economic enterprises run by the co-operatives. It is estimated that nearly 28 percent of the national economy is organized co-operatively. This percentage is much higher.

Co-operative movement has also made significant progress in some of the Asian countries. In Japan, for instance, virtually every farmer is a member of a local multi-purpose co-operative. At least half of all the agricultural production is marketed through the co-operative net work and 30 percent of total saving deposits from agriculture are placed in co-operative institutions.

Thus, it should be quite patent that co-operation, how occupies a position of cardinal importance as a form of business organization in almost all the countries of the world, whether

they are smaller big whether they are capitalist or socialist; Whether they follow one religion or the other. The caste, colour, religion, isms, etc. have not been any bar for the development of the co-operative movement. the working of the co-operative movement all the world over clearly demonstrates that there is hardly any economic need that cannot be met by organizing co-operative societies and hardly any form of social or political organization with which they cannot be reconciled or integrated.

As institutions for technical, economic and social progress, voluntary co-operative have shown their possibilities and practical benefits in a wide variety of circumstances and these have been increasingly recognized by many Government. Co-operative societies have helped to improve security of tenure of land, to consolidate holdings, to promote conservation of natural resources, to facilitate land settlement to foster the all-important growth and speed of technical knowledge for better farming to secure savings and administer credit to reduce the charges made for production requisites and use of the larger capital items for farm and small scale industrial production, to reduce charges for consumer goods and services including housing, to improve the marketing to farm products, to minimize risks and to lower the costs of insurance. They have promoted education; both general and vocational they have provided effective training in democracy and self-government. They have been neither class-bound not state-bound. They have maintained or increased that sense of inter-dependence so important for social progress.⁽⁶⁾ Yet co-operation is in the words of Dr. Smith, " One of the least

noticed economic miracles of the last century.

1.3 - DEFINITION OF CO-OPERATION :-

Co-operative movement was born out of adversity. The circumstances which gave rise to adversity have, however, been different at different places. The movement, therefore assumed diverse shape commensurate with the environments which gave birth to it. It is thus difficult to search out a clear-cut definition of co-operation. Some co-operators have, however, tried to define it in the context of the circumstances in which the movement was studied by them.

1.3.1 :- " A system of social organization based on the principle of unity, economy, democracy, equality and liberty" - W.P.WATKINS.(7)

1.3.2 :- "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 in its rewards in proportion to the degree in which they make use of the association." - C.R. FAY. (8)

If we consider Prof. C.R. Fay's definition, it seems that co-operation is a term of organization mainly useful and effective for the society seems to be the operative rationale of co-operative movement.

1.3.3 :- "Co-operation is only one aspect of a vast movement which promotes voluntary associations of individuals having

common needs who combine towards the achievement of common economic needs." - Shri. V.L. Metha. (9)

1.3.4 :- " Co-operation was a matter of faith and conviction reaching the bounds of religion rather than confining itself to mere economic affairs." - Shri. M.L. Darling. (10)

1.3.5 :- " Co-operation is self-help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their own legs and, therefore, come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic condition." - Dr. K.N. Katju. (11)

1.3.6 :- " The theory of co-operation is, very briefly, that an isolated and powerless man can, by association with others and by moral development and mutual support obtain, in his degree, the material advantage available to the wealthy and powerful person and thereby develop himself to the fullest extent of his natural abilities. - The MacLagan Committee. (12)

Co-operation is a special method of doing work jointly and suits the poor more than the rich. The rich, however are not precluded from coming within its fold. All those who want to co-operate must, as a condition precedent, have a common need and to fulfil it, should agree to work selflessly. The co-workers in their activities, should themselves be guided by the principle of "Each for all and all for each." and show honesty in dealings. Co-operators being generally persons with small resources, must

place more stress on their willingness to work hard than on the money they possess. In such an association, each associate should have an equally forceful voice in the affairs and be able to freely express their opinions. The concept of co-operation, thus envisaged as a group of persons having one or more common economic needs, who voluntarily agree to pool their resources both human and material and use them for mutual benefit, through an enterprise managed by them on democratic lines.

1.4 - PRINCIPLES OF CO-OPERATION :-

For our purpose the definition of co-operative enterprise given by Prof. C.R. Fay is more relevant because it is the one definition which touches the basic rationale of co-operation.

When we trace the origins of co-operative movement; we find that Robert Owen thought of a co-operative enterprise mainly for the weak people, for the weak people. Once this is properly understood, the implications of the co-operative principles for evaluation purposes become evidently clear.

1.4.1 :- Principle Of Open Membership -

In such an organization the principle of open membership becomes easily acceptable to all the people because the main aim is to satisfy the commonly felt need of the similarly placed people and where the objective of profit maximization and accumulation for personal progress becomes irrelevant. However as a collective entity, surplus can be created and accumulated which, in turn will certainly help further amelioration of ad-

verse economic condition of the members.

1.4.2 :- Democratic Control Of The Organization -

As Lambert has pointed out "Each member has a vote solely by virtue of the fact that he is a man."⁽¹³⁾ Management of any economic activity in which different members have significantly different economic conditions, is difficult to be made democratic because in such condition conflicting interests operate in order to acquire greater control of the organization for maximizing the individual benefits from the organization. This ultimately leads to the negation of democratic principles in reality. In such a case though the formality of democratic management is maintained the decisions are taken by the dominant group interest.

1.4.3 :- Distribution Of Surplus -

Both capitalism and socialism lead to some kind of injustice. In a co-operative enterprise the surplus is to be distributed among the members in a manner which would avoid one member gaining at the expense of the other. Generally this surplus distribution takes the form of provision for development of the business of the co-operative or provision for common services or distribution among the members in proportion to their transactions with the society.

1.4.4 :- Limited Interest On Capital -

According to 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."⁽¹⁴⁾ Basically, co-

operative philosophy aims at reducing the domination of capital in the theory of co-operation. As co-operatives are non-profit units, payment of market rate of interest on capital cannot be justified.

1.4.5 :- Co-operative Education -

Prof. D.G. Karve maintained for sheer survival, no co-operator and no co-operative can afford to neglect any aspect of co-operative education. Education of all citizens in the meaning and merits of co-operation, education of members in appropriate co-operative as well as business practice, and education of administrators managers and other personnel in the skill of their respective jobs. Not that every co-operative can directly attend to all these aspects of education. But all co-operatives have to be interested in them and have to make such financial and other provision for them as is appropriate. (15)

1.4.6 :- Co-operation Among Co-operative Or Principle Of Growth -

The principle of co-operation among co-operatives which is alternatively described as the principle of growth, assume crucial significance in the present context. If the co-operative activity is to be made competitive with the other private sector units. They must go in for adoption of modern technology, modern management etc. for which their scale of activities must be made larger. This can be done by the principle of co-operation among co-operatives without sacrificing the individuality of the co-

operating units. the principle of growth is an expression of all important concept of building and strengthening the co-operative sector of the economy.

1.5 : CO-OPERATIVE MOVEMENT IN INDIA -

Co-operation is not in any way, new to India. It has been known and practiced in this country since time immemorial. In ancient India it took four principle forms :- Kula, Grama, Sreni and Jati. (16)

An old system of raising money in South India is known as funds and Nidbis, the bunda system in Vidarbha, the Phad system in Kolhapur and Gonchi system in Andhra are other systems of organized effort at mutual-help and co-operation. (17)

The co-operative movement in India has been a growth of about half a century and is largely depended for its origin as well as development on the Government. Even before 1904, the Government. was not unaware of the difficulties which the peasants and farmers were facing in borrowings funds and was anxious to ease the situation. As early as 1882 Sir William Wedderburn and Justice Ranade prepared a scheme for establishing the Agricultural Banks to provide loans to farmers. But its essential features were embodied in the Land Improvement & Agriculturists Loan Act, under which the agriculturists could borrow from the Govt.

1.5.1 :- Progress Of Co-operative Movement In India.

Let us see the progress of co-operative movement in India.

Table No. 1.1

**Progress of co-operative movement in India.
(1990-91)**

Sr. No.	State	Number of Societies	Membership (000)	Paid up Capital (Lakhs)	Working Capital (Lakhs)
1.	Andhra Pradesh	-	-	-	-
2.	West Bengal	16279	6593	13421	170109
3.	Bihar	27557	8409	21886	223335
4.	Gujrat	30727	10021	45352	931407
5.	Karnataka	20063	14564	40137	462529
6.	Maharashtra	104610	26880	177393	2417746
7.	Madhyapredesh	19262	9015	37170	463837
8.	Rajasthan	-	-	-	-
9.	Tamil Nadu	11418	15936	35378	603077
10.	Uttar Pradesh	20644	17233	33895	459704
11.	All Other States	57520	47007	127881	1435497
		308080	155658	532513	7167236

Source - NABARD - Important items of Data credit and non credit Co-operative societies Bombay 1990-91.

Table No. 1.1 gives information regarding the progress of co-operative movement in India.

We take into consideration the co-operative movement in India as a whole. In table No. 1.1 the data is regarding progress of co-operative movement in the year 1990-91. If we read this table carefully we get the following information regarding the position of co-operative societies in different states in India.

1) This table gives details information regarding the number of co-operative societies in India in 1990-91. Maharashtra State comparatively stands first in Number. In Maharashtra State there is highest number of Co-Operative societies as compared to total number of societies.

2) The lowest number of co-operative societies exists in the state of Tamil Nadu. The membership is highest in Maharashtra State as compared to the other states. The lowest number of societies is in Tamil Nadu but its membership is higher than west Bangal, Bihar and Madhya Pradesh.

3) The co-operative societies, Membership, paidup capital and working capital is highest in Maharashtra state comparatively the other states.

4) In west Bengal the number of co-operative societies is higher than Madhya Predesh but their paidup capital is lower than Madhya Pradesh.

5) Apart from the number of societies which membership, paidup capital, working capital is not satisfactory. There is no increasing trend in general compare to the total number of societies in India.

1.6 :-PROGRESS OF CO-OPERATIVE MOVEMENT IN MAHARASHTRA.

Table No. 1.2

**Progress in Co-operative Movement in Maharashtra
(1960-61 to 1990-91)**

Items	1960-61	1970-71	1980-81	1990-91
Total Societies	31565	42603	60747	104620
Total Members (Gross)	42	86	148	270
Paid up share capital	53	238	600	1957
Of which Government	8	39	105	385
Owned Funds	73	345	1207	3935
Deposits	76	315	1939	11048
Working Capital	326	1490	5210	24713
Loan Advanced (Net) Audit	95	348	1116	6300
Classification of Societies.				
A	3110	3600	3671	4966
B	10921	12343	11670	13581
C	7515	16122	18854	17058
D	3088	3886	3477	862
Not Classified	291	865	774	406
Not Audited	6640	5787	22301	67747

(Rs. in Crores / Members in Lakhs)

Source - Govt. of Maharashtra " Co-operative movement at
a glance in Maharashtra. - 1992 "

Table No. 1.2 gives information regarding the trend of co-operative movement in Maharashtra during the period of 30 years. The overall picture shows that there is an increasing trend of total number of co-operative societies in Maharashtra. The overall picture regarding the number, membership, share capital, deposits, owned funds, working capital and advances given us satisfactory position regularly the state of Maharashtra. It can be explained in detail in the following manner.

1) In this table we see the total number of societies is increased. In 1960-61 total number of societies is 31565. In year 1990-91 it has increased 50 percent. (104620)

2) Total number of members is increased. In year 1960-61 total members are 42 lakhs this membership is increased in the year 1990-91 to 270 lakhs.

3) In Maharashtra paid up capital is increased, and the own funds, deposits, working capital, advances are also increased. If we see it carefully we can say that there is increase in the number of societies, membership paidup capital, owned funds, deposits, working capital, advances.

1.7 :- PROGRESS OF CO-OPERATIVE MOVEMENT IN SANGLI DISTRICT -

Table No. 1.3

Progress of co-operative movement In Sangli District
(1988-89 to 1991-92) (Figures in actuals)

No.	Item	1988-89	1989-90	1990-91	1991-92
1.	Total Societies	2347	2518	2670	2899
2.	Total Members	1070390	1202194	2615883	2808823
3.	Paid up Capital	355970	435571	513193	551494
4.	Of which Govt.	24465	23146	35415	52798
5.	Owned Funds	93305	107773	128437	178700
6.	Deposits	1779094	2170519	2385871	2624711
7.	Working Capital	4192217	4494444	5997839	6425687
8.	Loan Advanced	5808912	5334658	6598516	7058867

Source - District Deputy Registrar's Office,
Co-operative Societies, Sangli.

Table No. -1.3 gives information regarding the trend of co-operative movement in Sangli district during the period of

1988-89 to 1992-93. The overall picture shows that there is an increasing trend of total number of co-operative societies in Sangli district. The overall picture regarding the total number, paidup capital, deposit, owned funds, working capital and advances gives us satisfactory position regarding the district of Sangli. It can be explained in detail in the following manner :-

1. In this table we see that number of societies is increased. In year 1988-89 total number of societies is 2347. In year 1990-91 there is increase in total number of societies.

2. The trend of total membership is increased upto 1991-92; but in year 1992-93 total membership is decreased compared to 1991-92.

3. If we see it carefully we can say that there is increase in the number of societies membership, paidup capital, own funds, deposits, working capital, loan advances.

1.8 :- SUMMARY -

This chapter introduces us regarding the brief history of co-operative movement in the different countries at the different times. Also it gives us details of co-operative movement in India, Maharashtra, and sangli district. The most important thing explained in this chapter is the origination of the co-operative movement from top to the bottom is related with the weaker section of the society. The relationship between the progress of the co-operative movement and the industrial revolution is explained. It was a reaction against the capitalist industrial system. Really speaking co-operation was the answer to

the injustice of capitalism. Every where co-operation is originated as a defensive bulwork against exploitation of the weak by those in a stronger economic position. Then the Genesis of the co-operative movement is given emphasis. The role of co-operative movement in different countries is explained. Yet Dr. Smith says that, co-operation is least noticed economic miracles of the last century.

Some major definitions of co-operation are also introduced and C.R.Fay's definition explains the rationale of co-operation. The philosophy of co-operation is emphasized by the gist of principles of co-operation. It may be the principle of open membership or the democratic control. Sometimes the principles are related either with the distribution of surplus or limited interest on capital. The principle of co-operative education and the principle of growth explain the same rationale of co-operative movement which is explained by C.R.Fay. The progress of co-operative movement in India at the National level, in Maharashtra at the state level and in Sangli district at the district level is also given importance in this chapter. Even though this is introductory chapter it gives the idea of study and the philosophy of co-operation. In short we can sum up the chapter by saying that co-operation is a special method of doing work jointly and suits the poor more than the rich. This requires in the words of Prof. D.G. Karve " For sheer survival no co-operator and no co-operative can afford to neglect any aspect of co-operative Education.

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