CHAPTER II
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EVOLUTION AND PROGRESS OF CO-OPERATIVE MOVEMENT IN INDIA

Introduction

Cooperation in the common parlour means 'working or united together'. This terminology can be traced back to the period of human settlements. Unconsciously or consciously the principle of cooperation has taken a deep root in the human civilization or race. The history of human life can very well be called as the history of cooperation, for the fact, that the socio-economic developments are related to it.

In the primitive society, the seeds of cooperation have been sown. In the ancient period, one can come across the joint family system of existence. This basic fact was responsible for the future trace of cooperation. The customs and institutions that prevailed or existed, throw light on the tradition of mutual coexistence. In India, in particular, the principles and methods of cooperation are time immemorial. The spirit of communal life and joint living was entirely cooperative. The village as a small unit played a significant role in shaping the cooperative society.

2.1. Cooperative Movement in Ancient Period

The corporate life in India was represented by the Joint family system. Many anthropologists have come out with various theories to explain the joint family system and its merits
and demerits. The Vedic literature in general speaks about the coexistence and the benefit out of it to achieve the common cause in an effective way. Further, they very well explain the unity as the main basis for an effective working culture. Our Vedic literature brings out the element of truth that is responsible for a smooth living. The quotation 'Sarve janaha; Sukhino Bhavantha' as revealed by the ancient scriptures very well explains the cooperative thinking among the people. Kautilya in his Arthasastra explains the cooperative undertaking and the privileges enjoyed by the members of the cooperative union.

The concept of cooperation in Tamil Nadu can be linked to the commercial activities, which were vigorously carried out under the umbrella of merchant guilds from the earliest times. Ample evidences for the conduct of trade and mercantile activities and the existence of guilds are available from literature and inscriptions. Members drawn from the different sections of the society represented the ancient trade organizations and guilds. These members in their joint or cooperative efforts enjoyed special rights and privileges. The inscriptions throw light on the activities of mercantile guilds. Members of different castes and communities represented the mercantile guilds. For example a body of persons who are styled as Ayirattu Ainmurravar known from several inscriptions from Tamil country have worked together to justify the terminology of cooperation. The participation of guilds and the association of members, enable us to understand the extent of
cooperation that they had in transacting the business. A list of signatories figuring in the inscriptions shows the representation of the members who have taken the collective part in taking decisions. The members of the Nagarams (towns) and the Nadu (divisions) also represented the larger group of a bigger division. The functionaries or the representatives of a guild were involved in the collection of revenue with the consent of the king. Not only the vaisya merchants, and the warrior groups find a place in the mercantile organizations but also the members from different communities took initiative in the transactions. From a study of inscriptions of the medieval period, we come to know about the participation of Chitrameli – Periya Nattar. It is apparent that the representative of each Nadu assembled at a place to deliberate the transactions. This in the light of Chitrameli, can be understood as that the Periyanadu had the powers to call upon the representatives or constituents to assign the bulk of agricultural produces. The Periyanadu was powerful enough to see that the local interest of the members were protected. The Chitrameli organization is a cooperative organization, which had its own rules and regulations. The Periyanadu is the most important body. The meykirtti of this organization clearly describes that the members of the guild belong to four varnas or castes. Of the several guilds, the Chitrameli guild had control over a wider area of southern districts of South India. This organization or society was originally constituted by the Vellalas (agricultural community). A record from Tirukkoyilur in South Arcot District describes in glowing terms the lords of this organization. The Chitra Meli –
Sasana i.e. so called, stood as security for the maintenance of Dharma as observed by four varnas (castes such as Brahmana, Kshatriya, Vaisya and Sudra) and they were the protectors of a Rashtra renowned over the earth possessed truthfulness, justice, high merits, courteousness, generosity, good conduct and well versed in three great Tamils (Iyal, Isai and Natakam). This organization acted as a body not only for securing rights and privileges but also for the fulfillment of transactions decided by its members. In fact, the agricultural society had its beginning from the existence of the vellalas who rendered considerable service as members of the guild. Records of the earlier and medieval period refer to their role as promoters of agriculture and commercial wealth of the country. The agricultural wealth was shared among the members in the guild. By virtue of the ownership of the land, they might have enrolled themselves as the members of the Chitrameli guild.

There are several other organizations like Ainnurruvar, Padinen – vishayattar, Nanadesi, Nagaram, Manigramam and Anjuvannam which have taken part in an effective way in the mercantile transactions. These organizations can be defined to some extent in terms of profession, community, locality, etc. These mercantile organizations have contributed in a rich measure for the growth and benefit of several localities. The economic growth was accelerated on account of these merchants who have established a close network for their smooth functioning. It is the Nagarattar who were responsible for the growth of a town (Nagaram). A country’s economy grew
gradually in the course of several centuries on account of the involvement of various merchants and their transactions. From the eleventh century onwards, the economic growth gradually increased on account of the best trade activities as well as the development of agriculture. Many Nagarams began to appear in the inland areas and Pattanams came up in the coastal areas. The Cholas and the Pandyas, the Vijayanagara Kings and subsequently the chieftains and the administrators have contributed for the gradual growth of cooperative mercantile organizations and the groups. They traded in several fields and in course of time extended financial support to the people to build up their standard of living. This is how the cooperative societies and the loan giving societies came up. One way or the other these trade organizations and the mercantile groups who contributed or laid foundation for the rise of the thrift and credit societies. In this contribution we may recall the concept of the village sabha constituted by a group of the assemblage of people. The variyam or the committee constitute the groups of select representatives. They take collective decisions on the different functions of the sabha. Sreni is a guild consisting of different mercantile groups. Kautilya in his Arthasastra states that whoever stays away from any kind of cooperative undertaking shall send his servants and bullocks to carry on the duties that shall have a share in the expenditure but none in the profits.
2.2. Cooperative Movement during the British Period

The genesis of the Cooperative Movement can be traced back to the year 1904 when the first act on cooperation was passed. It was supposed to be the simplest stage in the movement of cooperative activities. In fact, it was deliberately restricted to the credit side only. At that time, cheap credit was considered to be the most urgent necessity when the agriculturists stepped into debit. So, it was felt to bring about an enactment in order to overcome the situation. In order to avoid the embarrassment from which the non-credit cooperation and the association of credit societies suffered, another enactment was passed, in the year 1912. When the cooperation became a provincial subject subsequent to the reforms of 1919, some provinces like Bombay passed their own act on par with the act of 1912.

The principles of cooperation can be generally traced back to the Rochdale pioneers who established an equitable society in 1884 though their origin can be taken back to the time of Robert Owen and William Kind. Cooperation is the password for the future suggested by H. Bailey. In 1876, Mill in his work on 'Principles of Political Economy', states that 'cooperation is the noblest ideal which transforms human life from a conflict of clashes struggling for opposite interest to a friendly rivalry in the pursuit of the common good for all'. Cooperation permeates in all human activities and has been practiced in one way or the other. For the survival of the fittest, the cooperative spirit in communal life has been launched so as to protect the weaker
sections of the society. That is to say, the agriculturists who belong to this group, and who have been exploited by the higher strata of the society could be protected by the introduction of a cooperative living. In other words, cooperation is the only source of redeeming mankind from the exploitation of any kind. Affording loans in the absence of other facilities has helped the agriculturists. Adequate credit has been floated to the agriculturists. Accordingly, in order to take them, Land Improvement Act 1883 and the Agriculturist Loan Act 1884, though introduced, were not sufficient to meet out the demands. Fredrick Nicholson after studying the cooperative movement in other countries, suggested the Raiffesen Model of Cooperatives, as the most ideal for India. Finally, the Report of Raiffesen resulted into the passing of Indian Cooperative Societies Act 1904.

2.3. Cooperative Movement during the pre-independence period

The introduction of cooperative credit societies act of 1904 marked the beginning of cooperative movement in India. This act enabled the enrolment of the urban and rural credit societies.

2.3.1 Salient Features of this (1904) Act are as follows:-

1. Any ten persons living in the same village or town, belonging to the same class or caste can establish a cooperative society.
2. The main objects of a society were to raise funds by deposits from members and loans from non-members,
government and other cooperative societies and to distribute loan even to other cooperative societies.

3. The cooperative societies were classified as rural and urban. A society was classed as rural if 4/5 of its members were agriculturists and as urban, if 4/5 of its members were non-agriculturists.

4. The rural societies were bound to have unlimited liability in case of urban societies the liability, was left to their option.

5. The act provided only for the formation of credit societies.

6. The area of operation within which societies could operate was closely restricted.

7. The societies could advance loan to members only on personal or real security.

8. The interest of member in the share capital of the society was strictly limited. No member could hold shares for more than Rs.1000.

9. The accounts of every society have to be audited by the Registrar or by a member of his staff free of charge.

10. In rural societies, no dividends were allowed. But in urban societies no dividend was payable until one quarter of the profits in a given year were carried on to the reserve fund.

11. Societies were exempted from payment of income tax, stamp duties and registration fees.
12. It provided for the appointment of Registrar of cooperative societies in each province.

2.3.2. Defects of 1904 Act

1. There was no legal provision for the establishment of marketing, consumer's cooperative insurance and such other societies.

2. It did not provide security for the non-members.

3. There was no provision for supervision.

4. Principle involved that no dividend was to be given to the shareholder was a great defect.

5. The classification into rural and urban was felt unscientific and inconvenient.

6. It did not provide for the distribution of profits in rural societies.

2.3.3. Act II of 1912

To rectify the defects of the 1904 Act, the Government came forward with a new Act in 1912. The following are the special features of the 1912 Act:-

(i) This Act gave legal recognition to non-credit societies.

(ii) It recognized central societies as distinct from the primary societies, providing for mutual supervision and financing.

(iii) The old classification into rural and urban was given up and societies were more scientifically classified as unlimited or limited liability societies. All the central societies were to have
limited liability and all the agricultural credit societies were to be on unlimited liability basis.

(iv) The societies with unlimited liability were also permitted to declare dividends after carrying a portion to the reserve fund out of the profits every year with the permission of the local government.

(v) Provision was also made to set apart a portion of the net profits for educational and charitable purposes.

(vi) The requirement of an annual audit is retained.

(vii) The word “cooperative” may not be used as part of the title of any business concern not registered under the Act, unless it was already doing business under that name before the Act came into effect.

(viii) Shares or interest in cooperative societies are exempted from attachment.

(ix) Societies have a prior claim to enforce the recovery of certain dues.

(x) If sum dues have to be recovered from the people they cannot bind the share capital.

The new Act of 1912 gave a fresh impetus to the growth of the cooperative movement. The number of societies, their membership and the amount of working capital increased steadily.

By the end of 1917-18 there were 23,741 agricultural societies and 1451 non-agricultural societies. The membership
of these societies was 8.5 lakhs and 2.04 lakhs respectively. The
working capital of all the cooperative societies amounted to
Rs.760 lakhs. When the act of 1904 was found insufficient to
meet the demands of the movement, necessary remedial
measures have been introduced. In 1912, the cooperative
societies act was amended so as to fill the lacunae in the earlier
act. The main aim of this act was to give legal protection and
facilities for the formation of societies for promoting thrift. The
essential features of 1912 Act include the promotion of credit or
non-credit societies with its objective and economic interest of
its members in accordance with the cooperative principles.
Registration of central societies had charge on the proceeds of
the members in respect of any debt exemption from compulsory
registration and so on.

This act also recognizes the form of non-credit
cooperation. Thus, after 1912, there was a gradual increase in
the number of cooperative credit societies. Next, the act of 1919
gave the importance of cooperative movement. The economic
prosperity between 1920 -1929 paved the way for the expansion
and rapid growth of societies. Between the years 1929 – 1939,
the economic depression led a tremendous set back in
cooperative activity. It also stalled the progress of the
movement. The inception of Reserve Bank of India during the
year 1935 marked the certain important developments in the
field of cooperation. The RBI has recommended certain
measures for the function and growth of village level credit
societies and recommended that importance should be given to
the Multi – Purpose Cooperative Society. In the year 1937, the provincial autonomy was introduced for the regulation of money. It may be said that the cooperative movement that started originally to provide the farmers with cheap credit had continued to this day predominantly as credit movement. It can be said that the Second World War period widened the functional aspect of the cooperative movement and brought about the change in the lop-sided emphasis from the credit to productive aspects. In 1945, the cooperative planning committee recommended that Primary Societies should be converted into Multi – Purpose Societies. It was during this year, the planning committee under the chairmanship of Dr.Saraiah recommended that the activities of the primary societies can be extended so as to cover the whole of the life of the cultivators and 25 of the total marketable surplus of the agricultural produces of the country should come under cooperation. In short, the history of cooperative movement till independence, carry the following characteristic features:

i. It was an officially sponsored movement as a result of the government policy.

ii. Credit was the main activity and the non-credit cooperatives were mainly the consumer cooperatives.

iii. The movement was confined to the Bombay, Madras Presidencies and the Punjab province.
iv. During this period, the British Government to ameliorate the conditions of the poor and the weaker sections of the farmers nurtured this movement.

v. The movement was a state sponsored one and depended on official guidance and support.

2.4. Cooperative Movement during the post - independence period

Although the cooperative movement had been alive in the country since 1904 when the first legislation was enacted on the subject yet it failed to make an appreciable impact on the economic conditions of the people. This was mainly because of the confinement of the cooperative movement to the agricultural credit sector rather than the other sectors of activities. In the year 1951, steps were taken to reactivate this movement by the RBI. The RBI recommended cooperation between the credit and other economic activities such as marketing etc. Thus, during this year, the First Five Year Plan was launched. It is stated that the cooperative movement was an indispensable tool of planned action in the country. The first plan document suggested that the principle of mutual aid, which formed the basis of cooperative organization, and the practice of thrift and self-help, which sustained, generate a sturdy feeling of self-reliance which is of basic importance in the democratic way of life. In order to reorganize and develop the cooperative movement, the planning committee, rural credit committee and the Vaikuntlal Mehta committee put forward several recommendations. Cooperatives
have been assigned the important status in the country’s Five Year Plans. The cooperative movement was recognized as the important tool of planned economic action in the democratic set – up. In the First Five Year Plan, preference was given to the cooperative organization related to the economic activities of the people. The committees’ recommendations fixed to cover the target of 50% in Indian villages, and 30% target of rural population within ten years. The target could be achieved as per the schedule due to the fact that the cooperative movement was still not sufficiently broad – based and arrangements for the credit were not linked with the programmes for the betterment of the people.

Based on the recommendations of the All India Rural Credit Committee of 1951-54, the Second Five Year Plan was drawn in order to build up the cooperative sector. The cooperative movement was viewed in terms of the condition and demands of the Indian Economy. With the net result, there was a thrust on thrift. Cooperation was given a priority in the Second Five Year Plan in order to lay down in the objectives of the plan like the short term, medium and long – term credit, membership in agricultural savings, marketing of agricultural produces and so on. The recommendations of the Rural Credit Survey Committee were linked to the Second Five Year Plan. The highlights of the committee are:

- Reorientation of the loan policies of cooperatives for the benefit of the weaker sections of the community,
Strengthening the cooperative societies at different levels,

- Linking of credit with marketing,
- Developing of marketing and processing,
- Promotion of storage,
- Improving trading facilities.

2.5. Cooperative movement to Tamil Nadu

Tamil Nadu is the pioneering state in India in introducing the cooperative Movement. This state witnessed the various facets of cooperation. Over a century cooperation has been playing a considerable role in Tamil country, especially in the field of economic upliftment of the people and among the poverty stricken people. Cooperatives in Tamil Nadu serve the different sections of the society in implementing the schemes envisaged to encourage the lower strata of society and the downtrodden.

The first non-credit cooperative study in Tamil Nadu was launched at Triplicane under the name Triplicane Urban Cooperative Society (TUCS) in 1904 followed by the establishment of Kanchipuram Urban Bank in the same year. A number of other cooperatives started coming up thereafter in the successive years in the different fields and sections. The first Society was registered in 1904 at Tirur in Chingleput district catering to the villagers nearby. This was the beginning for the spread of the message of corporation among the people and thereafter grown in leaps and bounds to other centres too.
In the cooperative period, the targets achieved in the Second Five Year Plan were considerably good. In 1957, Sir Malcolm Darling set up a rural credit department under the Colombo plan and made recommendations for strengthening the cooperative organization and cooperative movement.

Cooperatives are the pillars of the Indian economy. They are very useful to promote democracy, vigilance and awareness among the public. The cooperative concepts aimed to bring a casteless and egalitarian society through self-help and mutual help. Cooperatives since the inception are considered to be a force which can create impact on the socio-economic conditions of its members or it can usher the standard of living of these who have embraced it as a tool of emancipation. (Shanmugam L.D:1993)

The concept of cooperation exists from the dawn of human civilization. In olden days the cooperation was more of an informal nature and related more to cultural, religious and social aspects. Cooperation was accepted as a way of life; but not as a type of business. The modern concept of cooperation is altogether different from the primitive one. “It denotes a special method of doing business” “The modern phenomenon of cooperation is thus an economic concept and is of a formal nature. It is a distinct form of business, which affects the pattern of production and distribution within the economy. It is an organization of people where the production activity is conducted by assigning a secondary role to capital. The cooperative movement therefore offers a ray of hope to the
economically weak to live in better conditions of life in the modern world”

Cooperation in its ordinary sense would mean working together. Whereas in its technical sense, the term would denote a special mode of doing business, which gives rise to formal organization and the methods and techniques associated with it. The formal cooperation is the framework for people working together according to certain conditions or principles where the participation agree to observe. Owing to the different shades and dimensions of the concept and diverse and varying conditions in which cooperation emerged in different countries, it has not been possible to evolve a precise and comprehensive definition.

2.6. Definition of Cooperation

Several scholars have adduced various interpretations for the expression cooperation. They are as follows:

➢ “As 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, share in its rewards in proportion to the degree in which they make use of their association”

C.R. Fay
➢ "Cooperation is the act of persons, voluntarily united of utilizing their own forces, resources or both under their mutual management to their common profit or loss”

Herric

➢ "A form of organization wherein persons voluntarily associate together as human beings, on the basis of equality, for the promotion of economic interests of themselves”

Calvert.H.

➢ "A cooperative is a grouping of people pursuing common economic social and educational aims by means of a business”.

Charles Glide

➢ “An organization in which the components of ownership, control and vested in the one body of people, the members”

Prof. Laid law

➢ “An association of persons (or householders) usually of limited means, who have agreed to work together on a continuing basis to pursue one or more common interests and who have agreed to work together on a continuing basis to pursue one or more common interests and who for that purpose have formed an economic organization
which is jointly controlled and whose costs, risks and benefits are equitably shared among the members”.

**Keonraad Verhagen**

➤ “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 owner members and the community as a whole”.

**Prof. Lambert**

➤ “Cooperation is an organization where a person voluntarily associates together with others on a basis of equality for the promotion of their economic interest by honest means”.

**Talmaki**

➤ “Cooperation is a form of organization which persons voluntarily associate together on a basis of equality for their promotion of their economic interests”.

**Cooperative Planning Committee**

➤ “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”.

**Dr. Louis P.F. Smith**
➢ "A system of social organization based on the principles of unity, economy, democracy, equity and liberty".

W.P. Watkins

➢ "A cooperative enterprise is one which belongs to the people who uses its services, the control of which rests equally with all its members and the gains of which are distributed on proportion to the use they make of its services".


➢ A Cooperative Society in its economic aspects is a voluntary organization set up by consumers or producers to serve their own needs.

Cooperative Independent commission

➢ Cooperation is a vast movement, which promotes voluntary association of individuals having common needs who combine towards the achievement of common economic ends.

Metha M.L.

➢ Voluntary Association in a joint undertaking for the mutual benefit

Dr. E.M.Hough
The most difficult and beautiful art in the world

Dr. L.P. Jacks

“A voluntary and democratic association of human beings based on equality (of opportunity and control) and equity (of distribution) and mutuality for the promotion of their common interests as producers and consumers”.

Prof. O.R. Krishna swami

These definitions focus on the main aim of cooperation and the important principles of cooperation such as Voluntary Membership, Democratic Control, and Equitable Distribution of Dividend. Some definitions reveal the idea of ownership control and identity. The definition given by Prof. O.R. Krishna swami is applicable to all type of Cooperative Society.

2.7. Legal Definitions of Cooperation

• Cooperative Society is an association with unlimited number of persons, the object of which is the promotion of industry or trades of their members by means of common action or credit.

The Austrian Act

• A Cooperative Society is an association having legal existence, formed by persons of modest means and principles of mutuality, the exercise of their occupations and the improvement in their economic condition.

The Japanese Law, 1924
• An Association shall be deemed to have been organized on a cooperative basis of its constitution and bye-laws provided for securing to all producers in proportion to the value of the produce supplied by them after payment of a dividend upon the capital stock not exceeding a statutory maximum.

A glimpse into the above definitions gives the main Characteristics of a Cooperative Enterprise as detailed below:-

- It is an association of persons
- It is an undertaking
- It is a voluntary Organization
- It is a democratic Organization
- The keynote is service and not profit
- The basis is equality
- It is a socio – economic movement
- At the service of both of the members and of the community
- It is an universal movement
- It is a movement whose watchword is action
- It is an autonomous body based on the principle of democracy.
2.8. Socio – Economic Transformation through Cooperative Movement

The Cooperative Sector provides a dimension of major importance in our endeavour towards achieving the socio-economic transformation of India, with special focus on the life of the rural masses in India. The Cooperative Movement will enable the unification of local human resources, material inputs and energies, and the channelization development and expansion of the tremendous potential growth that exists in our towns, villages and hamlets across the length and breadth of India. Cooperation is the instrument through which people in all walks of life can effectively work together in different fields of economic endeavours and promote their welfare. Though Cooperation is not a panacea for all kinds of socio-economic problems and it cannot perform miracles, it is an effective instrument for uplifting the economically weaker sections through their own solidarity and collective action. Cooperatives extend their sphere of influence to economic, social, ethical and political fields of the society in which they operate. They make deliberate and conscious effort for an all-round development of their members and for restructuring the society at large.

Economic Objective

As an economic entity, a cooperative is primarily responsible for seeking solutions to the common economic problems of its members. The economic objectives of cooperatives have a focus on both the members and the society.
Focus on Members

i. Economic Opportunity

Opportunity is provided to all those whom the society recognises. The contribution of capital by everyone facilitates to secure easy membership and to entitle the holder to the services of the society.

ii. Service at fair cost:

The primary motive of the cooperative society is to render economic services such as credit, supply, distribution or marketing at lower costs.

iii. Economic security

Members can get an equal right of control over the collective assets of their society. Besides, a Cooperative association also protects members from possible risks, by assuming risks collectively.

iv. Economic Partnership

Cooperation is based on the principle of each for all and all for each. They can avail the services of the association according to their varying needs, and share the surplus in proportion to their patronage, but all, irrespective of differences in contribution and patronage, have equal control over the enterprise.

Focus on Society
i. **Instrument of Economic Planning**

As organizations with local roots and people's aspirations, the cooperatives serve as instruments for implementing development programmes on agriculture, rural industry, public distribution and the like.

ii. **Reduction in Economic Inequality**

Cooperatives eliminate the cause for the concentration of wealth in a fewer hands and enables the equitable distribution of wealth.

iii. **Decentralization of Economy**

Cooperatives are small units scattered throughout the country which lead to the decentralization of economy.

iv. **Increasing productivity**

They make available the critical factors of production at fair price and encourage production by ensuring better returns to producers.

v. **Other Benefits**

The consumer and supply cooperatives have in fact helped for the Control of cost and price, Control of markets, Capital Accumulation and Diffusion of ownership of resources etc.,

**Social Objectives**

Cooperation as a socio – economic framework has been well known in India since ancient times when people practiced
it as a way of life. It was officially introduced in India in the early 20th century on the wake of famines that had resulted in economic hardship and an alarming increase in farmers' indebtedness to moneylenders. Cooperative Credit on easy terms appeared to be the best means of getting the farmers out of the vicious circle of indebtedness and poverty.

i. Training in Self-help

A significant role of cooperative is that it trains the people to take initiative in organizing and to assume responsibility in administration. It teaches the people to administer their own affairs.

ii. Developing weaker sections

The Cooperative Movement is an instrument to set right the imbalances in economic development. It serves as a means of emancipation for weaker sections.

iii. Preserving the dignity of man

Cooperation upholds the dignity of the individual while promoting fraternity. It gives equality of opportunity and equality of control to all the members.

iv. Social Harmony

It establishes harmonious social relation, free from strife and struggle. The class barriers are breached through cooperation.

v. Social Welfare
The movement can take up a variety of welfare activities including education, training, housing and consumer protection. It can also serve as a field for leadership development.

vi. Social Change

It brings egalitarian social order through developing the sense of fellowship, social responsibility among people against self-centeredness.

Ethical Objectives

Cooperation aims to achieve the ethical objectives such as Philanthropy, Human values and Morality. As human beings associate on equal terms of mutual benefits, they can reap the benefits of unselfishness and fellowship.

Political Objectives

Cooperatives aim to take part in the political life of their respective country. It strengthens democracy and liberty. It also develops state policies through the maximum of consent and support among the members. Every economical and social activity is to be organized on cooperative lines to establish cooperative republic.

2.9. Principles of Cooperation

The Principle means the ideas which determine the character of cooperation as a form of association in contrast to the practical rules and methods which changes the competitive situation. The principles of cooperation arise out of the
characteristic features of cooperation. Cooperative Principles are the methods of organizing and conducting the cooperative activities.

The first cooperative society came into being in 1760, when the dockyard workers of Woolwick and Chatom made efforts to set up a cooperative flour mill. Some other societies on cooperative lines were also functioning before 1844. But still, the 28 persons who formed the Rochdale Equitable Pioneers Society in England (1844) are considered to be the pioneers of cooperative movement. The principles of Rochdale pioneers are not restricted in their applicability to any specific locality but to different parts of the world. The Principles of Rochdale System are as follows;

- Open membership
- Democratic control
- Limited Interest on capital
- Patronage Dividend
- Cash Trading
- Political and religious neutrality
- Promotion of education

Due to the enormous changes between 1844 and 1934, there was the necessity to have a fresh look upon the cooperative principles. The International Cooperative Alliance (ICA) appointed a sub-committee in the year 1934 which
submitted its report in 1937. It classified the Rochdale Pioneers into essential and non-essential principles. As these principles were not correct and responsive to the changing times, ICA again appointed a commission in 1964. After reviewing the old principles, the commission submitted its report in 1966 by recommending the following principles:

✓ Voluntary and open membership
✓ Democratic Organization, management and control
✓ Limited rate of interest on the share capital
✓ Self – help and mutual help, which are implicit in the report
✓ Disposal of surplus not on the basis of share contribution
✓ Political and Religious neutrality
✓ Cash Trading – Purchase of commodities on cash than credit
✓ Cooperative Education
✓ Publicity – informing the public about its activities without any concealment
✓ Cooperation among cooperatives (growth).

The classification of principles between essential and non- essential was abandoned by the commission in 1966, and a
more accurate and systematic explanation of the principles of cooperation was offered in 1966.

2.10. Revised principles of ICA – 1995

The ICA at its Manchester Congress in September 1995 enunciated the definition of cooperatives as ‘an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise’ (ICA: 1995).

Voluntary and Open Membership

Voluntarism connotes that a person can join a cooperative on his own will and the society must also admit voluntarily without imposing restriction. He should also be free to withdraw himself from the membership if he desires to do so. The members who join a society must extend their loyalty for the success of the society. The Open Membership means that:

- There shall be no artificial restriction on the admission of members.
- There shall be no social, political, racial or religious discrimination against persons who wish to join; and
- Membership shall be available to all persons who need and can make use of the society’s services and are willing to accept responsibilities of membership.
Open membership does not mean that all must be admitted in a cooperative. They should have common need and identification of interests.

**Democratic Control by members**

This is considered to be the most important principle of cooperation. The autonomous character of a cooperative is ensured by the democratic administration. The General Body, which is the supreme body in cooperative democracy has the responsibility for the fair conduct of democratic control. The members participate in the deliberation of the general body and exercise their voting right. ‘One man one vote’ principle, which is the basis of cooperative democracy is practiced in a cooperative to invoke vigilance in the affairs of society. The principle of democratic control means that:

- The general body meeting of the members of a cooperative society is the supreme authority in regard to the conduct of the affairs of the society.

- The members of a primary society shall enjoy equal rights of voting and participation in decisions affecting their society, each member having only one vote and the members of a federal society shall enjoy these rights provided that they may enjoy voting power on any other democratic basis;

- The management in accordance with the democratically expressed will of the members administers the affairs of the society.
The management is accountable to the members.

The members elect their Board of Directors and give powers to act on behalf of all members. But Board is accountable for the members and General Body.

Economic Participation by members

In Cooperatives, the capital is not allowed to dominate human beings. There is no cooperative principle, which obliges the payment of interest. The principle is that if interest is paid on share capital, the supplier of capital is not equitably entitled to share in savings, surplus on profit, whatever the term employed to denote what remains of the value of the society's output of goods and services, after its costs, including the remuneration of labour, land and capital have been met. In a cooperative organization, the surplus is distributed on the basis of the members connected with a society. According to the Commission the Members contribute equitably and democratically control the capital of their cooperative. They usually receive limited compensation, if any on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative; benefiting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership.

Members also control the capital of their cooperatives in two ways:
Decision making regarding the capital raising operations of the society and

Right to own at least part of their capital collectively.

Autonomy and Independence

Cooperatives are very much affected by their legislative framework within which they have to function. For that reason, all cooperatives must be vigilant in developing open, clear relationship with governments. At the same time, Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreement with other organizations, including governments or raise capital from external sources, they do so freely. They ensure democratic control through their members and maintain their cooperative autonomy.

Education, Training and Information

Cooperatives educate the values of their cooperation to its members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperative societies. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation. This is one of the earliest principles of cooperation which has not been eliminated by any of Commission on Principles created by the I.C.A. It imparts the education of appropriate kinds for the different groups of persons who make up all but the very simplest of cooperative societies. It is a necessary responsibility of the cooperative institutions. No cooperative institution can survive if it fails to
fulfill the need for education to its members in appropriate ways.

**Cooperation among Cooperatives**

Cooperatives serve their members effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures. The principle of cooperation in the ICA Rules is stated as follows: “All Cooperative Organizations, in order to best serve the interests of their members and their communities, shall actively cooperate in every practical way with other cooperatives at local, national and international levels, having as their aim the achievement of unity of action by cooperation throughout the world”. The collaborative approach becomes all the more significant for cooperatives in developing countries where cooperation is an important instrument for bringing about the socio-economic progress of the population.

**Concern for Community**

Cooperatives render services for the sustainable development of their communities. The third commission has added this principle. The Cooperatives have a special responsibility namely, to ensure that the development of the community especially the economically poor and the weaker sections so that their constant growth is the need of the hour. The growth of cooperatives vest with its members, though, to decide how deep and in what specific ways a cooperative should make its contribution to their community. The following
principles of cooperation have been approved by the ICA's Third Principles of Commission.

- The proper functioning of the three level management structure of the cooperative and active participation of all members of this team in the decision making process.

- The proper division of responsibilities between the members of the cooperative management team

- The availability of required qualifications among all members of the management team

- The acceptance by the employed staff of a cooperative 'service orientation' as regards their relations with the boards and general memberships.

- The creation of a proper balance between efforts aiming at commercial success and those aiming at maintaining the institutional goals of the cooperative association.

2.11. Conclusion

The concept of cooperation can be traced back to the ancient period. It is the corporate life of the primitive people that was responsible for the cooperative way of living. Our ancestors sowed the seeds to accelerate the cooperative movement in our country. From the time of 'Arthasastra' to the recent centuries, one can find cooperative thinking and the way in which the privileges enjoyed by the cooperative union. Ample evidences are available to establish the foundation, laid during the ancient period for the beginning of the cooperative
organizations. The genesis of the cooperative movement and the phases it passed through, the salient features of the cooperative Societies Act are brought out at length. The establishment of cooperative movement in Tamil Nadu is a significant move during the pre-independence period. Several scholars have defined the cooperation and the effects of the same. The principles of cooperation and the economic objectives as well as the democratic control by the members are described in detail in this chapter.