Chapter-V
Cooperative Management

In order to satisfy wants a person has to perform numerous activities. An individual alone cannot perform all the necessary activities. Therefore, human beings join or co-operate together in the form of groups and organizations. Every organization (e.g. a family, a college, a business enterprise, an army, a government, a church) is basically a group of people seeking to attain some common objectives. A central organ or agency is required to co-ordinate the activities and efforts of various individuals working together in an organization so that they can work collectively as a team. Such an organ is called management. In a co-operative organization a general body is formed with the help of voluntarily united persons to meet their common interest after properly utilizing the resources. The universal definition of management is equally applicable to the co-operative management. The survival and growth of a cooperative organization depends largely on the competence and character of its management. Co-operative management is the dynamic life giving element in every cooperative organization. Sound cooperative management provides the following benefits:

(i) To achieve group goals,
(ii) To utilize resources,
(iii) To fulfill social obligations,
(iv) To maintain economic growth,
(v) To ensure the survival of a co-operative society in a fast changing environment,
(vi) To improve the personality and caliber of people to raise their efficiency and productivity,
(vii) To meet the challenge of change.
Principles of Cooperative Management

A cooperative organization has to combine judiciously the principles of management with the principles of cooperation. Cooperative management signifies the application of management principles to the co-operatives. With regard to the cooperative principles George Devidoric writes, "they are a set of rules which govern the life and activity of cooperative organization." Mr. Herrick in Rural credit expressed more tersely cooperation is to the act of persons, voluntarily united, of utilizing reciprocally their own forces, resources, or both under the mutual management to their common profit or loss.

Another writer says that "the principle of cooperation lies on voluntary association of individuals, combined to achieve an improvement in social and economic conditions through the common ownership and democratic management of the instrument of wealth."

These principles are characteristic features which distinguish co-operation from other forms of organization. These are commonly described as the principles of co-operation.

Originally, the Rochdale Society of Equitable pioneers propounded the principles of co-operation although prior to these pioneers Robert Owen, Charles Fourier and William King visualized an ideal form of society based on co-operation and mutual help. Though to meet the requirement of the dynamic social and economic stage the original principles had undergone certain changes, yet the theme of these principles remains unfiltered and still provide the spirit of the countless persons concerned.

The Rochdale society indicated the following principles:

[a] Open membership.
[b] Democratic control.
[c] Limited interest on capital.
[d] Patronage dividend.
[e] Cash trading.
[f] Purity and quality of product.
There are other principles, apart from the above applied to all types of co-operatives which have been applied to the Agricultural credit societies in particular. These principles are popularly known as Raiffeissen principles. Such principles are:

1. Self help,
2. Limited area,
3. Allocation of entire surplus to indivisible reserve,
4. Membership without subscription of shares,
5. Unlimited liability of members,
6. Limitation of business to members only,
7. Voluntary work by board members.

Two authoritative commissions of the Congress of International Co-operative Alliance (ICA), one held in Paris in 1937 and the other held in 1964 under the chairperson of Prof. D.G. Karve, were set up for reformation of the above principles. The Karve commission laid down for the consideration of 23rd session of ICA held at Vienna in 1966 and published in 1966, the following principles:

(a) Voluntary and open membership.
(b) Democratic control.
(c) Limited interests.
(d) Equitable distribution of surplus or patronage dividend.
(e) Co-operation among co-operatives.
(f) Co-operative education.

The above principles are discussed below:

(a) **Principle of Voluntary and Open Membership**

One of the cardinal principles of co-operative is that the membership of a co-operative society should be voluntary and open. Holyake defines "a co-operative society as a voluntary concept, with equitable participation and control among all concerned in any enterprise."
Voluntary membership means that a person can join a co-operative society at his own will without being influenced by any one. At the same time, the member is free to withdraw the membership if he so intends. Upholding the freedom of individuals, Calvert has pointed out that “unless such a freedom is given to the people, a truly co-operative spirit cannot be developed amongst the members.”

So it may conveniently be said that the voluntary membership means that the members of a co-operative society must join it voluntarily without being coerced. Voluntary membership not only strengthens individual responsibilities but it differentiates co-operation from the state scheme of social reforms.

The word open membership means that there is no discrimination to any individual in getting membership on the basis of caste, creed, colour, community, race or religion. Emphasizing the principle of voluntary and open membership, the ICA, 1966 laid down that “membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discriminations to all persons who can make use of its services and are willing to accept the responsibilities of membership.”

Thus, the essential feature of co-operation is that a member who joins a co-operative society is given equal rights with co-members. So it may be said that a co-operative society is a union of persons, established according to the principles of equality in all respects.

(b) Principle of Democratic Control

Paul Lambert remarked, “Democracy is the cardinal principle. It distinguishes co-operative business most sharply from capitalist business and it can be applied uniformly to any type of co-operative.” Emphasizing this principle of democratic control, the ICA Commission, 1966 declared, “Co-operative societies are democratic organizations and their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies shall enjoy equal rights of voting and participation in discussion affecting their societies. In other societies, the administration shall be conducted on a democratic basis in a suitable form.”

It is obvious from the above that one of the distinctive features of co-operative
works is that members select from amongst them their own leaders, whom they can also remove. The principle, “one member, one vote” is followed by the co-operative society. And this principle eliminates the possibility of capturing control by a few hands by virtue of share holdings. I.e. control is justified on the ground of treating members as human beings and not as subscribers of capital.

(c) Principle of Limited Interest of Capital

Capital is essential for every establishment and it should always be welcomed. But capital should act as a servant rather than becoming a master. Co-operative recognizes that capital is entitled to a fair interest, but it refuges to admit any other right attaching to its possession or claimed by its owner and more specially the claim to a controlling voice in the enterprise.

The ICA commission noted, “Share capital shall receive a strictly limited rate of interest, if any. There is no co-operative principle which obliges interest to be paid. The principle is that if interest is paid on share capital, the rate should be limited and fixed on the ground that the supplier of capital is not equitably entitled to share in savings, surplus or profit.”

(d) Principle of Equitable Distribution or Patronage Dividend

Excess of income over expenditure for a financial year is called surplus of that year. If a co-operative society decides to distribute such surplus, the distribution must be on the basis of members’ dealing with the society and not on that of the number of shares held as in the case of capitalist organization. Calvert held, “The resulting profit is not regarded as an overcharge which belongs to those from whom it has been derived and to whom it should be returned.”

Time and again, the ICA commission held that, “the economic results arising out of the operations of a co-operative society belong to the members of that society and shall be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by the decision of the members as follows:

(i) by provision for development of the business of the co-operatives;
(ii) by provision of common services, or
(iii) by distributing among the members in proportion to their transactions with the society.”
(e) Principle of Co-operation Among Co-operatives

The principle of co-operation among co-operatives is essential for the survival and maintenance of the growth of the co-operative movement. ICA Commission, 1966, stated, "All cooperative organizations in order to best serve the interest of their members and their communities, shall actively co-operate in every practical way with other co-operatives at local, national and international levels."

(f) Principle of Co-operative Education

The ICA rules provide that "all co-operative societies shall make provisions for the education of their members, officers and employees and the general public, in the principles and techniques of co-operation both economic and democratic."

In addition to the broad principles enumerated above, there are also some other worth mentioning principles of co-operation such as,

[1] Self-help and mutual help,
[2] Non-profit motive,
[3] Principle of thrift,
[4] Principle of publicity,

Formation of Board of Management

As per provisions of the W.B. Co-operative Societies Act, 1983 a registered co-operative society shall be a body corporate by its registered name with perpetual succession and a common seal, and with power to acquire, hold and dispose of property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes for which it is constituted. The final authority of a co-operative society shall vest in the general body of its members in general meeting, provided that in such circumstances as may be prescribed, the final authority may vest in the delegates of such members elected in the prescribed manner and assembled in the general meeting. The number of directors to be elected by the members of a co-operative society shall not be less than six or more than fifteen, but when any co-operative society has less than twelve members, the number of such directors shall not be less than three or more than five.
The State Government or any authority specified by it in this behalf may nominate on the Board one or more persons.

The employees of a co-operative society having not less than ten employees may elect from among themselves one person on the Board.

Where a co-operative society has a chief executive paid out of the funds of the co-operative society, such chief executive shall be an ex-officio director on the Board.

A Gram Panchayat and a Panchayat Samiti constituted under the West Bengal Panchayat Act, 1973 may nominate one of its members each on the Board of a primary cooperative agricultural credit society doing business within the jurisdiction of that Gram Panchayat and Panchayat Samiti respectively.

A director elected or nominated shall hold office for a period of three years from the date of his election or nomination, as the case may be.

Powers of Board of Directors

The following powers and authorities are expressly given to and conferred upon the Board of Directors, namely,

[a] to admit new members;
[b] to fine, suspend, remove or expel a member;
[c] to raise funds;
[d] to invest funds;
[e] to appoint salaried or non-salaried officers and to define their duties;
[f] to compound or abandon or delay to enforce any debt or demand of the society or to institute, defend or compromise legal proceedings;
[g] to appoint sub-committees as may be deemed necessary from time to time and approved by the Registrar and to define their powers and duties;
[h] to frame regulations for the conduct of the business of the society.

Duties of Board of Directors

The following duties should be performed as per the Act, rules and bye-laws of co-operative society:

(47)
[a] To receive and disburse money.

[b] To enter the account of the society in proper books timely and regularly.

[c] To maintain the true account of the money received and expended and the accounts of the assets and liabilities.

[d] To prepare and submit to the Annual General Meeting an annual report, the annual statements of accounts, the proposal for distribution of profit, if any, and the annual budget estimate.

[e] To prepare the statements of accounts including detailed list of assets and liabilities and lists of bad and doubtful debts, if any, required at audit, and to place them before the auditors.

[f] To maintain the register of members and other books accounts up to date.

[g] To convene the annual general meeting in due time.

[h] To watch that the loans and advances are applied for the purposes for which they are made and they are promptly repaid.

**Powers and Duties of The Secretary**

The Board of Directors shall appoint / elect a proper person to be the secretary for the conduct of the affairs of the Society. The secretary thus appointed must be trained in the manner determined by the Registrar.

The secretary shall exercise the following powers:

[a] Control the staff of the society;

[b] Institute, defend and conduct legal proceeding in Law courts and other places;

[c] Call the general meetings and meeting of the Board of Directors and attend such meetings.

The secretary should perform the following duties:

[a] To prepare and place before the Board of Directors an estimate

(1) of the expenditure which should, in his opinion, be incurred by the society in the next ensuing year;

(2) of the receipts from all sources during the said year, in such form and at such time as the Board of Directors may direct.
[b] To receive all moneys on behalf of the society and to issue receipts other than contractual receipts in effectual discharge of the money stated to have been received therein.

c] To pay all costs of management and working expenses out of the funds of the society such as salaries, bonus of the staff, legal expenses, charge on accounted postage, telegrams, stationery, printings, advertisements, travelling, rent and like expenses.

d] To deposit all moneys and other properties received on behalf of the society in such bank as the Board of Directors may direct.

e] To maintain proper and accurate record of the working of the society and its accounts.

Powers and Duties of the Chairman and the Vice-Chairman of the Society

The Chairman, or in his absence, the Vice-Chairman, shall for the transaction of the business of a society in cases of urgency, exercise all powers and perform all duties required to be exercised and performed under the Act, the rules or the bye-laws by the Board except the power of sanctioning loans, bonus or ex-gratia payments. The Chairman or in his absence the Vice-Chairman shall have the full control over the administration and business of the society and shall supervise the functions of the society on behalf of the Board and shall have power to call for any record of the society or any report from Chief Executive Officer or the secretary to satisfy himself that the affairs of the society are being managed in accordance with the resolutions of the Board; Provided that the Chairman or the Vice-Chairman, as the case may be, shall not act in contravention of any order given or decision taken by the Board at its meeting.