CHAPTER - III
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Review of Cooperation and Village Development:

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CHAPTER – III

REVIEW OF COOPERATION AND VILLAGE DEVELOPMENT

III.1 Village Development

III.1.1 Concept of Village

India is a land of village. The population of India at 0.00 hours of March 2001, stood at 102 crores 70 Lakhs 15 thousands 247 persons. 72.20 per cent population was living in about Five and half lakhs villages. According to National survey 1999-2000 (fifth round) about 27.09 per cent village people live below poverty line.¹ Thus if the social conditions as well as productivity of this vast reservoir of human power are strengthened the status of village India can be developed.

After five decades of development efforts in India we may claim marginal gains in village areas. For example, most village people in India live a bit longer now. Yet today, as in the past, over population, ignorance, hunger, ill health, malnutrition, unemployment and poverty and many other stubborn problems remain as a major concern and focal point of need.

Thus the present chapter focuses on the structure and concept of village and Rural development in India.

"The term village does not refer merely to a street or group of buildings as in the England of today it includes both the cluster of houses and cultivated surrounding lands. Such a group has always a local name and known limits" - B. H. Baden Powel

The poet Rabindranath Tagor has aptly described community feeling and the tradition of cooperation in the small village

Dwelling on the bonds of kinship in the villages, he said.

¹: Census of India 2001.
"To establish a personal relationship between man and man has been India's constant endeavour. One has to retain contact even with distant relatives filialties are not loosened when children come of age, and our ties of kinship include neighbors and many others in the village, irrespective of caste or circumstances. There are relationships with teacher and priest, guest and mendicants, landlord and tenant – not ties prescribed by the scriptures, but those of the heart. Such is our nature. We accept relationship of utility only after we have sanctified them by a kinship of the heart."

III.1.2 Pillars of Village Economy

It is for a thousand years that India has been concerned with the village economy and all through that time it has considered these four items, viz., agriculture, animal husbandry, trade or marketing and cottage industries or processing industries as pillars of village economy not in any compartmental sense but in a coordinated sense. These four Pillars are

- **Agriculture**
- **Animal Husbandry**
- **Trade or Marketing**
- **Cottage or Processing Industries**

There is a dictum in *Bhagwad Gita* :

"कृषि गोर्स्का वाणिज्य, वैश्य कर्म स्वभावजम्"

Whether one may read the *Ramayana, Mahabharata* or *Purans*, these have been continuously emphasizing the co-coordinated development of these four pillars of village economy. With the division amongst the people engaged in these four avocations, unfair rivalry and exploitation arose and everyone was weakened and the feature of the Indian economic life has been that about two-third of its
population is employed in agriculture. Naturally India has been known as an agricultural country.¹

Thus the above four pillars is most essential for the overall development of the Nation. Indian economy from the present stage of darkness to the society of bright future can be had by Six ways as under-

- By increasing National product
- By supplying physical and financial surplus required by all the sector of the economy.
- By providing natural basis for general economic development.
- By restricting the population growth in number
- By discouraging the mobility from village area to urban area.
- By supplying the appropriate manpower for the changing society.

Six Stages Stair step diagram of Darkness to Brightness

The above diagram depicts the contribution of village in the process of growth of National income.

III.1.3 Village From earliest time to the 19th Century

In India, the village (gram) finds mention in ancient texts and later epics. It is distinguished from the city (Nagar) and the town or the fortress (Pur). City life was not a major feature of the Vedic age as the economy was mainly pastoral. Villages were, however, ubiquitous. The Indian Village had not changed much from what it was like during the first millennium to what it was in the mid twentieth century. Then as now the villagers formed a self-conscious community.¹

The Arthashastra (400 BC – 200 AD) provides us with a classification of the kings duties related to the administrative affairs of the village for example new village could be brought into existence by enabling people to migrate from one place to another. These villages could be built on old ruins or at new sites. The size of the village and the composition of the population were laid down both in ethic and occupational terms. Distribution and usage of land was also defined. The roles of the headman as the guardian of the village, and of the king as the ultimate protector were outlined. The epic Mahabharat (400 BC – 400 AD) similarly speaks of types of habitation and settlements, interrelations between and within villages, and identifies villages for purposes of governance. Manusmruti, the book of Brahminical laws (100 AD – 300 AD) classifies villages in terms of their size and habitation. Even Kushan reliefs of 200 AD depict aspects of village life.

Kitab-Al-Hind gives us an account of the caste occupation based village organization in the medieval times. These were seemingly times of great flux that

resulted from population movements. Babur the founder of Mughal Empire in the middle of the 16th century commented on the rapid appearance and disappearance of hamlets and villages, and indeed of towns two. At the same time villages with growing population and economic prosperity grew into towns.

Rich Heritage of Village Communities

Village communities in India have a rich heritage of customs, folklore and folk culture, which impart different hues to the Indian village landscape.

III.1.4 The Village by the late 19th Century:

By the late 19th century, an idealized image of the village as a self-contained community had been firmly established in colonial literature. This fitted in well with European descriptions of the peasant community based on the family farm. The peasantry itself was seen as a significant step in social evolution. Karl Marks contributed extensively to the making of the popular images of the Indian village in that period. Adopting an evolutionary perspective, he placed the village in Asia, just above the primitive and the barbarian social forms, and described it as a self-contained community. For marks, the Indian village was the mainstay of a stagnant oriental social system, where property was held in common by a whole village and
class conflict was absent. For him the Indian village represented a distinct autarchic economic system – the Asiatic mode of production – combining agriculture with manufacture. The uniqueness of this system he believed also contributed to the unchanging and stifling character of society.

For Marx – these idyllic village communities restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies. The Indian village for marks, passive and unresisting to what was thrust upon it. While he was critical of the stagnant nature of the village economy, he also accused the British intruder of breaking up the Indian handloom and destroying the spinning wheel. By introducing capitalist enterprise, he believed that the British would annihilate the old political economy and lay instead, the foundation of a modern society and a new land holding system in India.

Under British rule, concrete steps were taken to describe and classify the village community. This was necessitated by administrative and revenue needs, as also the desire to understand the socio-economic conditions of the people who were being governed.

Thus Village has a glorious past. The art, culture, literature, religion, human values and philosophy and the economic wealth of the country flow from villages, particularly agriculture, forestry and allied activities. The village environment differs greatly from one part of the country to another. There is for example a considerable difference between the wheat growing areas of Punjab and Haryana, the millet-growing area of Rajasthan and the rice growing area of Orissa, Andhra Pradesh and Tamilnadu. Even the attitudes of the farmers living in these places are different productivity; too, differ from one area to another. What is more, for village society.
agriculture is a way of life in the absence of any other alternative employment and avenues of work.

Table III.1.4.1

<table>
<thead>
<tr>
<th>Then</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interdependence of the village economy with the urban industrial one had yet to develop.</td>
<td>Village economy has established good linkage with urban areas.</td>
</tr>
<tr>
<td>Few monetized inputs</td>
<td>Adequate availability of monetized inputs</td>
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<tr>
<td>Low Market sales</td>
<td>Adequate surplus</td>
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<tr>
<td>Low price</td>
<td>High price</td>
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<tr>
<td>Subsistence farming</td>
<td>Remunerative farming</td>
</tr>
<tr>
<td>Fewer links with urban areas</td>
<td>Well linked with urban society.</td>
</tr>
<tr>
<td>Concept of yield is not known</td>
<td>Concept yield per acre</td>
</tr>
<tr>
<td>Poor communication channels</td>
<td>Well established communication channels</td>
</tr>
</tbody>
</table>

III.1.5 Structure of Village

The village community was based on simple division of labour. The farmers cultivated the soil and tended cattle. Similarly, there existed classes of people called weavers, goldsmiths, carpenters, potters, oil pressers, washermen, cobblers barber surgeons etc. All these occupations were hereditary and passed by tradition from father to son. These craftsmen were paid a stipend out of the crops at the harvest time in lieu of the service performed. The village population itself consumed most of the food produced in the village. The raw materials produced from primary industries were the need for the handicrafts. Thus the interdependence of agriculture and industry provided the basis of the small village republics to function independently of the outside world. Sir Charles Metcalfe writes in this connection. “The village
communities are little republics having nearly everything they want within themselves; and almost independent of foreign relations. They seem to last where nothing lasts. This union of the village communities, each one farming a separate little state by itself is in a high degree conducive to their happiness, and to the enjoyment of a great portion of freedom and independence.”¹ The villages did acknowledge some outside authority, may be that of a local princeling, who in turn may be under a Muslim Nawab or a Hindu king, by paying a portion of the agricultural produce varying between one sixth to one third or even in some periods one half as land revenue. The land revenue sustained the government.

There are three distinct sectors in village India:

1) Agricultural sector
2) Industrial sector
3) Service sector.

The agricultural sector could be further divided into two sub sectors. Industrial sector could be further divided in to small-scale cottage and rural industry. Service sector also divided in to there sub sectors too.

The villages of India were isolated and self-sufficient units, which formed on enduring organization. But this should not lead us to the conclusion that they were unaffected by wars or political upheaval. They did suffer the aggressors and were forced to submit to exactions, plunder and extortion, but the absence of the means of transport and communications and a centralized government helped their survival.

¹: Quoted by Jawaharlal Nehru, Discovery of India (1947) P. 302.
An Indian village may be described as a group of Kachaha (mud) Pucca (brick and concrete) houses grouped together in a more or less compact area in the midst of fields and surrounded by trees. The main source of livelihood of the inhabitants as agriculture, most of the families have been living in the same village for generations, and most of the holdings have been inherited from common ancestors. The population generally consists of several castes arranged in social hierarchy in which economic status and social values are usually found to go together. Most of the people are agriculturists; some of them have permanent rights in land either as owners or as tenants. Out of these, some cultivate all the land they hold, and some having larger areas, sublet it to others. The lowest in the economic and social scale are agricultural labourers, mostly belonging to the low castes. Some of them have acquired small pieces of land, but most of them are simply casual labour. In the economic scale, between landholders and labourers come the artisans. Some of them follow
agriculture as a part time occupation. Below them in the economic and also in the social, scale are the village menials or servants, who partly follow community services and partly work as farm labourers.

The social and economic satisfaction is rather rigid, and the choice of occupation, the social behaviour etc. are mostly determined by tradition and custom. The original functional groups were gradually converted into social groups, and they hardened into an occupational caste system.

But changes are slowly taking place. Isolation is gradually breaking up. Markets are widening. The villages are being brought into touch with towns and the outside world. Specialization on in, and commercialization of farm production has been introduced. Social values too are changing. The so-called lower castes are rising in economic status and also in the social scale. There is some political consciousness, too. New economic, social and political forces are at work, which are breaking up the existing organization in the villages. But since all agricultural communities are highly conservative, these changes take place very slow. Though a beginning has been made in almost all these directions, the overall picture remains more or less as it was in the past.

III.1.6 Village Development:

The study of village development however, became a major academic concern only in the years following independence, when the government invited scholars to help understand social life, tradition and norms at the village level. Issue of national development came to be closely identified with the upliftment of village India, which Mahatma Gandhi has insisted upon from the 1920 onwards, was the real India. Modernizers like Jawaharlal Nehru too had identified the plight of the peasantry as a central concern. Recognizing the importance of the sense of community at the village
level Gandhi asserted that the freedom struggle would be meaningless unless the rural masses who lived in abject poverty were to benefit from the efforts to build a new India. In a country so overpopulated and so heavily dependent on agriculture, the village held the key to economic and political development.

For Gandhi India's soul lived in her villages, where it survived through the cottage industry. While holding on to the rural community as the nucleus of an economically viable and socially just society, he acknowledged that the village as they existed in his time left much to be desired from both the economic and moral points of view. He asserted, "If the village perishes, India will perish too". Gandhi also believed that independence had to begin at the grassroots from these insights, however he proceeded to idealize the village, almost echoing colonialist discourse. Thus for him every village would be a republic or panchayat, self-sustained and capable of managing its own affairs.

**Motivators for Village development**

What village development needs most at present is motivators or coordinators in village level. The village people, particularly those on subsistence living, should be motivated to work hard, live in clean environment, maintain good health, keep away from vices and practices family planning. This will go a long way in improving the village environment as well as the socio economic condition of the poor. Motivation is capable of transforming the village community.
The participation becomes more effective by developing multiple structures such as voluntary agencies, Non-Governmental organization, Panchayat Raj bodies and the cooperatives. Although voluntary sector has the vast potential to improve and supplement governmental efforts for development, it has its own inherent limitations. Panchayat Raj bodies, recently conferred with constitutional status, too can only aid, promote and encourage socio-economic activities, but cannot undertake economic ventures on its own.

**Expenditure Incurred for Village Development**

All our five Year plans have stressed the need to accelerate the development of village. The government of India has taken number of measures to solve the problem of village development, such as lack of credit facilities, traditional methods
of production technique, a sense of organized marketing system, problem of health, roads, railway and other lines of communication etc.

Table III.1.6.1

Expenditure Made by government for the development of village

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Expenditure (Rs. Million)</th>
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<tbody>
<tr>
<td>First Five Year Plan – 1951-56</td>
<td>337</td>
</tr>
<tr>
<td>Second Five Year Plan – 1956-61</td>
<td>1800</td>
</tr>
<tr>
<td>Third Five Year Plan – 1961-66</td>
<td>2408</td>
</tr>
<tr>
<td>Annual Plan – 1966-69</td>
<td>1261</td>
</tr>
<tr>
<td>Fourth Five Year Plan – 1969-74</td>
<td>2426</td>
</tr>
<tr>
<td>Fifth Five Year Plan – 1974-78</td>
<td>5957</td>
</tr>
<tr>
<td>Annual Plan – 1979-80</td>
<td>2557</td>
</tr>
<tr>
<td>Sixth Five Year Plan – 1980-85</td>
<td>19519</td>
</tr>
<tr>
<td>Seventh Five Year Plan – 1985-90</td>
<td>27527</td>
</tr>
<tr>
<td>Eighth Five Year Plan – 1992-97</td>
<td>63340</td>
</tr>
<tr>
<td>Ninth Five Year Plan – 1997-2002</td>
<td>170232</td>
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</tbody>
</table>

Source – Year Book 2002, Govt. Gazettes

Thus the government has made expenditure for the development of village Rs. 337 million during the First Five Year plan, which has increased by 188 times during the Eighth plan i.e. Rs. 6340 Million.

- The First plan accorded priority for raising national income and a steady improvement in the living standards.
- The Second plan aimed at achieving goals of socialistic pattern of society.
- Self-sustained growth was the major objective the Third plan.
- In the Fourth plan, concept of equality and social justice was to be promoted.
- Self-reliance was to be attained in the Fifth plan.
• Removal of poverty was accorded the top priority in the Sixth plan.

• The Seventh plan had its concerted attention on food, work, and productivity.

• The basic thrust of Eighth plan was on maximization of employment and social transformation.

• The main dimension of Ninth plan are quality of life, generation of productive employment.

III.1.7 Problems and Characteristics of Village Development:

Problems of Village Development:

The problems or Village developments are the outcome of physical, economic and cultural aspects of the region and the settlement site. These are

• Unplanned villages with narrow crooked and inadequately drained streets.

• Lack of drinking water and bathing grounds for the common people.

• No arrangement for septic tanks either for a family or for the whole community.

• Lack of space for storing grains and keeping animals as a result of which animals and human beings share the common living space.

• Lack of Roads, railways and other lines of communication.

• Non-availability of Rural credit and guidance for house improvement are not available.

• Lack of marketing facilities.

• Lack of recreation.
Characteristics of Village:

The basic features of a rural society are derived from its living nearer to nature and its relationship to land, from which most of its members earn their living. A village society is characterized by isolation and hence the economic features develop around its regional self-sufficiency. The unit of production is the family, which tries to produce much of its own goods; and the artisans residing in the same or nearby communities produce what it does not make.

The main characteristics of village society, as distinguished from those of an urban society are:

- Relative predominance of agriculture as against non-agricultural occupations.
- Closeness of the people to natural environment as against an artificial man-made environment.
- Simple and happy life as against complicated and worried existence.
- Political social class being related to the holding of land as contrasted with a system related to personal movable property.
- Comparatively less occupational, territorial and vertical and social movements as against vast and frequent geographical, occupational and vertical social movement of population.
- Conservatism as against inventiveness.

A life closer to human hopes and desires as against a life of negative energy, suicidal vitality, moral and spiritual failure and dwarfed personality.

III.1.8 Rural Development Programmes

Rural development has been accorded a high priority by the government and rightly so. The emphasis on rural development programme is not new. Even prior to
independence, Gandhiji has succinctly underscored the importance of development village in India were to develop as a whole. Rural development in the ultimate analysis involves the provision of opportunities for the optimum utilization of the human resource in rural areas. Rural development is necessary not only because an overwhelming majority of the population lives in villages but because the development of rural activities is essential to the acceleration have pace of the overall economic development of the country. It has assumed greater importance in India today than in the earlier period in the process of development of the country. There is much evidence to show that public interest in it has been growing rapidly.

The government, financial institutions and voluntary Agencies, including corporate bodies, have implemented various schemes for the development of rural communities in India. The central government strives to achieve rural development though the implementation of varied programmes designed to meet the specific requirements of the target groups. The Community Development Programme was launched in 1952. The objective of this programme was to bring about changes in the economic, social as well as cultural life of the villages. During the fourth, fifth and sixth plans, various new programmes were implemented to provide employment opportunities to the rural poor and also to improve their economic conditions. The government has initiated a number of programmes to solve the chronic problems of villages in India.
### Table III.1.8.1

#### Rural Development Programmes in India

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Programme</th>
<th>Year</th>
<th>Sr. No.</th>
<th>Name of the Programme</th>
<th>Year</th>
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<tbody>
<tr>
<td>1</td>
<td>Bhoodan Movement</td>
<td>1951</td>
<td>28</td>
<td>District Industries Centres</td>
<td>1978</td>
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<tr>
<td>2</td>
<td>Gramdan Movement</td>
<td>1952</td>
<td>29</td>
<td>Integrated Rural Dev. Prog.</td>
<td>1978</td>
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<tr>
<td>3</td>
<td>Community Dev. Prog. (CD)</td>
<td>1952</td>
<td>30</td>
<td>TRYSEM</td>
<td>1980</td>
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<tr>
<td>4</td>
<td>Applied Nutrition Programme</td>
<td>1958</td>
<td>31</td>
<td>Whole Village Dev. Prog.</td>
<td>-</td>
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<tr>
<td>5</td>
<td>Panchayati Raj</td>
<td>1959</td>
<td>32</td>
<td>Special Prog. for Women &amp; Children</td>
<td>-</td>
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<tr>
<td>6</td>
<td>Intensive Agricultural District Programme (IADP)</td>
<td>1960</td>
<td>33</td>
<td>Programmes for Depressed Areas</td>
<td>-</td>
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<tr>
<td>7</td>
<td>Hill Area Dev. Prog. (HADP)</td>
<td>1962</td>
<td>34</td>
<td>Tribal Dev. Agency</td>
<td>-</td>
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<tr>
<td>8</td>
<td>Tribal Area Dev. Prog.</td>
<td>1962</td>
<td>35</td>
<td>National Seeds Programme</td>
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<tr>
<td>9</td>
<td>Intensive Agri. Area Prgr.</td>
<td>1964</td>
<td>36</td>
<td>Scheme for Dev. of Women Children In Rural Areas (DWCRA)</td>
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<tr>
<td>10</td>
<td>High Yielding Variety Programme (HWP)</td>
<td>1965</td>
<td></td>
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<td>11</td>
<td>Intensive Area Dev. Scheme</td>
<td>1965</td>
<td>37</td>
<td>Intensive Pulses Dev. Prog.</td>
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<td>12</td>
<td>Small Farmers' Development Agency (SFDA)</td>
<td>1969</td>
<td>38</td>
<td>Summer Moorng Programme (SMPP)</td>
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<td>13</td>
<td>Desert Dev. Prog.</td>
<td>1977</td>
<td>39</td>
<td>Intensive Cotton Dev. Prog.</td>
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<td>14</td>
<td>Agency for the Dev. of Marginal Farmers and Agri. Labourers (MPAL)</td>
<td>1969</td>
<td>40</td>
<td>Village Small Industries</td>
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<td>15</td>
<td>Drought Prone Area Programme (DPAP)</td>
<td>1970</td>
<td>41</td>
<td>Khadi &amp; Village Industries Programme</td>
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<tr>
<td>16</td>
<td>Rural Works Programme</td>
<td>1971</td>
<td>42</td>
<td>Dairy Dev. Prog.</td>
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<td>17</td>
<td>Crash Scheme for Rural Employment (CSRE)</td>
<td>1971</td>
<td>43</td>
<td>Bio-Gas Programme (BGS)</td>
<td>1981</td>
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<td>18</td>
<td>Pilot Intensive Rural Employment Projects (PIREP)</td>
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<td>44</td>
<td>Self-Employment for Educational Unemployed Youth</td>
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<td>19</td>
<td>Employment Guarantee Scheme (EGS)</td>
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<td>Rural Landless Employment Guarantee Programme</td>
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<td>21</td>
<td>Twenty-Point Programme</td>
<td>1975</td>
<td>47</td>
<td>Supply of improved tool-kits to Rural Artisans</td>
<td>1992</td>
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<td>22</td>
<td>Habitat Movement</td>
<td>1976</td>
<td>48</td>
<td>Employment Assurance Scheme</td>
<td>1993</td>
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<td>23</td>
<td>Food for Work Programme (FFW)</td>
<td>1977</td>
<td>49</td>
<td>National Social Assistance Programme</td>
<td>1995</td>
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<td>24</td>
<td>Antyodaya</td>
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<td>50</td>
<td>Swarna Jayanti Gram Swarozgar Yojana</td>
<td>1999</td>
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<td>26</td>
<td>Command Area Development Programme (CADP)</td>
<td>1978</td>
<td>52</td>
<td>Sampurna Gramin Rozgar Yojana</td>
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<td>27</td>
<td>Comprehensive Area Development Prog. CADP</td>
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*Source – DataCompiled from Annual report NCDC, NAFED*
During the planned period 54 different rural development programmes have been undertaken, a chronological account of which given in the above table in order to improve the lot of poor and more particular the rural poor, our planner and policy makers have launched Ten five Year Plans. These plans documents are the blue prints of our national effort in the direction of an all-rural development of the country.

**Performance of the Rural development Programmes**

**Table III.1.8.2**

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</tbody>
</table>

*Source – Data Compiled from Annual report NCDC, NAFED*

**III.1.9 Financial Institutions for Rural Development:**

There is no dearth of agencies that are engaged in rural development work. There are number of financial agencies, including international agencies. Commercial banks have mopped up over Rs. 7,500 crores of rural deposits besides financial agencies play a catalytic role in rural development. The cooperative sector and the voluntary agencies, too, rested themselves in the task of rural development. The mobilization of resources and their deployment in agricultural and rural development...
is a continuous process. Rural development is a part of the same process of economic development and social change. They have to go on simultaneously.

**Financial Institutions for Rural Development**

Although various agencies are working in this direction, the rural development programme is characterized by the absence of co-ordination and cohesion. Moreover, until and unless the desire for development comes from the people themselves, it will not gather the desired momentum.

It hardly needs to be emphasized that the success or failure of any rural development programme largely depends upon the active participation of the rural poor both at policy-making and decision-making levels. Rural development strategies can realize their full potential only through the motivation, active involvement and organization at the grass root level of rural people in conceptualization and designing
policies and programmed. But people’s participation cannot come about automatically. To quote the Ninth plan, vast majority of the rural people are poor and illiterate and not capable of organizing themselves as agent of socio-economic change because of their lack of knowledge and adequate access to information and physical and financial resources.¹ Inspite of the imperative need of participation, little has been done in this direction. In fact, authentic popular participation seldom occurs. The institutional network for the grass root association of village people comprises such as --an administrative channel i.e. village patwari and village worker, Voluntary agencies, participatory organizations which, include both panchayat and cooperatives.² Although voluntary sector has vast potential to supplement government efforts for development, it has its own inherent limitations. Similarly panchayat raj too can only aid, promote and encourage socio-economic activities, but cannot undertake economic ventures successful on its own.

The institutional network for the village development at grass root level

1: GOI Ninth Five Year Plan, Planning commission Delhi
2: FAO Rural Organization, Action Programme Rome 1979
III.1.10 Contribution of Cooperative Institutions to Credit Supply

Cooperative institutions have played important role in financial assistance to the farmers at village level as compare to other institutions.

Table III.1.10.1

Financial Contribution by various Institutions

<table>
<thead>
<tr>
<th>Members Loan A/c. (in crores)</th>
<th>Per Cent</th>
<th>Institution</th>
<th>No. of Institution</th>
<th>Per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.74</td>
<td>68.50</td>
<td>Cooperative Society/Banks</td>
<td>94663</td>
<td>67.8</td>
</tr>
<tr>
<td>0.40</td>
<td>4.77</td>
<td>Regional Rural Bank</td>
<td>12233</td>
<td>8.8</td>
</tr>
<tr>
<td>2.24</td>
<td>26.73</td>
<td>Commercial Bank</td>
<td>32637</td>
<td>23.4</td>
</tr>
<tr>
<td>8.38</td>
<td>100</td>
<td>(up to 31.3.2001) Total Inst.</td>
<td>139533</td>
<td>100.00</td>
</tr>
</tbody>
</table>

[Ref. NABARD – Yojana – 2004, April]

The above table shows that in India by 31st March 2001 there are 139533 financial institution of which nearly 68 per cent institutions are cooperative institution, Regional Rural Bank and Commercial Banks are 9 per cent and 23 per
cent respectively. 68.5 percent loan account covered by the cooperative up to 31st March 2001.

This is clearly indicates the highest contribution of cooperatives in financial supply to the farmers at village level as compare to other institutions.

Cooperative – A Key Role in Rural Development

It is the cooperatives – people institutions that have played a key role in accelerating the rate of rural development. One of the ILO publications has advocated the formation of cooperatives as one of the best forms of organization for rural development. It says ‘A more decentralized system heavily dependent on the participation of all local people in the formulation as well as the running of the new programme, seems to be a necessary part of any new approach. For this, rural cooperatives has observed that these have successfully designed and implemented Rural Development Programmes and have contributed towards improving access to public services.’

It is the cooperatives, owned and managed by the members themselves, while working enthusiasm and energy of the youth and women that alone can make the destiny of the Nation. Even in otherwise totalitarian and centralized political system like China, the turning point for success was that ordinary people possess great strength and wisdom and that when their initiative is given full play, they can accomplish miracles. Thus Formation of cooperatives is one of the best forms of organization of village development.

1: GOI Ninth Five Year Plan, Planning commission Delhi p 225
The approach to village development through cooperative should be based on both macro and micro considerations to generate community participation in development process and to develop self reliance among beneficiaries for that purpose the following strategy for development is adopted

- The village cooperative society (PACS) should be the principal agency in planning and executing the village development plan.
- It is not possible that all activities of the village may be taken up by the cooperatives. But cooperative would take an initiative in coordinating with other village level institutions, which helps the rural development.
- Development plan should embrace economic as well as non economic aspects of villagers like social hygiene, Child care, women welfare, drinking water, distribution of essential commodities and medical aid etc.
- Participation and self reliance of villages.
- Fullest use of local human and material resources.
- Thrust on development rather welfare.
- Maximum benefits to weaker section.
III.2 Concept of Cooperation

III.2.1 Origin of Cooperation

The idea of cooperation or interdependence in India is not entirely a new device, however the use of the word in the modern sense is not native to the country. Our Vedas, the Upanishadas and Bhagawat Purana have fully subscribed to cooperative existence. In the Vedas, prayers have been made to the almighty to give human being power and “desire to work together, to live together and think together”

सह नववतु । सह नै भुवतु ।
सहवीर करवाव है । तेजस्वि ।
नाभेतमस्तु । मा विदिषाव है ।
शानि । शानि: । शानि: ।

(Reference :– वेदसहीरोपनिषद ब्रह्मद्वली हलोक)

In Bhagawat Purana, individual ownership is permitted only to the requirement of the food. The Arthshastra of Kautilya also mentioned about cooperatives.

The Industrial Revolution brought large sized industrial units into existence. The huge factories helped the concentration of economic power in a few hands and created inequalities of income. Exploitation of the poorer sections of the society started in various forms. The wage rates were low. A long chain of merchant middlemen was created due to which the price for the ultimate consumer was raised considerably. The rates of interest were very high. The people who had suffered due to such economic inequalities, came together and voluntarily joined hands for mutual help. This was the beginning of cooperation.

Different forms of cooperation started in different countries are mentioned below:

- Consumers Cooperative Movement in England-1817
- Credit Cooperative in Germany-1850
- Agricultural Cooperatives in United States-1856.
Dairy and Farm Cooperatives in Denmark-1882

Wheat Pools in Canada-1906

The evils of capitalistic economic system made the social thinkers like Robert Owen (1771-1858) of England and Charles Fourier (1772-1837) of France to think of an alternative system of economy. They visualized an ideal form of society based on cooperation and mutual help instead of competition and exploitation of man by man. Though these historic figures did not trace in detail the forms that cooperation was to take, they set out its fundamental principles, viz., association, voluntary nature of cooperation, democratic government of the enterprise and social motive. Therefore they were considered as the pioneers of cooperation.

The dream of Owen, viz. creation of a new moral world based on cooperation, has not become a reality, though as a new noble form of economic organization with a social philosophy of high order and moral has come to stay.

Many cooperatives were organized in the 1830s in U.K. and almost all of them failed. And finally the "Rochdale friendly cooperative society" was formed in 1830. It was organized by a group of 28 workers of Rochdale, an industrial town in England. It proved a successful venture. The single factor in their success was the way in which they learnt lessons from the previous failures.

These pioneers registered their society "The Rochdale Society of equitable Pioneers" on 24 October 1844 and began business on 21st December 1844 with a working capital of 28 pounds. This is said to be the beginning of Modern Cooperative Movement.

The ideas of the Rochdale Pioneers, in the rules of their society, popularly known as the "Rochdale principles" have since inspired the cooperative movement throughout the world. These ideas were, democratic control, open membership.
limited interest on capital, patronage dividend, cash trading, sale of pure and unadulterated goods, education of the members and political and religious neutrality. These ideas are of individually novel, but their combination was essentially new. The pioneers had also framed elaborate rules for the administration of the society and conduct of business.

III.2.2 Genesis of Cooperation

"Cooperation" is derived from the Latin word 'Co-operari'. "Co" means "with" and "operari" means "to work". In other words, cooperation means working together with others for a common purpose.

The Webster Universal Dictionary defines Cooperation as "an association of a number of persons for a common benefit especially in carrying on some branch of trade or industry, the profit being shared, as dividend among the members."

In other words, Cooperation is joint or collective action of people directed some specified goal in which there is common interest or hope of getting some reward. Such cooperation may be voluntary or involuntary, direct or indirect, formal or informal, but, always there is a combination of efforts toward a specific end in which all the participants have a stake, real or imagined.

Thus, there may be a team of cricketers or football players, where the members join to play the game; or there may be a friendly association or club where persons come together to do some work together in order to achieve some purpose, which may be rendering of social service, or going on a picnic or meeting together to have social acquaintances.

1: Webster Universal Dictionary, P. 308.
In its special technical sense, it means the system of people voluntarily associated working together on terms of equality to eliminate their economic exploitation by middlemen (such as that of the farmers by landlords, moneylenders or merchants; of workers by jobbers or employers; and those of the consumers by traders) in respect of any economic need common to them, simultaneously themselves eschewing the economic exploitation of others, a method succinctly expressed by a nineteenth century advocate of cooperation in these words. "I shall have my hand in no man's pocket and no man shall have his hand in mine." The object of cooperating in this way is the economic and social betterment of persons who so cooperate. Cooperation helps persons escape from such exploitation by enabling them to become their own leaders or merchants or employers or traders. It helps them to gain the advantages of large scale operation, while maintaining their independence. These people satisfy their own economic needs by means of an enterprise undertaken by them on the basis of mutual aid.

The activity of cooperation is as old as humanity. From the most primitive to the most sophisticated community, throughout the world, we come across some or the other form of cooperation among the people living in a particular area or region, be it for some agricultural operations or for some social, economic or political activity. Cooperation has rightly been regarded as one of the least noticed economic miracles of the last century.

Appreciable differences are available between different countries and between the continents regarding the size of the cooperatives and their structure. Dr. Fauquet rightly observe, "for a full analysis of these differences, it is necessary to take into

2: Ibid., P. xii
account, in each country, the factors like its economic development and present conditions, the accident of political history, the influence of ideologies, the role of outstanding personalities, the activities of educational and propagandist bodies, the influence of legislation and, lastly and more generally, the attitude of the State”.

The origin of cooperation is shrouded in mystery. But it is so sunrise that it has been “the child of necessity that has developed in different countries along different lines.” The most accepted view is that it has been the result of the Industrial Revolution in the West, particularly in Great Britain, which brought about conditions of perpetual class conflict, labour unrest and pauperism – a class of proletariats, propertyless, moneyless and homeless – as would be evidenced by the extracts reproduced below.

Charles Fourier has stated that, “the corrupting fingers of capitalism (the child of Industrial Revolution) were soiling everything around it; civilization had been ravished; all social institutions, from commerce to marriage, were vulgarized. The degenerating poverty and astonishing riches; the pampered and inhuman ways of the exploiting class excited repulsion and righteous indignation from the intellectuals, philanthropists and visionaries.”

Thus, it would not be incorrect to say that cooperation owed its development to the situation created by the Industrial Revolution, which brought about threat of domination and exploitation of the proletariat by the large business class, low wages, rising cost of living, long working hours, uncongenial work conditions, and unemployment. This persuaded “liberal, minded persons, far sighted men and

2 : Quoted by Ashok Mehta in Democratic Socialism. P. 19.
visionaries to cast about for practical answers to the new problems or to work out ambitious systems of social organization.\textsuperscript{1} The working class, led by such visionaries, reacted to the prodigious economic upheaval and tried to form some form of cooperative associations like the "corn mills on a cooperative basis" as by the dockyard ship rights as early as 1760, or the wavers' societies, etc.

The Industrial Revolution brought about the growth of a large number of factories, which were "ill-laid, ill-lit, ill-ventilated, overcrowded and insanitary... The technical changes of this period placed immense power in the hands of the capitalist undertaker. The concentration of workers into factories made the relation between employee and employed a relation between tyrants and wage salves. The principal of laissez faire, which this period produced, is the character of the rich and strong to exploit the poor and the weak."\textsuperscript{2} Such conditions were not congenial for the personal development of the individual worker and for improvement of his health and morals. It was said that "lifeless machine were treated with more care than the machines (men) which were alive." So persons of small means tried to cooperate for getting a fair deal at the hands of their employers. It was at this juncture that Robert Owen tried to make every effort for the benefit of society. He conceived "Villages of Cooperation" and introduced a "New Moral World" based on principles of 'Cooperation' and 'human fellowship' which according to him was to supersede the "old immoral world" of ruthless competition and merciless exploitation and usher in a millennium of universal benevolence and content.\textsuperscript{3} This philosophy of Owen

\textsuperscript{1} L.L.O., Cooperation – A Workter's Educational Manual, 1956, P. 5.
contributed a great deal to the advancement of Cooperation. “His ideals centered round these objectives: equality, social ownership, mutual aid, just prices, the need for abolition of the profit motive, and education in cooperation as a means of improving character.”

In France, Charles Fourier is said to be “one of the first Reformers who laid stress on the fact that the struggle against pauperism depends more on the increase of production than on better distribution; provided such an increase of production occurs in social context which would at least secure a proportional distribution of the growing national income.” He is regarded as “the father of Cooperation” through the ‘principle of democracy’.

Rochdale Equitable Pioneers’ Society was established in Lancashire in 1844, to “make arrangements for the pecuniary benefit and the improvement of the social and domestic conditions of its members, by raising a sufficient amount of capital in share of Pound 1 each.” Arnold Bouner has observed, “It is from the taking down of the shutters of the shop in Toad Lane, in December 1884, that the effective ‘Cooperative Movement’ of the 19th century has always been dated and rightly.

In India, the principles of cooperation have been in vogue since centuries. The spirit of village communities (viz. Village Panchayats) was almost entirely cooperative. Throughout the ages, these communities worked together on an informal corporate basis with regard to their religious, social, economic and cultural life. The Rig Veda realized the importance of cooperation among the people, when it exhorted them:

1: Buner, Arnold, British Cooperation, 1961, Manchester, pp. 23-24
“May you all have a common purpose.
May your heart be in unison.
May you all be of the same mind.
So that you can do work efficiently well.”

Elsewhere, “the religious institutions and traditional customs threw light on
the instinct and tradition of mutual assistance, joint action, joint possession and joint
management which are found in the thinking and in the life of the people in all ages
and all countries.”

Concept of Cooperation

‘Cooperation’ is a form of organization wherein persons voluntarily associate
together as human beings on a basis of equality and work together for a common end.
It is the voluntary association of persons for doing business, the basis of association
being equality and the object, the satisfaction of a common need viz., the economic
improvement of themselves.

In all its manifestations, cooperation is the application to economic life of the
principle that, unity is strength. The essence of cooperation is the cooperative spirit,
“each for all and all for each” i.e. each shall work for all and all shall work for each
in the attainment of their common goal.

Late Shri V.L. Mehta, veteran co-operator of India, looked upon cooperation
in a wider context of voluntary improvement of economic condition of the people by
the people themselves, and described it as: “Cooperation is only one aspect of a vast
movement which promotes voluntary association of individuals having common
needs who combine towards the achievement of common economic needs”.

In USSR, a cooperative society has been defined as “a voluntary association
chiefly of working people, set up for the purpose of improving the living conditions of
its members shareholders, who on equal footing participate in the management of
enterprises they established”.

According to the Cooperation Planning Committee (1946)

“Cooperation is a form of organization in which persons voluntarily associate
together on a basis of equality for the promotion of their economic interest. Those
who come together have a common economic aim, which they cannot achieve by
individual isolated action because of weakness of the economic position of a large
majority of them. This element of individual weakness is overcome by the pooling of
their resources, by making self-help effective through mutual aid, and by
strengthening the bonds of moral solidarity between them.”

“Cooperation is the act of persons voluntarily united for utilizing reciprocally
their own forces, resources, or both under mutual management to their common profit
or loss”.

From the above definitions it may be concluded that 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 fulfill 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, it is necessary that all associates should have an equally forceful voice in
the affairs and be able to express their opinions freely.

1: Fundamental Theory and History of Consumer Cooperation (translated) Moscow Cooperative Institute
Moscow, 1965 P. 1
3: M. T. Herrick, Rural Credit

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The concept of cooperation thus, "envisages 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." \(^1\)

III.2.3 Principles of Cooperation

Cooperative principles have been formulated on the basis of experience gained by the workers in the cooperative movement in various countries. The first to state the cooperative principals were the Rochdale Pioneers.

The cooperative principles have undergone a change over a period of time. But the spirit of cooperation remains the same. The problem of principles was considered by International Cooperative Alliance in 1937 and in 1966. The following are the principles of Cooperation:

1. Voluntary and Open Membership;
2. Democratic Control;
3. Limited interest on capital;
4. Equitable distribution of surplus or patronage dividend;
5. Cooperative education; and

The "open and voluntary membership" is the base for democratic operations. The democratic control ensures that the interest of members will be protected. A limited interest on capital will, perhaps keep capitalistic and acquisitive tendencies out. It is quite logical that the "surplus should be distributed in proportion to the participation." It is also desirable that the organizations which train the cooperative character should be cooperative with each other.

\(^1\) Bedi R. D., Theory History and Practice of Cooperation, Loyal Book Depot Meerut.
The ICA considered these principles as, “essential to genuine and effective cooperative practice.” According to ICA Commission, “They form a system and are inseparable. They support and reinforce one another. They can and should be observed entirely by all cooperatives if they claim to belong to cooperative movement.”

The Principles of Cooperation basically evolved out of what were originally the rules of organization, working and management of the Rochdale Equitable Pioneer Society (1844). As the Pioneers started in right earnest their business activity, they had to bind themselves by basic principles and operational rules. The workers' cooperatives in France, Raiffeisen and Schulze-Delitzsch Agricultural Cooperatives in Germany had their own operational rules, but the basic principles of open membership, democratic control, limited interest on capital and distribution of surplus on the basis of members patronage were identical. Comparison of the main principles underlying the three cooperative movement started in the 1840's are given in the following table

---

### Table III.2.3.1
Showing Comparison of the main Cooperative Principles Started in 1840's

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Rochdale Principles</th>
<th>Raiffeison Principles</th>
<th>Schulze-Dehmitz Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Voluntary and open Membership</td>
<td>Self-help without exclusion of state help, provided cooperative independence is preserved</td>
<td>Self help with exclusion of any outside help, private or public.</td>
</tr>
<tr>
<td>2.</td>
<td>Democratic Control by &quot;one member, one vote&quot;</td>
<td>Limited Area</td>
<td>Large territory of operation</td>
</tr>
<tr>
<td>3.</td>
<td>Division of the surplus in proportion to patronage.</td>
<td>Allocation of entire surplus to individual reserve.</td>
<td>Division of the surplus in proportion to operation.</td>
</tr>
<tr>
<td>4.</td>
<td>Limited interest on capital.</td>
<td>Membership without subscription of shares.</td>
<td>High interest on shares to attract large subscription of shares.</td>
</tr>
<tr>
<td>5.</td>
<td>Political &amp; religious neutrality.</td>
<td>Unlimited liability of members.</td>
<td>Limited liability (originally un-limited)</td>
</tr>
<tr>
<td>6.</td>
<td>Cash trading</td>
<td>Limitation of the business to members only.</td>
<td>Business specialization.</td>
</tr>
<tr>
<td>7.</td>
<td>Promotion of Education</td>
<td>Voluntary work by board members.</td>
<td>Allocation of 10% of the surplus to reserves</td>
</tr>
</tbody>
</table>

At first glance, it seems that the three systems vary a great deal. But on fundamental matters, they respect the same principles. They all have the same attitude to the recruitment of the members (Voluntarism), system of Control (democracy), aim of the enterprise (service) and ownership (by members). They differ only on with respect to certain operational matters. The following Principles adopted by the Pioneers were later universally accepted and endorsed by the special committee of International Cooperative Alliance (ICA) in 1937 for the World Cooperative Movement.
Main Principles

1. Open Membership
2. Democratic Control
3. Dividend on Purchase
4. Limited Interest on Capital

Optional Principles

5. Political and religious neutrality
6. Cash Trading
7. Promotion of Education

Apart from above, the need for change in the principles of cooperation was felt due to rapid technological development necessitating ever increasing magnitude of capital investment, increasing intensity of competition from large industrial, trading and financial corporations in private and public sectors, and need for highly professional management with authority to take a quick decisions to meet the rapidly changing market conditions. Keeping above technical, political, social and economic developments in mind, the ICA again thought to review the Cooperative Principles formulated in 1996 and to amend them according to global economic situation and requirements. Hence, these principles were once again submitted for review in the Centennial Congress and General Assembly in Manchester in September 1955. Finally, the ICA Congress held in September 1995 adopted the following revised Cooperative Principles, which serve as Magna Carta for the entire cooperative movement of the twenty first Century.
Application of Cooperative Principles

The cooperative principles manifest in working cooperatives only when they are operative in true spirit otherwise they have no significance. Operation of the Cooperative Principles in Cooperatives depends upon various factors like knowledge and understanding about the need, importance and significance of cooperative principles among the members, leaders, cooperators and policymakers etc., the attitude and policies of the Government, nature and provisions of Cooperative law, attitude and commitment of cooperative leadership, framework of bye-laws of cooperatives, positive as well as bright image of cooperatives in the eyes of members and others who are directly concerned with cooperative sector etc. When we critically analyze and examine about the applications and practice of the cooperative principles in Indian Cooperatives, we observe a very contradictory and conflicting situation as in some of the successful national level cooperatives like National Cooperative Union of India (NCUI), Indian Farmers Fertilizers Cooperative Ltd. (IFFCO), Krishak Bharati Cooperative Ltd. (KRIBHCO), Petrofil Cooperative Ltd., National Fishermen’s Cooperative Ltd. (FISHCOPFED), National Cooperative Housing Federation Ltd. (NCHF), National Agricultural Cooperative Banks, etc., successful sugar cooperatives like Warna, Pravra, Bardoli and many others, dairy cooperatives like Amul Sagar, Sabar, Sumul, Panchamrit, etc., application of these cooperative principles is being observed quite vividly in their day-to-day functioning and operations, whereas in some of the weak and unsuccessful cooperative societies Unions/Federations etc. mainly operating at village level, Block/Taluka, District and State level cooperative principles are not being applied and practiced in true spirit, for example, in these cooperatives, first cooperative principles of voluntary
and open membership is being violated openly and membership not allowed to new members due to vested interests. Similarly, in majority of the cases, second cooperative principle of democratic member control is also not at all being applied and practiced. The third cooperative principle of member’s economic participation is also very weak; there is no autonomy and independence in the working of the cooperatives. Application of Fifth principles i.e. education, training and information is also very weak. Cooperation among different cooperatives is virtually absent. However, the same cooperatives are observing seventh cooperative principle and they are very much conscious about the welfare of the community. It is very painful to mention that many cooperatives in India are being formed, run, managed without understanding and implementing the cooperative principles into their practices. However, there is need to explain the application of reformulated cooperative principles being practiced in some of the successful cooperative societies/organizations in India such as ......

1. **Voluntary and Open Membership**

“Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination”

2. **Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members. In primary cooperatives, members have equal voting rights (one
member, one vote) and cooperatives at other levels, are also organized in a
democratic manner”.

3. **Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of
their cooperative. At least part of the capital is usually the common
property of the cooperative; members 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 possibly by setting up reserves, part of which
at least would be individual; benefiting members in proportion of their
transactions with the cooperative; and supporting other activities approved
by the membership.

4. **Autonomy and Independence**

"Cooperatives are autonomous, self-help organization controlled by their
members. If they are enter into agreements with other organizations,
including governments, or raise capital from external sources, they do so
on terms that ensure democratic control by their members and maintain
their cooperative autonomy”.

5. **Education, Training and Information:**

"Cooperatives provide education and training for their members, elected
representatives, managers, and employees so they can contribute
effectively to the development of their cooperatives. They inform the
general public particularly young people and opinion leaders-about the
nature and benefits of cooperation.”

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6. Cooperation Among Cooperatives

"Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures".

7. Concern for Community

"Cooperatives work for the sustainable developments of their communities through policies approved by their members".

Out of these seven Cooperative Principles, the first three principles viz: Voluntary and open membership, democratic member control, and member economic participation essentially address the internal dynamics typical of any cooperative, whereas, the last four cooperative principles viz: autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community affect both the internal operation and external relationship of cooperatives. The cooperative principles that form the heart of cooperatives are not independent of each other; they have strong linkages with each other. The observance of all those principles in totality constitutes a cooperatives organization. Hence, cooperatives should not be judged exclusively on the basis of anyone principle, rather they should be evaluated how well they adhere to the principles as an entity.

III.2.4 Cooperation and Capitalism

Under capitalism, all forms, factories and other means of production are the property of private individuals and firms. They are free to use them with a view to take profit or not to use them, if it so suits them. The desire of profit is the sole consideration with the property owners in the use of their property. Besides free and
unfettered use of their property, everybody is free to take up any line of production he likes and is free to enter into contracts with other fellow-citizens for his profit.

The definition of capitalism, given by the Webbs, "By the term 'capitalism' or the 'capitalist system' or as we prefer the 'capitalist civilization', we mean the particular stage in the development of industry and legal institutions in which the bulk of the workers find themselves divorced from the ownership of the instruments of production in such a way as to pass into the position of wage-earners who subsistence, security and personal freedom seem dependent on the will of a relatively small proportion of the nation, namely, those who own and, through their legal ownership, control the organization of land, the machinery and the labour forces of the community and do so with the objects of making for themselves individual and private gains".

Capitalism and cooperation, both are the forms of economic organization. They have been viewed as same on account of the following points of similarity:

- Like capitalism, cooperatives also accept the right of private property, the right of contract, inheritance and right of private enterprise.
- The cooperatives also use capital to carry on their activities and pay interest for its use.
- Like a capitalistic enterprise they also employ managers and compensate them on the basis of the quality of services they render.
- Cooperatives also depend upon business efficiency for their success just as capitalistic enterprises do.
- Cooperatives also lay emphasis on profits.

1: Mathur, B. S. Cooperation in India Sahitya Bhavan, Agra, 1982 P. 46-47
Both capitalists and co-operators generally oppose the encroachment of government in business.

Coopération like capitalism is a form of economic organization. Both stand for individual's liberty and a right to hold private property. But they are fundamentally different from one another. While capitalism simply attempts to crush down poor people, cooperation gives them strength to fight out their existence. It helps them to throw off the yoke of capitalism and lift themselves from weakness into strength. Capitalism is based on the principles of self-interest, maximization of profits and exploitation. Cooperation is based on the principles of self-help through mutual help, abolition of profits and service above self. Cooperation is an association of individuals who combine for joint effort on the basis of equality. In cooperation, man rules the money while in capitalism money rules the man. Capitalism is guided mainly by motives of self-interest. Capitalists believe in the theory of 'Survival of the fittest', and hence take to competition, which engenders a spirit of rivalry and leads to a clash of interest between those concerned; but cooperation works on the principle of self-help through mutual help and as such adopts peaceful methods in a spirit of service to its members. A capitalistic economy based on competition is unstable because of its booms and busts; it is unjust because of its exploitative nature; it is inefficient because of its wasteful expenditure, and is undemocratic because of domination by a few. On the contrary, cooperative economy is stable because it prevents the piling up of unconsumed and uninvested profits in the hands of a few; it is just because of its principle of equitable distribution it is efficient as it eliminates material and manpower wastage, and it is democratic as it is based on one man one vote.
III.2.5 Cooperation and Socialism

The Cooperative movement and the Socialist movement originated as a revolt against the rise of the Capitalist system. In fact, some of the fundamental principles of cooperation and socialism are the same. Both the systems emphasize human and social welfare and aim at the abolition of the profit-economy. The keynote of both cooperation and socialism is to pander to individual greed. The fundamental theory of both rests on an economic theory of collective action as opposed to individualism of capitalism. Thus cooperation and socialism are closely allied. Socialism as an alternative to capitalism has the widest appeal. A Swedish Kin once remarked to his minister. "If one is not a socialist up to the age of twenty-five, it shows that he has no heart; but if he continues to be a socialist after the age of 25, he has no head". Socialism seems to have caught the imagination of youth all the world over.

The essential features of a socialist economy are as follows:

1. All means of production and distribution are to be owned by the state.
2. No private enterprise is permitted.
3. The State takes the responsibility of employment.
4. Central planning is the chief instrument of bringing socialism.
5. All social services like education; medical facilities and other welfare services get top priority and become the responsibility of the state.
6. Each individual gets fixed wages.
7. Profits go to the state.
8. Remuneration is made on the basis of each according to his ability and each according to his need.

1: Memoria C. B. – Cooperative Movement in India, P. 139
2: Mathur B. S. Cooperation in India, Sahitya bhavan India, P. 49-50.
Socialism pre-supposes the dominance of the state, whereas the cooperative movement does not accept state interference. It might seek the help of the state but always tries to become self-sufficient and independent. The principles of 'Voluntary association' and 'democratic management' are the guidelines for the cooperative movement. As already stated, cooperative movements in under-developed countries have a different story to tell. In the initial stages the movement was started by the state and in most of these countries it is still not only being guided but also controlled by the state.

The Cooperative system claims to abolish capitalism and to substitute for it a new society and order, which grow within the framework of capitalism itself. The cooperative economy starts with the society as it is. In fact, it is found under the competitive system, but it creates new forces, which gradually push out the capitalistic system. As Alfred Marshall put it long ago,

"The cooperative faith is a belief in the beauty and the nobility, the strength and efficiency, of collective action by the working classes employing their own means not indeed suddenly to revolutionize but gradually to raise their own material and moral condition".

The following are the points of similarity between cooperation and socialism.¹

- Both the systems lay emphasis on distribution of wealth.
- Both the systems have a common origin.
- Both lay emphasis on service and not on profits.
- Both lay emphasis on improved use of resources.
- Both lay emphasis on collective action as opposed to individualism of capitalism.

¹ Mathur B. S. Cooperation in India, Sahitya bhavan India, P. 50.
Both systems are democratic in character.

Both the systems desire to eliminate the evil effects of competition.

The cardinal principles of both these systems are equity and liberty.

Both the systems are based on moral foundation and believe in human brotherhood.

The cooperative economy recognizes individual ownership of property, which socialism does not, but the private ownership assumes a new significance and meaning in a cooperative system. Thus, for example, individual ownership of shares is recognized in a cooperative economy, but it is significant to note that the form of ownership has a peculiar feature in a cooperative economy. It does not constitute a monopoly as in a capitalist system. As the membership is open to all, and because of the smallness of shares and easy condition of subscription, there is an equality of opportunity for all to acquire ownership of property in a cooperative economy.

Cooperation depends upon self-help through mutual help and not on any outside and including that of the state, and even when it accepts state help, it does not accept state interference in its internal management. It always strives to become self-sufficing and independent. It is mainly based on voluntary association and voluntary aid. In this way it differs from both socialism and communism. 'Cooperatives bring to the common people a wider distribution of wealth, which is the objective of socialism, without destroying individual incentive, private property, or competition. Where cooperatives have built a tradition of self-help and group action, the dictatorial methods of communism are not wanted'.

1 : Bhatnagar K. P. – Cooperation in India and Abroad – Kishor publishing House, Kanpur, 1960
III.2.6 Cooperation-The middle way

There have been several pronouncements in this country to the effect that the aim of economic policy is to establish a socialistic pattern of society. What it exactly means is still unspecified. Clearly, a 'socialist pattern' will differ from what is understood by 'socialism'. One could guess that wholesale nationalization and collectivization is to be avoided and yet the resources will be used towards the realization of social objectives. Cooperation may not have much to do in a socialistic state; but it would have immense purpose in a socialist pattern of society as cooperation could achieve some of the same very objectives without the evils of bureaucratization, nationalization or regimentation. We could have some glimpse of a socialistic pattern of society from one of the statements of the Late Prime Minister Pdt. Jawaharlal Nehru.¹ "Our aim should be to evolve a political system which will combine efficiency of administration with individual liberty and an economic structure which will yield maximum production without the operation of private monopolies and concentration of wealth; and which will create a proper balance between urban and rural economies. Such a social structure can provide an alternative to the acquisitive economy of private capitalism and the regimentation of a totalitarian state". Under 'socialism' it will mean collectivization of all our land. But organizing small-sized units into cooperatives could fulfill the same social purpose. The cooperative organization could be used as part of the process by which the social ideals of democracy could be realized. Several socialists have expressed that the cooperative system in production and distribution is near the socialist ideal than the public corporations. Many socialists now do not consider nationalization a pre-requisite for socialism. Whereas capitalism tends to create 'monopolies' and state

² : Shrivastava – Cooperative Movement in India.
socialism tends to produce totalitarian dictatorship, cooperation is the road to decentralization and self-government.

To conclude

The approach to village development through cooperative should be based on both macro and micro considerations to generate community participation in development process and develop self-reliance among beneficiaries for that purpose the following strategy for development is adopted.

- The village cooperative society (PACS) should be the principal agency in planning and executing the village development plan.
- It is not possible that all activities of the village may be taken up by the cooperatives. But cooperative would take an initiative in coordination with other village level institution, which helps the rural development.
- Development plan should embrace economic as well as non economic aspects of villagers like social hygiene, child care, women welfare, drinking water, distribution of essential commodities and medical aid etc.
- Participation and self-reliance of villages.
- Fullest use of local human and material resources.
- Thrust on development rather welfare.
- Maximum benefits to weaker section.

It can be conclude that cooperation is synthesis of capitalism and socialism. In a cooperative organization, like in a capitalistic enterprise, rights to private property are fully secure and recognized. So it has got an element of capitalism. Similarly, it has got an element of socialism. Socialism requires control by the state on all the means of production. Under a cooperative organization also there is a collective control, not by the state but by the members of the organization.
Thus we can say that –

Cooperative societies are not Trade Union.

Cooperative society is not a friendly society

Cooperative is not merely business.

But it is a combination of spirit of service

Which evokes loyalty, fellowship and a corporate feeling.

Thus we can say that cooperative principles are broad guidelines by which cooperatives but their values/ideology into practice. These cooperative principles are the life blood of the movement, derived from the values that have infused the movement from its beginning, they shape the structure and determine the attitudes that provide the movement a distinctive prospective. They are inherently practical principles, fashioned as much by generation of experience as by philosophical thought. They consequently elastic, applicable with different degrees of details of different kind of cooperatives in different kinds of situation for example, as to the nature of the democracy of their institutions the roles of different stake holders and of the democracy of their institution.

The purpose behind these principles is to strengthen the cooperative movement in true spirit so that the cooperative movement is owned, controlled and managed by the members.