PART I
CHAPTER I.

INTRODUCTION

Administration has become an all-pervading phenomenon in the modern age. With increasing progress in science and technology, administration has been facing new challenges. The concept of welfare state is now well established and the state has been entering into new avenues of responsibilities with a clear objective of improving the lot of common people. This has undoubtedly increased the size of the administrative apparatus of the government and correspondingly the importance of the study as well as the practice of public administration.

The concept of democracy has unleashed new forces as a result of which the present age has become the age of rising expectations. This has certainly posed a challenge before administration. People want the government to cater to their needs by spreading a network of institutional services throughout the country. The philosophy of profit-oriented private industry and the principle of democracy had a combined effect on the popular mind which is inclined in favour of self-respect as well as efficient service almost simultaneously. This is the main departure from the administrative practices prevalent in ancient or medieval ages.

The network of co-operative institutions throughout the country is also essentially a twentieth century phenomenon as far as India is concerned, though the origin of the
co-operative movement in the world dates back to the earlier centuries. These institutions have assumed an important and significant place in the administration of the economic development programmes of our country. Since Independence co-operation has become the principal basis of organization in several branches of the country's economic life, notably in agriculture, small industry, marketing, processing, distribution, contract and provision of essential amenities for local communities. It has also become an essential feature of the programme for the implementation of the Five Year Plans. All the Five Year Plans have recognised the importance of developing co-operative sector to achieve the goals of our planning.

The co-operatives have been held as much important and valuable as other administrative bodies like the Panchayati Raj bodies. The latter are specially created bodies assigned with the functions of local government whereas the former are spontaneous and voluntary organisations assigned with the functions of catering to the production or/consumption needs of the members.

Whatever be their different areas of work and the objectives, all these institutions are in a way, administrative bodies in which the problems of delegation of authority, of the span of control, of supervision over the employees and

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the expenses etc. arise and affect the very performance of these bodies. A co-operative society is also an enterprise with problems of size, structure, management and technical equipment, which it shares with all other economic enterprises.

However, the co-operative institutions are of different character from other administrative bodies and enterprises, private and public, since they are essentially economic bodies enshrining into their philosophy some novel features like the principle of democratic control, open membership, patronage refund and limited interest on capital etc. These prominent features, among others, affect their working. The impact of outside forces in socio-economic and political milieu in which they exist is of equal importance. Effects of these characteristic features on the performance of these institutions and the historical experience of their working raise a few doubts about the efficacy of these institutions in practice. Can democracy and efficiency co-exist in co-operative institutions is a question often asked in this context. This dissertation is an attempt to analyse this problem objectively on the basis of empirical evidence.

Scope of the study:

Correlation of the principle of democracy with the efficiency aspect of any business institution would need a detailed study not only of its operational performance

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(performance in terms of input-output ratio) but also of its whole organizational performance (performance of the various components that make up the organization in their capacity as a unit and as in relation to other units) since the latter would throw some light on the actual working of the democratic processes. Hence the scope of this study is first limited to two aspects of the co-operative institutions concerned, namely business performance and organizational performance.

Further, there exist type-wise and region-wise variations in performance and development of the co-operative movement in our country, hence the importance of delimiting the scope of the study to certain specific region and also to certain specific institutions in the selected region. An attempt has been made to concentrate on two distinct 'socio-economic areas' within a selected region so as to study the effect of different socio-economic milieus on the overall performance of co-operative institutions.

The district of Ahmednagar has been selected for this study mainly for two reasons. One is, the district has registered good progress in the co-operative movement both from quantitative and qualitative points of view. And second is, the district shows some uneven development as far as irrigation facilities are concerned. A few of the talukas, e.g. Kopargaon, Shrirampur and Rahuri have much more irrigation facilities than the rest of the ten
taluka in the district. The co-operative sugar factories which have earned a name in the country have come up in these three talukas only. Thus, this division of the district into two distinct areas, irrigated and dry, would help understanding the phenomenon of regionwise or areawise development of the co-operative institutions and hence only two talukas, one from each area, namely Ahmednagar (in dry area) and Kopargaon (in irrigated area), have been selected for the purpose of this study.

The scope of this study is thus, further limited to a particular district and again to particular talukas in the same district. It is further limited to the specific institutions in these two selected talukas as well as to certain district level institutions.

The following classification has been accepted as appropriate for the selection of the institutions for the purpose of this study:

I) a) Agricultural Credit Societies b) Non-Agricultural Credit Societies
c) Agricultural,Non-Credit Societies d) Non-Agricultural Non-Credit Societies.

II) Only prominent types of institutions have been selected from each variety, not necessarily only one from each class:

1. Primary agricultural credit societies and the District Central Co-operative Bank are the two varieties from one class of societies i.e.

Agricultural Credit Societies;
2. Marketing societies and sugar factory from other class of societies i.e. from Agricultural non-credit societies.

3. Supervising unions and handloom weavers co-operatives from non-agricultural non-credit societies.

III) Only one society, which is most prominent and progressivestry than the other societies of the same class, has been selected from the remaining class. Hence the urban Co-operative Bank has been selected which has some historical prominence and operational importance.

IV) These institutions have been selected from two talukas, namely, Ahmednagar and Kopargaon. Here the criterion used is the topographical characteristics of different talukas in the district so one taluka is selected from an irrigated tract (Kopargaon) while other from dry or unirrigated tract (Ahmednagar). As far as possible every type of society selected has been studied in the context of these two different talukas. However, some exceptions have been made, e.g. the sugar factory has been studied in isolation, since there exists now co-operative sugar factory in the taluka of Ahmednagar. Exception has again been made in the case of the weavers co-operative societies which have been selected only from the Ahmednagar taluka since, as it was told by the officers of the
co-operative Department in the district, all such co-operative societies in the Kopargaon taluka had become defunct and were not worthy of study from the point of view of availability of their records. Barring these exceptions, the institutions of all other types have been selected, one (at least) from each taluka:

1. Primary Credit Societies - two from each taluka;
2. Marketing Societies - one from each taluka, and
3. Supervising Unions - one from each taluka.

V) Different levels have also been thought of while selecting these institutions. Primary level and the next immediate level are the two levels selected for the purpose of study since the whole study is confined to a single district where not more than two levels of the whole hierarchy of structure can exist.

VI) In the case of the primary credit co-operative societies an additional criterion of audit classification is also considered. Two societies, from each taluka, out of which one is efficient and the other inefficient during the preceding five years, as would appear from the audit classification (on information received from the concerned taluka co-operative supervising unions), have been selected.

Thus, the total number of societies (type-wise, area-wise, level-wise and performance wise) selected is
The same is shown below in tabular form.

Table No. 1:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type</th>
<th>Ahmednagar</th>
<th>Kopargaon</th>
<th>District Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural Credit Societies.</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Non-Agricultural Credit Societies.</td>
<td>x</td>
<td>x</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Agricultural non-credit Societies.</td>
<td>1</td>
<td>2*</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Non-Agricultural non-credit Societies.</td>
<td>2</td>
<td>2</td>
<td>x</td>
<td>4</td>
</tr>
</tbody>
</table>

* One co-operative sugar factory.

Further, the study is also limited by the factor of a specific period. Working of any organisation might vary from year to year due to changes in the composition of the Board of Directors and changes in the managerial staff of the concerned institution, due to changes in the overall structure of the co-operative sector and due to other factors like changing political and economic situation in the region or country as a whole. One year might prove beneficial from the business point of view, e.g. recovery position of the credit society might show good performance when crop prospects would be better due to good and adequate rains, whereas another year might prove as a hard year under the conditions imposed by a severe drought. Hence, the importance of selecting a period of more than one year.
A period of five years i.e., from 1963-64 to 1967-68 (both the years inclusive) has been selected for the purpose of this study.

Thus, the scope of this study is limited to -

1. Ahmednagar District.
   a) Taluka Ahmednagar.
   b) Taluka Kopargaon.

2. Fourteen selected co-operative institutions type-wise, area-wise, level-wise and also performance-wise.

3. Only two aspects of each institution, namely, business performance and organizational performance, and lastly,

4. A period of five years from 1963-64 to 1967-68.

It is evident from the above discussion that the study would be rather an organizational study in which the specific emphasis would be given on democratic processes in the management of the institutions concerned which would mean the study of 'men in relation to men'. Thus the study is nearer to the sociological analysis of organizational practices in the business institutions like co-operatives.
Approach to the Problem

To the knowledge of the author, empirical approach has yet not been taken to study this problem in particular, the studies available being either on 'democracy' or on 'operational performance' of the co-operatives. Obviously, empirical approach would help understanding the gulf that exists between theory and practice and would throw some light on how far democracy and efficiency are made compatible in the existing co-operative societies. Hence, an approach taken to study this problem is mainly empirical and the working of as many as fourteen co-operative institutions of different varieties and working at different levels and in different socio-economic contexts has been analysed.

However, the importance of literary material available on the subject is not underestimated and the relevant material available on the subject is made thoroughly use of to complete the study. Thus, though the study is mainly empirical, attempts have been made to draw upon the views and findings of prominent authorities on the subject of co-operation.

Methods applied to collect data

An empirical approach needs on-the-spot study of the subject and therefore, all the selected institutions have been visited personally to go into the records of
those institutions. Since the period selected for study spreads from 1963-64 to 1967-68, the only way to study their working during that period was to study all the relevant records of those institutions and to discuss various aspects or matters - as regards the application of co-operative principles in the co-operative organizations - with the office-bearers concerned as well as with the members of those institutions.

The records have been studied on the basis of already prepared schedules and outline. In addition to this, some other institutions have also been contacted to collect the statistical information relevant to the co-operative movement in the district of Ahmednagar, e.g., District Co-operative Board, Zilla Parishad, Office of the District Deputy Registrar, Co-operative Societies. Lastly, in addition to the discussions with the office bearers and some of the members of the institutions concerned, interviews with the most prominent co-operators in the district have been held. Thus, every attempt has been made to check and recheck the data collected on the problem at hand.

The Theme

The theme of this thesis involves three important aspects namely business efficiency, democratic character and their correlation with each other.

1. Business efficiency:

The World Book Encyclopaedia defines business as an establishment which serves the public through manufacture
or distribution of goods or services. It is also defined as "the production, purchase and sale of goods and services in order to make a profit". The co-operative societies are business institutions in the sense that they serve the public (generally members, occasionally non-members also) by means of either manufacturing or distributing goods or services. The philosophy of co-operation abhors 'profit' and services are rendered with a view to fulfilling the needs of the members of the co-operative society rather than earning a profit for itself. Hence, they are nearer to the former definition than the latter.

It is not to say however, that the other types of business do not render any service to society. Every business renders some service - large or small - to human society. The difference is only in the shift of emphasis. In the case of an ordinary (non-co-operative) business concern the emphasis is on the profit-making motive to the subordination of ethical and human norms; whereas, in the case of co-operative business concern, the aim of satisfying the needs of the constituents is of prime importance. The profit-making aspect of a co-operative concern is secondary and incidental. Further, "Profit-business merchants do not want everybody to be merchants; but co-operators who are their own merchants, want everybody to join them and together become owners of stores and thus become merchants."5

Eventhough, profit making is an explicit, central and legal aim of many organizations, including virtually all privately organized business corporations, "it is equally important to realize that the necessary secondary aim of most non-profit organizations is to operate without loss within a given budgetary situation of available financial resources". The co-operative institutions fall in such non-profit organizations whose central aim is to render services to their members.

This service-oriented character of co-operative business poses certain problems as to the measurement of its efficiency, because, "the criterion of efficiency is most easily understood in its application to commercial organizations that are legally guided by the profit objectives". It is often easier to measure profit since the word 'profit' implies "the net surplus which is earned by a corporation after all legitimate operating costs, fixed charges, depreciation and obsolesence costs are met." In fact, "Profit is an ultimate test of business performance; it is a criterion of efficiency".

But how to measure one's performance in terms of achievement of non-material objects like rendering services?

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Miss Follett once remarked that underneath all the various current uses of the word 'service' as expressing men's altruism, lie labour performed for another, doing good to others and further added that no man would increase private profits at the expense of public good if he thought of his business as a 'service'. The same can equally be applied to an institution whose central aim or goal is to tender service. It is often difficult to measure the performance of such institutions for want of adequate rod or criterion to measure the efficiency. The balance sheet of such institutions is only one of the criteria to see how far the business is capable of its own survival. Thus, a pertinent question in this context is; how to measure the efficiency of a co-operative institution?.

The word 'efficiency' itself has acquired several meanings. **Oxford Dictionary** defines efficiency as 'fitness or power to accomplish, or success in accomplishing, the purpose intended'. **The Encyclopaedia of Social Sciences** defines it as 'the ratio between input and output'. It also means the ratio between efforts and results, expenditure and income, cost and the resulting pleasure, etc. This latter meaning became current in business and in economics only since the beginning of the twentieth century. **Casson** defines the concept as 'improvement in people and products'.

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and operations, improvement as a continuous and developing process.\textsuperscript{12} In administrative science, it implies 'the degree of conformity between the fixed goal and the result which is usually attained'. F.W. Taylor of the scientific management school of thought is credited with the view that efficiency "is the ratio of actual performance to the standard performance, i.e. the efficiency of labour."\textsuperscript{13}

This brief review of the meanings attached to the word efficiency would help understanding the difficulty of applying any fixed criterion to measure the efficiency of a co-operative type of business organization which is economic, social and public administrative (in the sense of government sponsored and government supported) organization, all at the same time. Even the criterion of administrative efficiency i.e. 'a measure of the social success of the administrative activity' would be too inadequate to evaluate the secondary effects of the action. "In a purely technical sense the action is efficient whenever the goal is attained in accordance with a clearcut definition, but nevertheless the political authorities may be dissatisfied with the result because the secondary effects of the action have been too expensive in terms of social disadvantages."\textsuperscript{14} The measurement of efficiency thus becomes difficult in case of the institutions whose main

\textsuperscript{13} Meyer, P.\textit{, Administrative Organization}, Stevens & Sons Ltd, London, 1957, p.70.
\textsuperscript{14} \textit{Ibid.}, pp.71,72.
goal is to provide service the attainment of which is not expressible in concrete terms. Hence the efficiency should be measured not in terms of the accumulated profits but mainly in terms of the degree of achievement of its goals within the available budgetary provisions, although profit would also serve as one of the criteria. When applied to co-operatives, a distinction should also be made between organizational efficiency and operational efficiency.

Organizational efficiency of co-operative institution is a broad term which also includes in its meaning the concept of operational efficiency. Operational efficiency connotes the annual performance measured in terms of the targets (if any) achieved and the surpluses gained or losses accumulated etc. This is usually done in private enterprises where other factors receive less importance than the measurement of profit to assess the efficiency or otherwise of the enterprise.

The concept of organisational efficiency connotes the operational efficiency as is understood above and in addition, other factors like development of team spirit among the staff, loyalty of the members as well as of the employees towards the enterprise, happy and harmonious relations between the members and the employees etc. Of these factors, loyalty of the members and the keenness they show in business aspects of their institution are most important, because, ......" in the last analysis it is on
them that the efficiency and hence the success of the institution ultimately depend.\textsuperscript{15}

Further, a co-operative institution might show an operational efficiency due to government assistance, financial as well as managerial, but at the same time it might show an organizational inefficiency. It is also possible that a co-operative institution might show constant losses i.e. operational inefficiency due to adverse economic conditions such as severe drought, unhealthy competition by the strong competitors of the non-co-operative sector etc., and at the same time might show efficiency in other matters related to the smooth working of the organization. Hence, there is a need to study the efficiency of co-operative institution from this broad point of view and this study is an attempt to study it in the context of the democratic character of co-operative institutions. Hence, the following matters should be studied to measure the efficiency of any co-operative institution.

1. Surpluses remained at the end of the year and the reserves built out of them.

This is also related to the self-supporting character of the institution concerned, which, after achieving that, would be better placed to work out genuine democracy-free from any pressures or influences from without.

2. Quantity and quality of services provided for the members.

3. Attempts made to create a team-spirit among the employees and a feeling of mutual understanding between the members and the employees.

4. Improvement in matters like book-keeping, accounts and maintenance of records etc.

5. Attempts made for furthering the cause of co-operative education among the members. And lastly,

6. Loyalty of the members towards the institution.

This is the view generally adopted by auditors while auditing the accounts of co-operative institutions. Audit classification of a co-operative institution would therefore, help knowing the level of working of that co-operative institution at a certain given period. The standards laid down to classify co-operative societies as were laid down by the Registrars' Conference in the year 1926 are still in vogue and accordingly co-operative institutions are classified. The original classification is into the following categories:

- 'A' or model societies, in sound condition in every way, observing co-operative principles and independent of outside help, except for annual audit;

- 'B' Societies which are generally in a sound condition and capable of managing their own affairs but fall somewhat short of the 'A' standard by deficiencies in co-operative spirit and education and may even have a few defaulters;

- 'C' Societies, the mediocre group, wherein most societies like most individuals in real life, fall, having their shortcomings but muddling on, and
'D' Societies in a bad way, over which hangs the threat of cancellation if they do not improve within two years and which are supposed to receive no fresh loans from their central institutions'.

Thus, the co-operative institutions are subject to several indices in regard to the measurement of their performance. However, these co-operative institutions also face certain inherent limitations which, with some exceptions, the parallel institutions in other sectors do not. These limitations which influence the working of co-operative institutions are mentioned below and this factor should also be taken note of when any yardstick to measure their performance is to be applied.

1. In a country like India, co-operative institutions are less organised and less experienced to compete with the private concerns. Most of the co-operative institutions are lacking the previous experience in the business since many of them have been formed only recently. The importance of experience in running any business efficiently cannot be underestimated and hence, other things being equal, lack of the same would constitute a severe limitation on the performance of the business, either private or co-operative.

2. Service motive as against private motive:

Co-operative institutions have some ideology of their own which places human motives above that of monetary motives. Profiteering, 'profit making' are the words originated in

context of the private industries and the co-operative ideology tries to keep itself away from these practices.
The description of co-operative society as it is recognized in the English law is most interesting in this context. The Prevention of Fraud (Investments) Act, 1939, contains the same matter almost in negative terms. The expression 'Co-operative Society' does not include a society which carries on or intends to carry on business with the object of making profits mainly for the payment of interest, dividend or bonuses or money invested or deposited with, or lent to the society or any other person.  

A certain amount of exploitation of clients or of consumers is inherent in these concepts of profiteering and profit making. However, the co-operative ideology goes against all the practices which exploit human beings, while at the same time using the methods of efficiency developed by the private enterprises. Warbasse has rightly maintained that "In the interest of its members a co-operative uses methods of efficiency that have been developed by profit business but not the methods that encourage ruthless individual greed."  

The co-operative ideology eliminates these concepts or motives and prefers in their stead the service motives in which well-being of human beings is involved. It has been pointed out as regards the co-operative enterprise that "It is business motivated by a desire for social

betterment with all the risks of failure and fullness of reward which such a combination presents. It comes midway between movements of pure philanthropy in which business plays no part, and movements in which commercial advantage is the declared purpose; and by appealing to the altruism in man, it commands from its members, servants and friends effort which exceeds their personal reward.\(^{19}\)

This is not to suggest however, that the private enterprises always stand against the human or social interests but their very motive or 'end of making profit' keeps other values subordinated.

It is many a time seen that an uneconomic business is done by co-operatives e.g. running a consumers' store or a grain-shop or increasing the business activities without thinking of their own potentialities or capabilities to do so, etc. only in the interest of the welfare of their own members (which no private person or enterprise would dare to undertake). It is very likely, as Stephenson has pointed out that, "In one situation the management may suggest closing a shop or reducing a range of stock, and the Board may argue that to do this would be to rank efficiency above social responsibility and to fail in providing a service for the members."\(^{20}\)

Thus, this importance of service motive recognized in the co-operative philosophy imposes definite limitations

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on earning high surpluses and showing spectacular operational efficiency.

3. Finance from outside and hence many restrictions to undertake any risk which is much essential in the business field.

Co-operative institutions have to work under certain limitations imposed by enabling Act of the State and the Rules made thereunder as well as imposed by the central financing agencies on which they are dependent. Limits as to the share capital, borrowing capacity, advancement of credit to the members, rate of interest to be charged on lendings and area of operation of the enterprise etc. are laid down in clear words and they cannot be trangressed easily without making amendments in the original provisions which would mean some delay to take the desired action.

4. Variations in the approaches of the members :-

Co-operative institutions are collective bodies constituted by many individuals who voluntarily come together to solve their common problems or to meet their common needs by means of 'mutual help'. They do this by collecting in common whatever resources they possess and by adopting whatever policies they want to achieve their objectives, of course, at the same time, remaining within certain limits prescribed by the State in the interest of broad social welfare. Democratic principle gives them full freedom to hold their own views and to use their right to affect the decisions of the management.
Now, as is suggested by Stephenson, a good many members may ask for more surpluses which would give them good returns in terms of dividends, while others may insist upon service aspects only, and would not mind losses the institution in question suffers. Decisions and views of these different individuals are to be reconciled happily to keep the smooth going of the enterprise, a problem which is not faced by other business institutions of non-co-operative type.

5. **Limitations of ideology**:

Co-operative institutions are essentially democratic institutions. They have some ideology of their own which governs their own working and any departure on the part of the co-operative institutions from the set principles of co-operation, made in the interest of operational efficiency would stifle the very essence of those co-operative institutions thereby bringing them down on par with the non-co-operative institutions. Bogardus maintains in this connection that, "A co-operative without idealism would be just another business" and have no special reason for existence. Its idealism makes it stimulating to its members.

This would also have an adverse effect on the whole movement as such, e.g., If profit motive is emphasised in actual practice, if adulterated goods are sold, if representation is given on the basis of number of shares one holds (with a view to appease more wealthy members) and lastly if surplus is distributed again on the basis

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of the number of shares one holds and not on the basis of
the extent to which one patronises the society etc.

This ideological element is likely to limit the
pace of progress and development of co-operative institutions.
If often asks for more sacrifices from the members in the
cause of common good. Londis refers to this point and
remarks, "Precisely because co-operation makes such heavy
demands upon the capacity for altruism, its progress always
has been and must always continue to be relatively slow."23
Hence, the ideological elements impose certain limitations
on the performance of every co-operative enterprise.

6. Political situation or an attitude of the Government:

The role of the State in strengthening and developing
the co-operative movement, at least in under developed
countries like India, is much talked of and its importance
on the whole recognised. All depends on what approach the
State adopts and what latitude it allows to unleash the
forces of co-operation. It would be improper to expect any
efficiency from co-operative institutions if the State is
simply hostile to the philosophy of co-operation and if it
imposes several restrictions which may mar the very growth
of the co-operative movement. It is well known that the
concessions given by the State to co-operative societies
in India under the Co-operative Credit Societies Act of
1904 helped in increasing the number of co-operative
societies in our country.

23 Londis, Y.B., Bethlehem and Rochdale, The Co-operative
League of the U.S.A., Chicago-Illinois— New York,
Washington, 1944, p.31.
Thus, the efficiency of co-operative institutions is limited by these factors namely:

1. Less organized and less experienced position of co-operatives;
2. Service motive as against profit-motive;
3. Finances from outside and hence many restrictions;
4. Variations in the approaches of the members;
5. Limitations of ideology; and lastly,
6. Political situation or an attitude of the Government.

All these factors should be taken note of while assessing the efficiency of co-operative institutions.

Further, this efficiency is to be assessed in relation to the democratic character of co-operative institutions and hence, an analysis of democratic character of co-operative institutions would now be appropriate.

2. Democratic Character:

A small group of twenty eight weavers joined into a co-operative society under the name 'The Rochdale Society of Equitable Pioneers' and opened a co-operative store on Toad Lane in the textile city of Rochdale, England, on December 21, 1844 (though they had registered their society on 24th October, 1844). This endeavour of theirs was an outcome of a continuous thinking among themselves for about a year or so.24

24 Ibid., p.9.
Spectre of the Industrial Revolution haunted the British Society and had terrifically disturbed its medieval economy. The workers or labourers were mainly at discount. They were paid miserable wages, worked, even in childhood, for scandalously long hours and lived in unhealthy slums. Further, they were subject to frequent spells of unemployment with no unemployment pay and very inadequate poor relief. High prices and inferior or unadulterated quality of goods were other disadvantages. Co-operative endeavours carried out by Robert Owen, Dr. King, Fourier and Blank etc. had showed them certain direction towards improving their own lot; but more than anything else, their conviction that self help was the best help reflected in the plan they evolved.

The rules and practices these Pioneers applied to their enterprise later on came to be known as the co-operative principles. However, not all the rules and practices but only those selected by the social historians of later decades who looked back on the performance and achievement of the Rochdale Pioneers came to be recognized as the co-operative principles. These rules and practices are summarized below:

1. Open membership.
2. Democratic control.
3. Limited interest on capital.
4. Patronage refund.
5. Cash purchase and sale

6 Purity and quality of the products.
7 Education of the members and
8 Political and religious neutrality.

Of these, the first four principles have been upheld as 'the most important principles' that make up the democratic character of the co-operative enterprise. They are also universal principles applied to all the co-operatives irrespective of their types and levels of working. How these four principles make up the democratic character of the co-operative enterprise is explained below.

1 Voluntary and open membership:

Individuals having common economic ends voluntarily come together and try to meet their needs through mutual help. The enterprise they form is a co-operative enterprise which remains open to other members having like interest. The membership is not only open but also free in the sense that the members enjoy freedom either to join or to leave the enterprise. Their association with others in the enterprise or with the enterprise itself is not against their wishes.

However, this association of theirs is regulated by certain desirable restrictions. The freedom of each - the individual and the co-operative - to consult its own interests and act accordingly is reconciled and blended with that of the other in the application of this principle, hence, the importance of imposing certain restrictions.

The ICA Commission of 1966 listed some such restrictions being in vogue in the co-operative field. Of these, the
political pressures on the individuals to either join or leave the enterprise are non-co-operative in character. Restrictions like compelling a few recalcitrant farmers to join a co-operative irrigation society, which the majority of the local farmers favour and which is designed to produce higher yields in the interest of the whole community; economic restrictions like charging an entrance fee and the necessity of holding a minimum number of shares, probation period prescribed for the new entrants in some producers' societies; restrictions as regards the character of the individual members etc., are some such qualified restrictions. Even the Rochdale Pioneers had recognized the need of imposing such qualified restrictions lest, the internal harmony which is essential for the successful working of the enterprise may easily turn into discord "through the admission of bad characters, irresponsible individualists or trouble makers."^28

In short, the principle implies that no individual should join (or then leave) the enterprise under the pressure of any external artificial constraints but on his own accord under the normal circumstances and nor should the society be obliged to retain him as a member if he acts in a manner detrimental to its interests and hostile to its aims.29

This principle is important in that it gives to the new entrants equal rights with other previous members."The

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29 Ibid., p.16.
social wealth built up by the exertions of past and present generations is made available to any members who enter the co-operative at some later date."  

2. Democratic control:

The principle of democratic control is expressed in the rule: "All the members present at all general, quarterly and annual meetings to have, each, one vote and no more, in the decision of all questions." This rule was added later on, i.e., on 7th August, 1845, and the original rules merely stated that the management must be elected and that the general meeting of members must be held once a quarter. Disappointed by the 1832 Reform Act and by the failure of the Chartist movement in achieving the political enfranchisement, the promoters of the Rochdale Society (some of whom were actively associated with the Chartist movement) thus set out to create for themselves citizenship of a society within society. Before the Rochdales, the principle was in vogue particularly in religious communities but its application to business was an innovation due to the co-operatives which preceded the Pioneers. They borrowed the rule from a few of the friendly societies, e.g., The Manchester Rational Sick and Burial Society, wherein the same was applied successfully.

31 Ibid., p.64.
Thus, various factors had influenced the Rochdale Pioneers in applying this rule to their experiment. The Industrial Revolution had an adverse effect on the business guilds due to which the desire for some creative work on the part of the workers was altogether marred and their right of associating 'actively and directly' with the production processes was seized. This craving on the part of the workers to get themselves involved in the production processes including the decision making was also a contributing factor in adopting this rule of democracy. Hence, the origin of the applicability of this principle of democratic control to a business institution like a co-operative was a combined effect of the different forces and factors, namely, the Chartist movement, practices of the friendly societies, ill effects of the Industrial Revolution and the internal cravings of the Rochdale Pioneers.

Any way, this principle gave altogether a distinct character to the co-operative institution. Identity of the members and the users in the co-operative enterprise makes the democratic control "a control by member users which is much more deeper than the so called democracy of a joint-stock company."34

The same principle expressed in 'one man, one vote' based the voting rights on membership rather than on capital and made the capital servant and not the master.

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of labour. The practice of paying a fixed or limited interest on capital also had the same effect. The principle ensured 'the rule of people rather than the rule of wealth'.

3. **Limited Interest on Capital.**

The principle of fixed interest on 'stock' was earlier advocated by Robert Owen. The ICA Commission of 1937 worded this principle as 'Limited interest on capital'. The fear that the practice of paying an unlimited interest on capital might lead them astray into the evil practice of capitalism and the historic necessity of remunerating capital by interest to attract new members with capital made the Pioneers adopt the middle way advocated by Robert Owen. Moreover, they looked upon the capital not as an end in itself but as means to further the common ends. Individual as a human being loomed large in their minds and as a result of all these factors they decided to pay a fixed interest on capital.

This principle had a positive influence on the democratic character of the co-operative enterprise in that it emphasized the importance of individual as against the capital. "The principle of limited interest paid on capital is a good one because a co-operative is organized to serve its patrons, not investors. If patrons are also

investors, they will not mind a limit on interest paid on capital.\textsuperscript{38}

However, it is important to remember that the payment of interest on capital is not held obligatory in the co-operative philosophy. The point is made clear in the Report of the ICA Commission of 1966. "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."\textsuperscript{39}

4. The Principle of Patronage Refund.

The practice was in vogue in the Lennoxtown society of Scotland as long ago as 1812 and the idea of the Rochdale Pioneers of applying this practice to their own enterprise is attributed to Charles Howarth.\textsuperscript{40} In the pre-Rochdale co-operative movement the theory required that the surpluses should be kept 'indivisible' to assist the further development of the enterprise into self supporting communities. However, the division of surpluses was, in practice, widespread and there was no uniform procedure. The Rochdale Pioneers favoured a uniform procedure and decided to distribute the surpluses among the members in proportion to the 'volume of business each had done with the society. Thus, the refund is linked up with the principle of patronization. (Hence, the patronage refund). They adopted this practice for two reasons. In the


\textsuperscript{39} ICA, Op.Cit., p.22.

\textsuperscript{40} Londis, Y.B., Op.Cit., p.10.
first place, to offer the members some immediate advantages, and secondly as an outcome of the price policy chosen by them. They had chosen to sell the goods at current market rates and, after meeting the cost of management of the enterprise, wanted the surpluses to be distributed among the members with a view to eliminate the element of profit-motive.

This is the equitable distribution of the surpluses, a practice which adds to the democratic character of the co-operative enterprise. "The vital feature of the dividend principle is a negative one, i.e. the ban on any distribution of the net surplus in proportion to the capital contributed... Co-operative theory bases itself on the individual (instead of on capital) in its attitude towards authority and the distribution of the surplus...". 42

It is evident from all this discussion so far that these four co-operative principles in the main make up the democratic character of the co-operative enterprise. The principle of democratic control is supported by the other principles, namely, the voluntary and open membership, limited interest on capital and the patronage refund.

Many authorities on co-operation have interpreted these principles in various ways but the content of democracy, which those twenty eight weavers had in their minds, has remained the same in all those interpretations. "From its beginnings, the co-operative Movement has been consciously

constructed on democratic foundations. Theorists have argued and continue to argue, about what constitute the 'essential' principles of co-operation, but none has questioned the view that democracy is an integral aspect of any genuine co-operative organization. Democracy, therefore, may well be claimed as co-operation's cardinal principle...."43

Democracy in co-operative enterprise is mainly based on two concepts. Every member of a co-operative is the owner of the co-operative society and every member has the same rights and privileges of ownership as any other member, are these two concepts. "Based on these twin ideas of equal membership and the identity between the user and owner is built the democratic machinery of co-operative enterprises connecting the General Body of co-operatives, the elected Board of Directors who are responsible for directing the affairs of a co-operative society, and the paid executives, who carry on their duties and responsibilities under the general overall guidance of the Board of Directors. This is the democratic control and democratic management of the co-operative enterprises and the co-operative associations."44

This would also make clear that the principle of democracy as is thought of in the sphere of politics does not differ much in its application to economic enterprises like co-operatives. "It permits only one vote per share holder,

just as there is only one vote per citizen. It joins economic democracy with political democracy to make a doubly strong democracy. Problems of democracy in relation to the size of the State, apathy of the citizens, nature and composition of representative bodies, elections and inter-play of factions etc. as are visualized in the sphere of politics are also apparent in the field of co-operatives.

However, the co-operative democracy is, by many, held superior to the political democracy on the ground that it is genuinely a functional democracy. Says Ostergaard, and rightly so, that...."Co-operative ownership provides more opportunities for members to participate in the administration of their societies than either State or Municipal ownership similarly provides for the ordinary citizens."

Fauquet has drawn attention to a major distinction between the co-operative democracy and political democracy. To him, co-operative democracies are 'homogenous democracies, in the sense that all the members of a co-operative are closely bound up with one another with an awareness of the particular object of their occasion, and the specific needs common to all. It follows that co-operative democracies, unless influenced by outside conflicts, have an internal life, habits and customs quite different from those to be

observed in political democracies.\textsuperscript{47}

However, as regards the application of the principle of democracy to economic and business enterprises like co-operatives, there exist two views. In the main co-operatives recognize the importance of democratic principle not only as an ethical value which extols the importance of co-operatives as against the private enterprises but even as most practical. Success of the Rochdale society of Equitable Pioneers and the non-stop growth and spread of co-operative movement all over the world are the examples often given to support this viewpoint. The conquering march and progress of the co-operative type of business emphatically confute the statement sometimes heard that, generally speaking economic activities cannot be based upon democratic principles.\textsuperscript{48} The advantages of the best managed co-operatives to society at large are also given to stress the value and possibility of the application of democracy to economic enterprises. "Add the indisputable fact that the best managed co-operative undertakings compare very well with, and often excel the best managed profit-seeking undertakings, in joint stock form, in the same departments of trade—both in the rate at which they have developed and in the efficiency achieved and at least the possibility of a capable business management on democratic lines has surely been amply demonstrated."\textsuperscript{49} Further, "where democracy does not prevail in a co-operative society, autocracy develops and

\textsuperscript{47} Faugue, G., \textit{The Co-operative Sector.}, Co-operative Union Ltd., Manchester 1951, p.25.


\textsuperscript{49} \textit{Ibid.}, pp.70-71.
the co-operative stagnates, fails or becomes transformed into a private profit business. Democracy is more than a theory and an ideal in co-operation; it is a requisite for its business success. It is an actual business method.\textsuperscript{50}

However, another view, just opposite to this also exists. Propagandists of this view draw upon the experiences of private enterprises to justify their standpoint that the principle of democracy which stresses the importance of means and of individuals runs against the practices of successful business enterprises.

Co-operative institutions are governed by a social and economic philosophy of which the principle of democracy is the foremost and this is just in contrast to private enterprises which are governed by the philosophy of profit (if at all they are governed by anything!) only. It is generally presumed that the efficiency of private enterprises is due to, among other reasons, this absence of any moral or socio-economic philosophy behind them which is to a large extent true. However, the presence of this philosophy is a severe limitation on the performance of co-operative institutions and hence the doubt is often raised whether the democratic processes are compatible with the efficiency aspects of co-operative enterprises.

Now, in co-operative institutions, all the control is vested in the General Body constituted by all the members of the society but the work of management is particularly entrusted

\textsuperscript{50} Warbasse, J.P., \textit{The Co-operative Way.}, p. 35.
to a body elected by the members in the General Body meeting, which remains responsible to the General Body, and hence to all the members of the society. It is important to remember at this point that the business in co-operatives is 'controlled' by the members and not actually run... "The mistake often made by the enquirer is to assume that the democratic mass 'run' the business. They do not. They 'control' the business. They elect a board of directors and the directors employ executives as experts to 'run' the business. The elected representatives of the people perform a supervisory function, or make themselves administrative experts in their particular field."  

Efficiency of a co-operative institution depends on the efficient working of these internal bodies. Relations between these two bodies are also important from the standpoint of maintaining pure democratic character of the institution, since there is likelihood that these bodies may become autocratic, since the character of power is always to increase or expand in its scope or volume. The General Body may then simply sink down to the position of a 'rubber-stamp' only to give its assent to the will of the Board of Directors whatever it may be. Whether this 'autocratic' character of the Board of Directors has good effect or otherwise on the efficiency aspect of co-operative institutions concerned is also a point worthy of detailed study in the context of the problem at hand. Democratic Process may lead to this kind of development also and hence, this point should not be lost sight of while measuring  

the efficiency of a co-operative institution. However, for that purpose, a precise criterion should be laid down to distinguish between democratic and autocratic types of the Board of Directors.

It is evident that the Board of Directors is always elected democratically and it is democratic in the sense that it is a representative body elected democratically by the members. However, the democracy at the managing committee level should also be studied from the point of view of in what ways the Board of Directors carries out its functions and in what ways does it try to spread the benefits among all the members of the institution concerned. Due to the role that ordinary human beings have been called upon to play in co-operative institutions, desires and social cravings of certain people are likely to dominate over the common good of all the members of the institution concerned. Warbasse has aptly remarked, "The hunger for privilege and advantage is bound to appear in any organization of human beings. Likewise there are in the co-operative movement individuals who seek self-advancement. In these societies, and in all others, there are certain individuals who do most of the thinking and initiate most of the actions. Natural incompetence, or indifference, prompts most of the membership to remain inarticulate. This means that the articulate minority have the most influence, and, if so disposed, are sometimes in a position to promote their own selfish ends." 52

All this would help to understand whether a Board of Directors is autocratic or democratic in nature. A body may be called an 'autocratic' one if -

1. It takes all the affairs of the institution in its own hands, even the matters which require a special treatment by the experts;
2. It does not include all the members of the body in various sub-committees to be appointed from time to time but favours only a limited number of persons;
3. It shows no regards for the General Body which is supreme in power;
4. It tries to prevent new persons from coming into the body and lastly; and
5. It takes partisan measures to appease a particular group of people.

Here, however, one possibility should be conceived of the Board of Directors being autocratic in matter No. 4 above and quite democratic in other matters. Such kind of Board of Directors is likely to exist and that may create an 'enlightened democracy' or 'Co-operative Aristocracy' in the organization.

All this discussion would show that the whole organization of a co-operative institution is permeated by the element of democracy. To quote Dr. Pernica, "Internal Co-operative Democracy is not only an ethical principle. It is reflected in co-operative policies, influences all co-operative economic activity, the methods and forms of management of co-operative organizations,
and also affects the organizational set-up of the co-operative system as a whole. And this democratic character poses certain problems before the co-operatives on the solution of which their success or progress depends. To conclude, "The democratic structure and procedures of its administrative organization... saddle the co-operative institution with problems and difficulties which are unknown in the profit undertaking".

3. Correlation of these concepts -

Democracy is intangible and vague and cannot be measured with the help of indices like 'profit and loss' etc. Democracy is an ideology or a philosophy whereas efficiency is an attribute of individual or of institution. Efficiency does not necessarily consider the importance of means, whereas democracy does recognize the importance of means in all the situations, or in other words efficiency gives importance to the ends or objectives since that is always targets-oriented. Democracy, on the contrary, attaches more value to individual 'as individual' some times at the cost of material interests. Efficiency can be measured in terms of how far the pre-settlement ideals or objectives have been fulfilled whereas democracy can be measured in terms of the overall development of an individual which is not a simple task. Further, efficiency can be increased with conscious efforts or attempts, whereas democracy can be strengthened by educating the individuals and involving them directly in the governance of

54 ILO, Co-operation (A Workers Education Manual), p.36.
their own affairs. This distinction can further be stretched which only strengthens the suspicion raised initially that democracy and efficiency cannot co-exist.

Why the efficiency of a co-operative should be impaired when it is governed by a noble philosophy is a pertinent question raised in this context. Answer to this question should be sought in the analysis of their compatibility with one-another. Two factors warrant attention in regard to the problem at hand.

1. Changes taken place in the socio-economic conditions due to the developments in science and technology and their effects on the co-operative movement, and

2. Dangers inherent in the practice of democratic principles.

Both of these factors have a close relevance to both efficiency and democratic aspects of co-operative institutions which would soon be made clear. Origin of the problem lies particularly in these two factors which is apparent from the whole development of the co-operative movement since 1844.

1. Changes taken place in the socio-economic conditions due to the developments of science and technology and their effects on the co-operative movement (of course, in regard to the problem at hand only).

Increasing shift towards integration and concentration all over the world in the interest of efficiency or in the interest of successful competition with the non-co-operative institutions posed certain problems for the preservation of the democratic character of the co-operative institution.
On the basis of the data collected in course of the National Survey of Retail Societies in Britain in 1955 and 1960, Ostergaard maintained that the participation of the members declined proportionately in the larger society and remarked, "This trend raises the question of the possible incompatibility of business efficiency and democratic control. It may be that part of the price of increased efficiency through amalgamation may be a concomitant increase in member apathy and hence a weakening of co-operative democracy unless new means can be found to evoke active participation in the larger society".  

In the majority of western countries the process of integration between the various levels within the movement - retail, wholesale and production - went on with great speed. This was, of course, necessary in order to ensure continued competitive power. This raised the problem of maintaining necessary democratic control as the co-operative business organisations continued to grow ever more intricate and complicated.

This large size of co-operative institution also raised similar problem faced in the large scale private or public concerns of gaining the competent staff well nurtured in the philosophy and practice of co-operation. Says Bogardus, "A large membership means that the co-operative is a big business and requires at its head big businessmen of a kind. These should be adequately experienced in business efficiency, in expansion, 

in investments, in labour relations, and at the same time imbued with democratic co-operative principles both in theory and in daily practice”. 57

Another change that has taken place over all these years is about the evolution of co-operative institutions at all the levels, from village to the State and even beyond it. It is true that they have preferred either a federal or an integrated structure in their own field of activity and this has also raised some problems about the representation to be given to individual societies in their intermediary or federal bodies. Whether the same should be given on the basis of the size of the member society or it should be given on the basis of the volume of business transacted by the member society with the federal society in the immediately preceding year are the different views involved in the matter. The point is, certain modifications in the application of the principle of democracy are necessitated in order to preserve the true democratic character of the co-operative and at the same time, to show certain efficiency.

Further, this emergence of 'super-structure' 58 poses certain problems in regard to the 'voluntary and autonomous character of co-operative institutions' which may be called the other side of the coin of democracy. The role of the secondary (higher level) institutions in improving efficiency of the member societies is no doubt highly important but whether it impairs the freedom of member-societies to make

57 Bogardus, E. S., Problems of Co-operation, pp. 15-16.
their own decisions within the broad tradition and policy of the movement is also important from the democratic point of view. This is the reason why the suggestions which reduce the voluntary, the democratic or the autonomous nature of the society are likely to be regarded with suspicion.59

Another change has been noticed in the field of management functions. Management has been evolved as a science in itself and there is much talk of scientific management in the business world. Developments in the field of science and technology have necessitated 'expertise, specialization and professionalism' in carrying out the operations of any business efficiently and economically. This gives more weight to the employees side as against the Board of Directors, especially when these Boards comprise of laymen, as is generally the case with co-operative institutions. This would no doubt be essential from the viewpoint of increasing efficiency but then what about the principle of democracy which gives more say to the representative bodies of the members, like the Board of Directors? The introduction of more and more complex techniques of unit-stock control, scientific stock assortment, budgetary control and forecasting, modern accounting systems etc. is resulting in the withdrawal of the Board of Directors from the management. This seems to be necessary because of the changes in the field of management. "To refuse to accept this position may lead to a reduction of efficiency".60 Ostergaard, while commenting upon this development in the field of business management aptly remarked, "In these

60 Ibid., p.37.
circumstances management by lay committee becomes 'a dangerous anachronism'. The problem is also recognized by the ICA Commission on Co-operative Principles appointed recently.

2. Dangers inherent in the practice of democratic principles.

Democratic theory when allowed to be practiced in any association gives more opportunities to the members to present their own viewpoints. This has an effect on the formation of consensus or in the making of decisions which in a way affect the very character of the association or institution concerned. Not only the views but even the factions existing in the area of operation of that particular society affect the working. "It has occasionally happened, however, that instead of solidarity, factions have developed among the membership and have battled with one another for the control of the society. Where this has happened, it has not often been a result of differences of opinion on the conduct or aims of the co-operative but has arisen from divisions already existing in the village, from political, religious or class differences, or simply from old family feuds." The Rural Credit Survey Committee (or the Committee of Direction) appointed by the Government of India in the year 1950-54 has also given an account of a society in a village of Part A state wherein two strong factions had developed among the local people. Both the factions had their representatives in the managing committee of the society. Every member of the managing committee took interest in the work of the society not in order to improve it, but to strengthen his and his party's position. Consequently,

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when the normal credit statement was presented to the General Body, loans were recommended to each and every applicant because rejection of any application would have led to a fight between the two parties and would have perhaps resulted into burning of the crops and haystocks of the opposing member. The managing committee, therefore, neither exercised real discretion in recommending loans nor took any steps to recover the loans advanced. Loans were allowed to become overdue.63

One of the important principles of administration is the delegation of authority. It assumes a very delicate place in the co-operative set up and sometimes poses the problems which might affect the very working of the co-operative enterprise. There is no doubt that the bylaws of co-operative institutions provide for the division of responsibilities between the Board of Directors and the managerial staff. But when it comes to the necessity of delegating certain powers, particularly of the Board of Directors, two points warrant attention:

1. Frequency of such delegation and
2. Agencies being preferred for such delegation.

In view of the lay quality of the Board of Directors it is likely that much of the work is frequently delegated either to the sub-committees or to the employees. Frequent delegation of authority to sub-committees is not, and cannot be, much objectionable, nay, sometimes even beneficial from both democratic and efficiency point of view, since these committees would be manned by the members themselves. To quote Bogardus: "...the larger the number of members who assume at least a small co-operative responsibility, the more definitely

will a co-operative live up to its name. The wider the distribution of co-operation, the greater the degree of democracy." 64 But the same practice would become certainly objectionable in the interest of democracy, if the powers are frequently delegated to the employees under the name of efficiency.

In this context, the relationship between the Board of Directors and the managerial staff becomes crucial. "Any struggle between the two which results in the dominance of one over the other can have far reaching consequences. If the chief official is able to dominate the Board then the democratic advocacy may be subdued, if the position is reversed efficiency may suffer. This suggests two extreme situations; but the relationship in practice is likely to be much more complex." 65 Too frequent delegation of authority to the employees may result in the domination of the employees side over the Board of Directors. Thus, this is another inherent danger in the practices of democracy.

However, the exact reverse position is also contemplated, wherein the advise given by the Chief Official or the Manager may be neglected by the Board of Directors for no sound reason whatsoever, but only to safeguard the democratic or political interests of its own. "The Board, under pressure from the members - it may be approach of an election or the occurrence of a difficult general meeting - may overrule the advice of the Chief Official on inadequate grounds. This may be a

65 Stephenson, T.E., Management in Co-operative Societies, p.58.
temporary development, but it is possible for a Board to attempt to dominate its chief official because it wishes to exert its democratic position, to exercise power or to carry a weak official."

As regards the 'decision making' also some dangers are inherent in the philosophy of democracy which may mar the efficiency of a co-operative institution. Decision making in a democratic association is a somewhat lengthy and dilatory process. All shades of opinions are to be considered and weighed against one another before deciding upon the final course of action. This may prevent the Board of Directors from taking a quick decision, if time and circumstances demanded the latter, and consequently the institution may suffer.

However, the decisions can be altered democratically if the members dislike them later on and raise democratic opposition. After all, the institution should cater to the needs of all the members or of most of the members. Still, to stretch this matter beyond a certain limit may affect the efficiency even though the action would be justified on democratic counts. 'No decision is final' is a tenet which may become the cornerstone of democracy. If it is true, a pertinent question can be raised about its effect on the efficiency aspect of the institution. Should the decision, once arrived at democratically, be altered off and on simply because the members change their mind or simply because the power structure (composition of the

66 Ibid., pp.58-59.
Board of Directors) changes?

Equally important in this context is the tenure of the members of the Board of Directors and its effect on the performance of the institution concerned. Right to be re-elected as many times as is desired is certainly in consonance with the democratic principles and traditions. Hence, two possibilities may be conceived. 1. Ever changing composition of the Board of Directors including the office of the Chairmanship and 2. The same body of members continuing for several years, at times by suppressing the democratic forces in the institution. Thus, the problem of limiting the tenure may affect both the aspects of democracy as well as efficiency, of the institution concerned. This is a problem peculiar to the co-operative type of enterprise only.

Thus, these are some of the dangers inherent in the application of democratic principles to the co-operative institution.

Lastly, the state-aid and participation in co-operative societies as in underdeveloped countries like India also creates certain problems in regard to the compatibility of democracy and efficiency. "... If the State is to give substantial financial assistance and has a large financial interest, it is inevitable that it will wield a substantial measure of influence, if not control."67 This influence may, it is feared, curtail the democratic character of co-operatives, even though it may affect favourably the efficiency aspect.

In this context, late Pandit Nehru, in one of his addresses, maintained, "...If it is to be a state sponsored Movement, with Government officials running it, it may do some good, but it does infinite harm in the sense that it does not allow the people to learn how to do things for themselves."^®

Does it mean that the relations of co-operative institutions with the state always prove inimical to their existence as co-operative institutions or, for that matter, to their democratic character? Theoretically they do, since the philosophy of co-operativism abhors the philosophy of statism. But in actual practice, the relations with the state have proved, sometimes, beneficial (particularly when the state was either indifferent or favourable), at others, inimical (when the state was antagonistic). The Rochdale Society of Equitable Pioneers and its numerous contemporaries gained strength and vigour when the State was completely indifferent towards co-operation. In a number of countries the co-operation is even promoted with the State help. Capek, while writing on the relationship between the co-operative movement and the state, quotes from the International Labour Review (Published by ILO, May, 1959): "Many of the new States created since the end of the second world war are finding that co-operation provides them with a new road towards economic development, and relations between the state and the co-operative movement have been deeply altered in consequence".69

69 Capek, Co-operatives And the State. Central Co-operative Council, Prague, 1960, p.54.
However, examples are also not wanting when the co-operatives and co-operators were a principal target of attack by the State. In Italy and U.S.S.R. under the Fascist and the Bolshevik regimes respectively the co-operatives were seized of their democratic character. "In many lands the dominant political regime, be it fascist, bolshevik, or what not, destroys co-operatives if co-operators officially are found in politics opposed to the dominant political party." 70

Today, the relationship seems to be usually cordial. Finland, Denmark, Ireland, Germany etc. provide the examples where the state practically performs no services for the movement. There, the movement has been based on the free initiative and will of the people. Mexico, Japan, Egypt etc. are the examples of the countries where the State provides only basic facilities like registration, supervision, education etc. In developing countries particularly, the State is taking an active part in the promotion of co-operation with the recognition of the fact that "The co-operative method is the best means of bringing a national development plan down to the level of the innumerable small producers on whom national economy ultimately rests." 71

Thus, all depends on for what philosophy or doctrines the people in power stood and further, in what relationship the co-operativism stood with those philosophies.

However, the attack on state aid or participation is launched by the co-operators mainly on the ground that such

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aid is often associated with too much interference in the internal affairs of the co-operative institutions, although such an aid is essential to strengthen the co-operative movement. How to work out a balance and preserve its autonomous and democratic character with the State participation for efficiency is a main problem in this context.

All this discussion on the correlation of both the aspects, democracy and efficiency, in co-operative institutions adequately brings out the importance of giving an empirical treatment to the theme of this thesis.
CHAPTER II

CO-OPERATIVE TYPE OF ORGANIZATION.

Origin and Growth of Co-operative Organization.

It is in the Rochdale Society that the true form of Co-operative Organization was devised for the first time, even though the origin of Co-operation dates back to the earlier centuries. The increasing distress of the working classes not only led to strikes and disorders but also gave rise to thought and concern among a few intellectuals and philanthropists who made it their duty to cast about for practical answers to the new problems or to work out ambitious systems of social organizations. The form of Co-operative type of organization was, thus, an outcome of the attempts made by the most practical men motivated by a noble philosophy.

The Rochdale Society of Equitable Pioneers was governed by a set of principles, elaborated in the earlier chapter, which gave it a distinct and novel character. And since the pioneers achieved a tremendous success in their endeavours, their organization soon became a model worthy of emulation. The Co-operatives which sprung afterwards adopted the same type of organization.

The traditional Co-operative type of organization is made up of three organs in the main. They are the General Body, the Board of Directors and the Manager or the Secretary.

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Working of each of these organs as a unit and in relation to other two is closely connected with the organizational performance of each Co-operative enterprise. Their relations vis-a-vis each other are counted more in the Co-operative than in the non-co-operative business enterprise. Organization is a device by means of which these relations are regulated in the interest of achieving the ends. The same type of organization is universally accepted all over the world; it can be shown graphically as given below:

The General Body consists of all the members of the society who elect the Board of Directors and entrust it with the function of 'directing' the business of the enterprise. The Board of Directors remains responsible and accountable
to the General Body. The Manager or Secretary is an executive organ who is supposed to 'execute' the plans of the society worked out by the Board of Directors in virtue of the powers delegated to it by the General Body. The Manager or Secretary is appointed by the Board of Directors and works under the administrative control of it. He works as secretary to the Board of Directors also. Employees other than the Manager are also appointed by the Board of Directors and are kept under the administrative control of the Manager.

Thus, the pattern of Co-operative Organization is very simple. The variations do exist from country to country and from one level of its working to another; but these variations are found not in the basic pattern that is shown in the graph but in the matters of details like size and composition of the Board of Directors, mode of election of their members, tenure of its members, delegation of power and authority etc.

However, as a result of vast socio-politico-economic changes that were brought about by the industrial revolution, certain modifications in the existing pattern of Co-operative Organization were necessitated. In the initial years of the movement, the co-operatives could work in relative isolation of other similar types of organization, but soon it became necessary for them to come together to avail themselves of the benefits of large-size organization. This resulted in the creation of large size operational units at the higher levels up and consequently the emergence of a structure. As the movement grew, it became necessary to introduce certain changes in the business practices of Co-operative Organizations.
Concentration of resources, larger, more integrated operational units, centralization of services and management, and conformity to universally binding development plans etc., which are also called the 'structural changes'\(^2\) were introduced with a view to increasing the efficiency of the movement.

These changes necessitated certain compromises with the principle of democracy and along with it with the autonomous character of the Co-operative Organization. Operations on large scale did prove beneficial from the point of view of increasing efficiency but the same substituted the original direct form of democracy by the form of indirect one. The distinct democratic character of the Co-operative enterprise was retained by means of introducing two distinct categories of devices. The first category included the measures designed to adjust the framework of the co-operative structure so as to provide machinery for more effective representation of the views of individual members of local societies. The second category related to the ways of infusing democratic spirit into Co-operative enterprise by stimulating members to participate actively in the affairs of their society.\(^3\) Delegates' General Assembly in which the delegates elected by the Primary General Assembly come together,\(^4\) Local Committees (district as well as sectional) in which the powers of the General Body are legally

\(^3\) Ibid, p.102.
vested\textsuperscript{5} and supervisory council which functions as an arm of the General Body and operates itself between the annual meetings\textsuperscript{6} etc., were some such devices.

**Types of Co-operative Structures** -

The structure evolved out of these adaptations with the changing needs of time was essentially a federalistic one. A large number of small autonomous Co-operatives united themselves into a co-operative union or central society. The local primary societies retained their autonomy vis-a-vis the central organization.

This federal concept was based on two theses:

1. That self-determination, self-administration and self-responsibility of the co-operative societies were the pillars on which the co-operative base must rest, and

2. That a delegation of responsibilities to federal bodies on a higher level must take place only so long as and to the extent that it promoted the interest of the movement.\textsuperscript{7}

The decades after the II world war saw the emergence of another type of structure, namely, the integrated structure. This model suited most the twentieth century world wherein the phenomenon of welfare state and that of economic planning on national basis encouraged the necessity of centralizing the authority of decision making at the highest level of operation. Rapid changes in the field of science and technology, in the mode of production and distribution as well as in the trade practices etc., enhanced the importance of

\begin{itemize}
  \item \textsuperscript{5} ICA Secretariat Paper, "Contemporary Co-operative Democracy", Op.Cit., p.103.
  \item \textsuperscript{6} Ibid., p.104.
\end{itemize}
the centralization of authority. New patterns, different from the familiar organizations of the past, were necessary for the future and the integrated type of structure was found more appropriate.

According to this model, sovereignty rested with the whole movement and it was in the interest of the whole co-operative movement that the tasks were assigned to subordinate bodies. This did not however preclude permitting subordinate bodies, for practical reasons, a large measure of autonomy the extent of which was determined by the whole movement. Integration comprised only those measures which transferred decision-making authority from the hitherto autonomous subsidiary organizations to the organs representing the whole movement. In fact, "integration is a process of knitting together, not a form of organization".

It is important in this context to point out that this dichotomy of federal and integrated structure connotes another meaning also. This is mainly because the word integration is used to connote a type of expansion of business activities of the co-operative enterprise. Horizontal and vertical are the two types of expansion seen in the case of all the co-operative movements in the world. Implied in the phrase 'horizontal integration' is a phenomenon wherein a number of units busy in like pursuits come together under a

9 ICA, Structural Changes in Co-operatives, p.3.
10 Ibid., p.5.
centralized association; whereas 'vertical integration' meant the fusion of different stages of the economic process like retailing, wholesaling, manufacturing etc. 12 This concept of integration—both horizontal and vertical—blurs the former dichotomy of federal and integrated structure, since the concept of federation would also imply 'a knitting together or fusion of units'. Knapp quotes Nourse, 'Co-operative federations are associations of associations. They permit of integration of an agricultural industry horizontally by grouping together many local units of like character. They also permit integration vertically by the addition of functions, ordinarily those of central market or export selling, demand promotion, and packing or processing.' 13

Hence, the evolution of structure should be construed from both the points of view, i.e. in terms of the degree of autonomy enjoyed by the units vis-a-vis the central organization and in terms of the type of expansion of the business activities. The development of co-operative movements on both these lines is noticed after the II World War.

Thus, both the types of structure had their origin in the necessity of adapting the co-operatives to the changing needs of business in the interest of efficiency and both the types posed certain problems as regards the application of principle of democracy. Neither of them could provide

12 Ibid., pp.357-58.
13 Ibid., p.359.
a satisfactory solution which could be adopted universally and hence, the variations from country to country in the attempts of modifying the original pattern of organization which was characterised by its democratic nature.

**Characteristic features of co-operative type of Organization:**

As the private and public enterprise differ from each other, they also differ from the co-operative type of enterprise. It is only when the attention is focussed upon such things as ownership, control, and distribution of proceeds, that the real differences in business philosophy appear.14

Co-operative endeavour is motivated by a democratic philosophy and is controlled by the members themselves who are also the beneficiaries. The principles of equality and equity are strictly adhered to in deciding the rights of individual members and the distribution of surpluses respectively. However, capital is the powerful element in every profit-making undertaking. Rights and power are wielded by individuals in proportion to the capital stock they hold and they utilize that power for their own advantage. Naturally, not all the stock holders enjoy the benefits, but only a small group of those who would put up the largest amounts. The administration in such undertakings is often oligarchic and authoritarian in character. This is in contrast to the practices of co-operative enterprise. The system of considering 'individual' as a basis of rights and power.

"reduces the opportunity for any one member or small group to obtain control of the society on the basis of their share holding."

In the case of profit-oriented joint stock companies, the power of influencing the government of the association is directly proportionate to the capital stock owned by each of the share-holders. Proxy-voting is also allowed which also helps consolidating the position of wealthy members. This is not the case with a co-operative type of association wherein proxy voting is not allowed and "capital is regarded merely as an instrument of production, the power of influencing the government of the society is equalized amongst all the members, each having one vote and no more, however much or little he may share in bearing the risks."

Thus, in co-operative enterprise (1) the principle of one man, one vote, (2) the equitable distribution of surpluses, (3) the absence of proxy voting, and (4) the voice given to the members in the management of business affairs, - all these in contrast to the practices of joint-stock companies - prevent any one group from gaining power over others. Execution of the affairs is no doubt centralized in the hands of the manager or secretary but the control essentially rests with the body of members who exercise it in a democratic manner. "Co-operation is based upon the principle of centralized administration in the interest of

efficiency and decentralized control in the interest of democracy, whereas profit business practices centralized administration and centralized control in the interest of the economic autocracy. 17

Further, the co-operative type of organization is distinct from the public enterprise also. It provides more opportunities for members to participate in the administration of the enterprise than the public undertaking provides for the ordinary citizens. 18 Co-operative enterprise recognizes the place and importance of private property and also of shareholders as individuals. In the case of the public enterprise both become the means to achieve the ends of the State.

Public enterprise can afford to incur losses for years together since it can make good those losses from the public revenue. Co-operative enterprise, though aims at supplying the prompt and honest services to its members, cannot sustain losses over a long time even if it is supported by the State. Policies in the case of public undertakings are decided at the political level above and the stock-holders exert very little influence in the decision-making processes of the enterprise.

Types of Co-operative Organizations -

Economic interests of the individuals may be varied and multiple and accordingly the size and character of co-operative organization may vary. Small or large, local or regional, single purpose or multi-purpose etc, are some of the main variations

found in the existing co-operative organizations in the world. A few of the organizations change their initial size and character as the years pass on.

Distinction is, however, made between primary and secondary co-operative organizations. Societies operating at the grass-roots level of the whole hierarchy of the co-operative structure are called the primary societies and those operating at the upper levels and formed by coming together of the primary societies are the secondary societies.

"The secondary organizations which are created by the co-operation of co-operative societies are themselves undoubtedly co-operative organizations with the same obligation as the primary societies of conforming to the essential co-operative rules."\textsuperscript{19}

These secondary organizations come into existence out of sheer necessity to help the primary societies in performing their activities more smoothly and efficiently. As the primary societies enlarge in their size and volume of business, it becomes imperative to pool the efforts of all other similar societies together so as to avoid competition between the societies, so as to effect an economy in business operations, and so as to increase their bargaining power vis-a-vis the non co-operative business organizations working in the same sphere at the higher level up.

Primary or local societies are mainly constituted by individuals whereas the membership of secondary organizations

consists of co-operative societies. However, a mixed membership is also sometimes found. Co-operative rule of 'one man, one vote' is modified in case of the secondary organizations.

Different considerations by which the voting rights of the member-societies of secondary organizations are governed are mainly three:

1. In proportion to the size of membership of the member-societies (e.g., Consumers Co-operative Societies in Great Britain),
2. In proportion to the size of capital contributed by the member-society in the business of the secondary society (e.g., in Belgium), and
3. In proportion to the size of business transactions of the member-society with the secondary organization (e.g., Producers Co-operatives in Great Britain and in Switzerland).

However, a precaution is always taken to see that the largest constituents do not possess an unlimited number of votes. Normally, the rules lay down a graduated scale and impose a ceiling which is not to be exceeded. Thus, for example, in case of Belgium the number of votes that can be cast by any society is limited to one fifth of the total number of shareholders represented at the voting or, alternatively, it does not increase in step with the increase in the holding of shares. Such a ceiling "reduces the likelihood of undemocratic decisions resulting from the power of a small coalition of large organizations to outvote a much greater number of small ones."21

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Types of Secondary Organizations:

Three main types are generally observed existing all over the world. They are:

(1) Financial, (2) Commercial and (3) Administrative.

(1) Financial Organizations:

The financial secondary organizations necessarily include credit societies as their members whom they advance finances to meet the credit requirements of the latter's individual members. They may also advance finances to the non-credit societies existing in the area of their operation or independent financing agencies can also be set up typewise. The former is more beneficial from the viewpoint of increasing the volume of business, minimising the operational or managerial cost, and integrating economic activities in the region. These organizations assume importance in integrating the co-operative movement in general and assisting financially the local or primary societies in particular.

(2) Commercial Organizations:

In this class, purely business federations of marketing societies, consumers societies etc., would be included. Marketing societies or consumers societies (Wholesale as well as retail) working at the primary level join themselves into a separate class at the higher levels up with a view to carrying out their own business more profitably. They provide for a wider market for the goods pooled up together from the member societies. They carry out these functions more scientifically and regulate the
commercial activities of the primaries.

(3) Administrative Organizations:

This category includes the federations of co-operative societies of one or many types joining together for the provision of common services such as auditing, accounting, legal advice, administration and management advice, educational and publicity services etc.

However, it should be mentioned that some of the secondary organizations might carry more than one type of functions as would require by the exigencies of time and place. Then, the division of all the existing secondary organizations into these three clear-cut categories might become difficult.

"The type of secondary society needed in any particular country is, of course, conditioned by what is required, and it is not uncommon to find one federation performing two or even all of the functions....." 22

Components of the Co-operative type of Organization:

General Body, Board of Directors and Manager or Secretary, are the three main organs which together constitute the organization of a co-operative enterprise. Each of them is important as a unit as also in its relations with others. These relationships are enumerated in a body of rules which is called 'bylaws' which regulate the organization of that co-operative enterprise. However, the bylaws are governed by the State Act and the Rules made thereunder and hence, to

22 ILO, Co-operative Management And Administration, p.6.
understand the co-operative organization in its proper details, a
study of the co-operative law and of the bylaws is imperative.

The role and importance of Co-operative Legislation:

Co-operative societies, like all business, are subject
to regulation by political governments. Such regulation
consists of three parts in the main, namely the state enactment,
the rules framed thereunder and the bylaws.

"The law lays down what kind of organization a
coop-operative is, what are its objects, who may be a member of
it, how it is to be financed and controlled, how surpluses or
losses are to be distributed and how, if necessary, it is to
be brought to an end." The rules generally prescribe the
matters about which the registered co-operatives make bylaws.
And the bylaws govern the procedure of a co-operative society
and set out the way in which it is to work.

The Industrial and Provident Societies Act of 1852
passed by the British Parliament was the first co-operative
legislation in the world. By then, a number of co-operative
societies had sprung up in Great Britain on the lines provided
by the Rochdale Society of Equitable Pioneers of 1844. All
these societies were registered, till then, under the Friendly
Societies Act of 1793. It is evident then that the
legislation did not precede the birth of co-operative societies,
but only followed it. The enactment of the Act of 1852 opened
the road for the development of co-operative legislation in

23 ILO., Co-operative Management And Administration, p. 4.
the future. The century that followed 1852 saw the emergence of nearly 4000 different co-operative laws, orders and decrees etc, in different countries of the world.24

Thus, the evolution of co-operative law is in no way insignificant. However, a view also prevails that co-operative law is not a necessary element in the success of co-operation. The facts that the co-operative legislation often followed the growth of co-operatives and the absence of any special co-operative legislation in a few developed countries etc., are advanced to support this statement. "They have falsified the theory that co-operative legislation, much less an elaborate departmental machinery, is indispensable to the promotion of the Co-operative movement".25 It is true that, 'it is not the law that matters as much as the men behind it'. Yet, the existence of the co-operative legislation in most of the countries can be justified on the grounds of socio-economic and other implications of the business institutions like co-operatives.

Now, the evolution of co-operative legislation, as is traced in the earlier paragraph, has sometimes helped the co-operatives to promote their development (as the Indian Co-operative Credit Societies Act of 1904 witnessed) by giving them a legal character and also by granting them certain concessions like exemption from income tax, a stamp duty etc, and at other times hindered the growth of their true character

by imposing various restrictions on them like strict rules for registration or for undertaking new activities, levying taxes etc. Commenting upon how the legislation is instrumental for the states to influence their control over the co-operative movements, Kapek pointed out two basic tendencies in such legislations. "... the endeavour on the one hand to confine co-operative activities to the minimum necessary, and on the other to bring co-operatives under control." Thus, the interest of the State in the co-operative movement is often a decisive factor in the character of the co-operative legislation.

Bylaws:

Bylaws provide for a basic framework of organization and also a clear-cut guidance to the various parts of that organization. Members voluntarily enter into an agreement and decide in regard to their relations with one another and with the joint-enterprise, their rights and duties, and the functions and arrangements of the bodies or organs for running the society. A set of such agreements is called bylaws. They are identical with the Articles of Association in the case of joint-stock companies. Bylaws are always based on general, and not on any personal considerations.

The place of bylaws in co-operative enterprise is significant. Providing clear-cut guidance as to the rights and duties of the various organs and their inter-relations, they exert some control on the vagaries of individual members.

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26 Kapek, M. Co-operatives And the State, Central Co-operative Council, Prague, 1960, p.58.
and the excessive ambitions of certain persons. They serve as "a safeguard of member control over the government and administration of societies". The bylaws provide a positive check in that they have the sanction of the state authority and the support of the membership.

Further, they limit the scope of activities of the enterprise and also regulate the business behaviour of the enterprise. Any action on the part of the members or the Board of Directors or the employees is to be carried out within the range decided by the bylaws, and if at all the business prudence or need requires to transcend those limits, then the bylaws provide for a system to move amendments in the original provisions. In no case, the limits laid down in the bylaws are to be transcended. Hence, the provision for amendments is important. Adaptation to ever changing business environment is a sine qua non for the efficient functioning of any business enterprise and the provision of amendments makes such adaptation possible for the co-operative enterprise. Moreover, such amendments also reflect the character of democracy within that enterprise since they express the changing aspirations of the membership as well as of the Board of Directors. It is in the bylaws that the original structure of organization is provided and any change in the original provisions has got to affect that structure of organization. This requires a special approval of the general membership since bylaws are "the set of agreements voluntarily entered into by the members".

27 Ostergaard, G.N., Op Cit, p.4.
General Body:

The most representative organ of the will of the membership is the General Body. It is a body of members supreme over the other two wings of the organization, namely the Board of Directors and the Manager. The latter two wings must see that the members are satisfied with the performance of the institution. "If the members are not satisfied, they have the authority and power to criticize, to object, and, in extreme cases, to dismiss and replace their officers and officials". Thus, it is the most important body in the organizational pattern of each co-operative institution.

The General Body of co-operative institution is distinct from its counterpart in the joint stock companies. The shareholders of joint stock companies attend their General Body meeting with the single purpose of learning about the return they would get on their invested capital. They show least concern about the operational aspects of the enterprise and are interested only in the amount of profit accumulated. The shareholders of co-operative societies show more interest in the operational aspects of the enterprise, since the services rendered by the societies to the members are more important than the profit gained. Naturally, their interest in attending the General Body meetings are varied and complex. The quality of service expected of the enterprise looms large in their minds and it is on such matters that the members concentrate their minds. The general meeting of a co-operative organization, therefore, becomes a source of guidance and

information for the Board of Directors and the Manager, to know about the wishes of the membership. 30

The procedure of calling the meetings is regulated by the bylaws of the enterprise. It varies according to whether a meeting is ordinary or extra-ordinary. The General Body which meets annually at a time specified in the bylaws is an ordinary meeting whereas the General Body which is convened at any other time to consider special issues of importance is an extra-ordinary or special meeting. The members are generally given initiative to ask the Board of Directors and the Manager to convene such a meeting, if and when they find it desirable.

Functions of the General Body:

The General Body is empowered –

a. to elect and remove members of the committee of management,

b. to examine, approve or reject the report and balance sheet which must be submitted to it, generally once a year,

c. to dispose of the trading surpluses (to special reserves or in the form of dividends to the members) remaining after meeting the overall expenses of the enterprise, and

d. to make the final decision on the admission and exclusion of members.

In addition to these important powers "it alone has the power at its first meeting to adopt the bylaws of the co-operative and thereafter to alter them or to decide that the society shall be dissolved."31

All these matters come before the General Body where the members express their views, criticize their leaders and the employees and give a general direction to them as to the course
of action to be followed in the future. They can also exercise their right to vote either in choosing the directors or in deciding a particular policy. All these functions can be classified into deliberative, controlling and democratic functions.

Its deliberative functions bring forth aspirations of the members, their present needs etc, in the context of which the Board of Directors attempts to work out its policies in future. Thus, the membership in general does not directly decide the policy but exerts its influence in deciding the actual policy which is the function of the Board of Directors.

Its controlling functions enable the Board of Directors to understand its own mistakes and rectify them in future. They also help to keep the business going in the limits laid down in the bylaws. They exert a check on the autocratic behaviour or policies of the Board of Directors and help safeguarding the interests of the members in general.

Its democratic functions enable the members to exercise their democratic rights like voting, electing the representatives or contesting the elections, asking questions and suggesting a new course of action etc. This considerably reduces the feelings of resentment among the members of the enterprise and cools down their anger. They give the members an opportunity to assert their own views distinctly, and also give satisfaction to them that their views are counted upon in deciding their own welfare. The very philosophy of the functions of the General Body rests on the assumption that the members themselves know better what their interests are.\footnote{ICA Secretariat Paper, \textit{Op.Cit.}, p.102.} They also help the Board
of Directors to assess the views and aspirations of the majority of the membership and this helps them to adopt a definite plan of action in future. The voting rights of the members exert a decisive check on the office-bearers of the enterprise, since by means of voting the members express their confidence or the lack of it in the office-bearers.

The place and importance of the General Body meeting is thus obvious. It is the principal means by which the society's committees give an account of their stewardship and it is the chief means by which the members can gain information about how the society is being run and give general direction to the committee by passing resolutions. In fact "The members' meetings of the co-operative are schools in the local control and administration of the people's affairs".

The General Body meeting may activate the members in the cause of the enterprise and also the non-members, in the cause of co-operation. "The annual meeting is like a show-window for all the members who are not active but who may be roused to play an important role. Likewise the open meeting to visitors is a show-window which may stimulate non-member patrons to become members."

All this discussion would reveal that the General Body is a most important organ in reconciling the decentralized control with the centralized authority. It is in the general membership that the control, which is exerted through the General Body, is decentralized and it is in the Manager or Secretary that the authority is centralized, the exercise of

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33 Democracy in Action, "Our co-operative Societies" Series of Popular Syllabuses, Co-operative Union Ltd., Educational Department, Loughborough, Leicestershire (date-year etc. not given), p.4.
which is subject to the will of the General Body. The Board of Directors is a medium which represents the general membership in day-to-day matters and on the will of which the executive side remains dependent.

- The Board of Directors -

The General body is too large a body to look after the day-to-day business requirements of the enterprise and it cannot be summoned everytime a decision is needed on some point of day-to-day administration. 36 The achievement of the institutional aims requires a person or a body of persons who would continuously look after the functions of the enterprise. Members do this by electing a 'committee' which is generally named as the Board of Directors.

In the initial days of the co-operative movement the committee was named as the 'Committee of Management'. Work of the societies was fairly simple and these committees used to do the work of the manager. 37 The Committee members exercised a close and detailed control over the activities of the society. There was no clear cut distinction between the members, the committee and the employees. Board meetings were often attended by the members and what is more the functions of shop assistants, book-keeping etc. were actually performed by the committee members. 38

However, the growth in the co-operative movement reduced the proportion of active members, and this led to increase in the power of the committee as a result of which the committee established its distinct position vis-a-vis the general membership. The growth in size and complexity of operations led to

36 ILO, An Introduction To Co-operative Practice, p.175.
38 Ibid., P.174.
differentiation and specialization of functions. Some of the functions performed till then by the committee were increasingly delegated to the employees specially appointed for the purpose. Rapid changes and innovations occurred in the distributive trades and the complexities involved in the operations of the enterprise necessitated expert and scientific management since the committees were generally constituted by laymen whose knowledge in the new techniques like unit stock assortment, budgetary control, accounting system etc. was too limited. This brought about a radical change in the functions of the Committee which was restricted more and more to 'directing the affairs' than 'managing the affairs'. Hence, the change in the nomenclature from 'Committee of Management' to the 'Board of Directors'.

Although, the creation of two distinct wings is a universal development, some exceptions are also found. There are cases in which there is only an elected committee which carries all of the management responsibilities, e.g. in Ghana. In Spolem there are such committees at both society and sectional levels. A few co-operative movements provide for 'shadow committees of young members under twenty five years of age, who sit alongside the real committee at all meetings and are often allowed to express their opinions, and even to vote, as a test of their judgement, although their votes are not counted when a decision has to be made.

The procedure of conducting the meetings of the Board of Directors is regulated by the bylaws. The meetings are held

40 ILO, Co-operative Management And Administration, p.22.
as many times as the business of the enterprise would require, since the Board of Directors is a body which generally does not sit in the office for all the time, and is called upon only when the need arises. However, instances of full time Boards are not unknown, and Ostergaard points out their existence in the Royal Arsenal and Barnsley British co-operative societies in Great Britain.\textsuperscript{41} Further, the Manager or Secretary of the society works as the Secretary to the Board of Directors and records the minutes of the meetings. He is the executive officer of the committee in all its functions.\textsuperscript{42}

The meetings of the Board of Directors are presided over by the Chairman and, in his absence, by the Vice-Chairman. If both are absent, then another person is elected from among the members attending the meeting who then conducts the proceedings. Each member is given one vote except the presiding authority who enjoys second vote or casting vote. Bylaws prescribe for a specific quorum in the absence of which the proceedings cannot be conducted. Meetings are generally held 'in camera'. Other members as well as employees are not permitted to attend the meeting although sometimes an exception may be made on certain important grounds. The manager or secretary of the Society, however, attends the meetings to assist the Board of Directors in conducting its proceedings. He is allowed to take part in the deliberations but he enjoys no vote on any matter.

Sometimes, a provision is also made to convene such meeting on the initiative of the members of the Board of


\textsuperscript{42} ILO, An Introduction to Co-operative Practice.
Directors. It is then the duty of the Manager to call such meeting if a specific number of members of the Board of Directors submit their requisition in writing. This provision is designed to exert some check on the Chairman who may be unwilling to call such meeting, particularly when his personal interests are directly involved. The Chairman does not preside over the meeting when the issue or matter in which he is personally involved comes before the Board for deliberation.

The Board of Directors of a co-operative enterprise is comprised of representatives who are elected by the membership on the basis of 'one man, one vote' principle. Thus, the popular or democratic support of the membership is the important characteristic feature of the Board of Directors of the co-operative type of organisation. It is rightly maintained that "The Committee system of a co-operative is close to the heart of democracy. It may enable a large number of members to participate in the work of the society, to get the feel of working together, and to experience democracy in action."43

Types of the Board of Directors:

The differences are observed in regard to the matters like size, method of composition, tenure and lastly the character it (Board of Directors) assumes in performing the functions of the enterprise. Four main types are visualized, keeping in view these four points, 1. Small - large, 2. Elected-nominated-mixed, 3. Continuous-ever changing, and 4. Democratic-autocratic.

1. Small Vs. Large.

The size of the Committee has much to do with the

democratic as well as efficiency aspects of the enterprise.
What is the optimum size of a Committee is a matter of opinion
among the authorities on co-operation. "A large committee
makes it possible for all districts and all groups of members
to be represented and for a larger number of people to share
in the interest and responsibility of running the society.
A small committee is likely to be more business-like and to do
its work better and more quickly."[44]

The size of the Board of Directors is an important
factor in that it limits the aspirations of the members in
participating in Management directly and at the same time
encourages a selective process by means of which only the
leaders enjoying confidence and support of the membership
at large are favoured. This selective process has advantages
from the point of view of efficiency of each institution.
If all the aspirants for such participation are allowed to
constituted the Board of Directors then the advantages of
limited size like qualitative discussions, more cohesive and
homogeneous working, speedy disposal of the business etc.
would be lost.

Variations exist from country to country in regard to
the size of the Board of Directors. Even within a single
country the size is not uniform for all the societies functioning
at a specific level. Thus, the four national federations in
Great Britain have their councils of different size varying
from thirty-six members in case of Scottish Agricultural
Organisation Society to sixteen members in case of Welsh
Agricultural Organisation Society. The

44 ILO Co-operative Management and Administration, pp. 22-23.
Agricultural Central Co-operative Association (England) has a Council consisting of twenty seven members.\textsuperscript{45} Knapp has referred to a regional co-operative organization in U.S.A. having a board of eighty members, large enough to give the farmer a feeling that the organization is his. He has also pointed out a case of another regional co-operative whose board consisted of fourteen members only, the small size which was responsible, according to one of its directors, for the development of factions and tendency on the part of the Manager playing one faction off against the other and thus keeping control in his own hands.\textsuperscript{46}

2. \textit{Elected - nominated - mixed.}

All these types are in existence depending upon the method of constituting the Board of Directors, availability of candidates, administrative exigencies, technical and complex nature of the business and the absence of 'expert' person in the body of membership, and lastly if financial or other interests of any outside agency are at stake in the business representation to the staking interest concerned.

When all the members of the Board of Directors are elected by the members, the Board becomes an elected Board of Directors. However, the device of nomination is also sometimes followed from the following view points.

a) In the interest of efficiency, since this device helps associating expert persons with the working of the Board of Directors, and

b) In the interest of maintaining good or close relations


\textsuperscript{46} Knapp, J.G., \textit{Farmers in Business}, p. 179.
with the outside important agencies like the government or other financing bodies.

The Board of Directors which comprise both the elements, nominated as well as elected, is the Board of Directors of mixed type.

Nominated type of Board of Directors is the other extreme in which all the members of the Board of Directors are nominated. This device is generally practised in the developing countries wherein the co-operative movement is sponsored by the government. This is done particularly under two circumstances -

a) When the co-operative enterprise is just sponsored, the activities are started generally by 'nominating' a body or committee and assigning it 'the functions of direction'. The body of members is elected in the next General Meeting of the enterprise.

b) When the operations of a co-operative institution come to a standstill or achieve a stalemate or completely deteriorate to the point of liquidation, the government would take recourse to nominating a body of persons to improve the state of affairs of the enterprise in question.

The nominated type of Board of Directors is in complete contrast to the ideal democratic (elected) Board of Directors of co-operative institution. Such occurrences however are limited to the countries like India (and there too not for all the times) wherein such adjustment is required to be done under the compulsion of several social, economic and traditional factors.
3. **Ever-Changing-Continuous.**

Members of the Board of Directors are elected for a limited period after the expiration of which they retire and the vacancies so occurring are again filled in by means of elections. Retiring members are generally allowed to contest the elections, if they so desire. However, the practices vary from society to society in respect of the mode of retirement. Either the whole body of persons retires together or a certain proportion of it. In case of the former, the Board of Directors would assume the 'ever-changing' character and in case of the later, it would assume the 'continuous' character. The latter practice is intended to secure continuity and avoid the possibility that an entire committee will be thrown out together and a set of people who know nothing of the past history of the society will take their place.47

It is true that the re-election of the same persons over number of years may also add to the continuous character of the Board of Directors and this might blur the theoretical distinction made between the two types mentioned above.

4. **Democratic-autocratic.**

The first three types are more simple to be identified since the criteria used to classify them are easy to make out from the provisions in the bylaws. However, this fourth distinction involves an 'attitude and behaviour' of the Board of Directors towards the members of the enterprise concerned.

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Due to the involvement of subjective elements like 'attitudes' in the phenomenon, a Board of Directors which is considered autocratic by a certain number of members may be considered as 'democratic' by the remaining members of the enterprise. Hence, certain characteristics of both the types should be pointed out to decide whether a Board of Directors is democratic or autocratic.

Characteristics of the democratic type of Board of Directors -

1. Member-relations are closely knit;
2. Due consideration is given to the General Body as a supreme body in the organization;
3. It encourages member-participation and involvement in the discussions and decision-making. It gives due respect to the members' criticism and requests;
4. It follows scrupulously the principles of 'equity and equality';
5. It values members' interests in general, more than factional or personal interests; and
6. It encourages division of powers or 'decentralization' of powers with a view to diffusing authority among as many members as possible.

All these factors or majority of them taken together would constitute the democratic type of Board of Directors. As opposed to this, an autocratic Board of Directors would reveal the exact opposite tendencies as regards all the six points.
However, it should be remembered that the members always remain supreme and possess the potentiality to overthrow any type of Board of Directors including an autocratic one.

A few factors encourage the 'autocracy of the Board of Directors' of the co-operative institution. They are:

1. Apathy of the members,
2. Large size of the society, large volume of business and very complex nature of the business activities which are generally beyond the easy comprehension of the members.
3. Coming together of traditionally unequal (or heterogenous) socio-economic groups, a phenomenon which makes the institution concerned 'a society in miniature' where the dominant group outside the enterprise exercises power and control inside it.
4. Blind following of the leadership, and lastly,
5. Lack of co-operative education among the members due to which the Board of Directors would try to consolidate its grip over the membership of the enterprise in general.

**Functions of the Board of Directors:**

The Board of Directors is the representative organ of the general membership of the enterprise. It is entrusted with the functions of formulating a policy to achieve the desired goals. However, the execution of those policies is carried out by the employees' side under the guidance and direction of the Board of Directors. Naturally, it is armed with all the powers necessary to achieve the objects of the enterprise. In addition to its functions in regard to major
policy decisions, it has to perform the functions of appointing and discharging the employees, fixing their remuneration, taking premises on lease, organizing departments and supervising their work, etc. Besides, it has to represent the society in law-courts. 48

Thus, the functions of the Board of Directors are multiple and touch the internal as well as external performance of the whole enterprise. The Board of Directors in fact provides a meeting ground for both democracy and efficiency. Certain functions are related to its accountability to the general membership whereas the others are related to its control over the efficient execution of the decisions taken. It is mainly the Board of Directors who has to see that the interests of the individual members as well as of the enterprise are served with the minimum of cost and the maximum of efficiency. The Co-operative Independent Commission in Great Britain observed that the Co-operative Boards perform three functions in the main—scrutinizing the management action, making vocal the complaints of society members, and the making of policy. 49

The functions of the Board of Directors can also be classified into formal and informal or legal and extra-legal. Its formal or legal functions are those which are mentioned in the bylaws of the institution concerned and which are devolved upon it by the General Body, from time to time. Its informal or extra-legal functions are those which are not provided for in the bylaws but which are essential to improve the democratic

character as well as the efficiency of the enterprise. Strengthening member-relations, increasing the membership and the volume of business by means of constructive propaganda, providing guidance to the employees working at the lower levels of operation etc., are some of the important informal or extra-legal functions of the Board of Directors.

Lastly, its functions can further be classified into the following major areas:

1. Functions as regards the policy,
2. Functions as regards the control,
3. Functions as regards the interests of the members and of the enterprise.
4. Functions as regards its relations with (a) General Body of the enterprise, (b) other co-operative institutions and (c) the State Government, and
5. Functions as regards the co-operative movement in general.

To conclude, the role of the Board of Directors is important from the view points of both democracy and efficiency. From the efficiency point of view, it is the most important organ, since the success of any enterprise essentially depends on the right policies, right plans and right decisions. It assumes quite a central place in the organizational set up of the co-operative institution and performs the key functions for the overall success of organizations. As for the democracy, it is only next to the general body in importance, of course as far as the theory of co-operative organization is concerned. However, in practice, it becomes more important than the General Body since the character or working of democracy is
determined to a large extent by whether the Board of Directors is democratic or autocratic in its own behaviour. Relations of the Board of Directors with the general membership ultimately decide the nature of the co-operative democracy in practice and the Board of Directors has important role to play in strengthening or weakening those relations.

The Manager (Executive side)

In the initial days of the co-operative movement, the need for an independent, full time official was not felt and the distinction between the functions of policy-making and their execution was blurred. Increase in the volume and complexities of the business called for specialization of functions and soon a hierarchy of officials headed by the Manager developed, to whom the work of execution of the policies was entrusted. The Manager and his sub-ordinates constituted the third important organ of the co-operative organization.

The Manager is appointed by the Board of Directors and works under the 'supervision and direction' of the Board of Directors. He also works as the Secretary to the Board of Directors and assists the latter in its work of policy-making. "He is the person who actually writes the co-operative society's books, conducts the correspondence of the society, summons and attends the general and committee meetings on the order of the President and records the minutes of these meetings."50 A few co-operative movements appoint a special officer namely 'Minute Secretary', "whose function is to keep the minutes of the members'.

50 ILO, An Introduction To Co-operative Practice, p.38.
Problems of the co-operative type of organization:

"Organizational questions undoubtedly represent one of the most important problems of the co-operative movement, for on their earnest solution largely depends the direction of future development." Successful performance of co-operative enterprise depends on the individual performance of all the components and also on the performance of each component in relation to the other components. Hence, the problems of co-operative type of organization centre around three matters: (1) The problems in regard to the independent functioning of each organ, (2) The problems in regard to the functioning of all the organs in relation to one another, and (3) The problems in regard to the co-operative enterprise as a unit.

1. The problems in regard to the independent functioning of each organ.

A) The problems of the General Body:

In the initial days of the co-operative movement, the societies had virtually no problems to face in regard to the working of the General Body. Small size of membership, limited small area of operation, relatively small volume of business and less complexities involved in the business matters etc. did not obstruct the process of member participation and involvement in the meetings of the General Body. Radical changes occurred in all these matters in the later decades and they disturbed the working of the General Body in that that the participation and involvement of the members began waning. So tremendous was the influence of the structural

changes on the working of the General Body that the members were often found reluctant to attend the meetings, it became difficult to find meeting halls large enough to accommodate the members, personal knowledge of officers, candidates and issues diminished, participants lost their sense of identification and lastly the discussions in such large gatherings became formal and lost spontaneity and authenticity. Under such circumstances, the maintenance of decentralized control was a difficult problem.

Thus the main problems of the General Body are two, first the member participation and second the member-involvement. Effectiveness of the General Body as a supreme controlling body depends not only on how many members actually attend it but also on how far the presentees take part in deliberations, exercise their right of voting intelligibly, show courage to differ from and criticise the policies of the Board of Directors, and, above all, show readiness to surrender their own viewpoint in the interest of achieving the consensus of opinion.

The waning interests of the members in the General Body meetings has posed a serious problem before the democracy. However, it should be remembered that participation and democracy are not synonymous. "The constitution of a co-operative remains democratic even though only a tiny minority participates and the ultimate power lies with the members even if they do not normally exercise it." At best this might describe the formal aspect of co-operative democracy.

The apathy on the part of the members to attend the General Body meetings is attributed not only to the structural changes but also to the relatively more 'affluent' socio-economic environment of the modern societies wherein the appeal to the purse is less compelling than it was in less affluent days.\textsuperscript{56} Patronage refunds or 'divis' were once effective in Britain to maintain the members' interests but the same is no longer the phenomenon.\textsuperscript{57} In addition, the phenomenon is attributed to the performance, satisfactory or otherwise, of the institution. It is observed that the members attend meetings only when something goes wrong, either the patronage refunds are being cut, or the property of the society is damaged due to fire or any other reason.\textsuperscript{58} Further, "the society is not perhaps very active or successful, and therefore its affairs become less interesting; members have never put much of their own money into it, and any way 'what is gone is gone'.... They have not the time for a long journey or are shy of coming to a meeting with strangers, or they are sure they will 'never understand figures', in any case, the society is doing well, so why worry?"\textsuperscript{59}

The major effect of the members' apathy is the weakening of democracy and encouraging the autocratic tendencies among the members of the Board of Directors or among the employees."If members do not attend and participate in meetings there is the danger that a small clique may get control to the detriment of the members' interest."\textsuperscript{60}

\textsuperscript{57}Eogardus,E.S., \textit{Op.Cit.}, p.93.
\textsuperscript{58}Ibid., p.16.
\textsuperscript{59}ILO, \textit{Co-operative Management And Administration.}, p.18.
\textsuperscript{60}Knapp,J.G., \textit{Farmers in business.}, p.132.
The involvement of the members in the discussions is found unsatisfactory and only a limited number of members take part in deliberations. This is attributed to several factors: (a) the extent of illiteracy among the members, (b) the absence of speaking habit, (c) the lack of adequate or proper study of the matters, (d) too technical a nature of the business, (e) the lack of free atmosphere in the meeting (if a small group wields power by means of threats and intimidation) and (f) the lack of any genuine interest on the part of the members in the cause of the enterprise.

Thus, the main problems before the General Body of co-operative enterprise are a) member-participation and b) member-involvement. Bylaws provide for certain devices like sending notice and agenda well in advance, presenting reports and various statements as regards the business and performance of the enterprise before the membership for discussion and approval etc., which have some positive effect—though a little—on solving these problems. A few co-operative movements have adopted the devices like delegate General Body meetings, local committees (district and sectional), inviting suggestions and criticisms from the members, study circles etc., all with a view to combating the evil influences on the original democratic character of the co-operative enterprise.

B) The Problems of the Board of Directors.

Co-operative movement is a democratic movement with an ethical content. Democracy "tends to bring good men to the top but not necessarily able men with a flair for business. Moreover, leaders and policy makers in a democratic organization tend to tire and become indifferent, especially when the business
with which they have to deal is at the same time unexciting and difficult to understand. Democracy thus poses some problems before the Board of Directors. They are mainly two, one as regards the constitution of the Board of Directors and the other as regards its own conduct.

The size of the Board of Directors, the tenure of its members, mode of their retirement and the qualifications prescribed for their eligibility etc. are the major matters on which no unanimity of opinion exists in the co-operative field. Since all these matters affect the character of democracy and efficiency, the success of any co-operative enterprise depends on the satisfactory solution of these problems. "... the whole question of control of business management by a Committee usually made up of unpaid amateurs is one of the most difficult problems of the movement."  

As regards its own conduct, the problem exists as to how the meetings should be conducted efficiently. The Chairman and the Secretary should have a firm grasp of both the procedure and the functions of the Committee. "Without a simple but consistently observed procedure, committee work becomes chaotic, decisions are queried, discussions reopened after they have been closed and there are justified complaints from members whose views have been ignored."  

C) The Problems of the employees -

It is true that the employees assume a subordinate place in the organizational chart of any co-operative

61 ILO, Co-operative Management And Administration, p.240.
63 ILO, Co-operative Management And Administration, p.24.
institution. It is just in consonance with the democratic character of the co-operative institution, even though the proper execution of policies is essential for the success of enterprise. Co-operative institutions exist in the world of competition and this necessitates the appointment of competent staff, as competent as that of the other non-co-operative institutions. Co-operative movements have often faced this problem of availability of competent staff.

Increasing size of the employees and increasing awareness among them as regards their utility or value in achieving the entrepreneurial goals have often led them to clamour for achieving the right to participate in the management. A few of the co-operative movements have granted such right to them. But this is not the universal practice and the co-operative movements do face the problem of how to redress the grievances of the employees.

Most important of these problems in regarding the distinct approach of the co-operative employees. They should be sufficiently imbued by what is called the co-operative spirit. It is true that the competence and expertise of the staff is necessary from the view point of efficiency but they are not enough in the co-operative type of organization. "It is equally vital that the employees understand the objectives and ideals of the movement."65

2. The problems in regard to the functioning of all the organs in relation to one another.
   a) The General Body vis-a-vis the Board of Directors:

   The Board of Directors is accountable to the General Body


and this principle of accountability is at the centre of the member-relations. It appoints the employees who remain responsible to the members through the board of Directors. Thus, it provides a two-way channel. How to maintain this link effectively is one of the real democratic problems of the co-operative type of organization.  

To realise the needs and aspirations of the members, the Board of Directors must have good relations with the members. In absence of such relations, the democratic working of the institution may suffer and may result either in a stalemate in the business activities or in an autocracy of the Board of Directors. In fact, the member relations are the barometer to understand the existence of co-operative democracy. In Joint Stock Companies, these relations assume no importance since the shareholders are interested only in getting the monetary returns in the form of dividends or bonus and the owners in accumulating more and more profits for their own sake.

Of course, there exist certain devices by means of which the member-relations are established by the Board of Directors. It is recognised that "the administrators and managers are accountable to the members for their stewardship, report regularly in a business-like manner on their activities and submit the results to the members' judgement." Meetings of the General Body, inviting criticisms or suggestions from the members, periodical elections etc. are such devices provided for in the bylaws. Study groups or circles, publications and

propaganda etc. are the devices of rather informal nature, the adoption of which depends on the will of the Board of Directors and the availability of adequate surpluses etc. Adoption of all these devices, formal as well as informal, and that too in as efficient a manner as possible, would make the co-operative management responsive to member interests and would further strengthen the member-relations and improve the quality of democracy.

b) The Board of Directors vis-a-vis the employees.

"The precise and balanced division of responsibilities between the executive bodies and the controlling bodies - a division which leaves the executive a wide freedom of action subject to a vigilant control which gives aid or registers disapproval, but without undue interference" is an important feature of co-operative type of organization. Thus, the position assumed by the employees is subordinate to the Board of Directors even though the executive powers are concentrated into the hands of the manager from the point of view of efficiency. It is generally recognised now a days that the management should be delegated to the specialist officials and the management by lay committee is 'a dangerous anachronism.' Hence, the proper delegation of authority or the division of powers is essential to keep the relations of these two wings smooth and cordial. So important and delicate is this aspect from the point of view of democracy and efficiency that "Any struggle between the two which results in the dominance of one over the other can have far-reaching consequences."

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69 ILO, Co-operation (A Workers' Education Manual), p.44.
70 Ostergaard, G.N., Co.Cit., p.186.
If the chief official is able to dominate the Board then the democratic advocacy may be subdued; if the position is reversed efficiency may suffer.\textsuperscript{71}

It is also feared that the Board of Directors may interfere in the legitimate field of the employees under the guise of preserving the democratic character of the institution. This they may do out of misinterpretation of what is democratic control and also to satisfy their own ego, "although the conditions for such management have long passed."\textsuperscript{72}

Further, the lay committees or the Board of Directors are held, by many co-operators, as the very foundations of co-operative democracy. Hence, any step "which appears to increase the influence of the officials vis-a-vis the laymen is likely to be resisted as a threat to this foundation"\textsuperscript{73}

Thus the problem of relationship between these two wings is a most delicate problem since too much interference of the Board of Directors may obstruct the sound execution of the policies and may also affect the morale of the employees adversely.

c) The General Body vis-a-vis The Manager:

The Manager is an executive head of a democratic type of organization. He is appointed by the Board of Directors and remains responsible to it. Ultimately he remains responsible to the General Body through the Board of Directors. It is necessary that there is established a rapport between

\begin{thebibliography}{99}
\bibitem{72} \textit{Ibid.}, p.36.
\end{thebibliography}
him and the General Body. Members might blame him, instead of blaming the Board of Directors, for the formulation of wrong policies which is not his job. "In small co-operatives, members, themselves tend to give orders to the staff."  

It is also likely that the Manager of a large size co-operative organization might lose members' contacts for want of adequate time. A social distance might develop between the Manager and the members. A non-speaking or non-recognition situation of this type means that "something of the democratic spirit is lost or not developed."  

Efficiency, interpreted in terms of members' interests, requires that "the officials must keep closely in touch with the view of individual members, and machinery must be available for the forwarding of recommendations from the 'grass-roots' upward."  

B: The Problems in regard to the Co-operative enterprise as a Unit.

a) The Problem of preserving autonomy - Principles of voluntary membership and democratic control emphasize also the autonomous character of the co-operative enterprise. Members are free to decide for themselves the policies of the enterprise, however, within a range approved by the regulating authority in the broader interest of society at large. Autonomy implies a 'complete freedom to decide one's own course of action' and it abhors any sort of interference in that freedom from outside.

Co-operative societies in the initial decades of the movement were relatively small bodies who enjoyed some degree of isolation which enabled them to preserve their autonomous character. However, with the growth of the movement and with the emergence of a clear-cut hierarchical structure, the societies ceased to work in isolation and this development had an effect on their autonomous character. Structural changes which occurred in the later decades seized the powers of decision-making from the local societies and put them increasingly in the hands of central, large size societies. Naturally, the local societies had to sacrifice some degree of autonomy in the wider interest of the co-operative movement. In the wake of amalgamations of small size societies into large ones, it was feared that any alterations in the autonomous character of the Movement would kill it and would lead to a concentration of power only to encourage authoritarianism.\footnote{Stephenson, T.E., \textit{Op.Cit.}, p.25.}

The principle is again affected by a new phenomenon of governmental help and assistance. Although, it is not a universal phenomenon, the challenge is severely posed before such co-operative movements which are sponsored by the State and which depend on the financial assistance of the State. By virtue of giving such aid and assistance, the right to participate in the management of that enterprise is secured. This is in direct contrast to the original concept of autonomy of the co-operative enterprise. Today, autonomy implies "independence of external control, apart from the obvious obligation of the co-operative societies to bow to the same
general laws as in the case of all other business undertakings and to accept the discipline imposed by the State or the planning authorities." 78

b) The Problem of member-education.

The whole structure of the co-operative democracy is built up on the foundation of the individual. Basically, co-operative institution is an association of individuals and the typical characteristic of a co-operative institution is the importance attached to the individuals as human beings rather than as a means to an end. Hence, the ultimate success of any co-operative institution depends upon the character and quality of those individuals and their readiness to sacrifice their own interests in the cause of common weal. The wide gap that exists between co-operative ideas and practice is mainly attributed to the lack of co-operative education. 79

Further, the efficiency of a co-operative institution also depends upon the loyalty of the members, their co-operative-mindedness, their active participation in the life of the association, sensible exercise of their rights, scrupulousness in carrying out their obligations and, what is more, on their personal qualities of common sense, judgement and honesty, which enable them to select wisely those whom they entrust with special responsibilities and to exercise their power of supervision. 80

Selection of a competent Board of Directors is a continuous responsibility of the membership; for, the Directors are elected


periodically. This is a matter worth serious consideration "for an incompetent Board of Directors can ruin an association." ^81

This brings out the importance of education of the members - not literary education, but co-operative - to improve the quality of institutional performance. Rochdale Pioneers had duly recognised the need for such education and had provided for the same. The Authoritative Commission of ICA points out the need to educate three categories of persons: the members in whose interests co-operatives are established, office-holders (whether elected representatives or the professionals) employed, and lastly, the non-members who are the potential, though not actual, co-operaters. ^82 Moreover all the co-operative movements have chalked out their programmes for the education of their members and have, for the purpose, charged upon the surpluses of each co-operative institution. Formal training, study circles (Sweden and U.S.A.), use of the press, radio programmes and even postal courses (Tanzania) etc., are the main channels through which such education is imparted. ^83 This is also a problem specific to the co-operative institutions in contrast to the joint-stock companies. Co-operative movements can neglect this aspect of member-education only at the risk of their own downfall.

CHAPTER III

HISTORY OF THE CO-OPERATIVE MOVEMENT (IN THE WORLD IN GENERAL AND IN INDIA IN PARTICULAR)

with special reference to

DEMOCRACY AND EFFICIENCY

It has earlier been pointed out that the co-operative movement originated in the Western world in the nineteenth century when the Industrial Revolution strengthened the forces of private property and individualism disturbing thereby the traditional socio-economic balance of the medieval society. Flannel workers were the immediate sufferers who became prey of the continuous state of privation. It was among them that the seed of co-operation was first sown.

However, that was just a beginning of the great movement which soon sprung in all the fields of economy and in all the countries of the world. Schultze Delitz and Neffeisen of Germany set a model for urban and rural credit co-operative societies applying most of the Rochdale rules to their experiments. The future development of co-operation all over the world was guided essentially by these earlier experiments carried out successfully in the western countries.

Democracy and efficiency were happily reconciled in the initial decades of the movement when the different co-operative units functioned relatively in isolation. However, the factors, such as, the increase in the number of similar types of units, rapid progress in science and technology and their effects upon trade and business, increasing competition with the
private trade and industry, emergence of a new discipline called "managerial science" and increasing awareness among the co-operators towards the necessity of their being united and organized etc., necessitated certain "structural changes" in the movement which were slowly introduced in different countries at different times. It has been pointed out earlier that these changes which were brought about with a view to increasing efficiency in the face of ever changing business world posed certain problems before the movement, particularly in the matter of retaining its distinct democratic character. The character of democracy changed from direct to indirect and it became rather difficult to preserve member-participation and involvement in the management activities, as the size, volume and complexity of the business increased in leaps and bounds. Attempts were made in different countries by providing for supervisory councils, delegate assemblies, sectional meetings, study circles etc., with a view to preserving its democratic character. The problem of giving representation to the primary units in the secondary co-operative organizations was also solved by modifying the principle of one man, one vote with a view to preserving the democratic character inherited from the earlier days. All these attempts adequately show that the movement remained all the while conscious of preserving the happy balance between democracy and efficiency.

However, examples are not wanting when the aspect of democracy was altogether subjugated by the hostile state and the co-operatives were run as a part and parcel of the state machinery. Reference has been made earlier of how the
fascist regime in Italy and the Bolshevik regime in the U.S.S.R. wiped out the co-operative character of the then existing co-operative institutions in their own countries. The point is that the attitude adopted by the state has remained an important factor not only in the efficient running of the co-operative institution but also in preserving its democratic character.

Co-operative Movement in India:

Now, looking back to the origin of the co-operative movement in India, one can see that the movement in India was a creation of the then British government. The comment that 'it was not desired but it was desirable' is most appropriate in this context.

The Deccan riots of 1875* goaded the British government towards the enactment of three legislations, namely, (1) The Deccan Agricultural Relief Act, 1879. (2) The Land Improvement Loans Act, 1883 and (3) The Agriculturists' Loans Act, 1984. These enactments attempted to regularise the money lending business and designed to introduce certain land reforms in favour of the common peasantry. However, they did not bear fruit to the desired extent and the farmers continued to be exploited at the hands of the money-lenders. The answer to the problem was then sought in the experiments carried out successfully among the farmers in Germany and the Raffeisen type of credit society (unlimited liability type) was recommended by Sir Frederick Nicholson who was deputed by the Madras Government to Germany (1891-95) to study the working of village

* The peasants of Poona and Ahmednagar forcibly snatched away promissary notes and mortgage deeds from the money-lenders and destroyed them. Usurious rates of interest charged by the money-lenders had kept the peasants in perpetual indebtedness.
banks organized there on co-operative lines for the benefit of farmers and submit his views on the advisability of adopting that method in this country. He concluded his report with the words 'FIND RAFFEISEN'. The Indian Famine Commission of 1901 and again the Committee headed by Sir Edward Law (1901) endorsed his views and the Indian Co-operative Societies Act was passed in the year 1904 to give material shape to his recommendations. It is true that a few different types of co-operatives were tried even before the enactment of this Act, but the beginning of true co-operative movement in India is generally attributed to the passing of this Act in the year 1904.

The whole development of the co-operative movement in India, since then, was regulated and directed by the government. The movement showed an uneven progress with reference to the different periods and also with reference to the different parts of the country. The whole development can be viewed mainly from three points of view:

1. Changes in the statutory provisions,
2. Growth and development of the co-operative movement, and
3. Changes in the structure of the co-operative movement.

All these factors affected the efficiency as well as the democratic aspects of the movement.

1. **Changes in the Statutory Provisions.**

Until 1919 the co-operative legislation was on all-India basis and later on it became rather provincial in consonance with the autonomy granted to the provinces under the famous

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* Prior to the Act of 1904, the societies or associations were being registered under the General Societies Registration Act of 1860 (Act XXI of 1860) or the Indian Companies Act of 1882.*
Montagu-Chelmsford Reforms. Although the process of provincial co-operative enactments was set in by the said Reforms, the earlier central legislatations served as an important base for many of these provincial acts. The Indian Credit Co-operative Societies Act of 1904 was subsequently substituted by the Indian Co-operative Societies Act of 1912. These were the only two central legislatations which regulated the growth of co-operative movement in India in its initial phases. The Act of 1912 was designed to provide for all types of co-operative institutions and not only for the credit co-operative societies at primary level as was the case with the earlier legislation of 1904. The Act of 1912 also provided for a scientific classification of societies into 'limited and unlimited types of societies', doing away thereby with the subjective classification of 'rural and urban types of societies' provided for in the act of 1904.

The Act of 1912 mainly decided the future growth of the co-operative movement in India although the Act of 1904 encouraged the growth of co-operative movement by providing for certain privileges to co-operative societies. These privileges included 'the exemption of members' shares or other interests in the capital of a society from attachment for private debts, the grant to societies of a measure of priority over ordinary creditors in enforcing claims on crops, cattle etc. and the provision for exemption, at the discretion of the Government of India, from income tax, stamp duties and registration fees.¹

The Indian Credit Societies Act of 1904 -

It was enacted without any previous experience in the field and was based on the English Friendly Societies Act of 1896. It prescribed only broad outlines and left a great deal to be worked out from practical experience. This enactment was important particularly in the context of typical Indian conditions which called for official guidance and direction from the very beginning. The Act provided for the creation of the office of Registrar to look after the co-operative societies and the Co-operative Department under him was charged with the work of organization, supervision and audit of co-operative societies. The rural societies were to be of the unlimited liability type, whereas, for the urban societies, an option was given either for unlimited liability type or for limited liability type. The interest of any member of the society in its share capital was strictly limited. However, no higher echelons of the co-operative structure were visualized at this stage and naturally the Act did not incorporate any provisions to provide for either central banks or unions, or federations. Even the societies other than credit societies were not visualized. "This policy was deliberately adopted, not because the vital importance of other kinds of co-operation was not fully realized but because it was held that among a relatively backward population the difficulties involved in the management of productive and distributive business were likely to prove a stumbling-block in the way of progress."  

The Co-operative Societies Act of 1912 -

The scope of this Act was made much wider than the Act of 1904. "The Act, though it neither named nor classified the various kinds of societies that might be registered under it, was so framed as to permit practically every type of society to come within its scope". This gave the Registrars a wide discretion in building up the higher storeys of their provincial co-operative structures.

A scientific distinction based on the nature of the liability of members namely limited or unlimited was adopted in place of the former distinction of rural and urban. The registration of new types of associations for the supervision of finance of primary co-operative societies was for the first time recognized.

The Act envisaged a democratic constitution for the co-operative societies. The ultimate authority was vested in the whole body of members in general meeting. The Act prescribed 'one man, one vote' rule for the unlimited liability type of societies and left to the bylaws of the limited liability type of societies to decide the number of votes to be enjoyed by their members. A ceiling was put on holding the maximum number of shares by one individual and the maximum laid down was one fifth of the share capital or Rs. 1000. However, the Managing Committee was not expressly recognized by this Act, although its existence was assumed.

3 Pantulu, V. R., "The Agricultural Credit Society", Co-operation in India (Ed), All India Co-operative Institutes' Association, Bombay, 1932, p. 301.
One provision, however, in the case of both these Acts warrants special attention. It restricted the transfer of shares to the society or to a member of a society or to a person whose application for membership was accepted. This provision was intended to avoid the danger of passing the control of co-operative societies into the hands of rival businessmen, to maintain the true co-operative character of a society and to preclude the possibilities of societies falling under the control of speculators. It was maintained in the Government of India Resolution dated 29-4-1904 that the object of this provision was to render impossible the acquisition by individuals of a predominant interest in such societies, to prevent speculation in connection with them, and to discourage those who might desire for reasons of personal profit to avail themselves of the facilities given by the Act, to start banks for other ends than those for which these societies were intended. Further, both the Acts provided for the audit and supervision to be carried out annually under the ultimate control of the Registrar who was expected not only "to confine himself merely to the obligatory duties imposed by the Act but also to watch and regulate the whole efficiency of the movement." It is important in this context to note that the Registrars were given an authority, in a number of Provinces, to supersede unsatisfactorily working managing committee of a society if he thought that it would threaten the very existence of the society concerned. A nominee appointed by him was expected to restore its normal working.

7 Government of India., Committee on Co-operation in India, 1915, p.56.
This remedy of supersession proved very effective in Madras and elsewhere, helping considerably the revival and development of societies.\(^8\)

These enactments, thus, regulated the co-operative movement on all-India basis till the year 1919. Since the movement remained government-sponsored, the enactments followed a cautious policy in respect of giving autonomy to the co-operative movement.

After 1919, when co-operation became a provincial subject, different co-operative Acts, keeping in view the local needs and socio-economic variations, were enacted by the provincial legislatures of, particularly, Bombay, Madras and Burma. Where no such legislation was enacted, the Act of 1912 remained in force for such areas. The movement then continued to be governed and regulated by these Acts for a considerable period of time. But, in keeping with the spirit of changing circumstances and particularly in view of the policy of planned economy in national as well as co-operative sectors, the Government of India decided to evolve a simple model of legislation to govern the working of co-operative societies in India\(^9\) and appointed a Committee on Co-operative Law in the year 1956. The Committee was designed to suggest ways and means to improve the then existing procedures in the co-operative legislations in the country which had, according to the National Development Council’s Resolution of 1958, "impeded the development of Co-operation because of their

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excessive reliance on official interference and red tape.\textsuperscript{10}

Consequent upon the recommendations of this Committee, which also had formulated a model bill to guide the future state legislations, and also upon the recommendations of the Rural Credit Survey Committee, the then existing provincial co-operative legislations were soon substituted by the new state enactments. Such laws were enacted in the states like Punjab, Maharashtra, Madhya Pradesh, Orissa, Gujarat, Rajasthan, Andhra Pradesh and Jammu & Kashmir, although the other remaining states did not take immediate steps in this direction. These Acts, however, did not fulfil the will of the National Development Council as was voiced in its resolution referred to above nor did they follow the lines suggested in the model bill formulated by the Committee on Co-operative Law. The non-official opinion in the country remained unhappy over the provisions in these enactments since the officers of the department, in some states at least, were armed with more powers than hitherto enjoyed by them.\textsuperscript{11} New legislations did not also strive for maintaining purity of the principle of democratic control which meant that the society should be cent-percent member-controlled and free from any type of outside interference in the management of its affairs. A managing committee with nominated persons was not contemplated and yet most of the Acts provided for about one third of the members of the managing committee of a society to be nominated.\textsuperscript{12}

Here again the earlier provincial legislations served as important bases for these new legislations. One can observe

\begin{itemize}
  \item Ibid., p.804.
  \item Ibid., p.805.
\end{itemize}
a thread of continuity in the course of all these statutory developments and at no time, the new enactment was designed to bring about a radical change in the nature of the co-operative movement. This was, however, true particularly in the matter of the role performed by the government in regulating the directing the co-operative movement since the very beginning. One could see that the efficiency aspect was given more consideration than the democratic aspect, although the latter aspect was not altogether lost sight of.

The recent state enactments differ from the earlier provincial enactments in one important respect, namely, in the role assigned to the state in the subscription of share capital of the co-operative societies of different types functioning at different levels. The recommendations of the Rural Credit Survey Committee endorsed by the National Development Council were given statutory recognition in the provisions of the new enactments. The said Committee, having found that the movement was till then over-administered and under-financed by the government, had recommended the erection of an integrated structure based on government participation at all the levels. Government was expected not only to subscribe to the share capital of every society to the tune of fifty one percent maximum but also to nominate not more than one-third of the members on the Board of Directors of the society concerned.*

* A general policy was laid down in the Indian Co-operative Congress held at Patna in 1955 that nomination by Government should be limited to three or one third of the total number of committee members whichever is less. However, some states continued to nominate one third of the total number of committee members even though it exceeded three. See Report of the Committee on Co-operation (Mirdha Committee), Ministry of Food, Agriculture, Community Development & Co-operation, Government of India, New Delhi, 1965, pp. 36-37.
The participation of the government in the share capital of the society was generally welcomed with a view to 'strengthening' the co-operative movement, but the participation of the government nominees in the management of the societies was not wholeheartedly favoured by the non-official co-operative opinion in the country, especially on democratic grounds. Only a few states, in the year 1960-61, have taken policy decision of keeping themselves out of the management of the concerned co-operatives by not nominating their representatives on the Board of Directors of the society concerned and the state of Maharashtra is one amongst them.

Thus, the whole statutory development in the co-operative field has tried to keep the voluntary, self-supporting and democratic aspect of the movement within the strict confines of the provisions of the acts and what is more, has brought the government more and more to bear the responsibilities in regard to the co-operative movement. "The co-operative laws are being made more restrictive and more powers are being given to the Registrars despite persistent opposition from the Co-operative Movement." 13

This is not to suggest, however, that the government wanted itself from the very beginning to encroach upon the distinctive character of the co-operative movement. It was now and then made clear by the spokesmen of the government that the movement should be handed over to the people themselves when they would attain sufficient maturity. The Government of India

in their resolution dated 29-4-1904 said "while state help and support will be needed to begin with, the object to be kept in view is to teach the people to help themselves... The Government of India desire to lay stress on the necessity of reducing restrictions to a minimum, so that the people may be encouraged (subject to certain safeguards) to work out the problem on their own lines with such guidance and advice as can be given to them."\textsuperscript{14}

However, no substantial progress was achieved in this direction and the government had to keep itself associated closely with the movement. The need to reorganize and revitalize the whole credit structure in post-independence era again belied the hopes of deofficialization of the movement since, as the Co-operative Planning Committee of 1946 stated, "Planning necessarily implies directive by the State and we envisage official guidance in co-operation as in any other kind of planning."\textsuperscript{15}

The government not only regulated and 'controlled' the movement by means of administrative checks and measures but even supported the movement by advancing grants and subsidies to the various types of co-operatives. Supply of staff to some co-operative institutions whose expenses were borne by government fully or in part was the other type of support provided by the government. Besides, special concessions and privileges such as exemption from income tax, stamp duty, registration fees, free remittance facilities were the other ways in which the Government aid reached the co-operative movement.

\textsuperscript{15} Report of the Co-operative Planning Committee (Appointed by the Government of India in the year 1946), The Manager of Publications, Delhi, 1946, p.10.
All this discussion would reveal that the statutory provisions or developments and the government support were designed mainly to promote efficiency and neither the original co-operative laws nor their amendments did anything substantial to free the Movement from the yoke of governmental policies so that it would rise to its voluntary, self-controlled and fully democratic character. This is true as far as the whole Indian Co-operative Movement is concerned although a few of the states like Maharashtra have taken some progressive steps to encourage the democratic features of the movement (vide Chapter IV p.138.)

2. The growth and development of Co-operative Movement.

The Indian co-operative movement did not witness a regular growth in terms of number and type of co-operative societies. The Act of 1904 set the ball rolling and till 1912 about 8177 societies with a membership of over four lakhs and working capital of Rs.335.7 lakhs were organized. In 1919, there were 28000 societies with eleven lakhs members and with working capital of Rs.fifteen crores.16 This would show that the process of increase in the number of societies was first accelerated due to various privileges conferred upon the co-operative societies by the Act of 1904 and then due to the deliberate attempts on the part of the government officials and the honorary organizers.* It again received an impetus due to the encouragement for setting up the co-operative

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* In the early days of the movement, the Department of Co-operation relied mainly and in some cases almost entirely on the Honorary Organizers for propaganda and organization. However, with the growth of non-official organizations like provincial institutes for propaganda and education and with the spontaneous growth of credit societies, the importance of this functionary diminished.
societies other than credit societies under the Act of 1912. Again, it registered a phenomenal increase after 1919 when co-operation was made a provincial subject under the Montagu-Chelmsford Reforms. This is evident from the following figures.  

Table No.1

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of societies in thousands</th>
<th>Membership in lakhs</th>
<th>Working capital Rs. in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>28.4</td>
<td>11.3</td>
<td>15</td>
</tr>
<tr>
<td>1929</td>
<td>94</td>
<td>37</td>
<td>75</td>
</tr>
</tbody>
</table>

However, the growth was none the less a balanced one and the agricultural credit societies outnumbered the other types of credit societies. The position as regards the various types of co-operative societies in the year 1925-26 is shown below in the tabular form.

Table No.2

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Societies</th>
<th>Agricultural</th>
<th>Non-Agricultural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Credit</td>
<td>66318</td>
<td>3945</td>
<td>70263</td>
</tr>
<tr>
<td>2</td>
<td>Purchase and Sale</td>
<td>349</td>
<td>568</td>
<td>917</td>
</tr>
<tr>
<td>3</td>
<td>Production</td>
<td>328</td>
<td>870</td>
<td>1198</td>
</tr>
<tr>
<td>4</td>
<td>Other forms</td>
<td>681</td>
<td>1634</td>
<td>2315</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>67676</td>
<td>7017</td>
<td>74693</td>
</tr>
</tbody>
</table>

17 Ibid., p.66.
18 Kaji, H. L. (Ed.), Co-operation in India, All India Co-operative Institute's Association, Bombay, 1932, p.22.
In the year 1929-30, there were 598 central societies, 1282 supervising and guaranteeing unions, 92051 agricultural societies and 10256 non-agricultural societies, the total being 104187.

The movement then received a set back as the country was hit by the world-wide economic depression. With a fall in prices, overdues in the society mounted up, so much so that a number of societies went into liquidation. The movement again received a fillip afterwards as the prices began to rise and the position after 1939 registered some significant progress.

The table below would substantiate this point.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of societies (in thousands)</th>
<th>Membership (in lakhs)</th>
<th>Working capital (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>116.9</td>
<td>60</td>
<td>104.6</td>
</tr>
<tr>
<td>1946</td>
<td>172</td>
<td>91.6</td>
<td>164</td>
</tr>
<tr>
<td>1947*</td>
<td>139</td>
<td>91</td>
<td>156</td>
</tr>
</tbody>
</table>

(* Figures of 1947 exclude the societies which fell to the share of Pakistan).

The movement grew in leaps and bounds in the future years and covered almost all the fields of the economy and all the layers of operation, right from the village or the 'grass-roots' level to the national level. Position of the movement in the country in the years following Independence illuminates how a small beginning made in the year 1904 made tremendous strides in quantitative terms.

19 Ibid., p.29.
All types of co-operatives: Trends of Progress: All India

Table No. 5

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of Societies (lakhs)</td>
<td>1.8</td>
<td>2.4</td>
<td>3.3</td>
</tr>
<tr>
<td>2</td>
<td>Membership of primary societies (lakhs)</td>
<td>137</td>
<td>176</td>
<td>342</td>
</tr>
<tr>
<td>3</td>
<td>Share Capital (Rs. in crores)</td>
<td>45</td>
<td>77</td>
<td>222</td>
</tr>
<tr>
<td>4</td>
<td>Working Capital (Rs. in crores)</td>
<td>276</td>
<td>469</td>
<td>1,212</td>
</tr>
</tbody>
</table>

However, the growth and development of co-operative movement remained all the while uneven in terms of different fields of economy and also in terms of different areas or provinces. The Maclagan Committee maintained, "Local conditions varied so widely that progress was by no means uniform and in different regions very different types of societies began to make their appearance". Credit and marketing co-operation made headway chiefly or only in areas where the more valuable commercial crops were grown and where agriculture was relatively secure.

These uneven developments were confined not only to certain types of activities but also to the character of co-operative movement in different provinces. These differences

22 Government of India., Committee on Co-operation in India 1915, p. 4.
were attributed by Dr. Gadgil, partly to differences in economic structure and circumstances and partly to official personnel and policy. "The Punjab had a succession of exceptionally able registrars of co-operatives and showed what could be done in favourable circumstances in a predominantly officially guided movement. The peculiarity of Bombay and Madras history, on the other hand, was the relatively much larger participation by non-official leaders of the movement in its growth and direction."  

However, this is all regarding the quantitative growth of the co-operative movement. The development in terms of quality remained far from satisfactory and irrespective of the rapid strides it made through an unfettered help of the State, "it lost its soul, character, independent leadership and loyal and enthusiastic membership."  

The Maclagan Committee observed in as early as 1915, "we regret to have to say that the conclusion has been forced upon us that in the majority of cases primary societies in India fall short of the co-operative ideal. Speaking generally, even allowing for the backwardness of the population, there has been found a lack of true co-operation."  

The vesting of final authority in a general meeting of the members was only nominal in many cases. Due partly to the members' illiteracy, they were frequently uninformed on the society's affairs and, what was worse, uninterested in them.  

24 Ibid., p.47. 
The Royal Commission on Agriculture pointed out that the necessity for a high standard of efficiency in work was not everywhere sufficiently realized. It maintained: "The members of societies delay the repayment of loans even when able to repay; understanding of the principles of co-operation and knowledge of the essentials of rural credit are lacking; office-holders refrain from taking action against defaulters... Even where defects are obvious and admitted, there is reluctance, as dangerous as it is regrettable, to liquidate societies whose condition is beyond remedy." Further, the Rural Credit Survey Committee pointed moreover the same type of situation when it maintained, "The members take insufficient interest in the working of their society, they exercise little restraint over their President and Committees and hesitate to evict from office an incompetent or dishonest neighbour. The office-holders on their side, dislike incurring the unpopularity attendant on the stringent action against recalcitrants and recovery by legal process of overdue debts. The calculated inertness of the two parties all too frequently leads to stagnation and dissolution."  

The failure of the co-operative movement to benefit all the farmers and to strengthen the rural economy was also voiced in different quarters. It has been pointed out, "...the method of disbursement of credit has given way to its misutilization and instead of increasing production it is exerting inflationary pressure on the rural economy. On the
scrutiny of the borrowers, it is noticed that co-operatives have extended finance generally to medium and large cultivators and small tenant cultivators have rare accessibility to such institutions."^30 Observed Dr. Gadgil, "By and large, the co-operative movement remained insignificant in all states in relation to the totality of rural life, and in all the more essential aspects of agriculture, credit, supply and sale, the co-operative movement took little effective part."^31

This unsatisfactory state of affairs of the co-operative movement in India has been attributed to many factors, the main among which was the lack of competent, honest and devoted leadership. The movement mainly remained government-sponsored, government-supported and government dominated (with, however, a few exceptions in some provinces like Bombay and Madras) and did not throw up sufficient leadership from among the rural masses. The leadership contained of mill owners, rentiers, landlords and traders whom the Rural Credit Survey Committee labeled as "inimical elements in the co-operative body."^32 Even the launching of community Development programme in the rural India did not improve the position in regard to this matter.33

The Rural Credit Survey Committee remarked, "Perhaps co-operation might have succeeded a little better if it had recruited a band of devoted workers at and from the village level, capable of knowing and applying the co-operative techniques amongst their co-equals. Attempts have indeed, on

occasion, been made by co-operative leadership to build up a body of competent co-operative workers from the village upwards. But it was not the fault of the leadership or of the movement; an approach which had to be at once scientific and missionary, village minded and countrywide, failed to be adopted to any significant scale." This view was further supported by a veteran Indian Co-operator, Vaikunthlal Mehta, who maintained that "The fact has to be recognised that over large parts of the country, the units remain autonomous merely in name. Besides, the limited field over which such autonomy extends provides little or no scope for worthwhile effort and the institutions fail to attract or build up local leadership.""35

3. Changes in the structure of the co-operative movement.

The co-operative movement in India started with the setting up of credit societies at the primary level. The societies were of the unlimited liability type and small sized societies. They were built upon the formula of 'one society to one village and one village to one society'. The Maclagan Committee of 1915 pointed out that the average membership of the agricultural society in India was forty-one, highest being sixty nine in the province of Bombay and the lowest being sixteen in the Central Provinces. Care was taken that the field of society remained sufficiently restricted to allow members to be mutually acquainted and to be in a position to

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36 Government of India., Committee on Co-operation in India 1915., pp.18,19.
exercise an effective mutual control. However, changes occurred in respect of type of liability of the credit societies and also in respect of size of the societies. Unlimited liability type was for ever set aside by encouraging the setting up of the societies of limited liability type.

Changes in the pattern of primary credit societies occurred on two lines in the main. The policy of preferring single purpose societies were substituted by the policy of preferring multipurpose societies in the post-economic depression period and again by the policy of preferring service co-operatives to the latter in the post-Independence period. Similarly the small sized societies were set aside in favour of large-sized state partnered societies particularly on the recommendations of the Rural Credit Survey Committee. Changes were again made later on on the lines of the recommendations of the Committee on Co-operative Credit (Mehta Committee) of 1960.

Experience with the small sized societies was not quite encouraging or satisfactory in terms of their incomes, their capability of appointing skilled and trained staff, their owned funds, their borrowing capacity etc. The Co-operative Planning Committee of 1946 attributed the failure of these co-operative societies to the small size of the primary unit and undue reliance on honorary services for even day-to-day work.37 Even the apparent advantage of mutual knowledge and collective responsibility was absent in practice. The principle

of unlimited liability, was not favoured by several government committees as well as by the Rural Credit Survey Committee. The latter Committee went in favour of large-sized government-supported credit societies which might enrol large membership and fetch business sufficient to enable them to afford whole time and trained staff. The provision of credit in kind and the establishment of a link with marketing were among the methods recommended by this Committee for raising the standard of efficiency of the primary units.\textsuperscript{36}

The policy of establishing large sized societies was given up again on the recommendations of the Committee on \textit{co-operative Credit} of 1960 which recommended that, as a rule, service co-operatives should be organized on the basis of the village community as a primary unit. However, where the villages were too small, any number of villages within a radius of three to four miles from the head-quarters in a centrally situated village might be grouped together in the interest of viability. The maximum limit of population of these villages should not exceed three thousand. Thus, different committees prescribed the size and area of operation of co-operative societies in different manners according to their concepts of viability of primary credit societies.

Neither the Act of 1904 nor the Act of 1912 provided for any kind of 'structure' in regard to different types of co-operative societies or in regard to different levels of their operation. The co-operative movement mainly remained

\textsuperscript{36} \textit{Mehta.V.L., "Viable Co-operatives"., Op.Cit., p.46.}
a credit movement and the equally important fields of economy like marketing and processing remained neglected for a considerable number of years. The Rural Credit Survey Committee observed, "All the co-operative marketing societies in India put together still fail to catch one's attention as anything important, lacking in this respect even that purely numerical impressiveness which, on paper, credit societies manage to marshal between themselves." The absence of higher tiers of operations, particularly at state and national level, in the field other than agricultural credit was conspicuous in pre-Independence era. The attempts to erect a structure in these fields are made very recently, particularly after the recommendations of the Rural Credit Survey Committee were accepted.

In the field of credit, however, it was the Maclagan Committee of 1915, who first emphasized the need of a three-tier structure with the primary societies at the village level, the central co-operative bank at the district level and the provincial co-operative bank at the apex level. "All the major Provinces except the United Provinces had the apex as well as Central Banks functioning in them. There were variations in them in matters of their relations with the Imperial Bank of India as well as with the societies below their level and also in matter of their constitutions; e.g. In Madras, Bengal and the Punjab, the Central Banks were to deal directly with the Imperial Bank of India, while in Bombay the Central Banks could deal with the Provincial Bank.

only. In certain provinces the apex banks did not deal with the primary societies at all, while in Bihar and Orissa, Bombay, Burma and Mysore, where Central Banks did not exist, they continued to finance primary societies.  

As to the variations in their constitutions, three types of institutions existed in the country, viz. banks of which the membership was confined to individuals, banks of which the membership was confined to societies and the banks which included both individuals and societies among their members. The third type of banks, having a mixed membership were in majority, although the Provincial Banks in Madras, Bombay and Burma, when the Maclagan Committee visited these provinces, had only individual share holders and were financing primary societies as well as Central Banks. The apex banks in the Punjab and Bengal did not permit individuals holding shares in them. The composition of the board of Directors of these banks, in terms of size of the Board and the proportion of individual share holders and member-societies also varied from province to province.

Side by side with these credit type of institutions, another type of structure was evolving to represent the non-official co-operative opinion in the country. Several provincial institutes, ad-hoc bodies, unions or district co-operative boards came into existence in various parts of

40 Thakore, V. M., "Central Financing Agencies", Co-operation in India (Ed.), All India Co-operative Institute's Association, Bombay, 1932, pp. 79-80.
41 Government of India, Committee on Co-operation in India, 1915, p. 69.
42 Rangaswami, V. C., "Apex Banks", in Kaji, H. L. (Ed.), Co-operation in India, p. 66.
the country and remained busy in organizing conferences, seminars, group discussions, study tours and peripatetic camps etc. By the end of 1920, provincial co-operative institutes were organized in most of the provinces and in some princely states. The All India Co-operative Institutes' Association came into being on 1st October, 1929 as a national level co-operative association of the provincial institutes. This organization was in fact conceived as "representing the entire movement in the country, since every provincial institute was a representative body of all the co-operative societies in its province." 43 Another important national level organization was the All-India Provincial Co-operative Banks' Association which was set up in the year 1928. These two national level organizations existing in the co-operative field in the pre-Independence era were amalgamated later on in the year 1949 and a new body namely the Indian Co-operative Union, which came to be known as the All-India Co-operative Union since the year 1952, was set up. The constitution of this body was framed with a view to enabling all types of state level co-operatives, as were gradually emerging on the scene with the diversification of the movement, to become its direct members. This was to be a federal organization at the national level comprising the co-operative organizations in the states of the country. Its objects were "to promote and strengthen the co-operative movement, to propagate the principles and philosophy of co-operation and as a representative body to serve as a recognized exponent of the non-official co-operative opinion." 44

44 Ibid., p. 165.
The Co-operative movement remained considerably weak in the field of village industries. This was so inspite of the policies evolved by the government, from time to time, to encourage the individual artisans and craftsmen to organize themselves into industrial co-operatives. The schemes of giving assistance in terms of loans and grants were also worked out and implemented. The table below gives some idea about the progress of the industrial co-operatives:

Table No. 6:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Industrial Co-operatives (Nos)</td>
<td>7,100</td>
<td>13,300</td>
<td>33,300</td>
<td>48,400</td>
</tr>
<tr>
<td>2</td>
<td>Membership (in lakh Nos)</td>
<td>7.66</td>
<td>12.73</td>
<td>25.57</td>
<td>30.76</td>
</tr>
<tr>
<td>3</td>
<td>Working Capital (Rs. crores)</td>
<td>7.05</td>
<td>13.74</td>
<td>40.49</td>
<td>122.89</td>
</tr>
</tbody>
</table>

The qualitative aspect of these societies in general and that of the handloom weavers co-operatives in particular remained far from satisfactory. The setting up of the All India Handloom Board in the year 1952 opened up a new era, in as much as the Board evolved a number of schemes, namely, organization of handloom industry in the co-operative sector, provision of working capital for production and marketing of handloom product, and provision of training, research and technical improvements etc. However, the progress was not satisfactory. It made the Mridha Committee to remark, "There is hardly any form of co-operative activity which has succeeded so little as the industrial co-operatives. This is primarily due to improper planning and inadequacy of resources"**


This cursory perusal of the history of co-operative movement in India would show that, till the year 1954, the movement suffered from some structural deficiencies. Its growth and spread on the lines of either horizontal or vertical integration was but inadequate.

However, the major break-through, in the establishment of a strong structure of co-operative movement in India came only after the recommendations of the Rural Credit Survey Committee were accepted. "The passing of the various debt relief acts and money lenders acts placing restrictions on the usual suppliers of credit and restraints on the borrowers, and the change in the economic position of the agriculturists and their own needs, had all entailed a reshaping of the credit movement."

The Rural Credit Survey Committee emphasized, "One of the main elements of the problem of rural credit, as a whole, in India may be described as the aspect of co-ordination, e.g. co-ordination of the need and purpose with period, co-ordination of the system as a whole with the objectives of governmental policy," and recommended for "state initiative and state sponsorship and the integration of credit with sale and supply and processing business." The main features of the 'integrated scheme of rural credit,' as propounded by the Committee, were:

(a) State partnership at all levels of co-operative organization,

(b) Reorganization of the co-operative movement,*
(c) Establishment of the State Bank of India in place of the former Imperial Bank of India,
(d) Creation of various funds, and
(e) Intensification of co-operative training.48

Consequent upon the recommendations of this Committee, distinctive co-operative units were set up in various fields of economic activity and at every level of operation with state participation in their share capital and attempts were made to interlink those units with their higher level organizations as well as with organizations busy in allied activities, e.g. linking credit with marketing.

"Along with the development of co-operative marketing structure at the base, higher tiers of the structure were also simultaneously built up. The superstructure of co-operative marketing consists at present of twenty state level apex marketing federations and the National Agricultural Co-operative Marketing Federation."49 The latter national level organization, also called as NAFED, was set up in the year 1958. Federations of co-operative sugar factories were set up in various states including Andhra Pradesh, Gujarat, Madras, Maharashtra, Mysore.

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* Establishment of large sized credit societies at primary level, the administrative and financial strengthening of the credit structure at apex and central levels, organization of marketing societies and their subsequent linking with the primary societies, organization of land mortgage banks and various types of non-credit co-operatives etc., were the measures suggested by the Committee to reorganize the co-operative movement.

and the Punjab and further, a national Federation of Co-operative Sugar Factories was established in the year 1960-61 with its head quarters at New Delhi. Establishment of the National Co-operative Development Corporation, the Central Warehousing Board, the Federation of State Co-operative Banks (1964), were the other important creations. Various funds were created by the Reserve Bank of India, the Government of India and the State Governments to implement the scheme of state participation in the share-capital of co-operative societies at all the levels. These funds included:

1. The National Agricultural Credit (Long term operations) Funds. Created by the Reserve Bank of India.
2. The National Agricultural Credit (Stabilization) Fund.
3. The National Co-operative Development Fund.*
4. The National Warehousing Development Fund. Created by the Govt. of India.
5. Relief and Guarantee Funds created by the State Governments.

Further, adequate attention was also given to the qualitative aspect of the movement and a strong infra-structure of non-official co-operative institutions was built-up in the whole country. "This set-up comprises not only the national federation of co-operatives, the National Co-operative Union of India, and twentyone State Co-operative Unions, but also a number of national level functions federations and a large number of co-operative training centres and educational institutes that dot the map of India."50

* At present maintained by the National Co-operative Development Corporation.

Thus, attempts were made in all the directions to reorganize the co-operative movement so as to enable it to play a significant role in the fulfilment of the goals of the national economic planning.

One major effect of all these changes mentioned so far should be assessed in terms of how far the non-official leadership emerged to take the burden of the co-operative movement on themselves. Dr. Gadgil pointed out that the Indian co-operative leadership at present comes chiefly from among the urban classes not directly associated with the conduct of even primary marketing and processing societies and the primary rural strata have so far failed to put forth a stronger leadership. Even the lukewarm attitude of the government towards de-officializing the movement at this stage speaks adequately of the failure of the movement in this direction, although the position of a few of the states like Maharashtra, Gujarat and Madras has been satisfactory and encouraging.

Summing up the effects of all the changes (mentioned earlier under three sub-heads) upon the aspects of democracy and efficiency of the co-operative movement, one can safely maintain that the co-operative movement in India lagged behind in terms of both the elements, if the experience of the country as a whole is taken into consideration. Conscious attempts are now being made to strengthen the capital base and the structural foundations of the movement as a whole, which would add to the efficiency of the movement. However, the increasing phenomenon of politicization of the rural (and also of the urban) India is also introducing itself upon the field and affecting the efficiency aspect.

Co-operative Movement in the State of Maharashtra with special reference to the District of Ahmednagar

The State of Maharashtra is known as a progressive State in regard to the co-operative movement in India. It is well known, particularly, in regard to the role played by non-official leadership in the pre-independence era, its legislation which is one of the few progressive co-operative enactments in the country, and the successful working of the co-operative sugar factories, the State Co-operative Bank (the erstwhile Bombay Provincial Co-operative Bank) and a few of the purchase and sale unions. This performance has some bearing upon the present development of the co-operative movement in the State in terms of both the aspects, democracy and efficiency. The State has inherited some tradition of co-operative business which is essential for the successful working of the co-operative enterprise. Non-official leadership which had come forth in the State during the pre-independence era could create an enlightened atmosphere conducive to the later development of the co-operative movement in the State.

The statutory developments in the State.

The movement in the State was regulated till 1960, by the Bombay Co-operative Societies Act, 1925. This Act was considered by many as one of the few progressive co-operative legislations in the country. Under the earlier Acts (Central legislations of 1904 and then of 1912) the object of the movement was to promote the economic interests of its members and to inculcate in them values like self-help, thrift.
and mutual help. The Act of 1925, however, made the object of
the movement still wider and provided for in its preamble as the
object of the movement, "better living, better business and
better methods of production", a phrase so popularised by the
Irish co-operators headed by Sir Horace Plunkett. Another
marked difference was the substitution of the words "persons
of limited means" by "persons of common economic needs". The
earlier Acts had restricted their operation to "persons of
limited means" only. Under the Act of 1925, it was recognized
that "while co-operation was almost the only avenue of escape
from poverty, its benefits were equally open to others who were
willing to work for the common good of all". Lastly, it also
differed from the earlier legislations in the application of the
principle of liability to the co-operative societies. S.13 of
the Act of 1912 restricted the principle of one man, one vote
to unlimited liability societies. The Act of 1925 extended this
principle to all classes of societies. It is true that the Act
of 1925 did not provide for a managing committee but the
existence of one was presumed. It was provided under one of the
rules (No.4(d)) prepared under the said Act of 1925 that the society
concerned should make bylaws regarding the mode of appointment
and removal of the members of the managing committee and of the
officers, and also regarding their duties and powers.

Thus, the Act of 1925 adopted a broader outlook in the
matters of aims and objectives of the movement, in encouraging
different types of co-operatives for all the economic strata.

1 Gupte,S.K., The Bombay Co-operative Societies Act With Rules
   (Bombay Act VII of 1925), Gupte,K.S.,Poona, 1932, p.10.
2 Ibid., p.16.
of the community, and in adopting the principle of "one man, one vote" to all the societies. A provision that a 'society established with the object of facilitating the operations of any other co-operative society' could be registered under the Act, encouraged the future growth of the movement, particularly, at the intermediate and apex levels of operation.

This Bombay Co-operative Societies Act of 1925 was substituted by the present Maharashtra Co-operative Societies Act in the year 1960. For most of the part the Act is based on the Bombay Co-operative Societies Act of 1925, although, many modifications in the earlier provisions have been made on the lines suggested by the Committee on Co-operative Law appointed by the Government of India in 1956, and by the Committee appointed by the State Government under the Chairmanship of G.M. Laud in the same year, to suggest a common Act for all the areas of the State.

The Act of 1960 has conferred heavy burden on the Registrar, Co-operative Societies, and also, in line with the recommendations of the Rural Credit Survey Committee of 1950-54, has called for the government participation in the share capital of the societies at all the levels. Provisions in the Act to enable the State Government to subscribe directly to the share capital of a society with limited liability, and providing for the creation of two funds, namely, the Principal State Partnership Fund and the Subsidiary State Partnership Fund, by the State Co-operative Bank and the Central Co-operative Banks respectively, were made with a view to the strengthening of the economic position of the whole movement. These funds are to be operated by the institution concerned to subscribe directly to the share capital of the society with limited liability working at the level immediately
Thus, the Act envisaged a stronger role of the Government than before. Section 14 of the Act even conferred on the Registrar powers to direct a society to amend its bylaws, if he considered it necessary or desirable in the interest of such society. It provided for registration of such amendment, after expiry of a specified period, with the prior approval of the State Government, and what is more, if a society failed to make the amendment in its bylaws so desired by the Registrar, the Registrar is empowered to make it binding on the society, though through a prescribed democratic procedure and not arbitrarily.

The following provisions in the Act are also noteworthy:

1. Every society is expected, within a period of three months after the expiry of the co-operative year, to call a general meeting of its members. This period for holding such meeting may be extended, by the special permission of the Registrar, Co-operative Societies, for a further period not exceeding three months (S.75, Cl.1).

2. A special General Body meeting may be called at any time by the Chairman or by a majority of the members of the Managing Committee, at the instance of the one-fifth of the members of the society demanding such meeting in writing, or of the Registrar, Co-operative Societies or of the Managing Committee of federal society of which the concerned society is a member. It is further provided that if an officer or a member of the managing committee, whose duty it is to call such meeting, fails to call such meeting, the Registrar, Co-operative Societies, is authorised to take
punitive measures against these office-bearers. Declaring disqualified for being a member of the Committee for such period not exceeding three years, in the case of an elected office bearer, and imposing on him a penalty not exceeding one hundred rupees, in the case of a servant of the society, are these punitive measures (S.76, Cl.(1) and (2).

3. Under some circumstances, detrimental to the interests of the co-operative society in question, the Registrar, Cooperative Societies, is authorised to remove the committee and appoint a committee, consisting of three or more members of the society in its place, or appoint one or more administrators, who need not be members of the society. (S.78, Cl.1).

4. The holding of shares is restricted with a view to preserving the democratic character of the co-operatives. In any society, no member other than the State Government or any other society shall hold more than one-fifth of the total share capital of the society. (S.28(a).

The movement in the State of Maharashtra is relatively progressive, particularly, in the approach adopted by the Government to "de-officialize" the movement. This is evident from the efforts made by the government in three main directions.

Firstly, it has established in the year 1950-51, a State Co-operative Council consisting of 52 members drawn from amongst the prominent non-official co-operatives engaged in credit, marketing, processing, education, industries and the like. The Council was designed to function as a forum for cooperative thinking and also as an organ to advise the government on
policies related to co-operative development in the State. It is significant to note that the Council has so far advised the State Government in respect of various important matters, such as, "framing of model election rules for important key institutions, regulations relating to the payment of honoraria and travelling allowances to office-bearers of co-operatives, policy regarding supervision over agricultural credit and non-agricultural credit societies, policy regarding the planning and financing the house-building scheme, policy regarding the integration of various aspects of the co-operative movement etc."  

Secondly, the Maharashtra Co-operative Societies Act 1960 did not make any provision for the government nomination on the Board of Directors or the Managing Committees of the Co-operative institutions in the State, even though the State Government may subscribe to the share capital of the society concerned. "This has encouraged the democratic and autonomous functioning of the Co-operative Institutions in the State. The situation in the State of Maharashtra in this regard shows the remarkable advance made by the co-operative movement there and the confidence which the movement has been able to inspire in the State Government."  

Thirdly, the local self government institutions like the Zilla Parishads have been delegated, in the year 1962, functions

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for administration and supervision over the co-operative societies whose jurisdiction is less than that of a district and whose share capital does not exceed Rs. one lakhs.* Powers regarding registration, approval of bylaws and disposal of appeals against non-admission of members were given to the Co-operation and Industries officers working under the Zilla Parishads.

Growth and development of the movement in the State:

The movement in the State has witnessed a phenomenal growth in various fields of economy and include the following types of societies, in addition to the apex level co-operative Bank, the State Land Mortgage Bank, the State Co-operative Marketing Federation, the State Co-operative Union, the State Co-operative Council, etc. The table 1 throws some light on the various types of co-operative institutions in the State (See p.141). Table No. 2 below will also illuminate how the movement has taken rapid strides in its quantitative development.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Item</th>
<th>1961</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of societies</td>
<td>31565</td>
<td>38312</td>
</tr>
<tr>
<td>2</td>
<td>No. of members in lakhs</td>
<td>42</td>
<td>75</td>
</tr>
<tr>
<td>3</td>
<td>Paid up share capital (Rs.)</td>
<td>53</td>
<td>143</td>
</tr>
<tr>
<td>4</td>
<td>Of which Government (Rs.)</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>Owned funds (Rs.)</td>
<td>73</td>
<td>197</td>
</tr>
<tr>
<td>6</td>
<td>Working capital (Rs.)</td>
<td>286</td>
<td>810</td>
</tr>
<tr>
<td>7</td>
<td>Loans Advanced (Net) (Rs.)</td>
<td>95</td>
<td>206</td>
</tr>
<tr>
<td>8</td>
<td>Profit (Rs.)</td>
<td>5.5</td>
<td>10.3</td>
</tr>
<tr>
<td>9</td>
<td>Loss (Rs.)</td>
<td>0.6</td>
<td>3.7</td>
</tr>
<tr>
<td>10</td>
<td>Audit Classification (No.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>A</td>
<td>3110</td>
<td>3193</td>
</tr>
<tr>
<td>b)</td>
<td>B</td>
<td>10921</td>
<td>12167</td>
</tr>
<tr>
<td>c)</td>
<td>C</td>
<td>7515</td>
<td>12415</td>
</tr>
<tr>
<td>d)</td>
<td>D</td>
<td>3086</td>
<td>2886</td>
</tr>
<tr>
<td>e)</td>
<td>Not classified</td>
<td>291</td>
<td>607</td>
</tr>
<tr>
<td>f)</td>
<td>Not audited</td>
<td>6640</td>
<td>7009</td>
</tr>
</tbody>
</table>


Table No.1: Co-operative Movement at a Glance\(^5\) (No. of societies)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Societies.</th>
<th>1961</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Co-operative Banks</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Agricultural Credit Societies</td>
<td>18998</td>
<td>20073</td>
</tr>
<tr>
<td>3</td>
<td>Primary Land Development Banks</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>Urban Co-operative Banks</td>
<td>149</td>
<td>216</td>
</tr>
<tr>
<td>5</td>
<td>Other Urban Credit Societies</td>
<td>1630</td>
<td>2163</td>
</tr>
<tr>
<td>6</td>
<td>Marketing Co-operatives (Central and Primary)</td>
<td>342</td>
<td>420</td>
</tr>
<tr>
<td>7</td>
<td>Processing Co-operatives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Cotton Ginning and Pressing</td>
<td>30</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>b) Rice Mills</td>
<td>SNA*</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>c) Oil Mills</td>
<td>SNA</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>d) Others</td>
<td>78</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>e) Sugar Factories</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>Farming Co-operatives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Joint</td>
<td>117</td>
<td>402</td>
</tr>
<tr>
<td></td>
<td>b) Collective</td>
<td>326</td>
<td>778</td>
</tr>
<tr>
<td>9</td>
<td>Life Irrigation</td>
<td>119</td>
<td>188</td>
</tr>
<tr>
<td>10</td>
<td>Dairy Co-operatives (Societies &amp; Unions)</td>
<td>450</td>
<td>1162</td>
</tr>
<tr>
<td>11</td>
<td>Fisheries Co-operatives</td>
<td>159</td>
<td>304</td>
</tr>
<tr>
<td>12</td>
<td>Consumer's Stores.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Wholesale</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>b) Primary</td>
<td>1140</td>
<td>1338</td>
</tr>
<tr>
<td>13</td>
<td>Housing Co-operatives</td>
<td>1495</td>
<td>4486</td>
</tr>
<tr>
<td>14</td>
<td>Weavers Co-operatives</td>
<td>715</td>
<td>765</td>
</tr>
<tr>
<td>15</td>
<td>Forest Labour Co-operatives</td>
<td>258</td>
<td>456</td>
</tr>
<tr>
<td>16</td>
<td>Labour Contract Co-operatives</td>
<td>371</td>
<td>965</td>
</tr>
<tr>
<td>17</td>
<td>Spinning mills</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>18</td>
<td>Industrial States.</td>
<td>14</td>
<td>58</td>
</tr>
</tbody>
</table>

\(^*\)SNA = Separately not available.

The movement in the State in the post-independence era made its name, particularly, in the field of sugar industry. It was the Pravara Co-operative Sugar Factory Ltd, Pravaranagar, taluka Shrirampur (District Ahmednagar) which was registered in the beginning of the fifties; which set-up a model for the whole country for the future years. "Its financial management was scrupulous and its functioning was efficient. Its impact on the local agricultural and the regional social set-up was exemplary and it could avoid severe and close Government control because of its self-reliant and viable character... The Pravara Co-operative Sugar Factory... set a pattern in several respects before the several co-operative sugar factories that came into being after 1954." The statistic below sufficiently illuminates this point.

Table No. 3: Progress at a Glance: Co-operative Sugar Factories.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Co-op. Sugar Factories</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>No. of members</td>
<td>46788</td>
<td>50600</td>
<td>60676</td>
<td>67659</td>
<td>68292</td>
</tr>
<tr>
<td></td>
<td>Paid up Share Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Growers</td>
<td>56396</td>
<td>628.79</td>
<td>730.52</td>
<td>782.02</td>
<td>995.70</td>
</tr>
<tr>
<td>4</td>
<td>State Govt.</td>
<td>225.00</td>
<td>220.00</td>
<td>251.75</td>
<td>272.75</td>
<td>337.75</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>26.05</td>
<td>22.17</td>
<td>25.63</td>
<td>22.44</td>
<td>25.19</td>
</tr>
<tr>
<td>6 4) Total</td>
<td></td>
<td>834.03</td>
<td>870.86</td>
<td>1007.99</td>
<td>1077.21</td>
<td>1358.64</td>
</tr>
<tr>
<td>7</td>
<td>Total Reserves</td>
<td>1124.39</td>
<td>1300.43</td>
<td>1570.93</td>
<td>1737.89</td>
<td>1737.89</td>
</tr>
<tr>
<td>8</td>
<td>Total owned funds</td>
<td>1958.42</td>
<td>2171.29</td>
<td>2578.83</td>
<td>2815.10</td>
<td>3095.73</td>
</tr>
<tr>
<td>9</td>
<td>Non refundable deposits:</td>
<td>428.86</td>
<td>598.18</td>
<td>614.07</td>
<td>886.29</td>
<td>1109.46</td>
</tr>
<tr>
<td>10</td>
<td>Installed capacity (in lakhs tonnes)</td>
<td>3.40</td>
<td>3.40</td>
<td>3.40</td>
<td>3.45</td>
<td>4.28</td>
</tr>
<tr>
<td>11</td>
<td>Cane crushed (MT)</td>
<td>2785000</td>
<td>3534000</td>
<td>4422000</td>
<td>3655637</td>
<td>3714520</td>
</tr>
<tr>
<td>12</td>
<td>Sugar produced (MT)</td>
<td>338979</td>
<td>414869</td>
<td>505329</td>
<td>422425</td>
<td>430843</td>
</tr>
<tr>
<td>13</td>
<td>Recovery percentage</td>
<td>11.77</td>
<td>11.70</td>
<td>11.91</td>
<td>11.40</td>
<td>11.41</td>
</tr>
</tbody>
</table>

This is all about the quantitative growth of the movement in the State. The qualitative aspect of the movement remained relatively better than in the other states and the main credit for this goes to the Bombay Provincial Co-operative Bank which was established in the year 1910, primarily, as an urban credit society under the Indian Societies Act of 1904. The original name of the Bank was the Bombay Central Co-operative Bank which was established on the initiative of the then veteran co-operative leaders Sir Vithaldas Thakersey and Sir Lallubhai Samaldas. The Bank underwent several changes in its nomenclature and in its constitution in the later decades.

Consequent upon the recommendations of the Maclagan Committee of 1915, of which Sir Lallubhai Samaldas was also a member, the Bank was converted into an apex financing agency of the movement in the Province of Bombay and it became the Bombay Provincial co-operative Bank in the year 1924. The Bank used to provide finance to primary societies in districts where no such central co-operative bank existed. It set up its branches throughout the Province and established close links with the primary societies. These branches of the Bank provided an opportunity for the local leadership to associate itself with the business of co-operative banking. The branch committees also acted as an electoral college for the election of six Directors on the Board of the Bank, representing the primary societies from the district where the Bank directly functioned as the Central Financing Agency. The branches were given certain powers in respect of sanctioning of loans to agricultural societies.

The Bank's membership was originally restricted to individuals only. However, it was after 1924 that the Bank
adopted a mixed constitution and with the enactment of the Bombay Co-operative Societies Act of 1925, it was made obligatory for all borrowing societies to become its members. Major changes in its constitution were again introduced following the recommendations of the Nanavati Committee (Agricultural Credit Organization Committee) of the year 1947. Representation was given to the district central co-operative banks, the provincial marketing society, the banking unions, the primary societies, the urban banks, individual shareholders and lastly, to the State Government. This change in the constitution was mainly designed "to enable the Bank to provide an institutional credit to the credit-worthy agriculturists." The Bank changed its nomenclature into the Bombay State Co-operative Bank Ltd., Bombay, in the year 1951-52.

It is evident then that the Bank played a significant role in the qualitative development of the Co-operative movement in the then Bombay province from which the present State of Maharashtra has been carved out. "It developed a co-operative as well as non co-operative business, opened branches in taluka and mandi places and thus helped the co-operative movement grow." The Bank played, in its initial years, a significant part in the development of co-operative marketing in the Province by opening depots at various places and selling the agricultural produce of the agriculturists on commission basis. This function,

9 Agricultural Credit Department(Ed.), Review of the Co-operative Movement in India, Agricultural Credit Department, Reserve Bank of India, Bombay, 1952, p.34.
however, was later on given up with the emergence of the taluka co-operative purchase and sale unions in the Province. It also took a lead in the establishment of the co-operative land mortgage banking and served as a balancing centre for the co-operative financial institutions in the Province. It provided a training ground for the employees of the urban and central co-operative banks under its jurisdiction. Its role in one more important respect deserves special mention. After the major change in its constitution in the year 1948-49, it introduced the concept of crop loan system and gave a trial to it for nearly five years.* "The later programme of action evolved by the Rural Credit Survey Committee of the Reserve Bank of India for development of Indian Co-operation was based on this experiment of the Bombay Provincial Bank." 11

Other institutions working in the Province were the guaranting unions of the primary societies (which were later on turned into supervising unions) set up, particularly, following the recommendations of the Macclagan Committee of 1915, the Bombay Provincial Co-operative Institute which was set up in the year 1918 to look after the member-education and training programme, the Bombay Provincial Co-operative Land Mortgage Bank Ltd., Bombay, established in the year 1936 to cater to the long term needs of the farmers (of course through its primary banks which numbered fifteen in the Province proper in the year 1948), the Bombay Provincial Co-operative Marketing Society which came into being in the year 1941, and . . . . . .

* The significance of this system lies in the emphasis placed on 'crop' rather than on 'land' as the basis for the provision of credit. Under the system, any cultivator who actually grew the crop, as the owner of the land or the tenant, could receive adequate crop loans for his cultivation needs (See Banerjee, A.K., "Agricultural Credit Societies in Maharashtra" in Nadkarni, D.M. (Ed.), Co-operative Maharashtra 1961, Service Publications, Bombay, 1961, p.122.

the Provincial Industrial Association Ltd. Bombay, etc.

Thus the movement in the State of Maharashtra has inherited a valuable experience from the erstwhile Bombay Province. Although the movement primarily remained as agricultural credit movement, the co-operative activities were spread to other fields also like marketing, consumers, industry etc. The most significant part in the development of the movement - both quantitatively and qualitatively - was played by the Bombay Provincial Co-operative Bank Ltd., Bombay, with which the veteran co-operators like Vithaldas Thakersey, Lallubhai Samaldas, Prof. V.G.Kale, and Vaikunthlal Mehta were closely associated, by the Bombay Provincial Co-operative Institution, through its training centres and staff, and then by the then Provincial government, through the progressive enactments and through the active support to all the co-operative institutions. All these efforts carried out jointly by non-officials and officials, without, however, any type of dominance of the later over the former, affected both the aspects, democracy and efficiency favourably.

The Co-operative Movement in the District of Ahemdnagar -

It has earlier been mentioned that the co-operative movement in India showed an unequal development with reference to the different economic activities and also with reference to the different areas or regions. It holds true in the case of the State of Maharashtra also where the movement registered uneven progress, type-wise and area-wise. Out of twenty-six districts in all in the State, the district of Ahemdnagar remained a relatively progressive district in the field of co-operation.
The table below gives some idea about the position of the co-operative movement in the district in relation to the movement in the State, as was in the year 1963-64.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Ahmednagar District</th>
<th>Total Position in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of villages</td>
<td>1,318</td>
<td>35,851</td>
</tr>
<tr>
<td>2</td>
<td>No. of societies</td>
<td>1,071</td>
<td>19,938</td>
</tr>
<tr>
<td>3</td>
<td>Percentage of villages covered</td>
<td>100</td>
<td>98.7</td>
</tr>
<tr>
<td>4</td>
<td>Percentage of rural population covered</td>
<td>46.1</td>
<td>39.1</td>
</tr>
<tr>
<td>5</td>
<td>Total number of members</td>
<td>1,52,961</td>
<td>23,21,317</td>
</tr>
<tr>
<td>6</td>
<td>Share Capital of these societies</td>
<td>25,154</td>
<td>2,12,510</td>
</tr>
<tr>
<td>7</td>
<td>Statutory and other reserves</td>
<td>6,324</td>
<td>47,490</td>
</tr>
<tr>
<td>8</td>
<td>Deposits</td>
<td>4,737</td>
<td>16,687</td>
</tr>
<tr>
<td>9</td>
<td>Working capital</td>
<td>98,740</td>
<td>8,64,327</td>
</tr>
</tbody>
</table>

**Primary Agricultural Credit Societies.**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Ahmednagar District</th>
<th>Total Position in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>No. of Societies</td>
<td>7.8</td>
<td>1,966</td>
</tr>
<tr>
<td>11</td>
<td>Membership</td>
<td>32,154</td>
<td>14,50,886</td>
</tr>
<tr>
<td>12</td>
<td>Share Capital</td>
<td>4,533</td>
<td>2,03,114</td>
</tr>
<tr>
<td>13</td>
<td>Deposits</td>
<td>14,944</td>
<td>4,03,741</td>
</tr>
<tr>
<td>14</td>
<td>Working capital</td>
<td>23,543</td>
<td>6,92,504</td>
</tr>
</tbody>
</table>

**Non-Agricultural Credit Societies.**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Ahmednagar District</th>
<th>Total Position in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>No. of Societies</td>
<td>12</td>
<td>355</td>
</tr>
<tr>
<td>16</td>
<td>No. of members</td>
<td>3,346</td>
<td>49,204</td>
</tr>
<tr>
<td>17</td>
<td>Share Capital</td>
<td>9</td>
<td>428</td>
</tr>
<tr>
<td>18</td>
<td>Reserve &amp; other fund</td>
<td>344</td>
<td>1,185</td>
</tr>
<tr>
<td>19</td>
<td>Working Capital</td>
<td>353</td>
<td>2,143</td>
</tr>
</tbody>
</table>

**Agricultural Non-Credit Societies.**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Ahmednagar District</th>
<th>Total Position in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>No. of Societies</td>
<td>5</td>
<td>235</td>
</tr>
<tr>
<td>21</td>
<td>No. of members</td>
<td>607</td>
<td>61,478</td>
</tr>
<tr>
<td>22</td>
<td>Share Capital</td>
<td>51</td>
<td>2,821</td>
</tr>
<tr>
<td>23</td>
<td>Reserve &amp; other funds</td>
<td>1</td>
<td>3,124</td>
</tr>
<tr>
<td>24</td>
<td>Working Capital</td>
<td>64</td>
<td>8,252</td>
</tr>
</tbody>
</table>

The district of Ahmednagar consists of thirteen talukas with an area of 6,472 square miles and a population of 1,775,969.

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Of these, 89.45 per cent reside in villages which number 1319 in all. 89.69 per cent of the rural population depend on agriculture. The agriculture in the district is essentially at the mercy of the vagaries of nature and, except a few talukas in the district, most of the area starves for want of adequate irrigation facilities. The average annual rainfall is 24.64 inches, except in the taluka Akola where it is much higher than the average. The land is irrigated mainly by wells, tanks and canals. Three talukas, namely, Kopargaon, Shirampur, and Rahuri are canal irrigated, whereas the taluka Ahmednagar is mainly tank-irrigated.

Much of the cultivable area is under the Rabi crop (wheat, jowar etc.) although the Kharif crop (paddy, groundnut, bajara, cotton etc.) is grown in a few talukas. Sugarcane cultivation is widespread, particularly, in the three talukas of the canal area. It is the main reason why the co-operative sugar factories (eight out of thirteen in all in the district) are located in these three talukas of the district.

The origin of the Co-operative movement in the district dates back to as early as 1909 when the first co-operative credit society was registered at the village, Bhingar (taluka Ahmednagar). Soon a few more societies were organized and registered at various places in the district, of which the societies at Balamtakali, Hingangaon, Sonai, Jamkhed, Koradgaon, Ukadgaon, Puntambe, Sakuri, Ekrukhe, Savedi and Pohegaon are still in existence. To meet the financial needs of these societies, a few of the local workers under the leadership of late Shri Rao Bahadur Chitale took initiative and established the Nagar District Central Co-operative Bank*, in the year 1910.

* At present the Nagar District Urban Central Co-operative Bank.
This Bank played a significant role in the development of co-operative movement in the district in the future years. It not only advanced credit to the co-operative societies alone but, under the system called 'group loans', advanced, for some time, credit to a group of ten or fifteen agriculturists who would undertake joint and several responsibility to repay the loan. Loans were advanced to the agriculturists for various purposes including the purchase of seeds and fertilizers, agricultural equipments, livestock, sinking of wells, land improvement, construction of houses, repayment of old debts, etc. It had advanced, in its very first year of existence, a loan of Rs.82,127 to its members, which amount rose to Rs. two lakhs in the year 1914, out of which Rs.50,000 were given to the societies and the remaining to individuals.

The Bank had a mixed constitution and included amongst its membership individuals as well as societies. The Managing Committee of the Bank consisted of nine members, five of whom were elected by the individual shareholders and four by the affiliated member-societies. The Bank had established its branches at Shevagaon, Newasa, Pathardi, Kopargaon and Sangamber (all taluka places).

However, two famines in the years 1918 and 1920 completely marred the prospects of the Bank in that the recovery position of the Bank considerably suffered. A number of societies went into liquidation. The officials of the Co-operative Department continued to insist upon the Bank to continue to advance credit to the agriculturists and their
societies, for which the Bank was reluctant. Consequently, the Department of Co-operation persuaded the Management of the Bank successfully, and directed the Bank to hand over its function of advancing agricultural credit to the farmers and their societies to the Bombay Provincial Bank. This was done in the year 1927 and since then the former District Central Co-operative Bank was converted into solely an Urban Co-operative Bank.

The Provincial Bank was also functioning in the district since the year 1916. It was advancing loans to the farmers as well as to their societies, and had opened a few depots to help the agriculturists in the sale of their agricultural produce. It was at Kopargaon that the Provincial Bank opened its first branch in the district of Ahmednagar in the year 1916. It opened its depot at the village Chitali (taluka Shrirampur) in the year 1917, which was later on shifted to Kopargaon in the year 1920. Soon a number of Purchase and Sale Unions were established in a few talukas out of which the name of Godavari-Fravara Co-operative Purchase and Sale Union, Kopargaon, which was established in the year 1932, deserves special mention, since it contributed largely in the future development of the co-operative movement in the district. The Provincial Bank then transferred its activities in the field of agricultural marketing to these unions.

The movement received an impetus, particularly, after the year 1947. A number of multipurpose societies were established all over the district. The table No. 5 shows the pace of development of the movement in the district.13

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Table No. 5:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>1951</th>
<th>1955</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Co-Op. Institutions</td>
<td>633</td>
<td>849</td>
<td>1711</td>
</tr>
<tr>
<td>2</td>
<td>Number of members</td>
<td>63944</td>
<td>84036</td>
<td>175489</td>
</tr>
<tr>
<td>3</td>
<td>Share capital (Rs)</td>
<td>4797561</td>
<td>13522801</td>
<td>42944537</td>
</tr>
<tr>
<td>4</td>
<td>Reserve &amp; other funds (Rs)</td>
<td>3278344</td>
<td>7622816</td>
<td>27535914</td>
</tr>
<tr>
<td>5</td>
<td>Working Capital (Rs)</td>
<td>28814047</td>
<td>45750701</td>
<td>229336375</td>
</tr>
</tbody>
</table>

Co-operative Sugar Factories were established, one after another, at Pravara Nagar (Loni-Taluka Shrirampur), Nahuri (Taluka Nahuri), Ashoknagar (Taluka Shrirampur), Ganesh Nagar (Taluka Kopargaon), Kolpewadi (Taluka Kopargaon), and Shingnapur (Taluka Kopargaon) all in the canal area. These factories could effectively link 'credit with marketing' and thus strengthened the aspect of recovery of loans from the agriculturists.

A few other processing societies were also established in this period, e.g., A Groundnut processing Co-operative Society was established at Sangamner in the year 1958. Ginning and Pressing Societies (for cotton crop) were established at Ahmednagar (for the Nagar, Parner, Rahuri, Shrigonda, Jamkhed and Karjat talukas) and another at Shevgaon (for the Shevgaon, Newasa and Pathardi talukas) in the year 1960. The movement, indeed, registered a mushroom growth in all aspects of economy and a number of other types of societies, such as, farming societies, dairy societies, consumers' societies, salary earners societies, fisheries societies, housing societies, forest labourers societies, and industrial societies, sprung up all over the district.

At the taluka level, purchase and sale unions were
established where they were not in existence before. Thirteen Taluka Development Councils were established to supply to the farmers agricultural requisites as well as other necessities like corrugated iron-sheets, and bars, cement etc. They were also assigned the work of popularising improved variety of seeds and agricultural practices by conducting demonstrations in agriculture. However, only a few of them survived (particularly in canal areas) and others were merged with the newly established taluka co-operative purchase and sale unions.

The creation of different co-operative institutions at the district level also deserves a special mention.

In the year 1957 a new District Central Co-operative Bank was established in the place of the branch of the State Co-operative Bank (the erstwhile Bombay Provincial Co-operative Bank) till then functioning in the district. The new Bank was established as the Central Financing Agency in the district, to advance loans to the agricultural co-operative societies - credit as well as non-credit. The Bank was essentially to advance short term and medium term credit to its affiliated primary credit societies. The branches of the Bombay State Co-operative Land Mortgage Bank at Ahmednagar, Shevgaon, and Sangamner used to cater to the long term credit needs of the farmers in the district till the year 1961 when a separate Land Mortgage (now Land Development) Bank was established for the district in February 1961.

The Nutan Zilla Audyogik Co-operative Societies Federation was established at the district level in the year 1952 to render assistance and guidance to the industrial co-operative societies in the district. In the year 1956, the District Urban Central Co-operative Bank was allowed to function as the Central Financing
Agency for the industrial co-operative societies in the district. Till then, the Provincial Bank was also advancing credit to the Industrial Co-operative Societies Federation, to a few of the weavers co-operative societies, and to a few of the non-agricultural credit societies.

A Purchase and Sale Union at the district level was established in the year 1961. The District Co-operative Board has been functioning in the district since the year 1948 and rendering a valuable service to the cause of co-operative training and education.

The development of the movement during the period under study is shown in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>1963-64</th>
<th>1964-65</th>
<th>1965-66</th>
<th>1966-67</th>
<th>1967-68</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Co-op. Societies of all types.</td>
<td>1529</td>
<td>1559</td>
<td>1587</td>
<td>1586</td>
<td>1568</td>
</tr>
</tbody>
</table>

A number of societies went into liquidation in the years 1966-67 and 1967-68 due to which the total number did not show any increase in the year 1966-67 and showed some decrease in the year 1967-68. The societies which went into liquidation during these years belonged to the categories like the agricultural credit societies, the milk supply societies, the labour contract societies, the weavers and other industrial societies.

This review reveals that the co-operative movement expanded to all the levels of operation in the district only after the year 1947. In the pre-independence era, the main burden of developing the co-operative movement in the district

*The figures collected from the Office of the District Deputy Registrar, Co-operative Societies, Ahmednagar.*
was shouldered by the Nagar District Urban Central Co-operative Bank, the Bombay Provincial Bank and a few of the taluka Co-operative Purchase and Sale Unions which were established in the early 30's. These Unions not only met the needs of agriculture in their respective jurisdictions but also organized various conferences of co-operators in the district and created a congenial atmosphere for the growth of the movement. It has been observed that most of the conferences were organized for the co-operative societies in the canal area of the district only. Such conferences were held at Kopargaon (January 1942, and again in November 1949), Shrirampur (January 1949), Nahuri (1951). The District Co-operative Board, however, convened such conferences almost each year for all the societies in the district.

The non-official element in the co-operative movement of the district remained all the while conscious and alert and the development of the movement could be achieved with the joint efforts of the local leaders, the officials of the Provincial Co-operative Bank and the Department of Co-operation. The movement was not sound qualitatively as most of the talukas fell in dry area where the economic and leadership factors, congenial to the growth of co-operative movement, remained absent. The societies were not free from the ill-effects of local factions and hatreds, etc. But the movement was certainly free from the effects of political rivalries in the district.

The leadership of the movement, though mainly came from the canal area, was, till 1955, a co-operative leadership motivated by co-operative interests and was not a political leadership motivated by political interests. Different political parties, mainly the Congress and the Communist, were active in the district.
since long but, it was told, they were not keen to capture the co-operative institutions till the establishment of the co-operative sugar factories in the district. Till the General Elections of 1957, when the ruling Congress party suffered a setback on the issue of division of the bilingual Bombay State, the politics in the district remained mainly a concern for two parties, namely, the Communist and the Congress. However, after this setback in the General Elections of 1957, the State leadership successfully persuaded a few of the leaders of the opposition camp in the district to join their own party - the Congress. This proved as a damper on the enthusiasm of the original devoted workers of the Congress party in the district and a split became evident among those old and the new workers. These alliances did not maintain their continuity in the future years since they remained constantly changing. But the fact remains that after the year 1958, the politics in the district remained a concern not for the two different parties, as was the case before, but for two factions in the same Congress Party. This factor mainly affected both the aspects, democracy as well as efficiency, of the co-operative movement in the district in the future years.

The attention is now being turned to the progress of the co-operative movement in the two talukas of the district selected for the purpose of this study.

Kopargaon, Nauri, Shrirampur, Akola, Shevgaon and Newasa are the talukas which are 'safe' from the ever recurring phenomenon of famine in the district. The remaining talukas often face the phenomenon due to unguaranteed rainfall, and the taluka of Ahmednagar is one of them. Thus the taluka Kopargaon, possesses
more potentialities for prosperity than the taluka, Ahmednagar. Nearly half of the co-operative sugar factories in the district are located in the taluka, Kopagaron. The co-operative movement in the district, in its initial decades, made its headway in this taluka in particular and in the canal area in general. A number of conferences of co-operative workers were held in this area, which also created congenial atmosphere for the growth and development of the co-operative movement in the district. Thus, the talukas Ahemdnagar and Kopargaon present distinct characteristics as to the irrigation facilities, agricultural development, and the spread and expansion of the co-operative movement. All the villages in both the talukas, 109 and 102 respectively, have been covered by co-operatives. These distinctive characteristics are reflected in the progress of agricultural credit co-operative movement in these two talukas, which is shown in the table Nos. 7 & 8. (See p. 156 A)

The figures pertaining to the reserve fund, other funds, member’s deposits, non-member’s deposits, borrowings from the Bank and the working capital are far greater in the case of the Kopargaon taluka than in that of the Ahmednagar taluka. This uneven progress or performance is also reflected in two other important respects, namely, the advancement of loans to the agriculturists and the recovery of such advances. The table Nos. 9 and 10 substantiate this point. (See p. 157)
Table No. 7

**The Ahmednagar Taluka: (Progress: Agricultural Credit Co-operative Societies)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of societies</td>
<td>89</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>2.</td>
<td>No. of members</td>
<td>12,906</td>
<td>16,856</td>
<td>17,273</td>
<td>18,415</td>
<td>18,709</td>
</tr>
<tr>
<td>3.</td>
<td>Members' share capital (Rs.)</td>
<td>84,305</td>
<td>9,86,755</td>
<td>11,38,935</td>
<td>13,40,870</td>
<td>16,06,905</td>
</tr>
<tr>
<td>4.</td>
<td>Government share capital (Rs.)</td>
<td>74,000</td>
<td>74,000</td>
<td>74,000</td>
<td>74,000</td>
<td>74,000</td>
</tr>
<tr>
<td>5.</td>
<td>Reserve Fund (Rs.)</td>
<td>83,480</td>
<td>92,556</td>
<td>96,522</td>
<td>1,04,139</td>
<td>1,09,706</td>
</tr>
<tr>
<td>6.</td>
<td>Other Funds (Rs.)</td>
<td>24,918</td>
<td>31,945</td>
<td>32,411</td>
<td>31,770</td>
<td>39,376</td>
</tr>
<tr>
<td>7.</td>
<td>Members' Deposits (Rs.)</td>
<td>46,568</td>
<td>48,549</td>
<td>48,794</td>
<td>46,441</td>
<td>43,220</td>
</tr>
<tr>
<td>8.</td>
<td>Non-members' deposits (Rs.)</td>
<td>114</td>
<td>88</td>
<td>528</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Borrowings from the Bank (Rs.)</td>
<td>37,45,800</td>
<td>12,05,903</td>
<td>42,11,785</td>
<td>47,52,898</td>
<td>51,80,286</td>
</tr>
<tr>
<td>10.</td>
<td>Working Capital (Rs.)</td>
<td>51,13,195</td>
<td>50,51,275</td>
<td>56,90,104</td>
<td>64,25,146</td>
<td>71,31,891</td>
</tr>
</tbody>
</table>

The Figures collected from the Taluka Co-operative supervising Union for both the Tables.

Table No. 8

**The Koppargaon Taluka: (Progress: Agricultural Credit Co-operative societies)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of societies</td>
<td>110</td>
<td>113</td>
<td>114</td>
<td>116</td>
<td>116</td>
</tr>
<tr>
<td>2.</td>
<td>No. of members</td>
<td>17,555</td>
<td>19,985</td>
<td>20,683</td>
<td>21,387</td>
<td>22,724</td>
</tr>
<tr>
<td>3.</td>
<td>Members' share capital (Rs.)</td>
<td>63,19,770</td>
<td>69,89,130</td>
<td>75,39,225</td>
<td>84,38,135</td>
<td>94,30,065</td>
</tr>
<tr>
<td>4.</td>
<td>Government share capital (Rs.)</td>
<td>86,000</td>
<td>86,000</td>
<td>86,000</td>
<td>86,000</td>
<td>86,000</td>
</tr>
<tr>
<td>5.</td>
<td>Reserve Fund (Rs.)</td>
<td>11,41,720</td>
<td>12,70,941</td>
<td>13,57,972</td>
<td>14,69,739</td>
<td>16,93,061</td>
</tr>
<tr>
<td>6.</td>
<td>Other funds (Rs.)</td>
<td>5,81,975</td>
<td>7,74,237</td>
<td>8,47,460</td>
<td>10,42,887</td>
<td>12,32,535</td>
</tr>
<tr>
<td>7.</td>
<td>Members' deposits (Rs.)</td>
<td>8,35,055</td>
<td>15,48,033</td>
<td>19,74,121</td>
<td>25,35,321</td>
<td>29,34,031</td>
</tr>
<tr>
<td>8.</td>
<td>Non-members' deposits</td>
<td>17,634</td>
<td>44,612</td>
<td>46,314</td>
<td>58,305</td>
<td>94,718</td>
</tr>
<tr>
<td>9.</td>
<td>Borrowings from the Bank (Rs.)</td>
<td>1,63,72,043</td>
<td>1,86,55,819</td>
<td>1,76,72,681</td>
<td>1,81,90,779</td>
<td>2,05,49,422</td>
</tr>
<tr>
<td>10.</td>
<td>Working capital (Rs.)</td>
<td>266,0,561</td>
<td>2,95,11,879</td>
<td>2,96,64,272</td>
<td>3,21,14,666</td>
<td>3,63,11,332</td>
</tr>
</tbody>
</table>
### Table No. 9: The Ahmednagar Taluka (Short Term & Medium Term Loans)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of loans advanced Rs.</th>
<th>Amount recovered during the year (Rs.)</th>
<th>Amount outstanding at the end of the year (Rs.)</th>
<th>Out of which overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-64</td>
<td>24,29,487</td>
<td>20,37,947</td>
<td>39,77,960</td>
<td>10,23,053</td>
</tr>
<tr>
<td>1964-65</td>
<td>23,05,367</td>
<td>22,27,424</td>
<td>40,55,903</td>
<td>19,66,190</td>
</tr>
<tr>
<td>1965-66</td>
<td>27,53,446</td>
<td>24,30,008</td>
<td>43,89,341</td>
<td>18,72,165</td>
</tr>
<tr>
<td>1966-67</td>
<td>38,60,313</td>
<td>31,58,645</td>
<td>50,90,809</td>
<td>13,56,787</td>
</tr>
<tr>
<td>1967-68</td>
<td>46,20,511</td>
<td>39,66,868</td>
<td>57,04,452</td>
<td>13,80,098</td>
</tr>
</tbody>
</table>

* The figures collected from the Taluka Co-operative Supervising Union.

It is obvious from the figures that the finances advanced in the Kopargaon taluka are much larger than those advanced in the Ahmednagar taluka. This is attributed to the repaying capacity of the farmers in the canal area which is higher due to the assured water supply. The position of the Kopargaon taluka as

### Table No. 10: The Kopargaon Taluka (Short Term & Medium Term Loans)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of loans advanced Rs.</th>
<th>Amount recovered during the year (Rs.)</th>
<th>Amount outstanding at the end of the year (Rs.)</th>
<th>Out of which overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-64</td>
<td>1,72,92,858</td>
<td>1,74,28,713</td>
<td>2,13,29,117</td>
<td>72,97,770</td>
</tr>
<tr>
<td>1964-65</td>
<td>1,87,09,585</td>
<td>1,64,90,086</td>
<td>2,35,48,616</td>
<td>62,94,331</td>
</tr>
<tr>
<td>1965-66</td>
<td>1,79,64,000</td>
<td>1,86,17,510</td>
<td>2,28,65,106</td>
<td>69,63,519</td>
</tr>
<tr>
<td>1966-67</td>
<td>1,90,71,162</td>
<td>1,77,72,554</td>
<td>2,41,73,704</td>
<td>64,39,059</td>
</tr>
<tr>
<td>1967-68</td>
<td>2,03,18,138</td>
<td>18,69,204</td>
<td>2,67,99,200</td>
<td>69,60,787</td>
</tr>
</tbody>
</table>

* The figures collected from the Taluka Co-operative Supervising Union.
regards the recovery of loans advanced is also satisfactory due to the existence of co-operative sugar factories which could effectively link credit with marketing.

However, it should also be noted that the expansion of co-operative movement in the different fields of economy is notable more in the case of the Ahmednagar taluka than the Kopargaon taluka. The total number of all types of societies, as on 30-6-63, in case of the Ahmednagar taluka remained 222 whereas in case of the Kopargaon taluka it remained 160 (out of the 1387 societies in the district)*. It was due to the inclusion of the district level co-operative societies in the figures pertaining to the taluka Ahmednagar, grain banks, non-agricultural credit societies like salary earners' societies, dairy societies, industrial societies, consumers' societies, housing societies, collective farming societies, etc., which were either absent or less in number in the taluka, Kopargaon.

These different phenomena in the case of both the talukas had a significant bearing upon the qualitative growth of the co-operative movement from the democratic as well as efficiency points of view. The case-studies presented further would substantiate this statement also.

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* Statistics gathered from the office of the District Deputy Registrar, Co-operative Societies, Ahmednagar.