Definitions of co-operation

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CHAPTER - II

ROLE OF CO-OPERATION

Co-operation means 'working together'. The principle of co-operation is as old as human civilization. It provides the required basis for domestic and social life. What is known as co-operation effort is ultimately the group instinct which enables one to live together, work together and help each other in times of stress and strain. The history of modern civilization is, in fact, the history of co-operation, for without it social and economic progress would have been impossible.

(The Co-operative movement has grown up today in such dimensions like agriculture, industrial, banking, marketing and distribution activities, it has taken up very firm roots, in the rural and urban areas alike.)

Economic activity in rural areas comprises agricultural and other allied operations. The All India Rural debt and Investment Survey revealed that about half of the rural households have less than 2.5 acres of land each. It is one important reason for the present low standard of living existing
in rural areas. Thus "the urban poor to a large extent are the outflow of the rural poor. Therefore the problem of poverty is mainly the problem of rural poverty". ¹

The Second Plan laid emphasis on three village institutions such as the village co-operative, the village panchayat and the village school. Community development was added to these later.

None of these, singly or in combination, provided the final answer, and in a way, the search is still on. It would be a fruitless endeavour if it was envisaged as finding one uniform solution as applicable for the whole of India.

To quote Margaret Digley, noted authority on co-operation "only through co-operative institutions can the common man influence the direction of social and economic change in a decisive manner. In fact, co-operation in India has been recognised as a part of the Indian Socialism, especially interpreted in terms of rural society". ²

¹ Krishnavoorthy G. and Rohini N. How to make Primary Agricultural credit societies work better Kurukshetra Vol. XXX No. 19 July 1982 P. 27
Co-operatives can promote agricultural development through the provision of farm credit, agricultural marketing, agro and agro-based and rural industries and co-operative farming. As per the latest records the value of agricultural commodities marketed by co-operatives is of the order of Rs.2300/- crores and it is expected to be increased to the level of Rs.4600/- crores per year.  

DEFINITIONS OF CO-OPERATION:

It has not been possible to define co-operation precisely because the movement was born out of adversity. The circumstances which gave rise to adversity have, however, been different in different countries. It assumed, therefore, diverse shapes in different countries according to the environments and circumstances prevailing there. The difficulty arises also because of the fact that in some countries co-operatives are state partnered, in others they are aided and controlled by the state, in yet others they are either state organs or they are used as instruments of state planning. Therefore, different definitions have been given by different authorities in the context of the circumstances in which the movement took its birth in the respective countries.

3. From the speech of the Chairman, NAFED, Naval Kishore Sharma at the General body, "The Tamil Nadu Journal co-operation, Vol.76, No.2 August 1984, P.56.4
SOME OF THE OFT-QUOTED DEFINITIONS ARE AS FOLLOWS:

"Seligman observes that co-operation in its technical sense means the abandonment of competition in distribution and production and the elimination of the middlemen of all kinds."

Mr. Calvert defines it as "a form of organisation wherein the persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interests of themselves."

According to C.F. Strickland, "every group of individuals, associated to secure a common end by joint effort, may be said to co-operate for instance a football team, a gang of robbers or the shareholders of speculative company. A century of history has given co-operation with a capital C a more precise meaning. It indicates the association of individuals to secure common economic ends by honest means, it is also essential in many forms of co-operation that the individuals possess a personal knowledge of one another."

Dr. C.R. Fay describes the co-operative society as "an association for purposes of joint trading, originally among the weak and conducted always in an unselfish spirit on such terms"
that all who are prepared to assume the duties of membership may share its reward in proportion to the degree in which they make use of the organisation.

Mr. Talmaki has defined a co-operative society as "an association of the weak who gather for a common economic need and try to lift themselves and others out of weakness into strength, through business organisation, conducted for the common benefit of all who join it."

According to Gordon and O'Brein 'Co-operation', is a special form of economic organisation in which people work together for definite business purposes under certain definite business rules. The root of the co-operative idea is a relation between business and ethics which is greater than the necessary commercial honesty of our present industrial system.

The Maclagan committee on co-operation defines co-operation in these words; "an isolated and powerless man can by association with others and by moral development and mutual support obtain, in his own degree, the material advantage available to wealthy or powerful persons and thereby develop himself to the fullest extent of his natural abilities. By the union of forces material advancement is secured and by united
action self-reliance is fostered, and it is from the interaction of these influences that it is hoped to attain the effective realisation of the higher and more prosperous standard of life which has been characterised as "better business, better farming, better living".

James Peter Warbarse observes that "co-operation is a way of life whereby people unite democratically in the spirit of mutual aid to get the largest possible access to the things and services they need".

According to Antoni, "a co-operative is an association of persons pursuing aims of social, economic and educational character and forming for their attainment an enterprise which operates in accordance with the principles of democracy and collective ownership".

Mr.V.L.Mehta, a veteran co-operator of India, described co-operation thus; "co-operation is only one aspect of a vast movement which promotes voluntary associations having common needs who combine together for the achievement of common economic ends".
CO-OPERATIVE CREDIT STRUCTURE

Agricultural Credit Societies

- Short-term & Medium
- State Co-operative Banks
- Central Co-operative Banks
- Primary Agricultural Credit Societies

Grain Banks

Of which

Employers' Co-operative Credit Societies

Non-agricultural Credit Societies

- Long-term
- State Co-operative Banks
- Central Co-operative Banks
- Primary Non-Agricultural Credit Societies

Urban Co-operative Banks
CO-OPERATIVE CREDIT STRUCTURE IN TAMIL NADU

AGRICULTURAL CREDIT:

The co-operative agricultural credit structure in India consists of two components, one engaged in short and medium term credit and the other, long term credit. The former in each State has a three-tier structure. The primary agricultural credit societies, of the villages form the base. They federate into central co-operative banks, usually at the district level which in turn federate into state co-operative bank which caters to the needs of the entire State. The long term credit is based on a two tier structure. At the apex level in each state there is a central land development bank, while at the bottom there are innumerable number of primary land development banks established in villages. Both state co-operative banks and central land development banks are closely inter-linked with the Reserve Bank of India, which is operating both as Government's Bank and Bankers' Bank.

NON-AGRICULTURAL CREDIT:

The co-operative movement was started to ameliorate the conditions of the rural masses. It was soon realised that
cooperation offered a solution to the problems encountered by the townsmen in respect of credit which was badly needed for his business and personal needs. The Maclagan Committee had pointed out that "the interest on loans paid by the industrial classes in towns is not lower than that charged to agriculturists, with the rising prices, insufficient and insanitary housing accommodation, wages often held in arrears and a desire for high standard of living. Consequent on the spread of education, industrial laxities are bound to increase and we are of the opinion that any form of organisation such as co-operative societies, that has tendency to alleviate these difficulties in worthy of support... For these reasons we would advocate the extension of co-operation among the non-agricultural classes provided that it is always carefully supervised and controlled".

Non-agricultural credit societies can be classified under two broad categories as follows:

i) Urban Banks; and

ii) Urban Credit Societies.

The Urban banks are the most important among the different types of non-agricultural credit societies. Their
clientele largely consists of persons of small means such as industrialists, artisans, traders, merchants, hawkers, pedlars, salaried and professional classes. These people are unable to get loans from the existing commercial banks and hence the Urban Banks are meeting working capital requirements of the needy to a large extent. These banks accept all kinds of deposits and undertake all kinds of banking business on par with commercial Banks.

Urban credit Societies are those which confine themselves merely to the acceptance of fixed and saving deposits or thrift deposits from members and non-members and the grant of loans to members drawn from a specified area.

GOLDEN PRINCIPLES OF CO-OPERATION

Co-operative principles have been formulated on the basis of experience gained by the workers in the co-operative movement in various countries. A Committee set-up by the International co-operative Alliance in 1937 followed the principles of "Rochdale Pioneers" but due to changed conditions, thereafter, the international co-operative alliance appointed a commission on the request of the international co-operative congress held at
Bourne mouth in 1963 to formulate the fundamental principles of co-operation which are as follows:

1. VOLUNTARY, OPEN AND ACTIVE MEMBERSHIP!

Co-operative institution is essentially a voluntary organisation. There is no compulsion, force or pressure tactics adopted on any one to join a co-operative society. Having once joined he/she is free to continue or discontinue as such. Membership of a co-operative society should be voluntary and available without artificial restrictions or any social, political or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. DEMOCRATIC CONTROL

The ICA Principle reads Co-operative societies are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies shall enjoy equal rights of rating (one member one vote) and participation in decisions affecting their societies. In other societies the administration shall be conducted on a democratic basis in a suitable form". 
3. LIMITED INTEREST ON CAPITAL

The ICA Principle reads: "Share capital shall only receive a strictly limited rate of interest, if any".

Capital is as much necessary for a co-operative undertaking as for any other form of undertaking. But capital should be a servant and never be allowed to become a master. Observed Davidovic, "within the co-operative economy, capital has to serve, not dominate, it has to be satisfied with a fixed wage at a limited interest so as not to obtain an unfair return from the business operations".

4. PATRONAGE DIVIDEND

The ICA Rule reads as follows: The economic results, arising out of the operations of a society belong to the members of that society and shall be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

1) By provision for the development of business of the co-operative.
II) By provision of common services.

iii) By distribution among the members in proportion to their transaction with the society.

5. PROMOTION OF EDUCATION

The ICA Rule reads: "All co-operative societies shall make provision for the education of their members, officers and employees and the general public, in the principles and techniques of co-operation, both economic and democratic".

6. MUTUALITY

All co-operative organisations in order to best serve, the interests of their members and their committees should actively co-operate in every practical way with other co-operatives at local, national and international levels.

ITS CONTRIBUTION TO ECONOMIC DEVELOPMENT

The founders of planning in India considered co-operation as an instrument of economic development of the disadvantaged, particularly in the rural areas. They saw a village panchayat, a village co-operative and village school, as
the trinity of institutions on which a self-reliant and just economic and social order was to be built. The men exploitative character of co-operatives, voluntary nature of membership, the principle of one man one vote, decentralised decision making and self imposed curbs on profits eminently, qualified them as an instrument of development combining the advantages of private ownership with public good.

CO-OPERATIVES IN THE WORLD

The evolution of co-operatives in the world can be traced from times immemorial beginning from the day individual first joined hands for the advancement of common pursuits of life. In modern sense, the evolution of the co-operatives as a complex and differentiated organisation took its birth after the Industrial Revolution. The Industrial Revolution in Great Britain resulted in the exploitation of the working class and divided the whole society into 'haves' and 'have nots'. The workers organised into co-operatives to get out of the clutches of capitalists in a peaceful manner.

Dr. William King of Broughten was one of the staunch advocates of co-operative movement in U.K. In his periodical
"the co-operative" he underlined the philosophy of consumers' co-operatives. He advocated that the individual workers cannot solve their miserable plight unless they co-operate among themselves in formal co-operative organisations.

Germany is considered as the model country for starting co-operative credit societies. Most of the countries have followed Germany in this regard. Mr. Fredrick Nicholson who was sent by India to Europe to study working of Agricultural Banks, based most of his recommendations for use in India on the analogy of credit societies of Germany. In this context, C.R. Fay rightly observes that in Germany, the co-operative credit association has been the parent of every other form of co-operation.4

At the end of 1928, 94.3% of the total primary credit societies were from European countries alone. The position underwent a change during the period of Great Economic depression. Germany and Italy received a severe setback because of the fascist leadership of Hitler and Mussolini. These countries were also expelled from membership of International Co-operative Alliance. However, the movement spread in the Asian region where the number of Primary Societies increased substantially, i.e., 16 times by the end of 1938, especially in the field of Agricultural and

credit co-operation. Thus, co-operation became an important part in most countries of the world, i.e., developing, developed and communist.

After the Second world war, the movement again gained momentum. Another factor responsible for the revival of the movement was the gaining of Independence by Asian and African countries. These newly Independent countries gave priority to co-operatives in their plans. Thus one can find that the co-operative movement (in its different spheres) developed in the initial stages in the world as under

<table>
<thead>
<tr>
<th>Number</th>
<th>Type of Co-operative</th>
<th>Countries</th>
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<tbody>
<tr>
<td>1</td>
<td>Consumer's co-operatives</td>
<td>England, USSR, Sweden</td>
</tr>
<tr>
<td>2</td>
<td>Co-operative credit</td>
<td>Germany, Italy, Sweden, India</td>
</tr>
<tr>
<td>3</td>
<td>Co-operative Marketing at Agricultural produce</td>
<td>Canada, USA, Australia</td>
</tr>
<tr>
<td>4</td>
<td>Land Mortgage credit</td>
<td>Germany, UK, France</td>
</tr>
<tr>
<td>5</td>
<td>Co-operative Dairies</td>
<td>Denmark, New Zealand, Israel</td>
</tr>
<tr>
<td>6</td>
<td>Farming societies</td>
<td>Russia, Yugoslavia, Palestine</td>
</tr>
<tr>
<td>7</td>
<td>Housing societies</td>
<td>USA, Sweden, Israel</td>
</tr>
<tr>
<td>8</td>
<td>Producers co-operative societies</td>
<td>France, England</td>
</tr>
<tr>
<td>9</td>
<td>Labour societies</td>
<td>Italy</td>
</tr>
<tr>
<td>10</td>
<td>Insurance co-operative</td>
<td>Britain</td>
</tr>
<tr>
<td>11</td>
<td>Co-operative Education</td>
<td>England</td>
</tr>
</tbody>
</table>
Towards the end of the last century, the peasantry was in the grip of the Sahukar and the rural debt was mounting daily. The problem called for an immediate remedy. It was in such circumstances that Mr. Frederick Nicholson, I.C.S., was deputed in 1892 by the Madras Government to study the working of the co-operative village banks in Germany, where this new system of banking had achieved striking success. He gave his report in the fewest words, "Find Raiffeisen". It means co-operative credit societies may be organised in India on Raiffeisen Model. About this time, Dupernex in U.P. and Edward Maclagan in the Punjab were also organising credit societies, but there did not exist suitable legislation for organising them. The famine commission of 1901 also strongly favoured the starting of village co-operative credit societies.

As a result of all these efforts, the co-operative credit societies Act was passed in 1904. The object of the Act of 1904 was to "encourage thrift, self-help and co-operation among agriculturists, artisans and persons of limited means". The societies were to be either rural or urban. Generally speaking,
In the organisation of rural societies, the principles of Raiffeisen and in that of urban societies those of Schulze-Delitsch (both pioneers of co-operation in Germany) were followed.

Experience gained revealed that there were many shortcomings in the Act of 1904. Its chief defect was that it gave no legal protection to societies for purposes other than credit or to the central agencies, banks and unions which were gradually coming into existence to finance and supervise the primary co-operative societies. To remedy these defects the co-operative societies Act of 1912 was passed.

After 1912 there was rapid growth not only in the number of co-operative credit societies but also in non-agricultural credit societies and in their membership.

In 1914, the Government of India appointed a committee on co-operation under Sir Edward Maclagan to examine whether the movement was progressing on sound lines and to suggest measures for improvement.

Under the Reforms Act of 1919, Co-operation became a provincial subject and this gave an impetus to the development of co-operatives according to the local conditions. The Royal
Commission on Agriculture in 1922 felt, "if co-operation fails, there will fail the best hopes of rural India".  

During the world war II (1939-45) the co-operative movement received a new impetus and made spectacular progress. The RBI review of the co-operative movement in India, 1939-46, rightly pointed out that "the war period has brought about a shift in the lopsided emphasis on the credit aspect to the productive and distributive function or the multipurpose potentialities of the co-operative movement".  

The All India Rural Credit Survey Committee (1951) said, "one society to one village and one village one society has failed as the basis for the organisation of co-operative rural credit. It has failed because of its underlying assumptions have proved incorrect".  

The co-operative Movement in India is the largest one in the world. We have over three lakhs of co-operative societies of different types with a membership of over 11.2 crores. Indian co-operative movement since independence has to its credit much that can be regarded as enduring success.  

6. MAHAK N. The Co-operative Movement in Bombay State 1953, P.30  
The Movement covers 98% of the villages and 50% of rural population. The movement has a working capital of Rs.17,000 crores and its turnover in agricultural sphere alone was more than Rs.2000 crores in 1977-78. The co-operative sector has provided employment opportunities to the tune of 12 lakhs people.

For the economic development of the country the Planning Commission regarded co-operation as, "an Instrument of democratic planning, combining initiative, mutual benefit and social purpose, co-operation must be an essential feature of the programme for the implementation of the Five Year Plan". 8

DEVELOPMENT UNDER FIVE YEAR PLANS

With the dawn of political freedom especially with the beginning of the planning era in 1950-51, the movement has entered on a new phase of rapid development. In the course of the five year plans, co-operation has become the 'kingpin of development planning'. It is now the accepted policy of the Government that co-operation should inspire and inform the dominant sector of the national economy, viz., agriculture besides finding extensive application in other sectors of the economy, notably in small-scale and cottage industries which have now been

8. Fact Book of Indian Co-operatives All India Co-operative Union 1958.
given a special place in the country's industrial pattern.

The Planning Commission was set-up by the Government of India in March 1950 with the Prime Minister as its Chairman. It prepared a draft outline of a plan of development for a period of five years commencing from 1st April 1951 up to 31st March 1956. The total outlay under the finally approved plan emphasised the role of co-operation in almost every field of development, especially in the rural economy and the principle of co-operation has been admitted as a base to rapid social and economic development of the community.

THE FIRST FIVE-YEAR PLAN

The First Five Year Plan, assigned an important role to co-operative organisations in the reconstruction of Indian economy. In chapter ten of the report, the Planning Commission stated, "It has already been indicated that the various forms of co-operative society impinge on a number of departments unless, therefore, every department and every ministry exhibits and adopts the policy of fostering co-operative methods of business, rapid and enduring results cannot be obtained. For instance, the central and state public works and irrigation
departments spend fairly large amounts on works programme every year, except in one or two states, most of the works are entrusted to contractors.

SECOND FIVE YEAR PLAN

The Second Five Year Plan set before itself the broad objective of evolving a socialistic pattern of society. Under this new concept the basic criterion for determining the lines of advance was not to be private profit but social gain and the pattern of development of the structure of socio-economic relation was to be so planned that they would result not only in an appreciable increase in national income and employment but also in greater equality in income and wealth. For achieving these objectives co-operation was chosen as an important agency and the building up of the co-operative sector became one of the central aims of the national policy.

THIRD FIVE YEAR PLAN (1961-66)

During the Third Plan also the co-operative movement was accorded a crucial role in implementing the schemes of economic development. A rapidly growing co-operative sector, with special emphasis on the needs of the peasant, the worker
and the consumer was considered to be a vital factor for social stability, for expansion of employment opportunities and for rapid economic development. The Third Plan regarded co-operation as one of the principal means for bringing about changes of a fundamental nature within the economy. It provided Rs.80 crores for the development of co-operation as against Rs.34 crores in the second plan.

FOURTH FIVE YEAR PLAN (1969-74)

During the Fourth Plan agricultural co-operatives and consumers co-operatives were accorded a pride of place in the Strategy of co-operative development, the objective being that the services required by the farmers are institutionalised to the maximum possible extent. "Growth with stability" was expected to be the key-note of the co-operative movement during the fourth plan. The target of this plan is to bring the entire village and three-fourth of population under co-operation.

FIFTH FIVE YEAR PLAN

During the Fifth Plan period special emphasis was given on building up of strong and viable co-operative sector for fulfilling the needs of the peasants, the workers and the
consumers to the greatest possible extent. The draft fifth five year plan (1974-79) stated:

"Co-operation is eminently suited to bring about desired socio-economic challenges in the context of the existing conditions in the country. There is no other instrument as potentially powerful and full of social purpose as the co-operative movement".
<table>
<thead>
<tr>
<th>Beginning of plan</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
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<tr>
<td></td>
<td>Percentage Increase/Decrease</td>
<td>Percentage Increase/Decrease</td>
<td>Percentage Increase/Decrease</td>
<td>Percentage Increase/Decrease</td>
<td>Percentage Increase/Decrease</td>
</tr>
<tr>
<td>1. Number of societies (lakhs)</td>
<td>1.8</td>
<td>-</td>
<td>2.4</td>
<td>33.33</td>
<td>3.3</td>
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<tr>
<td>2. Membership of societies (lakhs)</td>
<td>137</td>
<td>-</td>
<td>176</td>
<td>28.46</td>
<td>342</td>
</tr>
<tr>
<td>3. Share capital (Rupees in crores)</td>
<td>45</td>
<td>-</td>
<td>77</td>
<td>71.11</td>
<td>222</td>
</tr>
<tr>
<td>4. Working capital (Rupees in crores)</td>
<td>276</td>
<td>-</td>
<td>469</td>
<td>69.92</td>
<td>1312</td>
</tr>
</tbody>
</table>

SIXTH FIVE YEAR PLAN

The sixth five year plan (1980-85) made a thorough review of the Co-operative Movement since 1951, and in the light of the problems and constraints of the movement, chalked out the following 4-point programme.

a. Strengthen primary village societies and make them function effectively as multi-purpose units catering to diverse needs of their members.

b. Direct co-operatives to ameliorate the economic conditions of the rural poor.

c. Reorient and consolidate the role of the co-operative federal organisations.

d. Develop professional manpower and appropriate professional cadres to man managerial positions.

SEVENTH FIVE YEAR PLAN

By and large, the seventh plan would carry forward the programmes and policies initiated in the sixth plan. The co-operatives would be helped to expand the flow of credit and
ensure supply of inputs and services particularly to the weaker sections.

The total Public Sector outlay on various schemes of co-operation for the seventh plan period (1985-90) is Rs.1,400 crores, consisting of Rs.500 crores outlay by the centre and Rs.900 crores outlay by states and union territories. This outlay is mainly for strengthening the capital base of the co-operatives and for other purposes.