## CHAPTER II

**ROLE OF ROCHDALE PIONEERS IN THE FORMULATION OF PRINCIPLES OF CO-OPERATION**

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CHAPTER II

ROLE OF ROCHDALE PIONEERS IN THE FORMULATION OF PRINCIPLES OF CO-OPERATION

1. INTRODUCTION

Co-operation means working together. The principles of Co-operation are as old as human society. Unconsciously, the principles have always penetrated the life of human race. "Nature is a great friend of Co-operation", says H.G.Wells. Modern biologists believe that the Co-operative forces are biologically more important and vital.

Montague says that, "Science points out the way to survival and happiness for all mankind through love and co-operation".

According to F.R.Bowen, "Co-operation is the universal instrument of creation". Here under, we have to discuss the principles of co-operation in detail.

2. DEFINITIONS

Almost every writer has tried to define this term in his own way. No two definitions are identical and no single definition has so far succeeded in including within single formula of all ingredients of co-operative society. "Co-operation as a voluntary concert with equitable participation and control among all concerned in any enterprise". - Holyoake.
According to **C.R.Fay**, “A Co-operative Society is an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume duties of membership can share its rewards, in proportion to the degree in which they make use of their association”.

**Sir. Horace Phmkeh** said, “Co-operation is self-help made effective by organisation. It is better forming, better business and better living”.

**Dr. Philip.R.** has given the following definition on Co-operation.

“The Co-operative Association is an association of firms or households for business purposes, an economic institution through which an economic activity is conducted in the pursuit of economic objectives”.

**Mr. Calvert. H.** defined Co-operation, “as a form of organisation, wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of the economic interests of themselves”.

**Proof. Paul Lambert** says, “A Co-operative society is an enterprise formed and directed by an association of users, applying itself the rules of democracy and directly intended to serve both its own members and the community as a whole”.
According to Talmaki, “Co-operation is an organisation where a person voluntarily associates together with others on a basis of equality for the promotion of economic interests by honest means”.

“Co-operation is a form of organisation in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests”. - The Co-operative Planning Committee.

Section 4(2), the Indian Co-operative Societies Act, 1912 considers a Co-operative Society as, “a society which has its object for the promotion of the economic interest of its members in accordance with Co-operative principles”.

3. CHARACTERISTIC FEATURES OF CO-OPERATIVES

a) Association of Persons

It is not an impersonal grouping of capital like a joint stock company. “In Economic Co-operatives, it is men that counts, not money”. - Poady.

So, it is an association of persons.

b) An undertaking

It is not a charitable institution. It is not only an association of persons, but also an undertaking.
c) A Voluntary Association

It is a Voluntary Organisation. No person should be compelled to be or go out of the society. It depends upon their wish and will. ‘Any form of compulsion or coercion is incompatible with the concept of Co-operation’.

d) Democratic Organisation

‘One man; one vote’ is the voting policy followed in co-operatives. So, a person who has more number of shares cannot dominate the society. So, we can say it is a democratic form of organisation.

e) Service, not profit

A Co-operative Organisation is motivated by a spirit of service; its whole mechanism is geared up towards the provision of most economical services. So, the keynote of a Co-operative enterprise is service; not profit.

f) Equality

This is the next feature of Co-operation. As was said by Mr. Calvert “... Voluntarily associate together as human being, on a basis of equality...”, all are equals here. According to Edgard Milhand, “There, can be no co-operation, unless it is between equals”. Irrespective of possible differences of race, creed, colour, caste, sex, economic status, social status or subscription of capital, all are possessing equal rights and duties.
g) Proportionality or Equity

The distinctive feature of Co-operative is social economy. It is a method of contributing to the social product. The surplus is distributed, not according to shareholdings, but according to the proportion of business operation, a member has been effective within the society.

h) Socio-economic Movement

It is a socio-economic movement. It is desirous to bring social and economic changes peacefully. It is based on self-help and stands for the moral upliftment and honesty.

4. EVOLUTION OF PRINCIPLES OF CO-OPERATION

Co-operative principles, in fact, are the fundamental characteristic features, which determine the character of co-operation as a form of association.

Mr. George Davidovic defines them, ‘a set of rules which govern the life and activity of co-operative organisation’.

The co-operative principles should not be confused with co-operative policies or practices. A principle is a governing act. A practice is the mode or method of doing something without verity of low involved in it.

Co-operative principles are high ideals of Co-operating movement. Co-operative practices like cash trading are organisational or operational rules of a
co-operative society. They might be considerable significance for a particular society at a particular time, but they are not considered essential to the attainment of co-operative goals. By co-operative principles, we can understand that they are the set of rules, which govern life and activity of a society.

There are **three main groupings** or systems of co-operatives relating to consumers, farmers and independent artisans or traders. **They are as follows**

1. The Rochdale system
2. The Raiffeisen system
3. The Schulze-Delitzsche system.

The main principles underlying in the above systems can be presented as follows

(i) **Principles under the Rochdale System**

   a) Voluntary membership
   b) Open membership
   c) Democratic control
   d) Division of surplus
   e) Limited interest on capital
   f) Political and religious neutrality
   g) Cash trading
   h) Promotion of education.
(ii) Principles under the Raiffeisen System
a) Self-help and mutual help without exclusion of state help.
b) Limited area
c) Allocation of the entire surplus to indivisible reserves
d) Membership without subscription of shares
e) Unlimited liability of members
f) Limitations of the business to members only
g) Voluntary work by board members.

(iii) Principles of Co-operation under Schulze - Delitzsche System
a) Self-help with exclusion of any outside help, private or public
b) Large territory of operation
c) Division of surplus in proportion to operations
d) High percentage age of interest on shares in order to attract large subscription of shares
e) Limited liability of members (originally unlimited)
f) Business specialisation
g) Allocation of 10% of the surplus to reserves.

5. REFORMULATION OF CO-OPERATIVE PRINCIPLES

With the spread of co-operative movement and with the development in the field of science and technology, need was felt for adopting new procedure and new methods of organisation in the co-operative sector. Consequently, attempts were made to reformulate the principles of co-operation. The
International Co-operative Alliance appointed a sub-committee in 1931 for the purpose. This committee classified the principles into two classes, viz., (i) essential (ii) non-essential.

The sub-committee included the following principles are essential

a) Open membership
b) Democratic management
c) Limited interest on capital
d) Payment of dividend

The non-essential principles are concerned, the committee included

a) Religious and political neutrality
b) Cash trading
c) Education.

The report of the sub-committee of the International Co-operative Alliance could not satisfy the co-operative leaders. In some quarters, the classification given by the committee was strongly opposed. Neither the supporters of capitalism nor classical form of co-operatives nor the leaders of co-operative activity in socialist states were satisfied with this report. Consequently, the co-operative movement went on developing in various ways and the essential principles indicated in the 1937 Report were modified according to the needs and requirements. It was felt that the classification
given by the International Co-operative Alliance Committee were unrealisic and did not suit the changing times. Accordingly, the International Co-operative Alliance appointed a commission in October 1964 “to ascertain how far the principles of Rochdale as defined by the International Co-operative Alliance Congress at Pans in 1937 are observed to-day and the reasons for any non-observance”. The report of commission was submitted in 1966. It had two characteristic features

Firstly, it did not classify the principles as essential and non-essential consequently, the principles were explained as accurately as possible.

The commission considered the following principles as necessary for effective co-operative practice.

1. Voluntary Membership
2. Democratic Organisation
3. Limited rate of interest on capital
4. All surplus should be belonged by members
5. Education of members, officers, employees and of the general public, in the principles and practices of co-operation
6. All co-operative organisations in order to best serve the interest of their members and the community, as a whole should actively co-operate in every practical way, with other co-operatives at local, national and international levels.
While formulating these principles the commission had added that:

1. these principles are related to each other and are inseparable.

2. these principles are equally applicable to all sorts of co-operatives, whether they are primary organisations or federal organisations.

3. the principles, adopted by the 1937 commission and not accepted by the present commission are not to be considered as superfluous.

We may now elaborate some of the reformulated principles.

1. **Universality, Voluntary membership and open membership**

   The membership of a co-operative society is open to all those who are convinced of its benefits and who are prepared to share the duties and responsibilities involved in such a membership. Thus, the membership in co-operatives is open to all human beings.

   **The principles of universality**, according to Mercer, is “the greatest man-kind will ever discover”. This principle has two aspects.

   1. It emphasises that entrance into the society is free from coercion. In the initial stages, there was compulsion of the formation of the society. It has been observed that generally the methods used in coercing people to become members of a society take the following forms.
a. the co-operative society acquires monopoly in certain sectors of the Economy (E.g.) Marketing of agriculture products.

b. A co-operative society may adopt a policy of deliberate discrimination against non-members.

2. The universal character of membership can and must be maintained, provided that the members fulfill all the qualifications and always act in the interest of the society and other co-members. It must be however that no person is ordinarily disqualified on the basis of caste, creed, colour or political and religious benefits.

According to Lambert, "Voluntary membership means that co-operatives should only comprise persons who have joined voluntarily without being coerced in anyway".

By open membership is meant that the society is not exclusive, "it must be open to all to who can be of service". (ORNE)

The principles of open membership do not mean that there can be no restrictions on the admission of new members. A society can refuse the entry of persons, which will be detrimental to the interest of the society or those who join the society to sabotage it from inside or impede its work.

Mr. Dubashi rightly says, that the principle of open membership does not mean that societies should open the flood gates of the co-operative to
people of bad character, to people who are not homogeneous to elements like vested interests who enter into a co-operative in order to destroy it.

The society can accept the membership of those who have hiven satisfactory guarantee of their intention to lead an honest life in future. ‘The best security that a co-operative society can give is quality of its members’. - Luzatti

The Mirdha committee on co-operation has made it clear that open membership does not mean that anybody can demand as the right, admission to any co-operative society; it means only that a society formed with certain defined objects shall keep its door open for all people who share those objects.

2. Democratic Control

The members of the society are treated as equals. Differences of wealth, caste, colour or creed do not affect the status or position of individual members. Rights and privileges, advantages and benefits are not apportioned according to the number of shares and but by membership. The democratic control of all co-operative organisations can be judged from

a) the constitution of the society

b) Equal voting rights to the members.
Prof. Paul Lambert has rightly stated, “Each member has a vote solely by virtue of the fact that he is a man”. Each member, without any consideration for the number of shares he holds, had a right to give only one vote.

“In a Co-operative Organisation, as in a democracy, all members are put on an equal footing irrespective of the number of shares they may possess, their economic position, their social status or the amount of business they do with the co-operatives”.

3. Distribution of Surplus

The principle of surplus in proportion to transactions was the most ingenious and unique principle invented by Rochdale Pioneers. It is indeed, the essence of Rochdale Co-operative System. It is considered to be a practical expression on the non-profit character of the co-operative economy. This is achieved simply by dividing the surplus among members in proportion to the business done through co-operatives, not to their investment in it.

The Mirdha Committee on Co-operation (1965) has called this ‘principle of patronage refund’. “The loyalty of the society must be its members and the loyalty of the members also must be to the society’’. Under the co-operative ideology the surplus if any arising out of the operations of society belongs to the members of that society.
Prof. Bernard Lavergne has stated "In the co-operative orders the distribution of incomes is much more egalitarian than in a capitalist system. The surplus is to be distributed in such a manner as would avoid one member gaining at the expense of the other".

4. Limited Interest on Capital

Profit earning is not the aim of a co-operative society, but improvement of economic condition of its members is the object. The pioneers of this movement considered that it would be ideal if no interest were paid on shares, but it did not take them long to realize that they could not mobilize the necessary capital without paying interest. The main purpose of limited interest, of course, is to safeguard the non-profit character of the co-operative. The excess of income is divided between allocations made to the reserve fund and the distribution made to the members.

Patronage refund or rebate or patronage Bonus or patronage Dividend (in U.K.) is a method for distributing profits to the members in relation to their participation in common business. The basis of such distribution can either be the quantitative volume or the value of the transaction.
5. Self-help and Mutual help

According to Prof. D.G. Karve, "Self-help and mutual help are of the essence of co-operation. Without these, there is no genuine co-operation".

In the words of the Indian Co-operative Union mutual aid is the core of personal relationship amongst members. Its motto is "Each for all and all for each". Co-operation never helps a man who sits with folded hands and expects for the Government or someone else to alleviate his difficulties.

Lambert says, 'The Co-operator works out his own salvation instead of waiting for it to come through other people's charity'. Thus, co-operation means self-help as well as mutual help. The benefits arising out of the collective effort is available to all members.

6. Unity or Political and Religious Neutrality

Unity is the fundamental and primary objective of any co-operative organisation. The principle of neutrality is practiced by the Rochdale Pioneers as well as Raiffeixin and Schuluze systems from the very beginning. So, a co-operative society should keep itself aloof from all racial, religious and political controversies and partisan attitude excepting when its very existence is threatened.

Individual members may belong to any political party or group, but not a co-operative society.
In practice, however the co-operative movement has shown no regard for this principle. They attached themselves to a particular political party or church. The ICA recently rejected this principle.

In its report, to the 1937 Congress in Paris, the International Co-operative Alliance Special Committee points out that “None of the subjects included in our questionnaire has received greater attention than this principle of neutrality in politics and religion”. This principle of neutrality was declared by the Paris Congress as “non-essential”. It is due to two reasons.

1. To the threat the fascism presented to the Co-operative Movement.
2. The tireless activities communist delegates and the support they got from some Western delegation.

It lost no ground in actual practice. In some cases, as in Belgium, Germany and Holland where there were violation of the principle of neutrality after the Second World War, the trend was in opposite direction. In 1917, this principle was abolished in Britain. As the Government of UK considered that only direct representation in Parliament. As a result, the co-operative party was formed with a limited number of members of parliament returned to parliament where they worked with the Labour Party.
7. The Principle of Publicity

It is not required to maintain secrecy in co-operative organisation about their working and progress. They lay open before the public all the material facts. **Sir. Nicholson** said, “Publicity is, in every European Country the first requirement and everything must be laid open to the public view”.

**Dr. Mauritz Bonow**, feels that Co-operative Democracy cannot function without intelligent propaganda and publicity.

8. The Principle of Service

A Co-operative Society is motivated by the spirit of service. **Webb** has stated, “No private fortune has ever been made out of co-operative administration”.

**V.L. Mehtha** has rightly made note on this. “Service is the guiding principle and not profit, although this should not be interpreted to mean that a society need not be business like or might ignore the value of viability. The association is non-exploitative and is intended to promote a social objective”.

6. CONCLUSION

In view of the above mentioned provisions, the question as to whether the principles of co-operation need be defined in the law relating to co-operation has not found much favour with the committee on co-operation. It is felt that it had better be left to usage and convention rather than to the skill of legal draftsmen.