CHAPTER II

CO-OPERATION - A THEORETICAL REVIEW

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2.1 INTRODUCTION

Aristotle, a philosopher of ancient Greece said "Man is a social animal" man cannot lead a happy and contented life if he lives in isolation. He needs the company, help and support of other fellow beings in society. Therefore, there is a great need for co-operation which can be considered as the basic principles underlying human life. The two world wars have clearly proved the urgent need for co-operation, in the absence of which the whole world would perish. Emeison states that "co-operation has acted more powerfully towards the development of man than the bitter competitive struggle for existence". Therefore we may say that it is co-operation and not conflict which motivates and directs human life towards the pursuit of peace and prosperity. It brings together peoples and nations and facilitates peaceful coexistence. Right from the hunting age up to the present day the progress and development of human beings in all spheres, social, economic, religious and political is marked by a sense of thinking, working and living together.

2 Emeison, Science, p.155.
2.2. MEANING OF CO-OPERATION

The word co-operation has been derived from the Latin word "co-operare" which means to work together, to labour together, to endeavour for some common purpose. It is one of the economic wonders of the last century. It is a form of economic organisation based on certain higher values. It is a voluntary and democratic association of human beings, based on equality (of control and opportunity) and equity (of distribution) and mutuality for the promotion of their common interests of producers and consumers.

Co-operation involves all aspects of human behaviour, political, religious, economic or cultural, etc., co-operation is the product of reaction against the evils of laissez-faire resulting in unmitigated capitalism which led to concentration of wealth in a few hands on the one hand and exploitation of workers on the other.

In the Encyclopaedia of Social work in India, co-operation has been regarded as one of the most important agencies for promoting economic and social welfare. It helps to transform the social order voluntarily and, in the process builds up the moral and material strength of the people. The term co-operation, thus, connotes several meanings and it is difficult to convey the correct meaning of co-operation, in its technical sense. Its meaning has varied from think to thinker and from one sphere of human activity to the other.
2.3 DEFINITION OF CO-OPERATION

The difficulty is that the definitions, from which the meaning of co-operation can be derived are hardly explicit. They do not help one, in finding a common meaning or even the essential attributes of co-operation. Some definitions given by prominent co-operative leaders all over the world are quoted in this context.

Dr. Fay defines co-operation as, "an association for the purposes of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership share in its rewards in proportion to the degree in which they make use of their association".

One of the good definitions, co-operation has been given by Herrick as under, "Co-operation is the act of persons voluntarily united for utilising reciprocally their own forces, resources, or both under their mutual management to their common profit or loss".

Professor Lambert's definition has received the widest recognition. It has been supported by co-operative leaders throughout the world. Lambert says that, "a co-operative society is an enterprise formed and directed by an

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2 M.T. Herrick, 1973, Rural credit, p.87
3 Paul Lambert, 1963, Studies in the social philosophy of Co-operation, Manchester, Co-operative Union, p.51
association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole".

The most comprehensive, complete, concise and widely quoted definition of co-operation has been given by Mr. Calvert as follows: "co-operation is a form of organisation, where in persons voluntarily associate together as human beings, on a basis of equality for the promotion of the economic interest of themselves".

All the above definitions lay stress on various aspects of the co-operative principles viz., open membership, democratic administration, limited interest on capital, cash trading, political neutrality, etc.

2.4 CO-OPERATIVE PRINCIPLES

The term principle is described as a governing law or conduct or a settled rule of action where as practice is considered as a method of doing something without the variety of law involved in it. The co-operative principles can be traced to Rochdale pioneers. In Rochdale, the woollen and cotton milling town in the Lancashire hills in England, conditions were the worst. In 1844, the weavers set up the Rochdale equitable pioneer's society with an initial capital of pounds 28, and registered it under the Friendly Society Act. It was a consumer co-operative, which bought goods of daily necessities such as candles, tea, butter, soap, etc. in bulk and sold them to the consumers at

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reasonable prices. Soon the store became very popular and the Rochdale system began to achieve rapid progress. The Rochdale pioneers have guided the formation, development, extension and even identification of co-operatives throughout the world. The co-operative principles are as follows:

1. Voluntary and open Membership

Membership in a co-operative is both open and voluntary open membership means that anyone who could be benefited by a co-operative is at liberty to join it. It must be open to all to whom it can be of service—voluntary membership means joining without being coerced in any way. Open membership is possible only when the membership is voluntary.

2. The open membership is not contrary to the following conditions

a. Homogeneity

The co-operative may admit all desirable persons who wish to become its members on the condition that they form a single homogeneous group this means that all the members should have similar economic problems. For instance, a trader is not admitted to a primary marketing co-operative because he sells the agricultural products of others.
b. Entrance Fees

The person willing to join as member of the co-operative should have the requisite ability to pay the entrance fee and the share contribution fixed by the society. In the case of agricultural marketing societies, a minimum delivery quota to be contributed by a member is fixed; those who cannot meet this condition are not eligible for membership of the society.

c. Extent of Facility

The society may reject an application for membership if it knows that it cannot meet the requirements of new entrants on the ground that the facilities available with it are limited. For instance, a housing co-operative cannot accept a large number of members than the number of plots or houses it can allot, for it would be unable to provide them within a stipulated time period.

d. Willingness and Ability

It is a pre-condition that for membership of co-operative society, an individual should be able and willing to work for the efficient functioning of the society. He must have the desire and capacity to accept the duties and responsibilities prescribed by the society. The co-operative demands from him a certain degree of loyalty and expects him to desist from undertaking those activities which are detrimental to the interests of the society. Members are
expected to be keenly interested in working for the attainment of the organisation's objectives.

3. Democratic control

"Democracy" is an important principle it distinguishes co-operative business most sharply from capitalist business. The Rochdale pioneer enunciated the principle of democratic control in the following manner

a. Let each member have only one vote. There should be no distinction as regards the amount of wealth any member may contribute;

b. Let majorities rule in all matters of government.

c. Let committees of management always have the authority of members before they take any important or expensive step.

d. Choose those only for your leaders whom you can trust, and gives them your confidence.

Democratic administration ensures no exploitation of man by man. Abraham Lincoln 7 expresses the true spirit of democracy in the following words: "As I do not wish to be a slave so I do not wish to be a master" as

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quoted by Rengasamy in his book Co-operation in India. The supreme authority in a co-operative society rests in its general body of members who may take any decision for governing the affairs of the society. Man is respected as a man and not money is respected as in the case of joint stock organisation.

In a joint stock company, each share carries a vote and an individual has votes in proportion to the number of shares he holds. In this case a few rich shareholders control the management of the company and those who hold a small number shares have no voice in the affairs of the organisation. On the other hand in a co-operative society, "one man one vote" principle is followed (i.e.) each member is given one vote only irrespective of the number of shares held by him. Therefore, every member has an equal voice in the management of the society. This principle is embodied in sec. 21 (1) (a) of the Madras Co-operative Societies Act 53 of 1961, which reads, "No member of a registered society shall have more than one vote in the affairs of the society".

4. Interest on Capital

Capital is as much necessary for a co-operative under taking as for any other form of undertaking. But capital should be a servant and never be allowed to become a master. In a capitalist enterprise, power and net surplus are distributed in proportion to capital and thus capital becomes a source of both power and profit with these tentacles capital dominates man and leads to unjust distribution of wealth. Co-operation, with a view of preserving man's dignity and independence, has removed these tentacles of capital and treats it
as a mere factor or "wage-earner" and remunerates it by paying a fixed interest. The idea invoked by this principle is that capital should not be a source of profit. In the society all the profits should not be distributed among the shareholders in the form of dividends but only gives a certain rate of interest, which is fixed at the time of the sale of shares.

5. Disposal of Surplus

Earning of profits is not the basic objective of a co-operative society. But this does not imply that co-operatives are run on no profit and no less basis or that they are managed with losses. Co-operatives earn profit by their business activities. It is the mode of disposal of surplus that impacts a peculiar status to the co-operative society in companion with other business organisations. The surplus of the society is disposed of as follows:

- a. Provision is made for the development of the society.
- b. Provision is made for common services;
- c. Some of the surplus is distributed among members.

When a surplus accrues to a society, a certain amount in accordance with the decisions of the general body, is first earmarked for the promotional activities of the societies so that it may have stability and common services to its members; that is why a fixed proportion of surplus is reserved for these purposes. After these two deductions from the surplus, the remainder is distributed among members in proportion to their transactions with the society.
Care is taken to ensure that the economic position of one member does not improve at the expense of another, resulting in inequalities of income.

6. Self-help through Mutual Help

The members of a co-operative society associate together with a view to promote the economic interest of their own. 'self help through mutual help' is the guiding principle. A members' single act produces double benefits. It is an organisation of individuals who are financially weak. Individually their resources are so meagre that they are unable to derive any benefit and improve their economic conditions. Because of the weakness of the individual members, each one could not do without the help of others. "Each for all and all for each" is the motto of the co-operative where all members work for the society and the society, in turn is interested in the welfare of its members. They help the needy because they know that in case of need they will be similarly helped by others. Hence, in order to convert their weakness into strength, they pool their resources and they work together for mutual benefit.

7. Political and Religious Neutrality

One of the main causes for disturbing the unity and common thinking of the members is the political and religious differences among the members. It is therefore, of fundamental importance that the co-operative movement should remain above party politics as well as religious movement. To achieve better results, the co-operative society demands from its members a high degree of
unity. For the preservation of the unity and integrity of the society, it is necessary that the society should not align itself with any political party or religious body. Individual co-operators may belong to different political parties or religious groups.

But as a fundamental principle, co-operatives themselves are advised to remain aloof from politics or religion. The consensus of opinion among co-operative leaders in most countries is that all matters outside the co-operative movement the attitude of co-operators should be strictly neutral, thus justifying the farsighted policy adopted by the Rochdale Pioneers.

8. Publicity

A co-operative society relies heavily on people's support for its survival and expansion. Therefore, it is necessary to make public the facts and figures relating to the different areas of functioning of the co-operative. A society should declare its objectives, the efforts made to achieve them, the strategy pursued for that purpose and the ultimate results achieved.

Nothing should be concealed, for things done in camera raise doubts and suspicions, which in turn affect the strength of the society. People have to have a clear picture of the working of the co-operative and must retain their confidence in it. They must know that there is exploitation and that they can safely become its members. Material facts should be made available to the members so that constructive criticism may facilitate a rise in the standard of
its operations by the rectification of defects. Sir. F. Nicholson \textsuperscript{8} stated, "publicity is, in every European country, the first requirement, and everything must be laid open to the public view". \textsuperscript{9}

9. Cash Trading

The term cash trading refers to purchase of commodities on cash rather than on credit, so that dues may not accumulate and the transaction may be completed at a particular point of time. It is a safeguard against possible risks resulting in losses.

10. Co-operative Education

Co-operative Education is necessary to enable the individual to acquire the knowledge, develop the skills and master the social discipline necessary for successful co-operative action. It makes possible the effective, observation and application of all other principles. It requires co-operators acceptance of new ideas, new standards of conduct, new outlook and behaviour based on higher values of life. No co-operatives, therefore, can afford to ignore its responsibility for educating its members in appropriate ways.

According to International Co-operative Alliance (ICA) commission, education takes the following forms in a co-operative.

\textsuperscript{8} Refer Rengasamy, Co-operation in India, Op cit.
\textsuperscript{9} Report on Land and Agricultural Banks, p.6.
a. Education of the members

As there is democratisation of the processes in the co-operative, its members are supreme in the exercise of their powers with care and caution; and this can be done only after they have understood fully the implications of their actions and decisions. To do this members should have at least a minimum level of education, so that they might weigh the implications of their actions and decisions.

b. Education of Office - Bearers

The office - bearers of the society consist of both elected representatives and professionals who have up to date knowledge of co-operative principles and the field in which the co-operative functions. They have to acquire the necessary technical skill to conduct the different activities of the society efficiently. It is these people to take the society to higher levels of achievement. There is, therefore, a need for trading them properly in technical institutions.

c. Education to Prospective Members

In order to enrol more members, it is necessary that the co-operative should feed the public with information about its objectives, its organisation, working, future plans for development, achievements, etc., by way of audio-visual aids, publications, etc., people residing in the area where the
co-operative work should become members out of their own conviction and not by persuasion or compulsion. This task can be handled by educating potential members. Every co-operative should set apart a part of its surplus for the promotion of educational activities. Though the percentage of funds earmarked for the purpose may differ from society to society, at least 2 1/2% of the surplus amount should be invested in improving the educational standards of its members.

11. Principle of Growth

The principle of growth is a new addition to the original principles of co-operation and was included by ICA commission in 1966. The commission states this principle as follows "All co-operative organisation, in order to best serve the interests of their members and committees, should actively co-operate in every practical way with other co-operatives at local, national and international levels". The co-operatives have to compete with other concerns on the one hand and co-operate with other co-operatives on the other. A co-operative has to integrate itself with other co-operative societies to acquire greater strength to face adverse conditions.

12. Other Principles

There are certain other essential conditions of the constitution and operation of co-operative societies which deserve review.
13. Dealing with members only

As a co-operative society is not a capitalistic concern aiming at profits, but a mutuality for the promotion of the interest of its members, it has to confine its business dealings with its members only. For example, a credit society should lend to its members only. The essence of a co-operative system is that it should not make profit, and its great contribution to economic life is that it furnishes a new basis of commerce and industry, therefore, in which the profit-making motive is eliminated. This can be achieved only when the dealing of the society is exclusively with its own members, except under special circumstances.

14. Disposal of Collective Assets

The net surplus of a society which remains over on its liquidation is indivisible. It should not be divided among members either in proportion to their operations or in proportion to their share capital. Practice and law in various countries provide that the collective net assets of a society shall be passed over to some other co-operative organisation such as the national co-operative union to be used for the development of the movement or to works of social welfare, education or public utility. This rule is a corollary to the principle of service.

Reformulation of Co-operative Principles by the International Co-operative Alliance (ICA)
The commission on co-operative principles was set up, at the request of the International co-operative congress at Bournemouth, 1963, by a resolution of the International Co-operative Alliance Central Committee which met at Belgrade in October, 1964. The Central Committee appointed five members to serve on the commission. They were Bonner (England), Cowden (USA), Henzler (Germany), Karve (India) and Kistanov (USSR). Karve was elected as a Chairman to preside over the meetings and deliberations of the commission throughout. The task of the commission was to ascertain how for the principles of Rochdale - as defined by the ICA congress at Paris in 1937. The 23rd congress of the ICA 1966 welcomed the report of the commission on co-operative principles. It approved the recommendations and conclusions made by the commissions as follows

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member one vote) and participation in decisions affecting their societies. In other primary societies administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any

4. Surplus or savings, if any arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows

a. By provision for development of the business of the co-operative
b. By provision of common services; or
c. By distribution among the members in proportion to their transactions with the society.

5. All co-operative societies should make provision for the education of their members, officers and employees and of general public, in the principles and techniques of co-operation, both economic and democratic.

6. All co-operative organisations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels.
While submitting the above formulation the commission added certain remarks. They were as follows

i. The principles are not associated arbitrarily or by chance. They form a system and are inseparable. They support and reinforce one another. They can and should be observed in their entirety by all co-operatives, whatever their objects and area of operations if they claim to belong to the co-operative movement.

ii. The principles should not be confined to primary societies. They should be loyally observed by secondary organisations also, with such modification as a necessity or desirable for institutions which represent the co-operation of co-operative societies rather than of individual persons.

iii. Those principles, accepted in 1937 but not retained by the commission of 1966, are not to be disregarded or thrown aside.

2.5 Conclusion

A co-operative society is thus a voluntary organisation of people coming together and working collectively to realise the principles of self help and mutual help; to ensure that there is no discrimination among members on political and religious grounds; that capital receives compensation with a limited rate of interest; that the affairs are managed publicly and democratically for mutual benefits; that common services are rendered and that profits are distributed on the basis of the patronage provided by the members.