CHAPTER I

Aims and Objects of Co-operatives

1. Origins of Co-operation - (a) Robert Owen's 'A New View of Society;
   (b) Rochdale Pioneers and Raiffeisen Model.

2. Growth of Co-operatives in India.

3. Co-operatives as a superior form of enterprise as compared to private
   form of Business Organisation and State Enterprise.
"If Co-operation fails, there will fail the best hope of rural India." - Royal Commission on Agriculture, 1926-27.

Aims and objects:

Economic activity demands collective effort, where one is constantly collaborating with another, and there is inter-dependence on one another. No individual is a sole dweller in an island. He lives in society. His actions will have repercussion on others and, others' will have, upon him. An individual cannot fulfil his needs alone, nor another's surplus should go into waste. Thus wants of one will be fulfilled by another's surplus production. This is co-operation in general form, crude and natural. This has been in vogue from time immemorial. Thus the very pursuit of economic goals, i.e., satisfaction of wants, production, exchange, a good standard of living is co-operative. Co-operation amongst the people of among the different constituent sectors of the economy, viz, agriculture, industry, trade, commerce, transport, etc, is a sine qua non of economic activity, and hence of progress.

Adam Smith's concept of 'Division of Labour' was a kind of 'Collaboration' or Co-operation. The ways of Hindu Joint Family were co-operative. Man being a social animal, is destined to live and work together. According to Adam Smith economic institutions, such as, division of labour, exchange, are natural and spontaneous in that naturally one tries to promote one's own economic interest. But at the same time these economic institutions are beneficent in that one is guided by an "invisible hand" to

'promote an end which is no part of his intention.' Co-operation, in short, is the way of life of mankind.

But there is a difference between latent form of Co-operation, where economic compulsion and providence are at work, and the deliberate and conscious form of co-operation as required in a co-operative business venture. So, the spirit and way of modern co-operative venture are basically different from the unconscious, latent form of co-operation among the primitive communities, the later-days agrarian societies, and among the early 18th century unsophisticated semi-industrial and semi-agrarian societies. Modern co-operatives are patent and not latent in character, business motivated and not philanthropic in their functioning, and positive and not utopian, hence vague, in their aims.

**Definition of Co-operation:**

H. Clavert defines co-operation as "a form of organisation wherein persons voluntarily associate together as human beings, on a basis of equality for promotion of their economic interest." R.B. Tyagi has modified and improved upon the above definition. He defines "a Co-operative Society is an association of human beings wherein persons, invariably of limited and moderate means, voluntarily associate as human beings on a basis of equality for the promotion of their common economic, social and moral interests by honest means and distribute their profits or surplus amongst themselves in proportion to their contribution made for earning that surplus or service."  

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4. Ibid, p-7, last para.
Thus Co-operation is a voluntary association of individuals for undertaking a business venture for the common benefit of all the co-operating members. The co-operating members may not necessarily be of moderate and limited means. For example many of the co-operative sugar mills in the Western and Northern India have many affluent people as their shareholders. But the fact remains, the necessity for co-operation arises more in the case of people of moderate means than the rich, because more is necessity and justification for the farmer to co-operate to improve their lot. But on that ground possibility of co-operation among the rich (embracing poor members also in their fold as shareholders) for their further economic gain cannot be ruled out. Co-operation is highly essential for the poor and the down trodden for amelioration of their lots, but co-operation among the rich is neither unethical nor undesirable. Rather it may serve as a desirable constraint on the rich in the birth of big private monopoly. (Clause 6 Section I of the Assam Co-operative Societies Act, 1949 regarding condition of Registration reads as follows: “No society, other than a society of which a member is a registered society shall be registered under this Act which does not consist of at least ten eligible persons and, in cases where the primary object of the society in the creation of funds to be lent to its members, unless such persons reside in the same town, village or in the same panchayat area). Here regarding the class of members, i.e., rich or poor there is no mention.)

* (In Assam at least ten individuals of the same town, village or of the same panchayat area can form a co-operative - Clause 6, The Assam Co-operative Societies Act, 1949).
Why Co-operation ?

Co-operation or co-operative venture is sometimes necessary because of inability of one man to start a venture alone, may be due to lack of capital, managerial inconveniences and many other such reasons. Many a little makes a mickle. By pooling together the resources of a few or many a co-operative business could be started.

Even among the rich co-operatives are worth encouraging, since the profits of such ventures would be distributed among many, i.e., the co-operating members which would check or reduce private monopoly gain, which in turn would help in checking piling up of profits by individuals, since profits of the co-operatives will be distributed, even though among the rich. By encouraging co-operatives of lower-income groups, to use Prof. Tawney’s phrase ‘the area of inequalities’ could to some extent be reduced. Because a man of small means being unable to start a venture on his own, may expect to be rich by starting co-operative business by pooling the resources together of a few of his equals.

There may be many more such aims of forming co-operatives. The desire to be self reliant is also no less important. Instead of depending on private traders (and sufferings from their vagaries such as supply of adulterated goods, high price, irregular supply, artificial scarcity) members of consumer co-operatives can make their own arrangements for the supply of essential goods at reasonable prices, without fear of adulteration, artificial scarcity, irregular supply and other like evils.

The distributive ideals of co-operatives are no less
important. Instead of allowing one or few private business people to be rich, co-operatives can boost the incomes of many, as profits of such undertaking are distributed equally among the members. It will constrain private traders from profiting on price manipulation. And above all, it would check exploitation inherent in a free private enterprise system. Co-operative productive ventures will definitely mete a better deal to its workers in terms of hours of work, level of wages, regularity in wage and employment conditions, etc. Because in such Co-operative organisation, the workers will be the shareholders thereby the owners of the venture. The surplus value arising from the surplus labour would not be appropriated by others, but would be paid back to the workers.

And in cases of farming societies the objects will be higher productivity, rotational cropping, reduction of costs (such as, cost on fencing, ploughing etc., since co-operative farming will definitely reduce them) availing of the opportunities of improved know-how and better inputs etc.

Thus the scope of co-operative venture is wide and their potentiality high. But very often it is misconstrued that co-operative business is only for the people of moderate and limited means. Very often it is also wrongly presumed that there is an element philanthropy and laxity in business practices in co-operatives. Co-operative organisation is for all - rich and poor alike. Co-operatives are as business-oriented as any form of organisation can be.

Only difference in co-operative from other business organisation is that it must do business fairly and on a
principle of equality, which is, of course, found to be lacking in private form of business, sole-proprietorial, partnership or corporate. Another fundamental element in co-operative business is that it stands for an ideal, which is lacking in other private forms of business. The ideal is the common good of all the members instead of gain to one or a few. And the common good must be ensured by fair play and fair practices.

Regarding co-operatives formed by poor and rich people, the state attitude may be discriminatory. The State must discriminate in granting loans and in conferring other benefits in favour of the co-operatives formed by the poor. Because the very aim of the state is to establish a welfare and egalitarian state. Here the poor and the lower income brackets need the greatest help and care from the state. The greatest advantage of co-operative is that it can combine commercial character, economic viability and social justice. But in no case commercial character and economic viability can be sacrificed in case of co-operatives, whether formed by the men of moderate means or by the rich. And in case of state-help also, it must be selective, supportive and productive. This approach regarding the requisites of co-operatives - Commercial character, economic viability and social justice, and regarding state policy and help to co-operatives selectivity, supportive and productive character - will be maintained in the chapters follow.

Ideals at crossroads: -

Gone are the days of high altars of unrestricted capitalism as a system of production, wherein it was presumed that individuals being guided by their self-interest would improve their own lots and thereby the lots of the whole society. In
In short, it would ensure 'the greatest good of the greatest numbers'. Free competition would ensure that only the good undertaking would thrive and the inefficient ones be weeded out. It was based on the Darwinian Theory of the 'Survival of the fittest'. Thus laissez-faire would avoid wastes, reduce costs, maximise production, ensure fair wages to the workers, yield high profits to the entrepreneurs giving further incentive to higher enterprise with welcome cumulative impact on the other parameters of social and economic progress. Laissez-faire, would benefit the consumer in the form of low prices and quality products. On the whole, producers' and sellers' liberty, 'consumers' sovereignty (freedom) would maximise individual and social production and satisfaction.

But in reality things were not so. In capitalistic mode of production, production may be maximised, but not satisfaction. Under the surface of high production, there might be poverty in the midst of plenty; workers might be groaning under pressure of overwork, low wages, high prices. The back-breaking toil of the workers might swell the incarcers of the producers in return for the workers a level of wages sufficient for a hand to mouth living. Such devastating circumstances formed the background in evolving the Markian theory of exploitation.

Under capitalism, as revealed by Marx in his Das Capital, the producers were benefitted and the workers are left to their own sad plight with low wages and exploitation. Value of a commodity is equal to the wages plus return to fixed capital, prices of variable capital (various inputs) and the profits of the entrepreneur (or the capitalist). Wages were determined by the level
of subsistence. Ricardo proclaimed "the natural price of labour is that price which is necessary to enable the labourers one with another to subsist and to perpetuate their race without either increase or diminution." Thus it is seen that profits of the whole business always went the entrepreneur. More often than not, the entrepreneur is the provider of initial capital. Thus the return against capital was also enjoyed by him.

Now here Marx objected. Why the profits of an enterprise entirely should go to the entrepreneur, when labourers were the main spring of production? According to Marx labour was the source, substance and measure of value. 'The value of every commodity is simply the amount of crystallized human labour, which it contains, and commodities differ in value according to the different quantities of labour which are socially necessary to produce them'. The process of capitalistic production thrives on exploitation as shown by Marx as here the surplus value arising out of surplus labour over the necessary value is always appropriated by the capitalist. Its automatic result is class struggle. If exploitation continues (which according to Marx is a must in a capitalistic society), class struggle will be accentuated, industrial crises multiplied, and the whole edifice of capitalism will crumble under its own weight. "What the bourgeoisie produces, above all, therefore are their own grave diggers." 

5. Ricardo, David, Principles of Economics (Edited by Gunna) p-

6. "The general value form is the reduction of all kinds of actual labour to their common character of being human labour generally, of being the expenditure of human labour power", Karl Marx, Capital, (Progressive Publishers) p-72.

But the picture of socialist countries also is not full of roses. Many a prophecy of Marx had not come true. The inevitability of communism is yet to be proved. Capitalism or industrialism prepared the way for communism. But communism is yet to make its impression on the highly developed industrial capitalistic countries, such as, the U.S.A., the U.K., West Germany, Japan, France etc. On the other hand communism is grafted on the less industrially developed Russia (at the time of communist take over of power, Russia was the fourth industrial country of the world) and on feudal or semi-feudal economies, such as, China, Vietnam, Cambodia etc. Here class struggle on the line of Marx was yet to make appearance and intensify, since these countries were industrially backward (only in the highly industrial countries, the employment of more of variable capital, i.e., labour, leads to appropriation of surplus value - giving rise to exploitation and the creation and multiplication of proletariats - which intensify class struggle preparing the ground for dictatorship of the proletariat). Revisionism and poor performances on the economic front of some of the socialist countries work as dampers on many of the communist enthusiasts.

Capitalism in full cry cannot solve all the problems of a country. The possibility of socialism making its foothold on all the countries of the world is distant. Thus majority of the nations are destined for many more ages to come under regimes of controlled capitalism and under mixed economy. Mixed economic structure provides the scope for individual and state actions for bringing good to the people. Mixed economy enjoys the advan-
The evils of capitalism, viz., monopoly profits, inequalities of income, exploitation of the workers, social tension, class struggle, degeneration of human values cannot be fully countered by Keynesian mixed economy approach alone. Keynesian macro approach, his advocacy of selective and imaginative state intervention, public investment, deficit financing (to fill up the shortfall in private investment) cannot avoid the above-said ills of capitalism.

But co-operative venture if allowed to grow, helped to flourish in a mixed economic structure can do away with many of the evils, viz., exploitation, individual and monopoly ownership of enterprises and social tension (class antagonism) of the capitalistic system. Amidst the executive authoritarianism of the socialist states and the large scale disparities and many other latent evils of capitalism, co-operative ventures in a mixed economic structure, is the only ray of hope with its aims of collective ownership, common good consistent with the principles of individual liberty and equality in status and earning.

*New View of Society* of Robert Owen:

The aftermath of the onset of the Industrial Revolution in England - birth of the factory system shattering the domestic economy, small scale production being replaced by large scale production, rise of the factory township breaking the villages causing large scale exodus of village population to the factory
towns, employment and exploitation of women and child labour in the new factories to the detriment of village life and economy - created conditions for social tension, riots, machine-wrecking, secret-drilling, popular demonstrations, in short, conditions of widespread social discontent and unrest. Robert Owen formulated some schemes of social reform which impressed the working classes and turned them from their destructive path (in expressing their discontent) into constructive works. According to Beer, the working classes learned socialism from Robert Owen. "But it was essentially co-operative socialism and not militant socialism - his struggle was not primarily against usurpation and wickedness, but against error and ignorance" and 'Owenite socialism though supplemented by deduction from the Ricardian theory of value, was pacific, constructive, educational and non-political. Class warfare, passionate appeals to labour, demand for legal enactments and govt. reforms were regarded as not only futile but directly detrimental to the cause of the people". 8

Owen was famous as a successful captain of industry. But he was a man of too fine a character and generosity to remain content merely with earning of profits. He was against the sole motive of making profits by buying cheap and selling dear. This according to him destroys the finer qualities of a man. Owen was concerned more with human happiness, moral values of life, character of man. Human happiness, in his opinion, was dependent upon...

the condition in which one lived. By changing the conditions, i.e., environment, one could change the character of man.

His book 'A New View of Society, Essays on the formation of character' containing four essays written during 1813-16, embodied his social theory. The first essay showed how 'poverty, misery and crime' were the outcome of ignorance. In his view 'the individual's character was made for him and not by him'. The second and the third essays revealed how he has transformed New Lanark. The fourth contained his scheme of national reforms, including the reform of church, and his ideas disapproving the state lottery, revision of poor law and the laws relating to the sale of intoxicants. He had his host of followers and detractors alike. Specially his views on religion invited wide-spread protests.

In 1815 Owen published an essay with the title 'The Effects of the Manufacturing System'. Here he demonstrated the evils of the system, primarily those of exploitation and employment of child labour. Manufacturing with naked capitalistic design of making profits only, was not congenial towards human happiness. He said "all are sedulously trained to buy cheap and sell dear; and to succeed in this art the parties must be taught to acquire strong powers of deception and thus a spirit is generated through every class of traders, destructive of that open, honest sincerity, without which a man cannot make others happy or enjoys happiness himself ..." He was against capitalism and free competition, since these created conditions unsuitable to the formation of character and human happiness; also these led to unemployment.
Prior to the invention of machinery, according to Owen, demand and supply were equal, but with the introduction of machine, supply outpaced demand. This imbalance could be temporarily avoided by exports; but in due course this would not be possible, since all the countries would adopt mechanised methods. Thus machines employed with a motive of private gain led to unemployment. He wanted this system of private gain replaced by co-operative endeavour. Co-operative labour and expenditure would keep a balance between production and consumption. Thus he was against profit making, and in favour of a 'Just price, which would restore the whole produce of labour to the labourer.' Owen's remedy against exploitation, profit making was the co-operative village, i.e., the co-operative community.

The co-operative community, which was meant for the poor, would "practise co-operative house-keeping and the common training of children." The community would be self-supporting, though some of its produce might be sold outside. It would have common kitchen, dining room, lecture room, schools, library, workshops, grain mill and others, and individual quarters for separate families. In the Report to the country of Lanark, he expressed the opinion that there would be little need for money or private property. "It will be quite evident to all, that wealth of that kind which alone will be held in any estimation among them, may be so easily created to exceed all their wants, that every desire for individual accumulation will be extinguished."

There were many critics of this co-operative community. And in reality the system was easier preached than done.
merits of co-operative community failed. It could not be the panacea for all the ills of capitalism. The scheme had other limitations also. "Joshume in a speech in parliament in 1821, remarked, "If Mr. Owen's system produced so much happiness with so little care, the adoption of it would make us a race of beings little removed from the brutes, only ranging the four corners of a parallelogram". (parallelograms - in which the village co-operative community was supposed to be organised with all its institutions, residences, factories, etc.)

The co-operative community scheme under Owen's personal supervision was unsuccessfully tried in some places of the U.S.A. (Orbiston, New Harmony, Queenwood).

Though his experiments of communes failed, but his ideals of co-operation survived. The ideals of a co-operative community, i.e., equality, social ownership, mutual aid, just prices, abolition of the profit motive, and education in co-operation were the means of improving character. 'These Owenite ideals descended to the modern co-operative movement'.

9. Rochdale pioneers - Pioneering the Co-operative Movement:

Before the birth of Rochdale pioneers there were other co-operative ventures in Rochdale. But why in Rochdale? The old town of Rochdale was situated on the boundary of Lancashire and Yorkshire. It experienced early the benefits and miseries alike of the advent of the Industrial Revolution. Its main industries were flannel manufacture, hat making, cotton industry, coal mining and machine making. The handloom weavers found it hard-

going, when powerloom was introduced and exports to America had fallen off due to American Tariff policy. Hat making was declining. Cotton industries, coal mining and machine making industries started in the wake of the industrial revolution, increased demand for labour manifold, and to meet it Irish immigrant labour in large numbers were brought and settled around the area of the factories. This was an additional irritant to the local inhabitants. Often there were strikes and popular demonstration as expression of popular discontent, sometime these even invited military intervention. Moreover Rochdale's location in close proximity of west sides of Yorkshire and of south-east of Lancashire - both troubled areas and seedbeds of various movements added to its importance. There was also a strong radical group in the town. It had a host of prominent personalities. For example, John Bright - the staunch free-trader was a townman, and Richard Cobden - another eminent free-trader was its member of parliament for sometime.

**Early Co-operative Societies:**

"The Rochdale Friendly Co-operative Society" was formed in 1830. It was a society of flannel weavers. Another co-operative society was a retail shop in Toad Lane, No. 15., a little way below where the Rochdale pioneers were to open their store sometime later. But this early society engaged in retailing business failed because of credit transactions, which subsequently proved to be the common cause of wrecking many co-operative societies.
The weavers strike of 1344 and an attempt to start a society by the weavers and the spinners to manufacture flannel resulted in the establishment of the Rochdale Equitable Pioneer Society Limited at Toad Lane, Rochdale in 1344. The flannel weavers and the spinners of Rochdale and its neighbourhood towards the end of 1343 and the beginning of 1344 appealed to their employers for an advance payment of wages. The money was to be contributed to a fund to start a co-operative society to manufacture flannel. The society would be owned by themselves to begin with the process to stop profiting on human labour. Some of the employers responded favourably and some not. Work was struck as a protest against the unwilling employers, but it had little effect since work could be carried on with the help of other workers. But some of the workers and supporters of the labour strike, viz, Owenites, Chartists, Teetotallies did not lose heart. These groups met frequently to evolve ways to eradicate the evils of the society. Some of the weavers also attended these meetings. The Teetotallies held the view that since the weavers could not start manufacturing soon, they (the weavers) should abstain from drinking intoxicants, and the money thus saved would help in being better-off and independent. The socialists advocated co-operation of all workers as a challenge to capitalism. The Chartists exonerated people to agitate until they got all the six points of the charter fulfilled. But since, habit of drinking could not be stopped all of a sudden, nor the socialists design of common ownership to fulfill immediately, nor the stir advocated by the Chartists to continue for long, so some of the weavers, a section of the
socialists, Chartists, teetotalers, Owenites decided in a meeting on August 15, 1844 to take a positive action to become their own shopkeepers, i.e., to start a shop of their own. Here was born the Rochdale Equitable Pioneers Society Limited in Toad Lane, Rochdale. The rules of the society were framed after those of the 'Rational Sick and Burial Society' and the Friendly Societies Act. The Society was not formed by half-starved weavers. In the list of the members of the society, there were 34 names, of which many were well-off people. "Idealism, the vision of a better social order, not hunger, inspired these to men...". Rochdale pioneers was started/pioneer the way 'to a new and better social order *without that ideal the society would never have begun, without it the difficulties of the early years would not have been overcome, the effort to promote and assist other societies never have been made, and the developments which created national organisations never thought of ..." Not only Rochdale pioneered and influence British co-operation, it influenced the world-wide co-operative movement. It is difficult to speak and think about co-operation anywhere in the world without referring to Rochdale pioneers.

From retail business, they spread to corn milling and to other activities. Others co-operative ventures of the pioneers were Rochdale Equitable provident Sick and Burial Society, The Rochdale Co-operative Card Manufacturing Society, a Co-operative Building Society and the Co-operative Insurance Company. They had a big library, big class room and provision of lectures and classes for co-operative education.
Prof. Clapham in his book 'An Economic History of Modern Britain' said, "it is from the taking down of the shutters of the shop in Toad Lane, Rochdale, in December, 1844, that the effective co-operative movement of the 19th century industrial Britain has always been dated and rightly". In short Rochdale pioneers not only started a society, it started a movement. Its laws were the model for other societies in England and elsewhere. It was pioneer not only in retail but in production, wholesaling, insurance and co-operative education.

Raiffeisen Model - Another pioneer in Co-operative Credit:

Raiffeisen organised rural co-operative credit societies in Germany in the middle of the nineteenth century. These societies served as model in future. Hence the Raiffeisen model. Raiffeisen wanted to improve the lots and character of the German peasants, who were exploited by merchants and money-lenders. He first started a co-operative Bakery, then a cattle purchasing association. He started the first co-operative credit society at Flammersfield. Then these gradually spread to other parts of Germany. By 1870, they became well known. After 1880, such co-operative credit societies spread to other parts of the world. These societies with minor variations, are found to exist to-day all over the world wherever there is a free peasant economy.

The motto of Raiffeisen was 'one for all, and all for one'. Initially the primary business of the village societies was to offer credit, but subsequently their activities were expanded to the supply of agricultural means of production and
to the marketing of agricultural products. 'By the end of 1964, about 85% of the credit societies did trade transactions'.

Raiffeisen societies were of unlimited liability, but with changing times, widening activities of the co-operative societies and growing complexity compelled many of the societies to adopt limited liability. At the end of 1963, 62 percent of the societies were of limited liability.

The credit societies started in India under Co-operative Credit Societies Act of 1904 were modelled after the Raiffeisen pattern. Under the Act only credit societies were formed and they were of unlimited liability. But with changing times, the co-operative societies in India also changed their role as was the case with the Raiffeisen societies. Now the societies have multifarious aims, in addition to providing of credit. There is a bias in favour of multipurpose society. Forseeing the usefulness of such societies in India, Frederick Nicholson rightly observed 'we must find Raiffeisen in India' (in his report submitted to the Govt. of Madras).

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Co-operative societies in India have their origin in the wide-spread agrarian disturbances in the Deccan towards the end of the nineteenth century. The poor peasants of Ahmednagar and Poona rose in revolt against usurious money-lenders, who charged exorbitant interest for the money lent, putting the peasants into a state of perpetual indebtedness. The harassed peasants took the law into their own hands and snatched their promissory notes and the mortgage deeds from the money-lenders and destroyed them. Riots were brought into control, but these were a pointer to the Govt. that some legal remedial action was urgently called for to free the ryots from the stranglehold of the private creditors and to avoid such recurrences in future. As a result the Govt. enacted the following Acts:

(i) Deccan Agricultural Relief Act, 1879
(ii) Land Improvement Loan Act, 1883
(iii) Agricultural Loans Act, 1884.

The last two measures are still in force in India. They are known as Taccavi Laws. The farmer provided long-term credit and the latter, short term ones. But soon it was felt that mere enactment of legislative measures were not sufficient to free the poor Indian peasants - the mainstay of the economy from the indebtedness. At the same time it was realised that the main drawback of the Indian peasants was not so much capital as 'the ideas and methods for utilising capital'
productively. Thus arose the need for co-operative credit to meet the challenges.

Frederick Nicholson - the Forerunner

Frederick Nicholson, a civil servant was deputed by the Govt. of Madras in 1892 to study the working of the village banks in Germany, and to submit report on the same so that suitable measures to meet the demand for rural credit in India might be taken. Nicholson submitted his still-famous report in two volumes in 1895 and 1897. He strongly pleaded the introduction of co-operative societies with unlimited liabilities in line than prevalent in Prussia with the assertion "we must find Raiffeisen in India". His plea was further strengthened by the findings of the India Famine Commission in 1901, which recommended the formation of mutual credit associations. The committee headed by Sir Edward Law, set up by the Govt. of India in 1901, also strongly recommended the formation of credit Co-operative societies of Raiffeisen model.

Efforts to improve the lot of the peasants were also made in other parts of India, specially by some British civilians, viz, Dupernex in the U.P., Maclagan in Bengal. The result of these pioneer works and of the recommendations of the various committees was the enactment of the Co-operative Credit Societies Act in 1904. This was the first landmark in the co-operative movement in India.

The Co-operative Credit Societies Act of 1904, which
was applicable to all throughout British India, was modelled after the English Friendly Societies of 1896. In the introductory resolution it was stated that legislation was required to take co-operative societies out of the operation of the general law on the subject and to substitute provisions specially adopted to their constitution and objects. In the second place, it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operation, and thirdly it was necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them. The Act was framed with sufficient flexibility so as to enable the respective state Govts. to enact suitable legislation under the Act keeping in view the local conditions, difficulties and requirements. As the very name of the Act suggests, it visualised only credit co-operative societies in exclusion of other types.

Other important features of the Act were as follows:

(i) Societies were divided into urban and rural depending upon the majority of shareholders being urban or rural.

(ii) Rural Societies were to be of unlimited liability, but urban societies were to opt for limited or unlimited liability.

(iii) The area of operation was very limited; (sometimes it was confined to particular castes, tribes or communities in
(iv) Loans were sanctioned against personal security or on the security of real estate.

(v) Loans could be given by one society to another (on provision necessitated by the non-existence of any central agency for credit).

(vi) Rural societies were not permitted to distribute dividends. But urban societies could do so after depositing 25% of the profits in the statutory reserve fund.

(vii) Wide powers of supervision and control over the societies were given to the Registrar.

Although no definition about a co-operative society was given in the Act, but it was understood to be "voluntary organisation of persons who associate on equal terms for the satisfaction of their common economic needs".

But various shortcomings were soon revealed in the Act. Necessary remedial measures were called for, which led to the passage of the Co-operative Societies Act of 1912. As the very change in the title the Act 1912 (Co-operative Societies Act) from that of 1904 (Co-operative Credit Societies Act) suggests that non-credit form of co-operation were allowed to be registered under the new Act. That there was necessity and the scope for the formation of co-operatives in different spheres, such as, in production, distribution of essential goods, marketing, processing etc, was recognised by the new Act, and their growth was accorded legal sanction by it.
The salient features of the Act of 1912 were as follows:

(i) Non-credit societies could be formed.

(ii) Societies were divided into agricultural credit, agricultural non-credit, non-agricultural credit, non-agricultural non-credit.

(iii) Credit societies would be of unlimited liability, but other societies may be of limited or unlimited liability.

(iv) Provision was made for the creation of Central Societies, as co-ordinator of, and sources of finance to, the primary societies. The Central Societies must be of limited liability only.

(v) Another distinguishing provision of the new Act was that the right was conferred on the society to set off against shares, deposits of a member for his dues to the society.

(vi) Deposits and loans from non-members could be received by the societies.

(vii) Limits were set in the share capital to be held by a member in a society. No one member could have more than 20 percent of the total paid-up share capital in a limited liability society or hold shares exceeding the value of Rs. 1000.00. Such ceilings were not imposed by the Act of 1904.

With the passage of the Act of 1912, a new fillip was given to the co-operative movement in India, and societies, membership, share capital multiplied manifold.
Maclagan Committee

After the tremendous increase in the co-operative societies that took place after the passage of the Act of 1912, the Govt. of India appointed a Committee in 1915 under the chairmanship of Sir Edward Maclagan to take stock of the actual state of the co-operatives. The Committee made many valuable suggestions. These have not lost their importance even to-day.

According to the recommendations of the Committee, loans shall be advanced for productive purposes only, and that too, only to members and never to non-members. The office bearers must render honorary service. The area of operation of society should be small for the sake of familiarity and social cohesion among the members. With regard to membership it recommended that it should be open to all, but undesirable elements, such as persons of non-integrity should not be admitted, since the success of co-operation depends upon the honesty of the members and their knowledge of the principles of co-operation.

That outright trading based on speculative spirit, should not be permitted in a society to avoid eventual losses. Much emphasis was laid on the habit of thrift and saving so that capital might grow within.

Co-operative societies should not be imposed from above, the urge for co-operation should generate from within.

Co-operative credit should not be too cheap so that its purpose and basic character were not lost.
Regular and timely collection of dues was given equal weightage with timely disbursal of loans.

Establishment of non-credit societies, such as, production, sale and purchase, cattle insurance should be given priority.

After the application of the Co-operative Societies Act of 1912, and the implementation of the various suggestions of the different committees, co-operative movement received a big boost; there was tremendous expansion of societies and membership, as shown in the Table below:

<table>
<thead>
<tr>
<th>Year (ending in June)</th>
<th>All Co-operative Societies (No. in thousand)</th>
<th>Working Capital (in crores)</th>
<th>Membership of primary societies (in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1915</td>
<td>12</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>1920</td>
<td>28</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>1925</td>
<td>54</td>
<td>36</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Co-operative Farming and Agrarian Development in India, by S.B. Mehta (Chand & Co.) p-10.

From the table it is obvious that co-operative societies made big strides during the period of 15 years (from 1910 to 1925). Societies registered a rise of 27 times, working capital 36 times and membership 11 times.

In the meantime there was a new development.
As a result of the Montagu Chlemsford Reform Co-operation became a transferred subject and it became a provincial responsibility. This gave an additional booster to the movement. Many provinces enacted their own co-operative legislation. Committees were also appointed by various provinces to suggest ways and means to improve co-operatives.

The Royal Commission on Agriculture (1925-27) made various suggestions for the orderly growth of the movement and remarked, "If co-operation fails, there will fail the best hope of rural India".

The movement made rapid strides during 1919-29, specially in the non-credit forms of co-operation. It assumed new direction and many new experiments were made, specially and successfully in the south. The movement suffered a severe golt during the world-wide repression on 1930-31, resulting in heavy overdues and defaults in primary societies, putting excessive and shaltering strain on the central banks and other financial agencies.

To put the movement on the rails again, the Govt. of India appointed the Central Banking Enquiry Committee in 1931. It was asked to report on the existing state of aaffords in the co-operative movement and recommended suitable measures to improve it. One of the positive and most important results of the recommendations of the Committee was the establishment of the Reserve Bank of India in 1934. Its side-growth — the establishment of the Agricultural Credit Department (in 1935) of the Reserve Bank of India for taking care of the orderly
development of the co-operative societies all over the country - was even of greater significance as far as the co-operative movement was concerned.

Co-operation during the 2nd World War:

In the mean while in 1939 the 2nd World War began. The war served as a blessing in disguise to the co-operative movement in India. Commodities became scarce, and prices specially of the agricultural and other essential commodities began to soar. Wartime heavy public expenditure made money cheap. This helped the co-operatives in quick recovery of overdues, and the financial state of the co-operatives began to improve. Co-operatives assumed a new role as all the state governments assigned them the task of distribution of foodgrains and other essential commodities. Consumer co-operatives readily rendered invaluable services during the war and in the post-war period. A good number of new co-operatives in the field of marketing, sale and purchase, housing and cottage industries recorded their presence and many of them did a splendid job.

Another important development in 1944 was the appointment of the Agricultural Finance Committee under the Chairmanship of D.R. Gadgil. The Committee was asked to suggest ways and means of finding more funds for the development of the co-operative societies and for agricultural finance. The Committee admitted the usefulness of the co-operatives in agricultural finance, but felt at the same time
that the task should not be left alone to the co-operative institutions. State assistance in this field was essential and inevitable. It therefore, suggested the establishment of state aided agricultural credit corporations in each province after channeling of agricultural credit through a network of agencies and sub-agencies.

Close at the heels of the Gadgil Committee, another Committee - Co-operative Planning Committee under the Chairmanship of R.G. Sarayia (the then Chairman of the Bombay Provincial Co-operative Bank Ltd) was appointed in 1945. The Committee made many valuable suggestions. It differed from the main recommendation of the Gadgil Committee and was of the opinion that the village primary society, of which main concern hitherto had bear the supply of rural credit orly, should cover all the economic activities of the village people, and in addition to supplying of credit, "it should be a social organisation which will tend to promote better living and minor improvement in village conditions and to eliminate feuds, litigation and fractions." In short it favoured multi-purpose society. Another recommendation of the Committee was that within next ten years 50 percent of the villages and 30 percent of the urban population in the whole country should be covered by the co-operatives. It further suggested that sale and purchase (marketing) societies should be established to handle the surplus produce of the cultivators and artisans to ensure reasonable and fair price to avoid the inherent and wide-
spread mal-practices in the village and urban bazars of India.

All those recommendations were accepted by the All India Conference of the Registrars of Co-operative Societies held at Madras in 1947.

During the period from 1920 to 1947, co-operatives recorded phenomenal increase because of the various measures adopted by the Govt. of India and the implementation of various suggestions to the different committees and because of other developments, viz, the war. The growth of co-operatives upto 1947 is shown in the following table:

Table - 152


<table>
<thead>
<tr>
<th>Year ending in June</th>
<th>All Co-operative Societies (No. in hundreds)</th>
<th>Working capital (M. in crores)</th>
<th>Membership of primary societies (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>28</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>1925</td>
<td>54</td>
<td>36</td>
<td>22</td>
</tr>
<tr>
<td>1930</td>
<td>94</td>
<td>75</td>
<td>37</td>
</tr>
<tr>
<td>1935</td>
<td>106</td>
<td>95</td>
<td>43</td>
</tr>
<tr>
<td>1940</td>
<td>117</td>
<td>105</td>
<td>51</td>
</tr>
<tr>
<td>1947</td>
<td>139</td>
<td>156</td>
<td>97</td>
</tr>
</tbody>
</table>

Source: *Co-operative Farming and Agrarian Development in India* - by S.B. Mehta. (S. Chand & Co., Delhi) p-10.
It is revealed in the table above that the number of co-operative societies greatly increased in the period from 1920 to 1930. But from 1930 to 1935 the growth was slow, because of the shattering great depression of 1931. Again from 1940 to 1947, societies, their membership increased manifold, because of the favourable impact of the 2nd war of the co-operatives and the various recommendations of the various committees.

Co-operation in the post independence Era:

On 15th August 1947, India attained independence. With it, co-operatives along with other sectors of the economy, got further impetus and new dimensions. But at the same time Indian Independence effecting partition of the country did not leave the co-operative sector unscathed and undamaged as was fate of any other sector of the Indian economy. Some of the best co-operatives in the erstwhile undivided province of Punjab was lost to us. Co-operative societies were dislocated due to the movement of people to and from across the border as it involved the movement of members of co-operative societies also.

The new national govt. appointed in 1949 Rural Banking Enquiry Committee under the chairmanship of Thakurdas to report on the possibility and feasibility of extending of banking to rural areas. The Committee was in favour of larger accommodation of credit by the Reserve Bank of India to the co-operative societies. It further
advocated the implementation of the recommendation of the Gadgil Committee for the setting-up of Agricultural Credit Corporation in each state. This should be taken up by the provincial Co-operative Banks with state assistance. Reserve Bank of India after receiving the Thakurdas Report convened in 1953 an informal conference of co-operators, economists, and banking experts to determine its role and to adopt a planned approach to the problems of rural credit. As a result of the deliberations the Reserve Bank of India undertook the All India Rural Credit Survey under a committee of direction, having officials, non-officials and experts as members with A.D. Gorwalla as its chairman. The Gorwalla Committee submitted its classic document in December, 1954, which may be termed as yet another landmark in the field of co-operation in India. The recommendations of this Committee effected radical changes in all the aspects of the Co-operative movement.

Co-operation during the Plan-period

One of the primary tasks, of the national govt., was to develop the economy by tapping the resources of the country. For this purpose, a Planning Commission was set up in March, 1950, just after two months of attaining the status of a Sovereign Independent Republic in January, 1950.

In the 1st Five Year Plan, a sum of Rs.7 crores was earmarked for co-operative development. In this plan, emphasis was laid on the development of co-operative socie-
ties in the field of agriculture, marketing, cottage and processing industries. The societies should be multi-purposed. Every village should have such a society which would cater to the multiferous needs of the villagers.

The Second Five Year Plan gave even more emphasis on the development of co-operatives. The greater emphasis was due to the implementation of the recommendations of the Rural Credit Survey Committee under the chairmanship of Gorwalla. For co-operative development a sum of Rs. 47 crores was provided by the plan. Co-operation had been regarded as an indispensable instrument of planned action in a democracy. The Industrial Policy Resolution of 1956 of the Govt. of India affirmed that to attain the objective of Socialistic Pattern of Society, it was essential to "to build up a large and growing co-operative sector".

The recommendations of the Gorwalla Committee or the principle of state partnership with co-operative institutions should be implemented. The main plank of state partnership would be financial assistance in the form of subscribing of shares of co-operative societies and not one of control and interference.

To increase operational efficiency, attempts should be made for the creation of large-sized co-operatives. Credit should be linked up with marketing. To facilitate the marketing societies, storage capacity should be increased. For this purpose, large number of ware-houses should be built.
The Second Plan laid sufficient stress on Co-operative Farming. On the surplus lands resulting from ceilings or land Co-operative Farming should be started. There was also an emphasis on experiments on joint co-operative farming. For early and adequate availability of credit, State Bank of India, which was created by the nationalisation of the Imperial Banks of India as recommended by the Rural Credit Survey Committee, should create 400 branches all throughout India. Substantial provision of credit - long, medium and short - to the co-operative societies was made.

Formation of Service Co-operatives as the village as the primary unit was given high priority in the subsequent revision of the plan in the light of the Resolution of the N.D.C., November, 1958.

The Third Plan allocation for co-operative development was Rs. 80 crores. The plan for co-operative development in this period was drawn up on the basis of N.D.C. Resolution of 1958. Co-operatives should be organised on the basis of the village as the primary unit. For the development of the villages, co-operatives and panchayats should work in unison. Wherever necessary, more than one village may be tagged to one co-operative for the sake of viability and efficiency. For the training and education of personnel in co-operation, substantial sum of money was earmarked.

In the Fourth Five Year Plan also ambitious plan was made for the development of co-operatives. In respect
of co-operative marketing of agricultural produce, the target was exceeded. In the sphere of co-operative short and medium term credit, the target for the whole economy was likely to be achieved. But the main bottleneck had been the existence of a high level of overdues. The overdues, as a percentage of outstandings at primary societies' level, which stood at 39 on the eve of the 4th Plan, were estimated to have increased to 41 as on 30th June, 1972.11

A scheme was introduced in 1969-70 by the Reserve Bank of India for financing of primary agricultural credit societies by commercial banks. The scheme was meant for areas where the central co-operative banks were financially weak. In consumer co-operation, the movement made significant progress during the 4th Plan period. In this field a country-wide infrastructure had been built up, comprising 13,913 primary consumer co-operatives, 387 central, wholesale stores, 14 state federations of consumer co-operative stores and a national co-operative Consumers' Federation at the Apex.

That co-operation is an important instrument in socio-economic transformation the Indian rural scene is reiterated in the Draft of the Fifth Five Year Plan of India. It says "there is no other instrument as potentially powerful and full of social purpose as the co-operative movement".12 Thus the building up of a strong and viable co-op-

11. Draft Fifth Five Year Plan, India, Vol.-II, p-76.
12. Ibid, p-78.
rative sector, with special emphasis on the needs of the peasants, the workers and the consumers, will be one of the major objectives of national policy in the Fifth Plan. The Fifth Plan co-operative policy has four main objectives—(i) to strengthen the network of agricultural co-operatives (credit, supply, marketing and processing); (ii) building 'a viable consumer co-operative movement to enable it function as an important element in a consumer-oriented distribution system'; (iii) correction of regional imbalances in the development of co-operation; and (iv) to make efforts to help the small and to marginal farmers and the underprivileged section through the co-operatives.

The following table shows the growth of co-operatives from 1947 to 1977:

<table>
<thead>
<tr>
<th>Year</th>
<th>All co-operative societies (No. in crores)</th>
<th>Working capital (No. in thousand)</th>
<th>Membership of primary societies (No. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>139</td>
<td>156</td>
<td>97</td>
</tr>
<tr>
<td>1951</td>
<td>181</td>
<td>276</td>
<td>137</td>
</tr>
<tr>
<td>1956</td>
<td>240</td>
<td>259</td>
<td>176</td>
</tr>
<tr>
<td>1977</td>
<td>316</td>
<td>14586</td>
<td>896</td>
</tr>
</tbody>
</table>


Through Co-operative the face of rural India is being changed. It frees the villagers from the bondage of indebtedness piling up for generations. It provides cheap credit for agricultural inputs, medium term loans to co-operative enterprises. The programme for co-operative development in the different Five Year Plans is given in the annexure to the chapter.

Co-operative as a superior form of enterprise as compared to private form of business and state enterprise:

In the private form of business, the aim is to earn maximum profits. Whether it is one-man business or partnership or jointstock company the aim of maximum profitability is common. But mere profitability is not enough. Profitability combined with a sense of social justice is always a higher ideal. Both of these can be attained by co-operative enterprises. Co-operatives carry together every one willing to co-operate. It stands for the Raiffeisen principle of 'one for all and all for one'. But in private form of business that voluntary, spontaneous esprit de corps is missing. In co-operative union is strength. It assures equality in gains.

Moreover through co-operatives men of modest means can undertake profitable economic activities, but single-handed with that modest means a man cannot do so. (A share in a co-operative society costs very little, but gains it confers are immense). In private business ends may not
Justify means. The entrepreneurs may make profits at the expense of the workers, i.e., by exploiting the workers paying less and exerting them more. But the aim of co-operation is to free the co-operating people from their economic morass and to end exploitation. In short, in addition to economic gain co-operation has an ideal - it has a moral aspect and a direct social purpose. Private business has no any ethical value or moral aspect as one of its aims.

One must distinguish between social effects of private business and social purposes of these. Economic activities would definitely have some social effects, i.e., employment of persons, supply of goods, generation of income, etc; but these are not aims by which the businessmen are prompted to undertake business.

Likewise co-operation is different from state undertaking. Here initiative is taken and enterprise provided, by the state. Thus it cannot enthuse people for initiative and enterprise. From the state enterprises in a free economy general people expect only gains, they are not expected to shoulder commensurate responsibilities. Rights without matching duties make people complacent and unenterprising. But co-operative activity demands individual's willingness to help themselves and the society. Moreover state undertaking in all the sectors of the economy is an impossibility except in a socialist state. State Socialism is yet to prove convincingly that it is panacea for all the ills of
a free or a mixed economic system. To the nations who are yet to accept the socialist way (in fact majority of the nations of the world are so), co-operative still provides a mean between the two extremes viz., free enterprise and mixed economic system in one hand, and socialism on the other. In the transition of societies towards socialism, co-operation can prepare the individual by its twin principle of self-help and mutuality to achieve collective good. Super-imposed state undertakings cannot prepare the people in socialist goals. If people learn to help themselves and at the same time are prepared to sacrifice their petty interest at the alter of the greater collective good (which real co-operation drives up) than many of the conflicts between capitalism and socialism could easily be salved. In short co-operation can ensure individual liberty, collective good and maximum social satisfaction.

In line of the approach outlined in this chapter, we will venture to trace the origin and growth of the co-operative movement in Assam in the next chapter.
### ANNEXURE - I

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Programme</th>
<th>'Unit'</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loans advanced annually Rs. crores by primary Agricultural Credit Societies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Short term</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>(b) Medium term</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>Ordinary long-term loans Rs. crores advanced by co-operative land mortgaged banks during five years.</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Co-operative marketing of agricultural produce or Co-operative Marketing Society.</td>
<td>number</td>
<td>1800</td>
</tr>
<tr>
<td></td>
<td>number</td>
<td>201</td>
<td>917</td>
</tr>
<tr>
<td>4</td>
<td>Co-operative processing units.</td>
<td>number</td>
<td>201</td>
</tr>
<tr>
<td>5</td>
<td>Fertilizers retailed by co-operatives Rs. crores.</td>
<td>350</td>
<td>380</td>
</tr>
<tr>
<td>6</td>
<td>Retail sales of urban consumer co-operatives Rs. crores.</td>
<td>300</td>
<td>600</td>
</tr>
</tbody>
</table>
**ANNEXURE - I (contd)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Co-operative storage capacity or Co-operative godowns</td>
<td>Million tonnes</td>
<td>3.80</td>
<td>6.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Large sized co-operatives</td>
<td>number</td>
<td>5,500</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>10,400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** In some plans targets of marketing in agricultural produce is made in terms of value (in crores of Rupees) and in some other, in terms of creation of number of marketing societies. So, also in co-operative storage capacity sometimes the target is in terms of millions of tonnes and sometimes in the creation of number of godowns. The formation of large sized co-operatives was aimed at during the 2nd plan, which was abandoned later, as this policy of large-sized co-operatives was replaced by the formation of smaller ones in the subsequent plans. There was no provision for it in the First Plan.

Blank space in different columns imply no programme for the item for the period.

**Source:** Five Year Plans, published by the Planning Commission, Govt. of India.