Chapter I
INTRODUCTION

The Rural Credit scene of India has undergone a sea change ever since the institutionalisation of credit. The cooperative movement has been and continues to be accorded a position of the cardinal importance for gearing up the economy of India.

The suggestions and recommendations of the various committees and commissions based on the Cooperative Societies Act of 1904 gave a material form for organisation of the cooperatives to meet the requirements of rural people in the country. The cooperative movement took its birth world-wide as a response to eliminate exploitation. Cooperation, which Gladstone, well defined, is as a great worldwide man-making Movement. In India, cooperation was introduced mainly as a defensive organisation for dealing with the problems of rural indebtedness. Having given such importance to cooperation, various programmes of the planned economic development of India wedded to the philosophy of cooperation. In other words, India adopted a pattern of democratic planning with emphasis on socio-economic change in which cooperation has been given a prime place. The cooperative movement grew experiencing vicissitudes of life with sound and growing intrinsic worth up to 1947. It is an agricultural credit movement. Other forms of cooperation are not worth mentioning.
On the basis of data of 1951-52, the All India Rural Credit Survey Committee concluded that the cooperative movement in India has failed. Without being disheartened by this unfavourable remark, A.D. Gorvala as Chairman and Late D.R. Gadgil as a member, of the All India Rural Credit Survey Committee, were hopeful and argued that it must succeed. The cooperative movement grew, developed and ramified into vital sectors of economy and so today, numerically, India has the largest number of cooperatives with several unique and distinct types, having distinguishing and distinct record. Today the cooperative sector is the key sector of the economy. The National Cooperative Union of India has rightly observed about the cooperatives as:

"The cooperatives are the instruments to help the poorest among the poor because of their inherent merits. It is a fight against exploitation, ensures full use of human and material resources at local level, augments production and musters support, experience and assistance".¹

The success of cooperatives whose business dealings involve risk, needs careful decision which has to be expertise. Management is indeed a human process to get things done through actively endeavoured organisation. The style

of cooperative management is essentially different from that of banking organisation because:

1. The members of cooperatives are voluntarily associated for common needs

2. Service is the motto of cooperatives

3. The men that would be counted but not capital

Therefore, the cooperatives need the method of management with cooperation to achieve the perceived goals. The cooperatives being the voluntarily association by the people, their members are the real owners. But, they cannot themselves be the administrators. The reasons for this are many and varied, namely:

1. The membership with the cooperatives are quite large and practically, it is difficult to allow all of them in the management.

2. The most of the members are illiterates and are not competent to manage the cooperatives.

3. Change in the composition of membership due to transferability of shares.

4. People join the cooperatives to attain the economic benefits.
The structure of the cooperative, therefore, is designed on such canons, that would help the management to accomplish its economic objectives and growth. Many cooperatives have been functioning as dormant or on the edge of liquidation due to the prevalence of unhealthy conditions in the system. Among them, the democratic management though visualized its thrust in the concept, for the members by the members and of the members, but in practice it could not resolve members' problems. Rather it, today, has become a ground for the selfish interests of the political people. What is the stigma to this sad affair?

NEED FOR THE STUDY

The cooperative as per International Cooperative Alliance is to adopt and observe the principles of cooperation in business efficiency. These principles are indeed for alleviating poverty and accelerating the socio-economic status of the people. In other words, they have become basic terms to forming an egalitarian society. Among the principles of cooperation, the principle of democracy is so vital and is widely accepted canon on which the thrust of cooperation is hinged. In brief, the cooperative is a democratic organisation. Cooperation is a form of economic democracy - one for all and all for one. Whether the democratic sets up accelerating or retards management efficiency of the cooperatives. In other words, how does
the democratic element in a cooperative enterprise effect or affect the efficiency of its management. For answer to this, one has to examine the criteria of efficiency adopted in the management of cooperatives, functioning style of the democratic system in true sense of the term, democratically created management body and its management philosophy as well as approaches; and adaptability to new situations and modern context. The above propositions which are representative of cooperatives on democratic lines make the author select the problem, "Democratic Management in Cooperatives" for an investigation.

REVIEW OF LITERATURE

The review of earlier works on the related problem gives an insight and indepth investigation. Many studies were carried out by individuals as well as institutions. A few of them are reviewed hereunder.

O.R. Krishnaswamy (1976) in his study, Cooperative Democracy in Action, has examined the profile of democratic management in cooperatives during 1963-64 to 1966-67. He found:

"By and large, high caste, educated, wealthier, middle and old aged agriculturists with larger holdings and higher stake in societies have become the members of the committees of the cooperatives"
in most cases. The same persons are simply re-elected until they themselves stand down. Democracy exists in a formal constitution only but found to work in practice is very nominal. The illiteracy, caste hierarchy, occupational heterogeneity, socio-economic disparity etc., retard democratic participation."  

In other study, Krishnaswamy and Guruswamy (1981) made an attempt on the pattern of leadership. They observed thus:

"The traditional pattern of leadership is more pronounced in cooperatives compared to Panchayaths with factors like caste, economic status, age, sex, education and education largely determining cooperative leadership".  

The cooperative leadership and management rest on the caste structure as well as political status. Dinesh (1970) has conducted a comparative study on cooperative leadership and management in two districts of two States. He has observed:

"The leadership in general and of the cooperative sector in particular stood on the foundation of caste structure, income and political status,


which are the major determinants of leadership in cooperative structure. The work done for the institution, social services and the family background are the other important factors responsible for providing leadership status. Further he added, leaders' interference in the management, faulty recruitment policy and efficient management".

Guruswamy and Chinniyan (1970) have described the characteristics of a cooperative leader as:

"A cooperative leader is a person of high caste and economic status, good contacts with cooperative officials, considerable amount of political influence and a high level of participation in general meetings of the society".

The cooperative leaders are senior in age, have high caste and higher economic status, and are either illiterates or just literates" are the opinion of Mehta and Bathia (1972).
A survey on leadership in rural cooperatives was conducted by Mohanan (1976). This study supported several earlier observations on cooperative leadership.

"Interlocking of leadership was a common feature. Party affiliation turns out to be a strong factor to reckon with and other factors being personality traits and organising ability. A similar survey was conducted by Kutumba Rao (1985). He reinforced the earlier studies observations. An added view of his is considerable significant factors. Cooperative leadership lacked dedication, initiative and competitive spirit. Competition for leadership was almost nil. The younger generation has almost being kept out of the field of leadership. The knowledge of the principles and philosophy of cooperation, cooperative mechanism, supremacy of general body etc., was poor among leaders."


Mahipal and Raj (1976) made an attempt to find out the relationship between the socio-economic status of the leaders of the efficient and the non-efficient grouping of the societies. They observed:

"The socio-economic status of the leaders of cooperatives is positively and significantly correlated with their interest and cooperation, knowledge and training; and knowledge and interest".  

Pawar and Bhajibal (1982) have also made a similar observation. 

Quoting the observations of the All India Rural Credit Review Committee (1969) is more appropriate here. The cooperative movement by and large failed to throw up the competent leadership on a scale commensurate with the considerable expansion that has taken place in its operations. The major observations of the committee are:

"Paucity of leadership at the base, non-conductive atmosphere for the emergence of competent leadership, relative neglect of members' education, entry of vested interests, concentration of power and indifference of office-bearers are retarding factors


for right type of leadership. It underlined the need for transformation from tradition to modernity as well as qualitative improvement".\textsuperscript{11}

Indeed, the positive role of a politician in cooperative development is no decrying fact, but excessive politicisation of the movement is undermining the cooperative ideals. Baviskar (1968) has beautifully remarked on the participation of political leaders in the cooperatives.

"The cooperative leadership is hereby sprinkled with active politicians in the movement. The cooperative has provided the necessary resources for his political activities. In a way, many aspiring and budding political leaders are attracted towards the cooperatives and the cooperatives are then used as springboards for further advancement".\textsuperscript{12}

Dwivedi (1981) while expressing his view on increasing access of politician in cooperative movement in the form of providing berth to the defeated politicians or party loyalists in the cooperatives said:

"Interestingly mutual accusation are made by political parties in regard to politicisation of the movement, and each party when comes to power claims to depoliticise it by bringing to

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\textsuperscript{11} Reserve Bank of India, \textit{Report of the All India Rural Review Committee}, Bombay; 1969, p.185.
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power its own party men, making the remedy worse than disease. One political interest replaces another political interest. What an interesting and strange way of depoliticisation".13

During British rule, the Government was extremely careful in identifying the cooperative leadership. It played its role behind the scene and did not openly interfere in the working of a cooperative. Today, the scene is though not reversed but deviated. Sharma (1989) reported thus:

"Today it is uncommon to see the elected leadership being dislodged, it is not to be linking of the party in power".14

The cooperative which is financially strong and gets no financial aid from the Government, is not free to elect its own officials. There are some other significant studies which discussed and reviewed the democratic management of cooperatives in India. They are Dubhashi, B.R.

Though a valuable information found in the above studies but they may not supply much for understanding the character of cooperative democracy in the context of increasing politicisation of the cooperative movement.


17. Rathod, C.S., An Enquiry into Management of District Central Cooperative Banks in Gujarat, Baroda; M.S. University of Baroda, 1975, p.86.


The present study will elicit the reasons and means thereof for effective functioning of democratic management in cooperatives as such no attempt has been made in the recent past.

OBJECTIVES OF THE STUDY

The cooperatives have potential to improve the socio-econo-political status provided they are guided and administered by good democratic leaders. Democratic structure is so essential for healthy and faster development of cooperative movement. The study of healthy and truly democratic management is the main objective of the present study. The specific objectives are:

1. To study the cooperative Legislation and democratic management

2. To highlight the cooperative leaders' socio-economic conditions, awareness of cooperation, role perception and role performance

3. To study cooperative leaders and democratic style of functioning of cooperatives

4. To suggest remedial measures for improving democratic management.
SCOPE AND AREA OF THE STUDY

The present study covers two types of cooperatives namely credit cooperatives and non-credit cooperatives functioning in the district of Anantapur. Among the credit cooperatives, the Anantapur District Cooperative Central Bank and twenty-three primary agricultural cooperative societies; and among the non-credit cooperatives, sixteen societies comprising eight marketing cooperative societies and eight milk producers’ cooperative societies were selected at random for the purpose of this study. The purpose of the study is to understand the pattern of leadership and democratic management. Proper care has been taken in the selection of samples and also in eliciting information from them. Further, it is confined to the present elected leaders of the selected samples.

DATA SOURCE AND COLLECTION

The present investigation is an empirical study on survey method. So was collected primary data through means of the schedule. The information relating to personal and socio-economic characteristics of the respondent leaders, their awareness, performance and attitude were collected. The field work was attended twice, first during
July 1990 - September 1990 and second January 1991 - March 1991. The information pertaining to the cooperative law and democratic system was obtained from the Manual of Andhra Pradesh Cooperative Societies Act. The information so collected is analysed and presented in the form of tables.

RELEVANCE OF THE STUDY

The present study is a great relevant in the context of deteriorating the cooperative democratic values. As the cooperative movement is a potent instrument to change socio-econo-political conditions of the society, it is of a great value in withstanding the democratic values. In the light of fast changing socio-econo-political conditions, and the role assigned to the cooperatives, a thorough examination of cooperative democracy needs a different look. Having viewed the importance of cooperative democracy, the need for detailed research work like this is more relevant; and would fill the gap of literature on the subject.