CHAPTER-1
INTRODUCTION, SCOPE AND METHODOLOGY

It is rewarding to have a look at the world of human beings. World is flourished with contrasts. Beauty is juxtaposed with ugliness, mercy with cruelty, and compassion with indifference, health with disease, happiness with misery, industriousness with laziness, and affluence with poverty. Despite the passage of time, these contrasts remain so. Contrasts with standing, one thing is certain that it is the people who make an organisation success or allow it be a failure. In other words, it is the human resource, which makes or mars an organisation. Human resource management is concerned with the people dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organisation are essential to achieving organisational objectives. This is true, regardless of the type of organisation-government, business, education health, recreation, or social action.1

Public administration is as old as our ancient civilisation. However, as a systematic and organised body of knowledge and as an area of independent discipline, it cannot afford to claim a long history. In the 18th century, some of the German scholars became interested in this branch of academics. Owing to the continuous expansions of public functions the role of the Government gained more importance, thus, making public administration more complex and highly specialised. With the publication of Woodrow Wilson’s essay in 1887, a new beginning for this field of academic enquiry took place. He said that there shall be a science of administration which shall seek to strengthen the paths of the Government, to make its business less unbusiness like, to strengthen and purify its organisation, and crown its duties and dutifulness.2

As a specialised academic field, public administration deals with the machinery and procedures of Government. The word administration has been derived from the Latin words ‘ad’ and ‘ministrae’, which means to serve. In simple language, it means the “management of affairs” or “looking after the people”. Thus, it can be said that administration is a co--

operative human effort for the achievement of predetermined common goals. Hence, in every group activity, where two or more men co-operate, administration can be found. It can be family, hospital, factory, a Government Department etc. Generally speaking, public administration is that branch of administration, which operates within a specific political setting and executes the policies framed by the political decision makers. Public administration is decision making, planning the work to be done, formulating objectives and goals, working with the legislature and citizen organisations to gain public support and funds for Government programmes, establishing and revising organisations, directing and supervising employees, providing leadership, communicating and receiving communication, determining work methods and procedures, appraising performance, exercising controls and other functions performed by the Government. It is the action part of the Government, the means by which the purposes and goals of government are realised.

Public administration as field of enquiry so far, has been through four different phases. Traditional policy administration dichotomy, where administration was seen as a separate field from politics, was the first phase. The second phase began with the realisation that the content of public policy is important to understand administration. This resulted in shifting the thrust towards public affairs from policy administration dichotomy. In other words, making a decision between policy alternatives became a primary area of focus. This led to the third phase where policy analysis became the watchword, and the fourth, which emphasised the managerial aspects. Thus, as a field of study public administration moved from a simple study of administrative structures and now has some of the legislative and judicial aspects, too. Some writers made law, particularly administrative law, and the foundation of administration as it influences individuals’ interactions with public agencies.

Public administration is the enforcement or the fulfillment of public policy as declared by the competent authorities. It deals with the problems and powers, the organisation and techniques of management involved in carrying out the laws and policies formulated by the

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policy-making agencies of the Government. Public administration is law in action. It is the executive side of the government.

As a process, public administration is as old as Government, that is, as soon as there is sufficient institutional evolution and differentiation to enable one to speak of the Government of a society there are actions by which law (as an expression of Government’s authoritative allocation of values) is made and actions by which an attempt, more or less successful, is made to carry the law into the effect. Waldo further said, “the rise of public administration… is an attempt to make Government work under new and more demanding conditions, by increasing the amount of systematic study of the problems of Government and the competence and training of those entering Government service.” It is, indeed, a very difficult task to define public administration in one line. The immediate effect of all one sentence or one-paragraph definitions of public administration is mental paralysis rather than enlightenment and stimulation. This is because a serious definition of the term… inevitably contains several abstract words and phrases can be explained only by other abstract words and phrases, and in the process the reality and importance of ‘it’ becomes fogged and lost.

Public administration lies at the centre of a web composed of many different relationships that extend to the citizen, to the state, to society and its values, to the economy and its development, and more. The citizen and the future administrator alike should learn to think clearly about the relationships and the values and balances they affect, for they constitute the synthesis that is public administration.

There are different views over the meaning and the use of the words ‘administration’ and ‘management’. One view is that management and administration are interchangeable terms. Both involve same functions, principles and objectives. Another view is that administration involves thinking; hence, it is a top-level function, which centres on the formulation of plans, policies and objectives of the organisation. On the other hand, management involves doing. It is a lower level function, which is concerned with the execution of policies and plans. Third view is that management is applicable to business
spheres, whereas administration is applicable to non-business institutions like Government offices, social, cultural and religious institutions. Yet another view is that administration is not separate from management, but they are same. However, management both as a practice and as field of thought and study has a long history. Its roots go back to almost two hundred years. Robert Owen (1771-1858), an industrialist in Scotland, actually became the first manager, because in his textile mill in Lanark, Owen first tackled the problems of productivity and motivation, of the relationship of workers to work, of worker to enterprise, and of worker to management-to this day key questions to management. Then in 1880s, Frederick Winslow Taylor studied the work scientifically and came up with the scientific management theory. Around the same time in France, Henry Fayol (1841-1925), head of a coal company, first thought of organisation structure and developed the first rational approach to the organisation of enterprise-the functional principle.

The discipline of management was also further developed. In the United States, there were the successors to Taylor, the husband and wife team of Frank and Lillian Gilbreth (1868-1924, 1878-1972) and Henry Gantt (1861-1919). Two Americans Mary Parker Follet (1868-1933) and Chester Bernard (1886-1961) first studied the process of decision-making in organisations, the relationships between formal and informal organisations and the role and the function of the executive. The Australian, George Elton Mayo (1880-1949), working at Harvard, developed, respectively industrial psychology and human relations and applied each to enterprise and management. Management as a discipline also began to be taught in the interwar years. However, the Hawthorne experiments of George Elton Mayo laid the foundation of human relations in the management, because it came to be realised that amongst all the factors of production – man, material, money and machine – man is of utmost importance. This called for the expanding role of human resource management, which is a management function that helps managers recruit, select, train, and develop organisation members. While defining human resource management Edwin Flippo observed, “…management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and social objectives are accomplished.” Thus, human resource management refers to a set of programmes; functions and activities designed and carried out in order to maximise both employee as well as organisational effectiveness.

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Organisations that are able to acquire, develop, stimulate and keep outstanding workers will be both effective and efficient, human resource assets are probably the most critical and difficult to manage. These are the only active resources at the disposal of any organisation and the effective use of all other resources directly depends on efficient utilisation of human resources. Rensis Likert rightly observes, “all the activities of any enterprise are initiated and determined by the people who make up the institutions, plants, offices, computers, automated equipments and all else that modern firm uses are unproductive except for human efforts and directions. Human beings design or order the equipment, they modernise the technology employed, they secure the capital needed and decide on the accounting and physical procedures to be used. Every aspect of organisational activities is determined by the competence, motivation and general effectiveness of its human organisation.”

Human resource management is needed by any organisation that wants to be dynamic and growth oriented. Organisations can become dynamic and grow only through the efforts and competencies of their human resources. Personnel policies can keep the morale and motivation of employees high, but these efforts are not enough to make the organisation dynamic and take it to new directions. Organisation climate and philosophy is not enough to yield the desired results. Planned efforts should be made to develop human skills in managers at all levels helping them to adopt a more balanced approach towards human resource.

Today, every large public and private sector enterprise in India are using the techniques of human resource management to develop their employees for the achievement of organisational goals with individual satisfaction and growth. Present day workforce is better educated, possesses greater skills, has more sophisticated technology for its use and enjoys higher standards of living than the earlier ones. Thus, it becomes quite clear that the human resource management has acquired the status of an indispensable ingredient of public administration.

Regardless of the form of any business organisation, whether engaged in manufacturing or services, and pattern of its ownership, whether public or private, all of them

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have at least one thing in common i.e. effective utilisation of resources. Organisational resources can be grouped primarily grouped into material and human resources. Of the two resources, the human resource becomes the prime mover of the entire industrial organisation. The success of any organisation rests largely on how effectively it manages its human resources. Modern management theory, which had its origin in Taylor’s ‘Scientific Management Theory’, soon began to emphasise the importance of human resources. It is now firmly believed that the human resources are the decisive factors, which make or break any organisation. Technological superiority and financial might notwithstanding, the human factor is the lifeblood of organisational success.

In the context of developing countries like India, Peter F. Drucker has beautifully summed up the importance of human resources, “it is the essence of being a developing country that effective, productive, competent people are in short supply. One of the central tasks in a developing country is development of people into human resources - a task of training, of developing, of managing”. In fact, the only way to manage output is to manage people and further, the only resource that cannot be bought is motivated human resource. Motivated people will have to be developed and nurtured by managerial competence.

Effectiveness of the organisation depends upon the behaviour and performance of the people constituting them. Gone is the time when people were considered a liability, but now they are not only a resource but also a valuable asset. Managing the human resources is needed by any organisation that wants to be vivacious as there is a need to invest time, money and efforts in their development, which ultimately provides fruitful results as human resource can be developed to an unlimited extent because every human being has endless potential.

A key ingredient to the effective management of business enterprise is its human resource. Managing human resources is the central and most important task of management.

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Human resource management has been attracting wide attention of the research scholars, chief executives and line managers for the last few decades. Its scope is so multifarious and vast that explanation of its various avenues would continue for long. But the keenness and intensity with which its concepts are being probed into, in all their minute and comprehensiveness, seems remarkable. Scholars are agog to trace the very roots of certain concepts with a view to enlarge and deepen the perception of the fascinating subject.

Each human being is born as something new, something that never existed before; each is born with the capacity to win at life, each has own unique potentials capabilities and limitations.21 Late Prime Minister Rajiv Gandhi in his inaugural address during the year 1990 at Madurai, very aptly remarked, “Development is not about factories, dams and roads; development is about people. The goal is material, cultural and spiritual fulfillment of the people. The human factor is of supreme value in development.” Thus, it becomes the prime responsibility of the management to develop subordinates for the achievement of organisational objectives. Today’s workforce being in the possession of higher skills and having access to superior technology, has forced the physiological needs to take the back seat and now it is the upper ladders of Maslow’s need hierarchy that matter. The adaptability to such a radical shifting must be in tune with the aim of attaining maximum productivity though with a cautious approach to keep the society’s fabric intact. In order to attain maximum benefits of human resource management in an organisation, it must be introduced as a total system, if the benefits of human resource management are to be experienced. For this, the commitment and willingness of the top management are of paramount significance. Top management must recognise that human resource of an organisation, are its most important resources and the same should be subjected to optimum utilisation.

The values, openness, mutual trust, collaboration and enthusiasm within the system, should be conceded by each and every organisation. If implemented properly, integrated human resources system can contribute significantly to the positive organisational cultural change so as to promote harmonious atmosphere and faster excellence in the organisation.22

An eminent philosopher of China, Kuang Chung Trun, of the 7th Century B.C. pointed out very beautifully:

“If you wish to plan for a year, sow seeds,
If you wish to plan for ten years, plant trees,
If you wish to plan for a lifetime, develop men.”

Management of human resources has been considered an expendable luxury, a specific tool of management to develop individual skills. While these views carry some validity, it is rapidly becoming apparent that the management of human resources should be regarded in the larger context of trends in society and the needs of learning organisations. In such a setting it appears that management of human resources and their development is by no means a ‘luxury’. It is the key with which to unlock creative helping and problem-solving process that can move a changing society constructively forward. In fact, it is a process, not merely a set of mechanism and techniques. The mechanism and techniques, such as performance appraisal, counselling, training, organisational development are used to initiate, facilitate and promote this process. Employees’ capabilities must be continuously sharpened and used. For this purpose, an ‘enabling’ organisational culture is essential. When employees use their initiatives, take on risks, innovate and make things happen, the organisation may be said to have an ‘enabling’ culture. Even an organisation that has reached its limits in terms of growth needs to adapt to the changing environment. An organisation has to adapt itself to the need for processes that help to acquire and increase its capabilities for stability and renewal.

The human resources, however, are difficult to manage. It is because human behaviour is highly unpredictable. It not only differs from individual to individual but often on the part of the same individual at different points of time. Despite biological and cultural similarities, human beings not only differ in their appearance but also in their capabilities based on their respective background, training and experience, in their personality characteristics as reflected in their sensitivities, intelligence, initiative, interests, commitment and motivation. Emotions, however, play more important part in affecting attitude, behaviour and performance of the same person from one point of time to another. Thus, the success of any venture today depends on due recognition of human potential, capabilities and aspirations and proper utilisation of human traits and emotions.

It is now a well-established fact that the return on investment in human resources is many times more than the other resources. Material resources depreciate every year in value but human resources appreciate in value by acquiring greater knowledge, experience and efficiency. In view of this it becomes the responsibility of every organisation to create a healthy and congenial atmosphere in the organisation so that people may give their best to the organisation along with a sense of belongingness, satisfaction and growth. Growth is the need of the time. People in organisations have very high aspirations and ambitious for their own growth and development. Human resource management does not merely focus on employees as individuals but also on other human aspects and processes such as rules or jobs in the organisations, dynamic units, team, inter team groups and total organisations.

The present study, too, is in itself a humble endeavour to grasp certain concepts of human resource management. This would help in harnessing and promoting individual capacity and capabilities conducive to technological advancement/evolving techniques of management based on scientific exposure. It would then naturally form a part of the constantly evolving organism of human life and style. It is also important to know how to harness human and non-human resources while translating the goals into action. Human resources consist of different emotional responses to different stimuli, and different values, attitudes, motives and perceptions. It is difficult to their behaviour especially in an organisation where they work in groups. Their behaviour is neither consistent nor readily predictable.

As the time has been changing dramatically, one needs to be future - oriented and vigilant to monitor the human resource management practices. Besides planned efforts should be made to develop human relations skill in managers at all levels and they should be encouraged to practice these skills capitalising on human dignity, capability and potential through healthy inter-personal relations formal and informal positive rewards - extrinsic and intrinsic and greater people's involvement in terms of exercise of discretion, decision making and use of ingenuity. Thus, given proper environment, reorganisation and support, the human assets are sure to yield the best results by taking initiative, assuming responsibilities and

optimising resources. The organisations that will truly excel in future will be those that discover how to tap people’s commitment and capacity at all levels.²⁶

In a country like India where human resources are abundant, it is pity that they remain underutilised. It is undisputed that technology alone however sophisticated, cannot bring about desired change in economic performance of the country unless human potential is fully utilized for production purposes.²⁷ Thus, it becomes amply clear that the concept of human resource management is not confined only to managing human resources, but their development as well. Therefore, it becomes important that scientific studies may be carried out at an organisational level with a view to examine its human resource management policies and systems. The present study, therefore, has been conducted at micro level to grasp certain concepts of human resource management in Punjab State Co-operative Supply and Marketing Federation Limited (Markfed).

Co-operatives: A Prologue

Co-operation, an economic miracle of the nineteenth century²⁸, is not a mere slogan in the present era.²⁹ It is a powerful instrument for resolving the socio-economic problems of human society, not by revolution but through a process of mutual and co-operative efforts. Co-operation involves all aspects of human behaviour - political, religious, economic or cultural.³⁰ Just like the human system, it is the life and blood of a modern society’s existence. Where co-operation is strong, there, the farmers, the small businessmen, the workers etc., have a better standard of living. Emphasising the importance of co-operation Hall and Matins observed, “In working with others for the common good, man’s highest qualities are enlisted and developed; and in the employment of these qualities, the man himself becomes a better man, and the quality of the human race is improved.”³¹ It indicates that the people’s standards, both materially and morally, are raised through co-operation. Because of these advantages, the roots of co-operation have spread wide and deep, both in the developed and developing nations. Probably, that is why the ILO Yearbook for 1933 noted, “In some

they are using it as an instrument for developing a backward economic system; in other more advanced countries, it is considered as a highly developed and advanced form of economic system and is, therefore, entrusted with new responsibilities in being associated with tasks of public importance. According to Shanti Kothari, people's institutions are the real watchdogs to act as a counterforce to the slow moving bureaucratic machinery in modernising the rural poor. The FAO study also testifies that co-operatives are useful organisations to assist small farmers to improve food production, their position in the markets and their earnings. Thus, co-operative organisations are the most important agencies for promoting economic and social welfare. It also helps in building the moral and material strength of people.

**Meaning of Co-operation**

Co-operatives can be linked to the basic unit of our society that is family. The concept of co-operation is not a new evolution of the contemporary system. The times old institution of joint family system is very well comparable to the contemporary co-operatives. It serves as a security and insurance to all the members against illness, incapacity, and old age and during hard movements of life. Co-operatives have a multi-faceted role. The very flexibility of its organisation, allows it to adapt itself to a variety of different purposes and widely diverging economic and social systems.

Due to its flexible nature, which can lend itself to a variety of purposes and adapt itself to widely divergent economic and social systems, co-operation has been defined in different ways by various schools. In order to have a thorough understanding of the concept, the following definitions are worth mentioning. In the words of Hubert Calvert, "co-operation is a form of organisation wherein persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interests of themselves."

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15 Y.S. Sharma, *Sahavaya or Indian Co-operation*, Hoshapur, Vidya Mandir, 1964, p. 44.
agencies for promoting economic and social order voluntarily, which in the process builds up
the moral and material strength of the people.\textsuperscript{39}

The ILO has defined co-operative society as, “an association of persons varying in
number who are grappling with the same economic different and who, by joining together on
a basis of equal rights and obligations, endeavour to solve those difficulties, mainly by
conducting at their own risk a joint undertaking to which they have transferred certain
economic functions corresponding to their common needs and by utilising this undertaking
jointly for their common material and moral benefit.”\textsuperscript{40}

According to C.R. Fay, another protagonist, “a co-operative society is an association
for the purpose of joint trading, originating among the weak and conducted, always in an
unselfish spirit, on such term that all who are prepared to assume the duties of membership
may share in its rewards in proportion to the degree in which they make use of their
association.”\textsuperscript{41} Paul Lambert, a well-known authority on co-operation, seems to have given a
broader and liberal definition. According to him, “a co-operative society is an enterprise
formed and directed by an association of users, applying within itself the rule of democracy
and directly intended to serve both its own members and community a whole.”\textsuperscript{42}

As per the International Co-operative Alliance, “a co-operative is an autonomous
association of persons united voluntarily to meet their common economic, social and cultural
needs and aspirations through a jointly owned and democratically controlled enterprise.” In
the tradition of their founders, co-operative members believe in the ethical values of honesty,
openness, social responsibility and caring for others. Co-operatives are based on the
following values:\textsuperscript{43}:
1. Self Help.
2. Self-Responsibility.
3. Democracy.
5. Equity.

\textsuperscript{42} Paul Lambert, \textit{Studies in the Social Philosophy of Co-operation}, Co-operative Union Ltd., Manchester, 1963,
p. 84.
\textsuperscript{43} S.S. Chandrasekhar, \textit{Co-operative Ideology and Movement-The Roots, The Trunk and The Twigs},
Puliani and Puliani, Bangalore, p. 165.

Co-operation, if followed and accepted earnestly by its constituents, can remove the evils of monopoly and concentration of power; it can check unhealthy inflation and depression; and it can safeguard all the all the people against all types of 'isms'. It is through co-operation that human beings are endowed with the qualities of honesty, loyalty, unity, equality and service. Since co-operation has received a lot of attention and experimentation all over the world, it becomes pertinent to understand the concept properly at the global level, but more particularly in Indian context.

Co-operation – A Global Perspective

Co-operatives have evolved as a complex and differentiated organisations as a result of vast economic, social and political changes which took place in the 18th and 19th century in the world at large, and are an attempt to find a way out of the situation arising out of the evils of the new industrial society. The first half of the 18th century was a time of scarcity and shortages for the whole of Europe. The capitalist structure created by the Industrial Revolution was also accountable for creating many social and economic evils in the society. The new industrial society, a consequence of the Industrial Revolution and French Revolution, made a few rich, but it made many poor. It increased national wealth but diminished national well-being. It promoted material prosperity but it arrested social progress. There now emerged a class of ignorant and backward landless and propertyless industrial wage earners or the proletarians. The general condition of these people, especially the peasantry was the most deplorable. He had to groan under the weight of a heavy burden of taxation. There was none to listen to his tale of woe. He had to pay four-fifths of his produce in taxes to King, the Landlord and the Church - all parasites on the blood and toil of the poor peasant.

In United Kingdom, Robert Owen (1771-1858), a poor Welshman, and William King (1786-1865) of Broughton, popularly known as the “poor man’s doctor”, were the first to propound and propagate the ideals of co-operation. King’s main contribution is the

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44 B.B. Goel, Co-operative Management and Administration, op. cit., p. 19.
48 B.B. Goel, Co-operative Management and Administration, op. cit., p. 25.
publication of a periodical, “The Co-operator” through which he expounded the philosophy of consumers’ co-operatives. Bonner in his book “British Co-operation”, expressed William King’s philosophy in the following manner, “Union is strength what one could not do many might. But before many can work, they must join hands; they must know their object and feel a common interest and a common tie.”49 The movement was propelled in 1844 by a handful of weavers by launching a small consumer store called Rochdale Equitable Pioneer’s Society. It was run according to certain business rules, which later on, acquired the shape and style of co-operative principles. These principles still hold good even today. It is said that the activities of this society expanded so rapidly that no society of a similar size can equal.50

From England, the co-operative movement spread to other continental countries, particularly France, German and Italy. In France, Charles Fourier (1772-1837) son of a cloth merchant advocated co-operative production. Fourier emphasised that the struggle against pauperism depends more on the increase of production than on better distribution, provided such an increase of production occurs in context of social justice.51 In France, Philippe Buchez52 (1776-1863), Charles Gide (1847-1932) and others made co-operative experiments of various kinds.

In Germany, Herr Franz Schulze (1801-1883), an advocate by profession, took the lead towards the end of 1840 in setting up several associations for small artisans, shopkeepers and businessmen, especially in the urban areas. In all, he set up about 1,900 co-operative associations. At about the same time, another person, Herr Friedrich Wilhelm Raiffeisen (1818-1888), was busy in setting up societies in the rural areas. Popularly known as ‘Father Raiffeisen’, he organised 425 credit unions with a view to save the people from starvation and indebtedness. Thus, it can be said that Raiffeisen’s activities were mainly directed towards benefiting the poor peasants; Schulze’s for the benefit of artisans and small tradesmen. However, together they overhauled the system of rural co-operatives. Today, Germany is considered as a model country in the field of acceptance of co-operative

52 Phillipe Buchez was a staunch supporter of French Socialism. He said, “To each according to his needs, from each according to his capacity.”
philosophy because the Co-operative Credit Association is considered as the parent of every other forms of co-operation.53

In Italy, Luigi Luzzatti (1841-1927) and Dr. Leone Wollemburg undertook the development of co-operative movement. They felt that co-operatives alone could save the people from the clutches of moneylenders. With the aim of acquiring a thorough understanding of the Raiffeisen system, Luzzatti went to Germany and after coming back from Germany, he set up in 1866, the first co-operative bank named, “ Banche-Popolare” (People’s Bank).

Soon the movement attracted the attention of social workers of several other European countries as well as those of the continents of America and Asia, facing similar socio-economic problems. In fact, by now, the movement had attracted international attention leading to the establishment of the International Co-operative Alliance (ICA), at London in 1895. ICA was established with the objective of providing a form for co-operation and reinforcement among national co-operative movements.

Another factor, which accounted for the spread of the movement after the Second World War was the emergence of several independent states, particularly in Asia and Africa. The new States encouraged the spread of the co-operative movement as a part of their national strategy for planned development. Appreciating the role of co-operatives in the world, Director General of ILO said that co-operation is helping to solve pressing economic problems.54

Co-operative Principles

The roots of co-operative principles can be traced to Rochdale Pioneers, although its bare bones were present even in the times of Robert Owen. In the archives of co-operative history, the business rules of the Rochdale Pioneers have guided the formation, development and extension of small co-operatives all over the world. It was on the recommendations of a special committee of the ICA that a formal recognition was given to co-operative principles in 1937. The committee specified seven principles, vis., open membership, democratic control, distribution of surplus in proportion to members’ transactions, limited interest on capital, political and religious neutrality, cash trading and promotion of education. The first

four principles were graded as obligatory/essential and the rest as discretionary/non-essential by the Committee.

Owing to the changes in the socio-economic conditions of the world, a need was felt to review the co-operative principles, in the year 1963. Consequently, the Central Committee of ICA appointed The Commission on Co-operative Principles in October 1964, with the following eminent co-operators as its members:

1. Professor D.G. Karve, Chairman, ICA, Advisory Council for South East Asia, New Delhi, India.
2. Mr. Arnold Bonner, Senior Tutor, Co-operative College, Co-operative Union Limited, Great Britain and Ireland.
3. Mr. Howard A. Cowden, Member, Board of Directors Co-operative League of U.S.A.
4. Professor R. Henzler, Director, Institute of Co-operation, University of Hamburg, Germany.
5. Professor I. Kistanov, Professor, Economics and Co-operation, Moscow Institute of People’s Economy.

The ICA Commission submitted its report in the year 1966. It did away with the grading of the principles as essential and non-essential, done by the special committee of 1937. In fact, it laid greater emphasis on the first four principles, but did not accept the last three. Besides, the commission added two new principles - Promotion of Co-operative Education and Co-operation among Co-operatives. The principles as enunciated by the commission55 are as under:

1. Membership of a co-operative society shall be voluntary and available without artificial restriction, or any social, political, racial or religious discrimination, to all persons who need and can make use of the society’s services and are willing to accept the responsibilities of memberships;
2. Co-operatives societies are democratic organisations. Persons elected or appointed in a manner agreed upon by the members and accountable to them should administer their affairs. Members of primary societies should enjoy equal rights of voting (one member one vote) and participation in decisions affecting their societies. In other than

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primary societies, the 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. The economic results, arising out of the operations of a society belong to the members of that society and shall be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by a decision of the members in the following manner:
   (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 shall make provision for the education of their members, officers, employees and of the general public, in the principles and techniques of co-operation, both economic and democratic; and

6. All co-operative organisations, in order to best serve the interests of their members and their communities shall actively co-operate in every practical way with other co-operatives at local, national and international levels, having as their aim the achievement of unity of action by co-operators throughout the world.

However, responding to the changing times, a need was felt for re-affirming the values of co-operation for a deeper investigation into the relevance of the co-operative principles of 1966 to the changing environment. The ICA started the exercise in 1990 in two phases. The first phase involved an extensive study and discussions about the nature of co-operative values. Members of the ICA and a number of independent researchers carried out this task under the direction of Mr. Sven Ake Book of Sweden between 1990 and 1992. The second phase consisted of preparation of ‘Statement on Co-operative Identity’ and background paper by Resource Group chaired by Mr. Ian McPherson (Canada), Mr. Raija Itkonen (Finland), Mr. Shiraishi (Japan), Mr. Hans-Detlef Wiilker (Germany) and Mr. Bruce Thordarson, Director General of the ICA.

The task undertaken by the ICA was unprecedented in many respects. Unlike the first two reviews of co-operative principles in 1937 and 1966 by the Special Committee and the Commission on Co-operative Principles respectively, this time it was conducted in two phases spread over as long as five years. The findings of the study and discussions of co-
operative values under the leadership of Mr. Swen Ake Book were published by ICA itself in the form of a book entitled “Co-operative Values in a Changing World”. According to the ICA Statement on Co-operative identity, the co-operative principles are guidelines by which co-operatives put their values into practice. These principles are seven in number and a brief account of each is given below:

1st Principle: Voluntary and Open Membership
Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities to membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control
Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (One member, One vote) and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation
Members contribute equitably and democratically to control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes:
- Developing their co-operative possibly by setting up reserves, part of which at least would be indivisible;
- Benefitting members in proportion in their transactions with the co-operative; and
- Supporting other activities approved by the membership.

4th Principle: Autonomy and Independence
Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including Governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information
Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the
development of their co-operatives. They inform the general public particularly young people and opine leaders about the nature and benefits of co-operation.

6th Principle: Co-operative Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working through local, national, regional and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policy approved by their members. These principles ought to be applied everywhere in order to set an example of honest, efficient and progressive co-operative activity.

Thus, the utility of these principles lies in the fact that they attempt to avoid waste in effort and opportunity, eliminate uneconomic competition, make proper utilization of resources and also help in exchange of ideas and experience.

Genesis of Co-operative Movement in India

The socialistic system as enshrined in the Constitution of India is based on the ideals of democracy and socialism. Only a movement of co-operative can fulfill the needs of such an economic and social fabric. The co-operative movement has been necessitated to protect the interest of weaker sections of society. The primary objective of this movement is to protect the economically weaker sections of society. In all forms of organisations be it sole trade, partnership or joint stock company, the primary motive is to increase profits. The businessman tries to promote his interest through all possible means including exploitation of consumer. The co-operative form of organisation is a democratic set up run by its members for serving their interests. It is self-help through mutual help.

The co-operative movement in India was started in 1904, with the purpose of freeing the farmers from the grip of moneylenders. Subsequently this movement proved to be a boon for the social and economic development of the entire country. Recognising the potential of the co-operative movement in a developmental programme, Pandit Jawahar Lal Nehru observed, “As for me, I, am a co-operator, but in the economic structure of India, Co-operation is not even a free choice; it is a necessity.” However, with a view to have a systematic understanding of the genesis of Co-operatives in India, it would be better to it divide into two eras:

- Before Independence; and
- After Independence.
Before Independence

The idea of co-operation or interdependence in India is not entirely a new device. However, the use of the word in modern sense is not native to the country.\textsuperscript{56} The Vedas, the Upanishads and the Bhagwat Purana have fully subscribed to the co-operative existence. In the Vedas, prayers have been made to the Almighty to give human being power and desire to work together, to live together and to think together. Bhagwat Purana permits individual ownership only to the requirement of food. Kautilya’s Arthshastra also mentions about the co-operatives. The joint family system of olden times is comparable to the present day’s co-operatives. It used to serve as an insurance against illness, incapacity and old age.\textsuperscript{57}

The principal of co-operation is not new India as the social life in India has always been based on co-operative norms. The Panchayat system is an example of it, which aims at the improvement of socio-economic life of the whole village. The British rule in India during nineteenth century shattered the foundation of the village life. In other words, towards the end of the 19\textsuperscript{th} century, the condition of the rural masses in India was quite deplorable. The country was studded with problems of poverty, ignorance, improvidence and ancestral debt. Pool soil, population explosion and occasional outbreaks of natural calamities enhanced their misery. The outcome of all these factors was rural indebtedness. The moneylenders were exploiting the rural poor. At some places of the country, peasants rose against the money lending classes. With a view to save the peasants from the clutches of money lenders, Provincial Governments enacted several measures of relief, such as, The Deccan Agricultural Relief Act (1879); The Land Improvement Loans Act (1883) and The Agriculturists Loans Act (1884). These measures however, did not prove much of a success due to stringent and cumbersome official procedures.

In 1892, the Government of Madras Presidency deputed one of their senior officers, Sir Fredrick Nicholson to study the theory and practice of co-operative structure in England and Germany, and to examine the feasibility and modalities of their introduction in the Indian situation. Nicholson in his Report (1907) observed that we must find “Raiffeisen in India”. The Report stressed the need for pursuing co-operatives sincerely so as to alleviate the conditions of the rural poor. Meanwhile, H. Dupernex, an officer of the British Government

\textsuperscript{57} V.S. Sharma, \textit{Sahyoga or Indian Co-operation}, op. cit., 1964, p. 44.
published a small book on People’s Bank for Northern India. Both these publications attracted wide attention.

The period of limitations introduced for the payment of loan, which created problems for villages. The Government was compelled to find out ways by which village people could be saved from the clutches of moneylenders and their economic position could be improved. India Famine Commission of 1901 also advocated the establishment of mutual credit association on the European pattern. Lord Curzon appointed a committee to suggest legislative measures for starting co-operative societies on sound lines. In 1901, the Government of India appointed a Committee under the Chairmanship of Sir Edward Law, to study the prevailing economic conditions in the country. The committee recommended the introduction of co-operative credit societies on the Raiffeisen model. It also came up with a Co-operative Societies Act. The Government accepted the recommendations. Accordingly, the first Co-operative Credit Societies Act (No. X), 1904 came into force. Introducing the Bill in the Imperial Legislative Council, Sir Davsil Ibberson aptly remarked; “Only along the cooperative route will India find the way from poverty to plenty.”

The Co-operative Credit Societies Act, 1904

The passage of this Act was the first landmark in the co-operative movement of India. It aimed at encouraging thrift habits among poor peasants and artisans by setting up co-operative societies. The co-operative societies were classified as ‘rural’ and ‘urban’. The former had unlimited liability, while the latter had both limited and unlimited liability. The societies were subject to audit and inspection by the Government officials. At the same time, they were given certain privileges, such as, exemptions from income tax, stamp duties and registration fees. With the enactment of this Act, many credit societies started coming up and their number went on increasing steadily. Till the end of 1909-10, there were 0.02 Lakh societies with about 1.60 Lakhs members and working capital of Rs. 6.80 Million.

It was however, soon realised that the Act was quite limited and suffered from inherent weaknesses viz., there was no provision for the establishment of non-credit societies or central agencies, such as, central co-operative banks/federations. In addition, registration as well as cancellation of the societies under the Act involved a lengthy procedure. With a view to set right these shortcomings; the Government passed a comprehensive Co-operative Societies Act in 1912.
The Co-operative Societies Act (II), 1912

The Act of 1912, steering in the second phase of development by doing away with the distinction of ‘rural’ and ‘urban’ societies. Rather, it provided for registration of all types of societies - credit, non-credit and apex federations. With the enactment of this Act, there was an expansion in number of societies together with their membership and working capital. In order to assess the quantitative and qualitative progress of the movement, the Government of India, appointed a Committee on Co-operation on October 8, 1914, under the Chairmanship of Sir Edward Maclagan. The committee recommended stoppage of further registration of societies, emphasised on the moral side of the movement and stressed on the strengthening of the Co-operative Department of the Government. The committee also recommended structural grouping of societies into three classes – primary societies, comprising individual members, central banks at the district level; and provincial banks and federations of societies as apex banks/unions at the provincial level for purposes of supervision.

The report of the Maclagan Committee became the Bible of Co-operation in India for a long time and held the ground till the publication of the Report of the All India Rural Credit Survey Committee, 1954.

The Constitutional Reforms of 1919

An important event in the history of the country took place in the form of the Government of India Act, 1919, also known as Montague – Chelmsford reforms. The Act brought about political and administrative decentralisation to a certain extent. Co-operation was now to be provincial subject. The province of Bombay took the lead and passed its own Act in 1925, followed by Madras (1932), Bihar and Orissa (1935), Bengal (1940) and Punjab (1954), retaining the basic features of The Cooperative Societies Act of 1912. There was an uneven growth of the movement geographically and functionally. Different types of societies gained varying degrees of success in different provinces. For example, Punjab led in credit movement, and Madras in cottage industries, etc. While evaluating the progress of the movement in the country, the Royal Commission on Agriculture (1928) observed that if co-operation fails, there would fail the best hope of rural India.

The great economic depression of 1930-31 gave a serious jolt to the movement. The prices of agricultural commodities came down steeply and, consequently, the farmer was hard

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58 V.S. Sharma, Sahyoga or Indian Co-operation, op. cit., 1964, p. 69.
hit. K.L. Punjabi, the then Registrar of C-operative Societies, Bombay, observed that the depression came as a very good schoolmaster. It rightly brought to light that all was not well with the movement. This resulted in enormous over dues and defaults in repayments of loans advanced by co-operative societies. In some Provinces, such as, Central Provinces, Berar, Bihar, Orissa and Bengal, etc., the movement came to the brink of collapse.

In 1931, Central Banking Inquiry Committee came out with its report. It had strongly stressed on assisting the co-operative movement from all quarters, as there was no better devise for improving the standard of agriculturist of India than the co-operative effort. This was also the period when on the recommendations of the Central Banking Enquiry Committee (1931), Reserve Bank of India was set up in 1934. In 1935, the Bank set up an Agricultural Credit Department to look after the development of the co-operative movement in the country. This Department, after making an in-depth study of the problem, advised the Provincial Government to take adequate steps to improve the working of the co-operative societies.

The next phase of development started with the outbreak of the Second World War in 1939. The prices of agricultural produce began to rise. The farmers now found it easy to clear their old debts and financial conditions of co-operative institutions began to improve. As a result of the boom in earnings, substantial developments took place in the non-credit sector as well. The agricultural marketing societies, however, did not develop significantly due to price control and compulsory procurement of food grains.

During this period, the number of co-operative societies of all types of their membership increased from 10,571 and 43.22 Lakhs in 1935 to 11,696 and 50.733 Lakhs in 1940. The working capital during the same period increased by 12.6 percent from Rs. 946.1 million to Rs. 1,046.8 Million.

The Government of India appointed the Agricultural Finance Sub-Committee, under the Chairmanship of D.R. Gadgil in 1944 and the Co-operative Planning Committee, under the Chairmanship of R.G. Saraiya in 1945. These Committees were asked to study the problem of rural indebtedness and to suggest ways and means for developing agricultural finance. Both these committees made far-reaching recommendations.

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60 Quoted in 50 Years of Co-operation, Golden Jubilee Souvenier (1904-1954), Bombay Provincial Co-operative Institute, 1954, p. 58.
The Gagdil committee expressed that, the co-operation would provide the best and the most lasting solution for the problems of agricultural credit in particular and these of rural economy in general. It emphasised that the existing co-operative organisations could handle the entire problem single-handedly and that state assistance was necessary. It, therefore, suggested the setting up of an Agricultural Credit Corporation as an autonomous body at the Provincial level. The Saraiya Committee, however, did not agree with this basic recommendation of the Gadgil Committee. It suggestions are as following:

(i) Rural activities should be diversified by granting liberal loans to agriculturists;
(ii) Close links between credit and marketing should be established; and
(iii) 25 per cent of the total marketable surplus of agricultural produce of the country should be brought within the purview of co-operatives.

The Report of the Co-operative Planning Committee, stressed the importance of the role of the co-operatives by emphasising the need for making arrangements for regular training of members of managing committees and secretaries of the rural co-operative societies as well as the staff of co-operative institutions. It also, emphasised upon the extending the activities of the co-operatives so that it covers the whole life of the cultivator. Besides providing credit to the poor farmers, co-operatives should be authorized to provide other facilities on cheaper and uniform basis to the farmers to improve the economic standard of living and the overall growth of the society.

In 1947, the country became Independent from the British rule and was partitioned in two separate countries - India and Pakistan. It gave a big jolt to the co-operative movement which otherwise was doing well. While commenting on the role of co-operation, a report of the RBI (1946) stated that it had reached a stage where it could be counted as factor in the economic, social and political development of rural India.

After Independence

In the post-Independence era, co-operation has been assigned a notable role in bringing socio-economic changes through the process of democratic planning with accent on assisting the weaker sections of the community. Supporting this viewpoint, R.B. Tyagi observed that, co-operation has begun to be felt as the only panacea for all our maladies, both

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64 Reserve Bank of India, Review of the Co-operative Movement. 1939-46, RBI, Bombay, p. 104.
social and economic and especially of the rural sector. According to a Government publication, co-operatives in the country’s economy will not only avoid excessive centralisation and bureaucratic control likely to result from planning itself, but also curb the acquisitive instincts of the individual producer or trader working for himself. For these reasons, various Five Year Plans have envisaged a great deal of scope for the organisation of co-operative activity.

The First Five Year Plan of India recognised co-operation as an indispensable instrument of planned economic action in democracy, combining initiative, mutual benefit and social purpose. This coincided with the report of the Director General of ILO (1951) on the role of co-operatives. It pointed out that the co-operatives are helping to solve the economic problems such as inflation, maintaining the downtrend in the prices of food and essential consumer goods, equitable distribution of restricted and controlled consumer articles through network of co-operative societies and marketing of goods on no profit, no loss basis at certain occasions. The most prominent and extensive activities under co-operative sector have been in agriculture especially through co-operative credit societies. These activities of the co-operatives contribute towards rural development on a large scale.

Reiterating the approach enunciated in the First Five Year Plan, the Second Five Year Plan maintained that, the building up of co-operative sector as part of the scheme of planned development is thus, one of the central aims of the national policy. In 1959, the Report of the Working Group on Co-operative Policy emphasised the role of co-operatives in co-operative development of the society and it stressed upon an extended nation wide training programme for non-official workers and members of co-operative societies as they play the key role in co-operative development programmes.

The Third Five Year Plan observed that a rapidly growing co-operative sector with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for stability, for expansion of employment opportunities and for rapid economic

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65 Government of India, Sahakari Samaj, Ministry of Community Development and Co-operation, Department of Co-operation, New Delhi, 1965, p.5.
66 Government of India, First Five Year Plan (1951-56), Planning Commission, New Delhi, p. 163.
68 Government of India, Second Five Year Plan (1956-61), Planning Commission, New Delhi, p. 221.
development. The Report of the Working Group on Co-operation (1968) observed that the overall record of progress of co-operative programme has been quite encouraging. But it has been limited to the agricultural sector specifically. Various other co-operative sectors such as khadi, handicrafts, handlooms, and industrial co-operatives etc. have not performed sufficiently. There has been unbalanced development of co-operatives. Thus the working group on co-operation appointed by ARC observed that, there is a wide gap between accepted policies and actual implementation.

Based on the concept of growth with stability and social justice, the Fourth Five Year Plan visualised a bright future for co-operatives. In 1971, the National Conference on role of co-operatives in the development of national economy pinpointed towards many important missing aspects of co-operative movement, example, vertical and horizontal relationship of various levels and branches of co-operatives, removal of restrictive features of movement, and collaborative role of public enterprises and co-operatives. It has stressed upon widening the Policy Resolution, which is a serious effort on the part of Government to improve upon the drawbacks in the co-operative movement. It emphasises upon building up co-operatives as one of the major instruments of decentralised labour intensive and rural oriented economic development. Co-operatives at all levels shall be closely associated with the process of planning for economic development and social change.

The Fifth Five Year Plan recognised co-operatives as an important institutional framework to ameliorate the condition of weaker sections, particularly in providing inputs and working as an important limb of the National Public Distribution Scheme. The Plan stated that there is no other instrument as potentially powerful and full of social purpose as the co-operative movement. NCUI, in its annual conference in 1978, has recognised the role of co-operatives in socio-economic transformation of the society. It benefits even the poorest among the poor as it emphasises the idea of 'each according to one's ability and each according to one's work'. It plays an important role in optimum utilisation of human and

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73 National Co-operative Union of India, National Conference on role of Co-operatives in the Development of National Economy vis-à-vis Sixth Five Year Plan, Delhi, March 16-17, 1978, pp.136-137.
74 Government of India, Fifth Five Year Plan (1974-79), Planning Commission, New Delhi, p. 78.
material resources and establishment of liaison between the producers and the consumers. It also emphasized upon the important role played by co-operatives in national development and demanded a serious implementation of the recommendations made by various committees dealing with all co-operative sectors. The Government that may analyze the entire gamut and structure of co-operative movement to improve and modernize functioning of co-operatives to enhance their credibility should appoint a National Commission on Co-operation dealing with all its aspects.  

The Sixth Five Year Plan pointedly recognises the non-exploitative character of co-operatives, the voluntary nature of their membership, the principle of one man one vote, decentralised decision making and self imposed curbs on profits eminently qualifying them as an instrument of development combining the advantages of private ownership with public good. The Seventh Five Year Plan stressed the need to improve the operational efficiency of co-operatives by ensuring adequate manpower with requisite training as also by simplifying the procedural formalities. The Eighth Five Year Plan pointed out the need for co-operatives to play a major role in the distribution of inputs and services to the farmers on one hand and in assisting marketing and processing of agricultural produce on the other. The Ninth Five Year Plan emphasised that the co-operatives can play a vital role in sustainable development and management of irrigation works in general and ground water resources in particular.

Since Independence, the co-operative movement has progressively expanded in terms of membership, resources and transactions. It has left almost no sector of the economy untouched. In addition to traditional activities like credit, marketing, distribution etc., it has penetrated into new fields like fisheries, housing, handicrafts, handlooms, etc. Commenting on the growth of co-operatives, the Tenth Five Year Plan observed that the number of all types of co-operative societies have increased from 1.81 Lakhs in 1950-51 to 5.04 Lakhs in 1998-99.

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75 NCUI, National Conference on Role of Co-operatives in Eradication of Poverty, November 29-30, 1978 (background papers), Delhi, p. 12.
76 National Co-operative Union of India, Avoiding Main Issue, The Cooperator, 16(22), Delhi, May 15, 1979, p. 589.
77 Government of India, Sixth Five Year Plan (1980-85), Planning Commission, New Delhi, p. 177.
Review of Literature

Co-operation means working together for the achievement of common objective. Through co-operation, different requirements of the individual and the society are sought to be met. The emergence of co-operative institutions is the outcome of individual’s inability to operate his economic activity in a way beneficial to him, which involves several operations restricted by his limited knowledge, finance and ability. There is something universal in the concept of co-operation, which responds to the human needs everywhere.82

From Robert Owen to Karl Marx to present endeavour of international co-operation through UN and its agencies, the philosophy of co-operation has been working on the concept of avoiding concentration of capital by mutual understanding, mutual help and creating organisations for the purpose. The co-operative movement therefore, has emerged as a very powerful system throughout the world. In fact co-operation has begun to be felt as the only panacea for all our maladies both social and economic and especially of the rural sector.83

The modern concept of co-operation originated in England during the Industrial revolution and spread in France, Germany, Denmark and Switzerland. It developed in America during early 19th century as an environmental necessity for the Americans. The strong opposition of the Muslims against Jews made the latter to co-operate with each other in Israel. Thus, to Jews co-operation was a matter of necessity and became a way of life. The Russian Revolution strengthened the budding co-operatives and Lenin issued an order stating that co-operatives are such an organisation in a capitalistic society, which can be called good, and that it should be protected at every cost.

In China, the co-operative movement was born out of the necessity of poor during the first half of 20th century when widespread conditions compelled the Government to help the famine stricken people and the co-operatives were recognised as integral ingredient of economic structure of the country. The World War I resulted in devastation and urgency of rehabilitation and reconstruction of economic system of Europe and America. In Asian countries, the colonial system had received sure jolt party by war and liberalisation movements and partly by increasing poverty, drought conditions and economic reversion. This resulted in short supply of food, medicines etc. for the millions of starving and dying

83 R.B. Tyagi, Recent Trends in Co-operative Movement in India op. cit., p. 45.
people. This required time to return to normalcy. However, immediate necessities of life for teeming millions were ‘bread, health care and shelter’.  

Co-operative institutions are important ingredients of development administration especially in the developing economies. The structural patterns of co-operative administration provide for strong and cohesive organisational system right from the village level to the national level. Majority portions of the population come into its fold, and are benefited. The most striking feature of it is that it involves people directly to organise them and function in the larger interest of public. Obviously, the manner in which they have to act and work in the organisation like co-operative institution, they have to be democratic, progressive and co-operative in ideas and practice. The concept of co-operation has the humanitarian bias, inculcates mutual respect, help, and above all provides opportunity to learn how to live for the common objective of human welfare through dedicated services and sacrifice for others. Universally, accepted principle of co-operation is based on equality. The co-operative organisation differs from other economic organisations.

The ILO has observed that while endeavouring to strengthen the economic independence of its members, it also endeavours to establish bonds of moral solidarity between all members and to create a common social life, based on development of personality.

Maclagan Committee on co-operation in India opined that the theory of co-operation is that an isolated and powerless individual can by association with others and by moral development and mutual support obtain in his own degree the material advantages available to wealthy or powerful persons and thereby, develop himself to the fullest extent of his natural abilities.

Former President of the Indian Republic Sh. Shankar Dayal Sharma said, “…the co-operative movement can enable unification of local human resources, material inputs and energies, and the channelization, development and expansion of the tremendous potential growth that exists in our towns, villages, hamlets across the length and breadth of India.”

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88 S.D. Sharma, Former President of India, Inaugural Address of the 12th Indian Co-operative Congress, March 18, 1993.
There cannot be two opinions that co-operatives since their very inception have been striving hard to usher in socio economic development in the country.\textsuperscript{89} Kishamaswami observes that co-operation leads to decentralization of economic power and develops democratic values making the weak strong. It is through co-operation that human beings are endowed with the qualities of honesty, loyalty, unity, equality and service.\textsuperscript{90} According to Malthus, it also teaches people the lessons of unity, goodwill and corporate feelings.\textsuperscript{91}

Famous English cooperator, George Jacob Holyoke, points out “co-operation leaves nobody who works sincerely. It touches no man’s fortune; causes no disturbance in the society; needs no trade union to protect its interest; accepts no fights nor asks for any favour; keeps no terms with the idle, breaks no faith with the industrious; subverts no orders; envies no dignity; and it means self help, self dependence and such share of common competence of labour shall can”.\textsuperscript{92}

M.L. Darling sums up the importance of co-operation as something more than a system. It is a spirit, which appeals to the heart and mind.\textsuperscript{93} Calvert defines co-operation as a form of organisation wherein persons voluntarily associate together as human beings, on a basis of equality, for the promotion of the economic interests of themselves.\textsuperscript{94}

ILO observed that a co-operative is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation making equitable contributions to the capital required and benefits of the undertaking in which the members actively participate.\textsuperscript{95}

Gadgil stresses that co-operatives have evolved as complex and differentiated organisations as a result of vast economic, social and political upheavals of the 18\textsuperscript{th} and 19\textsuperscript{th} century and are an attempt to find a way out of evils of new industrial society.\textsuperscript{96}

Maclagan Committee, on co-operation in India (1915), observed that the theory of co-operation is very briefly that an insolated and powerless individual can by association with

\textsuperscript{89} Editorial, \textit{The Co-operator}, 30(10), 1993.
\textsuperscript{95} \textit{Article 12 of International Labour Conference Recommendation No. 127}, concerning the role of co-operative in the Economic and Social Development of Developing Countries, Geneva, ILO, 1966.
\textsuperscript{96} D.R. Gadgil, \textit{Towards a Co-operative Commonwealth}, op. cit., p. 4.
others and by moral development and mutual support obtain in his own degree the material advantages available to wealthy or powerful persons and, thereby, develop himself fully of his natural abilities.  

V.L. Mehta has pointed out that there are however, numerous sectors of the economy where the twin objectives of social ownership and equal distribution can be ensured by the co-operative system, than through state ownership or collectivization.  

In 1915, RBI’s report recommended that small societies are easily supervised and easily trained in co-operative principles…if a society is small; it affords a better opening for local talent. It brings more men to the front, trains them to undertake responsibilities and by carrying on business not exceeding the capacity of the committee, prevents domination of one man.  

Organisation is generally viewed as a group of persons formed to seek certain goods. Allen explains an organisation as the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing relationships for enabling people to work most effectively together in establishing of objectives.  

Connors strongly points out that the human resources are part of the strategic planning process. It is a part of policy development, line extension planning and the merger and acquisition process.  

Famularo stresses the structural aspects of organisation and points out that organisation design aims at analysing roles and relationships so that collective effort can be explicitly organised to achieve specific ends. Organisation design is the process of systematic and logical grouping of activities, delegation of authority and responsibility and establishing working relationships that will enable both the company and employee to realize their mutual objectives.

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Pasricha in his study on Haryana Dairy Development Co-operative Federation (HDDCF) found that the duties and responsibilities of the officers working at the different positions had not been clearly demarcated which resulted into confusion and chaos.  

Kamra observed that the organisation structure of Punjab State Co-operative Supply and Marketing Federation Ltd. (Markfed) has developed in a zigzag way. Garg in his study on Coal India Limited (CIL) observed that there is considerable lack of clarity about the duties and responsibilities to be performed by an executive, particularly at lower and middle levels. This is mainly due to the absence of job analysis/job description process. 

Monappa and Saiyadain conclude that the efficient utilization of organisational resources – human capital and technological does not just happen without the continual estimation of future requirements and development of systematic strategies designed towards goal accomplishment. 

Stainer observes that human resource planning is the strategy for the acquisition, utilization, improvement and preservation of an enterprise’s human resources. It relates to establishing job satisfactions or the quantitative requirements of jobs determining the number of personnel required and developing sources of manpower. Bernardin emphasizes that effective human resource planning closes the gap from the current situation on to a desired state of affairs in the context of organisation’s strategy.

Giesler explains human resource planning as a process by which a firm ensures that it has the right number of people and the right kind of people at the right time doing the work for which they are economically most useful.

Krishnamoorthy elucidates that HR should prepare ‘role profiles’ for all key positions. At the time of selection, the personal profile of the candidate should be matched to see how

far it meets the role profile. Often there are instances where, due to pressure on time, selections are made in a hurry to meet the deadlines.110

Monappa and Saiyadain observe that by anticipating the need for various types of skills requirements and level of personnel well in advance, a manpower plan will be able to give adequate lead-time for recruitment, selection and training of such personnel.111

Batra and Bhatia point out that in spite of human resource planning being a prerequisite to recruitment and selection process, in most public undertakings, human resource planning has not received due importance it deserves.112 Baldeo Sahai observed that public sector is expected to employ more people than required.113 In 1964, Estimates Committee in its report indicated that public enterprises are invariably overstaffed.114

Kamotra in his study on Haryana State Co-operative Development Federation (Harcofed) found that the job description and job specification of managerial and other staff indicated that most of the officers were not fully experienced and qualified which limited their role to routine work.115 Nigam claimed that existence of surplus staff is one of the main reasons of poor performance of public sector enterprises.116

Jeffrey is of the opinion that it is with people that quality performance really begins and ends.117 However, Kamra in his study on Markfed found that management had not evolved any comprehensive policy in respect of various aspects of human resources management, viz., manpower planning, mode of selection by direct recruitments, promotion and deputation.118

Johansen and Page elucidate that recruitment and selection are twin processes and are policy and procedures for identifying and employing the numbers of people of particular

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types and qualifications required by an organisation. It involves defining requirements, and
attracting and selecting candidates.\textsuperscript{119}

Lloyd and Rue suggest that once the required number and kind of human resources are
determined, the management has to find the places where required human resources are/will be available and also find the means of attracting them towards the organisation before selecting the suitable candidates for the jobs. In fact, recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen.\textsuperscript{120}

Long suggests that the recruitment process should be thought as a communication continuum. It starts the moment anyone articulates as staffing need, and it continues through a series of meetings, culminating in a hiring decision based on many sources of input.\textsuperscript{121}

Kamotra in his study on Haryana State Co-operative Development Federation (Harcofed) found that political pulls outweigh merit not only in recruitment but also in promotions thus limiting the scope of induction of talented personnel.\textsuperscript{122}

Philip is of the view that no meaningful human resource system can be built if the selection process is done in a slip-shod fashion. Therefore, great care and objectivity must go into the selection process, ensuring the selection of right people in the organisation.\textsuperscript{123}

Dietrich elucidates that generating a skilled and loyal workforce in tight market will demand both improved recruitment of employees and a greater emphasis on retaining them, as experience employees become a more valuable and increasingly scarce commodity.\textsuperscript{124}

George emphasises that there is no denial that in organisation ... the active force is people. Organisations teach only through individuals who learn. Without individual learning, no organisational learning will occur.\textsuperscript{125}

Trophy highlights that training helps in increasing the effectiveness of employees in their present positions as well as preparing employees for future positions.\textsuperscript{126} Pestonjee is of

\textsuperscript{124} Nina Dietrich, "Skills will be the Secret to Retention Success in the 21st Century", \textit{HR Focus}, 78(2), February 2000, p. 7.
the view that trained employees evince a higher level of satisfaction with the management in contrast to untrained employees.\textsuperscript{127}

L.P. Singh opines that with the development of high technologies, training and development will become central in the global economy as a profession and as a corporate function.\textsuperscript{128} Kraiger elucidates that training has evolved substantially in the last 10 years with evidence indicating more organisational investment in training and development.\textsuperscript{129}

Bureau of Public Enterprises (BPE), accepted training as an important aspect of management development and pointed out that major action in this regard has necessarily to be taken by the individual enterprises themselves, as they are in the best position to know the requirements and gaps that are needed to be abridged, whereas, at the national level, the concern of the Bureau is the formulation of overall policies as to ensure that Public Enterprises discharge this important responsibility ‘properly and adequately’.\textsuperscript{130}

The late Prime Minister Rajiv Gandhi once said, “I find in public sector enterprises, there is almost no training at all. There is no attempt to build up the quality of management.”\textsuperscript{131} Further, the Arjun Sen Gupta Committee also observed that one of the most vital but neglected areas in public sector enterprises has been the training.\textsuperscript{132}

Singh went a step further stating that a look at the objectives of the public sector enterprises one notices that developing human resources has never been mentioned as one of the objectives.\textsuperscript{133} Prasad points out that mere provision for training facilities will not serve the purpose adequately but a proper internal environment has to be utilized fruitfully.\textsuperscript{134}

\textsuperscript{128} D.M. Pestonjee, A.P. Singh and V.B. Singh, “Training, Satisfaction and Performance”, Vikalpa, Ahmedabad, 6 (1), 1981.
\textsuperscript{133} Arjun Sen Gupta Committee (Committee to Review Policy for Public Enterprises), 1986, Reports/Recommendations of Various Committees on Public Enterprises, SCOPE, New Delhi, 1990, p. 51.
\textsuperscript{134} N.K. Singh, Human Resource Development in Indian Public Sector, SCOPE, New Delhi, 1987, p. 4.
\textsuperscript{135} L.M. Prasad, Principles and Practices of Management, S. Chand and Sons, New Delhi, 1990, pp. 745-746.
Kumar feels that lack of specialists in the organisation dedicated to this (training) function may prove to be one of the impediments towards training.\textsuperscript{135} Malhotra stresses that training also improves functional competence, effectiveness of rendering service and professional awareness of the administrators.\textsuperscript{136}

Virmani observed that in a majority of organisations, there was a feeling that the persons operating the training departments have been transferred...because they were not considered very competent in there own areas.\textsuperscript{137}

Kamotra in his study on Harcofed found that the training centres lack the basic infrastructural facilities. Further, the nominations for the training from the field are inadequate owing to pre-occupation of the members with office work.\textsuperscript{138}

Bhushan further in his study on Haryana State Co-operative Supply and Marketing Federation limited pointed out that the trainees themselves do not evince any interest to make use of their newly acquired knowledge and skills.\textsuperscript{139}

Tulgan points out organisations are investing more than before because highly skilled, knowledgeable employees are critical to their competitive position. The need for unskilled workers is rapidly diminishing from the corner office to the factory floor.\textsuperscript{140} Singh and Kaur are of the view that training must be seen as an investment in terms of time, money and energy on the part of the organisation and management.\textsuperscript{141}

Anandan in his study on branches of Indian Bank observed that the branches prepare annual training budgets in a causal way and the training requirements of staff are not assessed properly the training system continues to have the same “run on the mill” training programmes with slight or no changes.\textsuperscript{142}

\begin{thebibliography}{99}
\bibitem{136}Charu Malhotra, “Raising Competence of Indian Administrators”, Indian Journal of Public Administration, 46(1).
\bibitem{139}Brij Bhushan, Organisation and Working of the Haryana State Co-operative supply and marketing federation Limited, Ph.D., Theses, submitted to Panjab University, Chandigarh, 1981.
\bibitem{140}Bruce Tulgan, HR Focus, 77 (1), January 2000.
\bibitem{142}G.S. Anandan, Role of Training in Enhancing Effectiveness of Personnel in Banks-specific reference to Indian Bank in three northern states of Punjab, Haryana and Chandigarh, Ph.D. Theses submitted to Panjab University, Chandigarh, 1994.
\end{thebibliography}
Mani points out that answering the tangible benefits of training may not be always measurable. Further, one may not be able to quantify the benefits of training. Garg in his study observed that training departments in Coal India appear to be inadequately staffed. It is generally believed that competent people are often not attracted to training departments.

Dhameja in her study on training of non-gazetted police personnel in Delhi found that the trainees have not heard of role-plays, simulations, case studies or any other modern training methodologies. The commonly used aids being chalks, blackboards, maps, chart etc. Projectors, transparencies, tape recorders, television, and slides are not utilized. The training centres have also been functioning without training manuals, trainers’ handbooks and other relevant material required for training.

Dietrich elucidates that training employees will be the key to surviving and staying competitive in the global market place. Krishnamoorthy emphasised that the entire sequence of training and development activities should be aimed at enhancing employee and organisational performance and facilitating career growth. Moreover, McClelland stressed that need for achievement is one of the basic needs of people and, therefore, adequate growth opportunities within an organisation are key motivators for individuals.

Singh and Kumar elucidate career as a systematic approach to the identification and development of individual careers in the organisation for the benefit of both individual and organisation. Prasad is of the view that advancement within an organisation is ordinarily labeled as promotion.

Mohapatra observed that due to various physiological, social, and other allied causes, a person becomes disinterested in his job and gives up the race.

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144 Anurag Garg, Management of Human Resources in Public Sector Enterprises – A Study of Coal India Limited, op. cit.
French and Bell opine that the career and growth aspirations of all organisation members must be an area of concern. Koontz and Weihrich observe that creation of multiple levels are not completely desirable in themselves...in the first place, levels are expensive...in the second place, departmental level complicate communication....numerous level complicate planning and control. Rai stresses that multiple levels usually results in less committed employees and the organisation becomes more bureaucratic.

Krishna and Rao in a study undertaken amongst lower and middle level managers in Bharat Heavy Electrical Limited, Hyderabad unit, found that the lower level executives perceived more chances for promotion as compared to middle level executive.

Whereas Pasricha in his study on Haryana Dairy Development Co-operative Federation observed that promotion facility was not provided for all the categories of posts. He further observed that the employees are dissatisfied with the inadequacy of promotions and the criteria adopted for promotions.

Kamra in his study on Markfed observed that the employees are in favour of promotion on the sole basis of seniority as they are opposed to various objective methods, such as, screening tests and internal direct recruitment.

Monappa and Saiyadain point out that after promotion, an individual’s duties and responsibilities usually become qualitatively different from those of his earlier jobs. As against promotion, a wage/salary increase, with a possible change in designation, is usually referred to as an upgrading of post. Garg in his study on Coal India Ltd. found that many promotions in the organisation appear as mere 'upgradation of posts'.

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Gupta and Thompkins feel that the helplessness felt by the managers is the result of the way, the companies are structured and jobs are defined. Dey points out that the employees feel that although they are professionally qualified, their capabilities are not being fully utilized.

Kothari has noted that the distribution of meaningless designations leads to demotivation. For example, General Manager means a manager in charge of an overall function of a company such as Engineering, Production, Finance, Personnel, Marketing, etc. To designate a sectional or departmental head as the General Manager, not only leads to loss of meaning accompanying the designation but... (also) leads to demotivation.

Krishnamoorthy elucidates that in many organisations, the people practices continue to be traditional in nature with no significant changes in the working of the personnel department. Balgir in a study reported that 44.58 percent managers serving in public sector enterprises admit that attitudinal bias among supervisors may affect their job/career prospects.

According to Arie Halechmi, performance appraisal can be judgemental or developmental. As a judgemental process, the purpose of performance appraisal is to document what took place—to account for the past. As a developmental process, performance appraisal concentrates on employees and their needs as individuals. Laxmi Narain has noted that unlike private enterprises, performance evaluation of public enterprises is much more complicated... (and) amongst the executives of public enterprises, highest dissatisfaction was in the area of promotion and recognition... the management must (therefore) improve their merit rating system and give necessary recognition wherever it is due... given the less flexibility in compensation structure of public enterprises, performance appraisal can be used with great advantage as a motivator.

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Verma suggests that there is a need to design an appraisal system that suits the conditions, objectives and personnel of the organisation. Bernardin points out that performance appraisal are the most heavily litigated practice today. Srinivasan is of the view that performance appraisal systems in many organisations have become a ritual. In many places, it is mistaken for a kind of system, which enables the boss to decide on the pay increments to the subordinates at the end of the year. The fact remains that the system should be primarily intended to consolidate an executive’s performance to achieve the overall objective of the organisation.

Monga’s study of the appraisal systems of six Indian organisations revealed that many managers think that it is a useless annual ritual to be completed. Srinivasan further observed that assessing potential is (qualitatively) different from appraising performance.

Krishnamoorthy elucidates that many a time managers’ view appraisal simply as an annual ritual. They feel that no post appraisal activities take place with regard to training programmes, allocation of higher responsibilities and they do not get feedback in any of these areas.

Further, Suri had opined that key performance areas and objectives need to be worked out for every job, jointly by the appraiser and appraise. Moreover, McGregor stressed that appraisal method is delicate because of its delicate nature.

Vaghul analysed the appraisal systems in banks and found that the appraisal formats are unable to capture the differences among the individuals’ performance, then perception of the job and dynamic nature of the tasks involved in it… performance appraisal systems is not linked to the performance of the man on the job. It leaves much scope for the rater’s personal bias and suffers from ignorance on the part of the ‘ratee’ on how he is rated. Niazi points

out those appraisals through the printed formats encourage the tendency among the raters to be unduly continuous because of anxieties aroused by the appraising task.\footnote{177}

French and Bell point out that in reviewing performance, a collaborative examination of the major significant forces in the situation needs to be made, including the superior’s and the team’s impact on the subordinate’s performance, not just an appraisal of the subordinate’s performance.\footnote{178} Kapila, has further reported, that 73.8 percent of public sector managers would like their superiors to lay greater emphasis on the efforts put in by them irrespective of results.\footnote{179} Rao’s survey of 588 executives in a large public sector enterprise indicated that 98 percent of the respondents felt that the appraisal system should help them to recognize their strengths and weaknesses.\footnote{180} Garg found that there is no system in Coal India, by which meritorious performers could be rewarded through higher pay or merit linked increments etc. The organisation also does not have any incentive scheme based on individual or group output/performance.\footnote{181}

**Inferences Drawn from the Review of Literature**

Thus, in the light of the above literature reviewed, it can be inferred that the aspects of human resource management in Markfed have not been studied comprehensively so far. However, a study done by P.K. Kamra, in 1983 has discussed some aspects of human resource management like recruitment and promotion. Since then there has been numerous changes in the arena of human resource management, especially after the advent of New Economic Policy of 1991, which envisaged to make Indian economy liberal and global. Thus, the present study aims at analysing the spectrum of human resource management in Markfed.

**Objectives of the Study**

Effective human resource management plays a key role towards the success of an enterprise. Keeping in view the needs and gaps in research in this area and in the light of observations of authors and available literature, the objectives of the present study are to:

1. Study and explain the evolution of organisation structure.
2. Examine the human resource planning process in Markfed.

\footnote{178}{Wendell L. French, and Cecil H. Bell, Jr., *Organisation Development*, Prentice Hall of India, New Delhi, 1983, p.169.}
\footnote{181}{Anurag Garg, *Management of Human Resources in Public Sector Enterprises – A study of Coal India Limited*, op. cit.}
3. Highlight the existing recruitment policy and as envisaged by the employees.
4. Understand the career planning in the light of the present policies of the organisation.
5. Illustrate the existing performance appraisal system of Markfed and to highlight the employees’ perceptions.
6. Elucidate the present training process and as envisaged by the employees.
7. Suggest suitable interventional remedies to improve the human resource effectiveness in Markfed.

Hypotheses of the Study

Through systematic study and research, every organisation can find out the issues and areas, which require attention for suitable action and changes in policies. In this light, following broad hypotheses are proposed in respect of various aspects of human resource management:

1. Organisation structure has evolved in an unstructured way.
2. Human resource planning in Markfed is systematic.
3. Recruitment policy is sound and relevant.
4. Career planning is systematic and in tune with the employees’ perceptions.
5. Performance appraisal is a performance and talent-rewarding tool.
6. Training process is methodical and training need identification is systematic.

Research Methodology

The present study is based both on primary and secondary data. For the collection of primary data, schedule (Annexure 1.1) and interview for eliciting the responses were used. As regards the selection of sample from the universe, the stratified random sampling technique has been used where strata being the group of employees i.e. Group-A, Group-A1, Group-B, Group-C and Group-D. The distribution of employees in the various groups is given in the following table.

Table 1.1: Groupwise distribution of employees in Markfed

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group-A</td>
<td>17</td>
</tr>
<tr>
<td>Group-A1</td>
<td>41</td>
</tr>
<tr>
<td>Group-B</td>
<td>178</td>
</tr>
<tr>
<td>Group-C</td>
<td>1826</td>
</tr>
<tr>
<td>Group-D</td>
<td>945</td>
</tr>
<tr>
<td>Total</td>
<td>3007</td>
</tr>
</tbody>
</table>
A sample of 45 percent in Groups A and A1, 30 percent in Group B, 20 percent in Group C and 10 percent in Group D, both at the head office and at the district offices has been taken. Since the number of employees in Groups A and A1 is low as compared to the number of employees in the remaining groups, for the purposes of data collection and analysis in this study, Group A and Group A1 have been clubbed together under the name Group A. In simple words, the term Group A used in this study refers to the employees of Markfed who are actually working in the Groups A and A1 of Markfed. It is worth mentioning here that at the field level, there are 17 district offices. Employee strength in these district offices is as following:

<table>
<thead>
<tr>
<th>District</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amritsar</td>
<td>151</td>
</tr>
<tr>
<td>Bhatinda</td>
<td>097</td>
</tr>
<tr>
<td>Faridkot</td>
<td>060</td>
</tr>
<tr>
<td>Fatehgarh Sahib</td>
<td>068</td>
</tr>
<tr>
<td>Ferozepur</td>
<td>169</td>
</tr>
<tr>
<td>Gurdaspur</td>
<td>111</td>
</tr>
<tr>
<td>Hoshiarpur</td>
<td>078</td>
</tr>
<tr>
<td>Jalandhar</td>
<td>0122</td>
</tr>
<tr>
<td>Kapurthala</td>
<td>085</td>
</tr>
<tr>
<td>Ludhiana</td>
<td>203</td>
</tr>
<tr>
<td>Mansa</td>
<td>052</td>
</tr>
<tr>
<td>Moga</td>
<td>093</td>
</tr>
<tr>
<td>Muktsar</td>
<td>107</td>
</tr>
<tr>
<td>Nawanshahar</td>
<td>049</td>
</tr>
<tr>
<td>Patiala</td>
<td>176</td>
</tr>
<tr>
<td>Ropar</td>
<td>106</td>
</tr>
<tr>
<td>Sangrur</td>
<td>214</td>
</tr>
<tr>
<td>Total</td>
<td>1941</td>
</tr>
</tbody>
</table>

As regards the district offices, of the 17 district offices three district offices namely Ludhiana, Sangrur and Patiala, have been selected for the purpose of primary data collection. The basis of selection of these districts has been the employee strength. The data so obtained has been analyzed on the basis of group, length of service, age of the employee and education/qualifications using the statistical package for social sciences (SPSS) with respect to the objectives of the study in Markfed.

The following secondary sources have been deployed for the data collection- Cooperative Societies Act, Rules and Regulations, The Bye-Laws of Markfed made under the

**Chapter Scheme**

The thesis consists of seven chapters. Chapter one includes the introduction, scope and methodology. Chapter two deals with the evolution, growth of co-operatives in Punjab. Chapter three elucidates the organisational structure of Markfed and highlights its evolution. Chapter four examines the human resource planning, recruitment and selection in Markfed. Chapter five comments upon career planning and performance appraisal as tenable in Markfed. Chapter six scrutinises the training process in Markfed and lastly, chapter seven expounds the concluding observations and suggestions to improve the human resource management in Markfed.