Chapter 1

CO-OPERATION AND CO-OPERATIVE ADMINISTRATION

In modern times, all economic activities have a very strong undercurrent of exploitation. Call it a feudal legacy or a legacy of industrialisation, but it leads to unstable political conditions and is neither morally tenable nor psychologically sound. For mitigating the sufferings of these millions of people, the vicious circle of poverty and debt has to be broken. In order to usher in an era of peace, progress, and prosperity, there is an unavoidable need to follow the path of co-operation. One of the International Labour Office reports has rightly observed that low wages, the rising cost of living, the adulteration of food-stuffs, unemployment and the long working day - in short, the increasing distress of the working classes - not only led to strikes and disorders but also gave rise to thought and concern among intellectuals and philanthropists to devise measures for improving the lot of workers by mutual co-operation.¹ Co-operation involves all aspects of human behaviour - political, religious, economic, or cultural. Like the human system, it is the very life and blood of a modern societal existence. Where co-operation is strong, there, the farmers, the small

business men, the workers, etc. have a better standard of living. 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 people against all types of 'isms'. In other words, co-operativism is distinct from all other movements like Communism, Capitalism, Fascism, Socialism, etc. Political advantages apart, administratively, co-operative organisations strike a golden mean between the private administration on the one hand and Governmental/Departmental administration on the other. Unlike the former, it does not exist mainly for profit and unlike the latter, it is relieved of too much pressure of unresponsive bureaucratic structures. In fact, co-operative organisations combine the merits of freedom and flexibility of private enterprises and social objectives of the Governmental administration. H. E. Erdman, has nicely compared the economics of four prevailing methods of undertaking any business. He asserts that co-operatives can establish their services provided these are efficiently operated, and their rational and philosophy accepted and understood by the members. As such, co-operativism is the via-media,

+ See, chart No.1

### Chart No. I

**COMPARISON OF FOUR METHODS OF DOING BUSINESS**

<table>
<thead>
<tr>
<th>FEATURES COMPARED</th>
<th>TYPES OF BUSINESS</th>
<th>INDIVIDUAL</th>
<th>PARTNERSHIP</th>
<th>NON-COOPERATIVE CORPORATION</th>
<th>FARMER COOPERATIVE (USUALLY CORPORATION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. WHO USES THE SERVICES?</td>
<td>NON-OWNER CUSTOMERS</td>
<td>GENERALLY NON-OWNER CUSTOMERS</td>
<td>GENERALLY NON-OWNER CUSTOMERS</td>
<td>CHIEFLY THE OWNER-PATRONS</td>
<td></td>
</tr>
<tr>
<td>3. WHO VOTES?</td>
<td>NONE NECESSARY</td>
<td>THE PARTNERS</td>
<td>COMMON STOCKHOLDERS</td>
<td>*THE MEMBER-PATRONS</td>
<td></td>
</tr>
<tr>
<td>4. HOW IS VOTING DONE?</td>
<td>NONE NECESSARY</td>
<td>USUALLY BY PARTNERS' SHARE IN CAPITAL</td>
<td>BY SHARES OF COMMON STOCK</td>
<td>USUALLY ONE-MEMBER ONE-VOTE</td>
<td></td>
</tr>
<tr>
<td>5. WHO DETERMINES POLICIES?</td>
<td>THE INDIVIDUAL</td>
<td>THE PARTNERS</td>
<td>COMMON STOCKHOLDERS AND DIRECTORS</td>
<td>THE MEMBER-PATRONS AND DIRECTORS</td>
<td></td>
</tr>
<tr>
<td>7. ARE RETURNS ON OWNERSHIP CAPITAL LIMITED?</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*YES-USUALLY 5% OR LESS (RESEMBLES INTEREST MORE THAN DIVIDENDS)</td>
<td></td>
</tr>
<tr>
<td>8. WHO GETS THE OPERATING PROCEEDS?</td>
<td>THE INDIVIDUAL</td>
<td>THE PARTNERS IN PROPORTION TO INTEREST IN BUSINESS</td>
<td>THE STOCKHOLDERS IN PROPORTION TO STOCK HELD</td>
<td>*THE PATRONS ON A PATRONAGE BASIS</td>
<td></td>
</tr>
</tbody>
</table>

*BASIC PRINCIPLES OF FARMER COOPERATION*
It is through co-operation that human beings are endowed with the qualities of honesty, loyalty, unity, equality, and service. It also teaches the people the lesson of unity, brotherhood and corporate feeling. These are the lasting qualities which can bring social and economic revolution in the country. It has now been recognised that co-operation is the only effective method of socio-economic transformation of the society. Even the poorest among the poor can be benefitted because of the inherent advantages of co-operatives. For instance, it is basically a fight against exploitation and emphasises the idea of 'each according to one's ability and each according to one's work'; promotes optimum use of human and material resources; establishes liaison between the producers and the consumers (to save them from the market mechanism); and musters international support and experience for its expansion.

There is no standard definition of a co-operative society which may be applied universally. That is why

economists, like Draheim, prefer not to define the term in so many words. For this, they have their own explanations as well. To quote L. Valko: "The very flexibility of its organisation, which can adapt itself to a variety of different purposes and widely diverging economic and social systems, seems to be the reason for this difficulty."

In the report of the Inquiry on Co-operative Enterprise in Europe, a co-operative organisation has been defined as "one which belongs to the people who use its services, the control of which rests with all the members, and the gains of which are distributed among the members in proportion to the use they made of its services." Similarly, H. 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.

7. G. Draheim, Die Genossenschaft als Unternehmantyp (The Co-operative Societies as a form of enterprise), Goettingen, 1952, p.16.


The above mentioned definitions lay stress on various aspects of co-operative principles, viz., voluntary members are the users, owners and controllers; they share risks and benefits proportionately; and believe in service at cost (non-profit nature). 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 utilisation of resources and also help in exchange of ideas and experience.

Keeping in view the various definitions and co-operative principles, we can define co-operative administration as that branch of Public Administration which helps the people to exploit the resources and render services without profit motive to fulfil their minimum needs efficiently and democratically. It also embraces the formulation of policies in accordance with the Co-operative Societies Act, the rules, the bye-laws, and

+ These principles can be traced to Rochdale Pioneers and later on reformulated by the I.C.A. Commission on Co-operative Principles (1966). For details, refer to Annexure II.


the executive orders issued from time to time and in
the implementation thereof by the various agencies of
coop-eratives entrusted with the task of execution. In
other words, co-operation is joint or collective
behaviour that is directed towards some goal and in
which there is common interest or hope of reward.
Co-operation may be voluntary or involuntary, direct
or indirect, formal or informal. But, there is always
a combination of efforts towards a specific end in
which all the participants have a stake, real or
imagined. Thus, co-operative organisations are the
most important agencies for promoting economic and
social welfare. It also helps in building up the
moral and material strength of the people. But the
benefits of co-operatives would percolate to the people
only if the co-operatives are genuinely conceived,
judiciously organised, and implemented in right earnest.

GENESIS OF CO-OPERATIVE MOVEMENT - A GLOBAL VIEW

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


15. Encyclopedia of Social work in India, Vol. One,
18th and 19th century in the world at large, and are an attempt to find a way out of the situation arising out of evils of the new industrial society. The new industrial society, which emerged as a result of two famous revolutions, made a few rich, but it made many poor. It increased national wealth, but it 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 so-called proletarians. The general condition of these people and especially that of the peasantry was most miserable and deplorable. The poor peasant 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 the King, the Landlord and the Church — all parasites on the blood and toil of the poor peasant. It was in such an environment that co-operative organisations paved the way for a new way of life for the producers, the artisans, the workers, and the like.

In United Kingdom, Robert Owen (1771-1858) and

+ Industrial Revolution and French Revolution.

In France, Charles Fourier (1772-1837), Phillip Buchez (1776-1863) and Charles Gide (1847-1932) advocated for co-operative production. According to Paul Lambert, Charles 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 the context of social justice.  

In Germany, Herr F.W. Reiffelsen (1818-1888) and Herr Franz Schulze (1808-1883) over-hauled the system of rural co-operatives. It was popular in Germany that "once you are beguiled into trading with one of the Jews, you are surely caught as a fly in the Spider's web. You are made to buy from him and sell to him — all — at his own dictated prices." Today, Germany is considered as the model country in the field of acceptance of co-operative philosophy because the Co-operative Credit Association is regarded as the parent of every other forms of Co-operation. The movement

spread slowly and steadily in other parts of the world as well. Luigi Luzzatti (1841-1927) and Dr. Leone Wollemburg (Italy) impressed by the credit system of Germany too expounded the idea that co-operatives alone could relieve the poor people from the clutches of the money-lenders.

It is estimated that at the end of 1926, 94.3 per cent of the total Primary Credit Societies were from European countries alone. It was after the great Economic Depression that the movement spread in the Asian region. It was partly due to the impact of industrialisation, urbanisation, and modernisation that the movement spread to this region. Partly, it also resulted from the experience of war devastated countries which visualised in co-operatives a valuable means to mobilise social resources for the rehabilitation of their economies, bring about socio-economic changes, and achieve the goals of a modern Welfare State.21

Thus, co-operation became an important part in most countries of the world (developing, developed and communist) to solve their socio-economic problems as is clear from the data given on the next page.

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Besides, socio-economic factors which were responsible for the growth of co-operative organisations, there is an international non-governmental organisation known as MW.

1. Consumers' Co-operatives
2. Co-operative Credit
   - Germany, Italy, Sweden, and India.
3. Co-operative Marketing
   - Canada, U.S.A., and Australia.
4. Land Mortgage Credit
   - Germany, U.K., and France.
5. Co-operative Dairies
   - Denmark, Newzealand, and Ireland.
6. Farming Societies
   - USSR, Yugoslavia, and Palestine.
7. Housing Societies
   - U.S.A., Sweden, and Israel.
8. Producers' Societies
   - France, and England.
9. Labour Societies
   - Italy.
10. Insurance Societies
    - England.
11. Co-operative Education
    - England.

The Director General of International Labour Office in his report in 1951 has also appreciated the role of co-operatives in the world:

"Co-operation is helping to solve pressing economic problems. In many countries, co-operatives have taken action to combat inflationary pressure and especially to keep down prices of food and consumer articles ..."\(^{22}\)

Besides, socio-economic factors which were responsible for the growth of co-operative organisations, there is an international non-governmental organisation known as

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International Co-operative Alliance. This organisation through its expert guidance has helped further growth of these organisations in the whole world, especially in the developing countries. We shall now discuss in brief the contributions made by this organisation.

INTERNATIONAL NON-GOVERNMENTAL ORGANISATION (I.C.A.) AND MULTI-NATIONAL CO-OPERATIVES VIS-À-VIS NATIONAL CO-OPERATIVE ADMINISTRATION

The International Co-operative Alliance set up in 1895 is "entirely and exclusively dedicated to the promotion of co-operation in all parts of the world". It enjoys the highest consultative status — "Category I" with the United Nations Economic and Social Council.

Besides the headquarters of I.C.A. in London, it has three Regional Offices. The Regional Office and Education Centre for South East Asia is located in New Delhi (set up on November 14, 1960); the Regional Office for East and West Africa is at Moshi (1968), and the West African Regional Office at BINGERVILLE, IVORYCOAST (1979).

The United Nations have itself been taking keen interest in the expansion of co-operative movement in the world. On November 30, 1976, the United Nations General

Assembly adopted a resolution for accelerating the expansion of co-operative movement. This resolution is considered as one of the most far-reaching resolutions on the co-operative movement at the international level.

The I.C.A. works in close collaboration with U.N. Specialised Agencies, like F.A.O., I.L.O., ESCAP, UNESCO, etc., in regard to their technical meetings, studies and assignments.

It was for the first time in the history of United Nations that it granted the right to 25 major non-Governmental organisations (including I.C.A.) to speak from the podium of General Assembly on the issue of World Peace through Disarmament.

By 1977, 66 countries of the world representing 7,41,767 societies with a membership of 355 million at the primary level were affiliated to the I.C.A. The

+ The Resolution recognised that expansion of co-operative movement in the promotion of social and economic progress is closely linked to structural and institutional reforms which aim at the equitable distribution of income, popular participation in the development process, equality of opportunity to contribute to and benefit from the fruits of development.


Asian region alone accounts for over 32 per cent of the total world membership. The I.C.A. has been diffusing the experience of knowledge of different countries among the member-states by arranging educational programmes in various co-operative activities, experts' conferences, regional/national seminars, etc. Besides, the I.C.A. helps the members by co-ordinating research, training and providing the literature on the latest development in the various areas of co-operation. In addition, the subjects of International Congress (held after every three to four years) are quite enlightening and useful to its constituents. For instance, the recent 27th Congress held in October, 1980, deliberated over "Co-operatives in the year 2000", with the aim of stimulating co-operatives to become and remain efficient economic organisations while fulfilling their role as a social force.

Multinational co-operatives on the international business horizon have also played an important role. These co-operatives are combinations, or federations of

+ Data compiled from:

(d) ICA, ICA Regional Bulletin, Vol.20, No.3, July, 1980, pp.8
+ for details, see Annexure III
& for details, see Annexure IV
* see chart No.2.
<table>
<thead>
<tr>
<th>Year</th>
<th>Congress Location</th>
<th>Theme</th>
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</thead>
<tbody>
<tr>
<td>1952</td>
<td>London</td>
<td>Foundation Congress</td>
</tr>
<tr>
<td>1956</td>
<td>Paris</td>
<td>Participation, Agricultural Cooperation, International Relations</td>
</tr>
<tr>
<td>1962</td>
<td>Helsinki</td>
<td>International Cooperation, Cooperation and Developing Countries</td>
</tr>
<tr>
<td>1966</td>
<td>Vienna</td>
<td>International Cooperation, Cooperation and Developing Countries (Special Report)</td>
</tr>
<tr>
<td>1969</td>
<td>Prague</td>
<td>Nationalism Co-operatives in the Year 2000</td>
</tr>
<tr>
<td>1972</td>
<td>Warsaw</td>
<td>Co-operative Principles, Co-operation and Public Authorities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Congress Location</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>Stockholm</td>
<td>International Cooperation, Cooperation and Developing Countries</td>
</tr>
<tr>
<td>1963</td>
<td>Nuremberg</td>
<td>Economic Integration, Developing Countries</td>
</tr>
<tr>
<td>1966</td>
<td>Vienna</td>
<td>Co-operative Principles, Developing Countries</td>
</tr>
<tr>
<td>1969</td>
<td>Moscow</td>
<td>Contemporary Co-operative Democracy</td>
</tr>
<tr>
<td>1976</td>
<td>Paris</td>
<td>Collaboration between Co-operatives, Long-Term Programme (1977-80)</td>
</tr>
</tbody>
</table>
co-operatives which have joined together to provide goods and services on global basis. The logic behind the promotion of such multinationals is very simple. Just as the State and national level federations are formed to help their counterparts and to retain their local characteristics and protect local interests, the multinationals ought to rise above that and move to "geocentric orientation" (world oriented) in the decision-making process. Some of the typical examples of multinational co-operatives are: The International Co-operative Insurance Federation (ICIF), International Co-operative Bank (INGBA), International Co-operative Petroleum Association (ICPA), etc. These co-operatives motivated by the spirit of service and not profit maximisation have been gradually expanding the sphere of their activities which have got a direct bearing on the well being of farmers and consumers at large. For instance, the U.S. based Co-operative Fertilisers International (CFI) has provided technical assistance to the IFFCO in setting up two fertilizer plants in the co-operative sector in India.

Thus the I.C.A. and the multinationals are the two effective and collaborative agencies at the international level to promote the cause of co-operative development.

On examining the evolution of co-operatives at global level, we must understand the rationale of co-operative organisations in accordance with the socio-economic apparatus prevailing in a country. We shall now analyse as to how India imported co-operative ideology in formulation of its own co-operative policies and programmes.

**EVOLUTION & GROWTH OF CO-OPERATIVE ORGANISATIONS IN INDIA**

The idea of co-operation or inter-dependence in India is not entirely 'a new device'. However, the use of the word in the modern sense is not native to the country. Our Vedas, the Upanishads and Bhagwat Purana have fully subscribed to co-operative existence. In the Vedas, prayers have been made to the Almighty to give human being power and desire to work together,

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28. Mahatama Gandhi, A Paper Contributed to the Bombay Provincial Co-operative Conference held on September 17, 1917.

to live together and to think together.

The Vedas have also recognised the unity underlying the diversity of the world.

In Bhagwat Purana, individual ownership is permitted only to the requirement of food. The Arthasastra of Kautilya also mentions about co-operatives.

In olden times, the institution of a joint family was comparable to the present day co-operatives. It used to serve as an insurance against illness, incapacity and old age.\(^{30}\) R.B. Tyagi has rightly elucidated some of these socio-economic activities of the villagers.\(^{31}\) When

\(^{30}\) V.S. Sharma, *Sahayoga or Indian Co-operation*, Hoshiarpur, Vidya Mandir, 1964, p.44.

the joint family system or the unity of the villages was broken, the people started devising new indigenous institutions as a way of co-operative life. But, in the absence of any legal sanction, these institutions failed to make much headway.

During the 17th century, East India Company and the British sought to destroy the indigenous institutions. As a result, more people had to fall back upon agriculture than the land could economically sustain. Coupled with the new system of land revenue, the money-lenders exploited the peasantry. According to B.K.Sinha, the Indian scene was then characterised by the predominance of rural population, a persistent increase of the agricultural portion of the rural masses, starvation, famine, high mortality, back breaking family obligations, acceptance of debt in perpetuity and a lender's paradise.

Deplorable conditions of our teeming millions prompted riots in the country (Deccan Riots of 1875). On the suggestion of Justice N.G. Ranade and Sir William Wedderburn, the British Government came forward with some reforms. Again, these reforms were too inadequate and

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1 Chit Funds, Midhis, Grain Colas, Bhaiya Chari, Lona, Gounchi.


£ The Land Improvement Loans Act 1833 provided for long term loans while the Agriculturist's Loans Act 1844 provided for short-term loans. These two measures still hold good today, popularly known as 'Taccavi Laws'.

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Inelastic to face the stupendous problem of rural indebtedness.

It was towards the end of 19th century that Sir Fredrick Nicholson (1897) and the Famine Commission (1901) made a strong plea for introduction of Co-operative Credit Societies in India. At about the same time, Duplex in Uttar Pradesh, Maclagan in Punjab and Lyon in Bengal (all the British civilians) paved for co-operative movement in its modern and present form.

It was on the recommendation of a Committee headed by Sir Edward Law that the first Co-operative Credit Societies Act, 1904 (Act No.X) was enacted "to encourage thrift, self-help, and co-operation". This means that unlike the advanced countries, where co-operatives were organised and developed before the enactment of any legislation (as the people were more enlightened), in developing countries, like ours, the legislation preceded the organisation of co-operatives. In order to remove the inherent and external defects of the Act of 1904, Co-operative Societies Act (No.II) 1912 was passed. This Act also facilitated the registration of all types of co-operatives, including co-operative federations.

With the enactment of the above mentioned central legislation, there was rapid expansion in the registration

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* For Salient features of the Act, See Annexure No.V.
& For Salient features of the Act, See Annexure No.VI.
of co-operatives in the country, but without any tangible results. As a result, the Committee on Co-operation (1914) headed by Edward Maclagan, which was set up to review the co-operative movement, immediately recommended for stoppage of future registration of the societies. It emphasised the need to tone up the administration of Co-operation Departments. The irony was that its suggestions were not implemented by the Government.

Even Mahatma Gandhi opposed the idea of the speedy multiplication of co-operatives. He remarked, "Do not believe in the multiplication table and think that we shall have achieved everything when you multiply your Co-operative Societies and you can think in millions instead of thousands". 33

With the passing of Montagu–Chelmsford Act of 1919, Co-operation became a transferred subject. The State of Bombay (Act VII of 1925) followed by Madras, Bihar, Orissa, Bengal, etc., passed their own Co-operative Societies Act, keeping the basic pattern of the 1912 Act in tact.

It may be pointed out that the Act of 1912 is still the basis of co-operative legislation in free India.

The Indian Co-operative legislation (evolved as a result of the recommendations of various committees/conferences/

national and state policies)\textsuperscript{+} constitutes the largest volume of co-operative law today in any country. Margaret Digby, in her 'Digest of Co-operative Law at Home and Abroad', styled it as being so definitely original and well adapted to the particular purpose of credit that she classifies it "as a style by itself".\textsuperscript{34} Even some of the countries of the world have modelled their co-operative legislation on the pattern of India, e.g., the Study Team sent by the Government of India to Israel in its report rightly noted that Co-operative Societies Ordinance issued in Israel in 1933 was "based largely on the Bombay Co-operative Societies Act of 1925. In fact, several of the Sections are a verbatim copy of the Bombay Law".\textsuperscript{35}

With the devolution reforms, a number of Provincial Committees\textsuperscript{++} were appointed to examine whether the co-operative movement was progressing on right footing or not. All the Committees adopted the scheme for rehabilitation of the co-operative movement. Emphasising

\textsuperscript{+} For details, see Annexure No.VII.

\textsuperscript{34} Quoted by M.D.Vidwans, "Main Features of Co-operative Law in India", Sahakari Samaj - A Symposium on the Co-operative Movement in India, Delhi, Ministry of Community Development, Panchayati Raj and Co-operation, 1962, p.269.


\textsuperscript{++} Oakden Committee of UP, King Committee of C.P. & Berar, Townsend Committee of Madras, and Calvert Committee of Burma.
the important role of co-operation, even the Royal Commission (1928) aptly remarked, "If co-operation fails, there will fail the best hope of rural India".36

The world wide economic depression which had no parallel in its range, intensity and duration, further gave a severe blow to the co-operative movement in India which was still in its infancy. In Punjab, the Haryana area was the most affected one. This indirectly helped in locating the structural and functional deficiencies. K.L. Punjabi, the then Registrar of Co-operative Societies, Bombay, observed, "The depression came as a very good school-master. It rightly brought to light that all was not well with the movement".37

The Indian Central Banking Enquiry Committee (1931) made strong appeals to assist the movement from all quarters because there was no better instrument for raising the level of the agriculturists of this country than the co-operative effort.38 Later on, due to the sincere efforts of Simon Commission, the Reserve Bank of India was set up in 1934. It was made responsible to undertake a regular research in the development of co-operative movement.

37. Quoted in 50 Years of Co-operation, Golden Jubilee Souvenir (1904-54), Bombay Provincial Co-operative Institute, 1954, p.58.
In the meantime, with the introduction of Provincial Autonomy in 1937, the Provinces again set up many Expert/Enquiry Committees* to reconstruct/re-organise the co-operative movement. The peculiar conditions created by Second World War administered a tonic to the co-operative movement when the Societies gained in strength and vigour. In his note on the Enquiry (Agricultural Finance Committee), Prof. D.R. Gadgil summed up the impact of the war on co-operatives that "War years made the debt definitely easier to carry".

During 1940s, another important development was the appointment of the Agricultural Finance Sub-committee (Gadgil Committee, 1945) and the Co-operative Planning Committee (Saraiya Committee, 1945). The Gadgil Committee recommended for setting up of State-aided Agricultural Credit Corporations in each Province. Such corporations were to provide a solution to the problem of agricultural credit in particular and rural economy in general. The Saraiya Committee, on the other hand, suggested that the activities of Primary Societies may be so extended

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* Co-operative Enquiry Committee Travancore (1935) under G.K. Deodhar as Chairman, Re-organisation of Co-operative Movement in Bombay (1937) under V.L. Mehta and M.D. Bhansale as Chairmen, Co-operative Movement in Punjab (1939) under F.W. Wace as Chairman.

(other than Credit) as to cover the whole life of the cultivator. The recommendations of Saraiya Committee were considered at the 15th Conference of the Registrars of Co-operative Societies held in 1947 and were mostly approved.

Table No.1.1 shows that the progress of the Co-operative Movement from almost its inception to the present day (1904-46) with an average for the five-years period:

Table No.1.1

PROGRESS OF CO-OPERATIVES

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Societies (in thousands)</th>
<th>Membership (in lakhs)</th>
<th>Working Capital (in Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1906-10</td>
<td>1.93</td>
<td>1.62</td>
<td>0.68</td>
</tr>
<tr>
<td>1911-15</td>
<td>11.79</td>
<td>5.48</td>
<td>5.48</td>
</tr>
<tr>
<td>1916-20</td>
<td>26.48</td>
<td>11.29</td>
<td>15.18</td>
</tr>
<tr>
<td>1921-25</td>
<td>57.71</td>
<td>21.55</td>
<td>36.36</td>
</tr>
<tr>
<td>1926-30</td>
<td>92.94</td>
<td>36.89</td>
<td>74.89</td>
</tr>
<tr>
<td>1931-35</td>
<td>105.71</td>
<td>43.22</td>
<td>94.61</td>
</tr>
<tr>
<td>1936-40</td>
<td>116.96</td>
<td>50.77</td>
<td>104.68</td>
</tr>
<tr>
<td>1941-45</td>
<td>149.89</td>
<td>72.18</td>
<td>124.68</td>
</tr>
<tr>
<td>1945-46</td>
<td>172.17</td>
<td>91.63</td>
<td>164.00</td>
</tr>
<tr>
<td>1946-47</td>
<td>139.14</td>
<td>91.01</td>
<td>156.01</td>
</tr>
</tbody>
</table>

An analysis of the table reveals that during the 40 years period, the number of Co-operative Societies,

their membership and working capital increased by 72 times, 57 times, and 230 times respectively. On further examination, it is found that it was during the year 1911-15 that there was a hurried expansion of the movement as compared to the progress of movement during the years 1906-10. During that period, the number of Societies increased by more than six times, membership by 3.33 times, and working capital by eight times. Similarly, a comparison of the progress of co-operative development during 1916-20 and 1921-25 reveals that during the latter set of five years, the number of co-operatives, and their membership as also their working capital doubled. It was during 1930s that co-operatives suffered a set back. However, after the war, co-operatives again got momentum in all the directions.

On examining the evolution and growth of co-operative movement in India, we find that the development has been in the dull drums. Firstly, there was a lack of will on the part of the Britishers to build the infrastructure for the socio-economic development of the country to which co-operatives were not an exception. Prof. Coupland, in *The Constitutional Problems in India*, rightly observes that "Dyarchy failed in its primary purpose which its authors intended to serve. It did not provide a real training in responsible Government". Thus, when India got freedom on the midnight of August 14-15, 1947, the country saw the spectacle of the caprisioned princes on
the one hand and the local self-Government institutions and the co-operatives on the other hand as pale replicas of the British Administration but used predominantly as institutions for Durbars and for political and feudal patronage.  

Secondly, the British Government did not create any proper environment (democratic functioning) for the evolution and growth of co-operatives to serve its members. Under the various Acts, authority was decentralised in theory, but, in practice, it meant more and more control. M.R. Masani in *Britain in India* aptly remarked, "The real quantum of powers transferred was so insignificant that its critics could hardly be blamed for regarding the new Constitution as a mockery of democracy".

Thirdly, limited and controlled funds further impinged upon the development of co-operatives and other social services. Chintamani, in his evidence before the Reforms Enquiry Committee, rightly narrated the lot of ministers when they approached for the funds. He stated, "Pretty frequently, they had to go before Governor, pretty frequently, the Governor did not side with them and pretty frequently, they could only gain their point in the 

end by placing their offices at the disposal of the Governor”.

Some of the other hindrances in the growth of co-operative movement were: (a) absence of legal provisions to develop the functioning of co-operatives till 1904, (b) illiteracy amongst the masses, (c) poor socio-economic conditions prevailing in British India, and (d) no infrastructure to guide and advise the co-operatives in the country to put them on a sound footing.

Presently, the administration of co-operatives is essentially the responsibility of the State Governments (except in matters under the Central Government). Item 32 of List II (Article 246, Schedule 7) reads as follows:

“Incorporation, regulation and winding up of Co-operatives, other than those specified in List I and universities, unincorporated trading, literary, scientific, religious and other societies and associations, co-operative societies”.

The above mentioned provisions clearly show that Co-operative Societies is a State subject.

The pattern of co-operative administration in all the States is more or less same. The Co-operation Department is headed by a minister of cabinet rank and sometimes assisted by a State or Deputy minister. Administratively, the Secretary in charge of Co-operation Department is also the administrative head for other
allied Departments. The executive organisation is headed by the Registrar, Co-operative Societies. His designation is in conformity with his duties as his legal functions are to register, and if necessary, to cancel the registration of co-operatives.43

The Registrar, being the chief administrator, executor, and controlling officer of the manifold co-operative activities, is regarded as the friend, philosopher, and guide of the co-operative movement. He is assisted by a number of Additional Registrars, Joint Registrars, Deputy Registrars, Assistant Registrars and other supporting staff at the headquarters and in the regional/district/field offices.

It may, however, be mentioned that in some of the States, there is a unified administrative arrangement for the co-operatives functioning in the field of production, distribution, marketing, banking, housing, insurance, and the like. But there are States where industrial, milk or sugar co-operatives and a few other categories of co-operatives are dealt with by the functional departments. The result is that by the dispersal of responsibility and vision of comparative administrative structure at the various levels, we cannot preserve the true character

of the co-operative ideals. To quote the Second Working Group on Industrial Co-operatives, "The question whether the administration of Industrial Co-operatives should remain with the Co-operative Department or Industries Department continues to be raised from time to time. All things considered, the balance of advantage lies in keeping Industrial Co-operatives under the control of Registrar, Co-operative Societies except, it seems, in the case of mechanised type of industries which may be placed under the Director of Industries". There is need that all co-operative activities must be manned by one Head of Department, i.e., by the Registrar, Co-operative Societies. The main argument for suggesting a unified department is that just as each department claims expertise with regard to its business, co-operative business is also an integrated discipline by itself and requires specialised knowledge and experience.

Besides the State Co-operation Department, there are other co-operative apex bodies in all the States. These federations are concerned with the development of co-operatives in their respective fields at the district and primary levels. These federations are generally built from the bottom up rather than from the top down because

the member societies join voluntarily on a democratic basis for the attainment of certain specific purposes. Such federations provide to the affiliated societies services in the form of men, money, material, machinery, etc., which would otherwise be beyond the normal capacity and capability of the latter. Edwin C. Nourse, an American economist rightly observes, "... co-operative federations are associations of associations. They permit the integration of an agricultural industry horizontally by grouping together many local units of a like character. They also permit integration vertically by the addition of functions, ordinarily those of central market or export selling, demand promotion and packing or processing".

From the above, we find that there is good infrastructure available for the healthy development of co-operatives in the country. At the same time, it has also been found that the Central Government (due to the federal concept of the country) has been influencing the development of co-operatives like education, agriculture, health, etc. According to Entry 43 and 44 in the 7th Schedule of the Indian Constitution, the Central Government has jurisdiction over those societies whose objects extend beyond one State. The Central Government is also responsible for the economic and social development of the country including co-operatives (Entry 20 of List III - Economic and Social Planning). The Preamble, the Directive
Principles of State Policy (Article 42 and 48) as also the various Plan Documents further enjoin on the Central/State Government to provide an environment wherein

+ The First Plan stated, "In a regime of planned development, co-operation is an instrument, which while retaining some of the advantages of decentralisation and local initiative will yet serve willingly and readily the overall purposes and directives of the Plan. The co-operative form of organisation can no longer be treated as only a species within the private sector. It is an indispensable instrument of planned economic action in democracy". Planning Commission, Delhi, p.163.

The Second Plan stated: "The building up of a co-operative sector as part of the scheme of planned development is ..., one of the central aims of national policy". Planning Commission, p.221.

The Third Plan stated: "Co-operation has the merit of combining freedom and opportunity for small man with benefits of large scale management and organisation as well as goodwill and support from community. Thus, 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 development". Planning Commission, p.200.

The Fourth Plan emphasised on "growth with stability". The Plan stated that while it will be for the co-operatives themselves to make the effort involved and reach those standards of efficiency which would enable them to compete with other forms of organisations serving similar purposes, Government for its part will endeavour to assist the co-operatives to equip themselves for the task in important aspects such as finance, organisation, and trained personnel". Planning Commission, p.216.

The Fifth Plan stated: "There is no other instrument as potentially powerful and full of social purpose as the co-operative movement". Planning Commission, Vol. II, p.78.

In the approach to the Sixth Plan (since abandoned by the new Congress Government), the accent was to be on development of agriculture, and within the industrial sector, on the growth of labour intensive small and village industries. The Annual Report of the Department of Civil Supplies & Co-operation stated that "Co-operatives qualify as the most suitable agencies for this purpose". Annual Report 1978-79, p.3.
co-operatives are fully imbued in the realm of social policy. All these provisions show that the Central Government is responsible to finance, co-ordinate, and plan co-operative activities.

For the effective functioning of these activities, 'Co-operation Division' in the Ministry of Food & Agriculture was set up in the year 1955. It was on December 31, 1958 that the status of Co-operation Division was upgraded to the level of Department of Co-operation (Ministry of Community Development and Co-operation). In subsequent years, keeping in view the administrative exigencies, this Department has been bunched with a number of ministries† and presently, it forms a wing of the Department of Agriculture.‡ The Department has no attached offices, subordinate offices or public undertakings, except one autonomous body - National Co-operative Development Corporation (N.C.D.C.).

The N.C.D.C., set up in 1963, has made its impact in terms of promotional initiative, financial assistance, technical guidance, and constructive supervision and a periodic review of the programmes. It is considered as an executive organisation whose activities are field oriented

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† For details, see chart No.3 "Development of Independent Department of Co-operation".

‡ For details, see chart No.4 "Organisational chart of Co-operation Division".
<table>
<thead>
<tr>
<th>MINISTRY</th>
<th>DEPARTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture</td>
<td>Department of Agriculture &amp; Co-operation ... 1979</td>
</tr>
<tr>
<td>Ministry of Commerce, Civil Supplies and Co-operation</td>
<td>Department of Civil Supplies and Co-operation ... 1977</td>
</tr>
<tr>
<td>Ministry of Civil Supplies and Co-operation</td>
<td>Department of Co-operation ... 1976</td>
</tr>
<tr>
<td>Ministry of Industry and Civil Supplies</td>
<td>Department of Civil Supplies and Co-operation ... 1974</td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
<td>Department of Co-operation ... 1971</td>
</tr>
<tr>
<td>Ministry of Food, Agriculture, Community Development and Co-operation</td>
<td>Department of Co-operation ... 1966</td>
</tr>
<tr>
<td>Ministry of Community Development and Co-operation</td>
<td>Department of Co-operation ... 1958</td>
</tr>
<tr>
<td>Ministry of Food and Agriculture</td>
<td>Department of Agriculture (Co-operation Division) ... 1955</td>
</tr>
</tbody>
</table>
and programme based. Thus, functions of N.C.D.C. are quite different from that of the Department of Co-operation.

In addition to the Central Department of Co-operation, in recent years, a large number of National Federations (as many as 16) in the Sectoral fields have emerged. These federations have added a new dimension to the co-operative


1. The All India Federation of Co-operative Spinning Mills Limited, Bombay.

2. The All India Industrial Co-operative Banks Federation Limited, Bangalore.

3. The All India State Co-operative Banks Federation Limited, Bombay.

4. The Indian Farmers Fertilizer Co-operative Limited, New Delhi.


8. The National Co-operative Dairy Federation of India Limited, New Delhi.


15. The National Heavy Engineering Co-operative Limited, Pune.

structure because of their promotional (NCDC, IFFCO, Petrofils, etc.) and business role (Nafed, NCCF, etc.). These federations provide leadership and support in administrative, technical, financial and other allied matters to the co-operatives at the State, District and local levels in their respective spheres. Besides, the various Public Sector institutions, like Reserve Bank of India, State Bank of India, Agricultural Refinance Corporation, Rural Electrification Corporation, etc., have further strengthened the base of co-operatives so as to enable them to compete with the other forces.

The Department of Co-operation has been arranging annual conferences of: (i) State Ministers of Co-operation,* (ii) the Registrars, and (iii) national seminars and workshops, to discuss and analyse various policy issues and suggest administrative, financial and technical measures to reorient the future co-operative policies and programmes. For instance, the Conference of State Ministers of Co-operation in 1975 devoted mainly to the implementation of 20-Point Programme by the co-operatives. Similarly, in 1977, the Conference adopted a 12 Point National Co-operative Policy Resolution* and also endorsed the approach to co-operative development in the Sixth Five Year Plan. However, a perusal of the Policy Resolution reveals that many important aspects of co-operative

* For details, see Annexure No.VIII
* For details, see Annexure No.IX
movement are missing therefrom, e.g., vertical and horizontal relationship of various segments of co-operatives, removal of restrictive features of movement, and collaborative role of public enterprises and co-operatives. One of the National Conferences has also pin-pointed the missing aspects and has urged to broaden the Policy Resolution by making additions and alterations. Moreover, the implementation of the Policy Resolution has been very low and needs to be toned up.

The Department has also been constituting Expert Committees/Working Groups from time to time to study specific problems and issues. Since independence, 32 such Committees have been set up. Surprisingly, implementation of their recommendations have been reduced merely to an academic proposition. In one of the editorials, it has been rightly observed that our Government has acquired mastery in "Avoiding Main Issue" by appointment of a Commission/Committee/Working Group on a vexed problem. Perhaps this was the reason why Parkinson – well known management expert, remarked a few years back that in a

47. National Co-operative Union of India, National Conference on Role of Co-operatives in the Development of National Economy via-a-vis Sixth Five Year Plan, Delhi, March 16-17, 1978, pp.136-137.
48. Indian Express, March 9, 1979 (Special Supplement, 8th Indian Co-operative Congress, March 9-11, 1979).

+ A gist of the summary of main recommendations of these Committees may be seen from Annexure No.I. The detailed recommendations shall, however, be discussed in relevant chapters.
country like India, a separate branch of knowledge namely 'Committeology' should be extensively taught to administrators and representatives of the people. It is high time that a National Commission on co-operation dealing with all its sectors (on the pattern of A.R.C) is appointed by the Government. This Commission may review the entire gamut and structure of co-operative movement to modernise functioning of co-operatives so that their credibility could get enhanced.

Besides, the Department keeps in touch with the Planning Commission at the time of formulation of Five Year Plans and reviews the operations of these programmes from time to time. In the Sixth Five Year Plan, co-operatives are to formulate their own plan of development in consonance with the economic development of the country.

+ For details, see chart No.5 Co-operative Priorities vis-a-vis Five Year Plans.
& A similar resolution was also passed by the recent 8th Indian Co-operative Congress held at Delhi (March 9-11, 1979).

50. NAFED, National Congress of Marketing Co-operatives (Background papers), Delhi, April 11-12, 1978, pp. 56-59.
| Chart No. 5
| COOPERATIVES PRIORITIES VIS-A-VIS FIVE YEAR PLANS*

<table>
<thead>
<tr>
<th>1st Plan</th>
<th>IIrd Plan</th>
<th>IIIrd Plan</th>
<th>IVth Plan</th>
<th>Vth Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, marketing cottage &amp; processing industries.</td>
<td>Cooperative Credit</td>
<td>Revitalisation of Cooperative Credit Societies</td>
<td>Agricultural Credit</td>
<td>Agricultural Cooperatives</td>
</tr>
<tr>
<td>2. Development through Panchayats</td>
<td>State's partnership in share capital</td>
<td>Setting up of Primary Marketing Societies in every Mandi.</td>
<td>Strengthening of agricultural Cooperatives.</td>
<td>Viable Consumer Cooperatives</td>
</tr>
<tr>
<td>3. Multipurpose Credit Societies</td>
<td>Linking of Credit &amp; Marketing Societies</td>
<td>Cooperative Process-Viable Consumer Removal of Regime in other fields. Cooperatives realignments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Sale and purchase societies</td>
<td>Warehousing</td>
<td>Cooperative Farming Processing</td>
<td></td>
<td>Special attention to the needs of a) Small Marginal Farmers. b) Weaker Sections c) Tribal Areas</td>
</tr>
<tr>
<td>5. Cooperative Farming</td>
<td>Cooperative Processing (especially sugar, Ginning Cotton etc.)</td>
<td>Consumer Cooperatives</td>
<td>Rural Electrification Cooperatives.</td>
<td></td>
</tr>
<tr>
<td>7. Industrial Cooperatives</td>
<td>Industrial Cooperatives</td>
<td>Labour and Construction Societies</td>
<td>Viability of Farming</td>
<td></td>
</tr>
<tr>
<td>8. Urban Cooperatives</td>
<td>Setting up of Consumer Cooperatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. States' help to Cooperatives in formative years to consolidate their strength.</td>
<td>Setting up of Labour and construction and Housing Cooperatives</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Based on the documents of Five Year Plans
The progress of all types of co-operatives during 1950-51 to 1976-77 can broadly be described as follows:\(^5\)

Table No. 1.2

**PROGRESS OF CO-OPERATIVE MOVEMENT IN THE PLANNED ERA**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number of Societies</td>
<td>lakhs</td>
<td>1.81 2.40 3.32 3.26 3.30</td>
<td>3.30</td>
<td>3.10</td>
<td>3.10</td>
<td></td>
</tr>
<tr>
<td>2. Membership of Primary Societies</td>
<td>million</td>
<td>13.7 17.6 34.2 58.5 69.2</td>
<td>69.5</td>
<td>84.0</td>
<td>86.0</td>
<td></td>
</tr>
<tr>
<td>3. Share Capital</td>
<td>Rs. million</td>
<td>455 778 2216 6633 1226</td>
<td>1274</td>
<td>1529</td>
<td>1679</td>
<td></td>
</tr>
<tr>
<td>4. Working Capital</td>
<td>-do-</td>
<td>2758 4689 13131 44728 9648</td>
<td>11278</td>
<td>12432</td>
<td>13798</td>
<td></td>
</tr>
</tbody>
</table>

The data given above shows that during a period of 27 years, the number of societies has increased by 72 per cent, membership of primary societies by 520 per cent, while the share capital and working capital of the co-operatives have gone up by 270 per cent and 400 per cent respectively in the corresponding period.

The over-all record of progress of co-operative programmes is also quite encouraging (1960-61 - 1977-78).\(^+\)

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\(^5\) Data Compiled from *Annual Reports of Government of India (Department of Co-operation)* and Department of Rural Development.

\(^+\) For details, see Table No. 1.3, "Diversification of Co-operatives".
The total short term and medium term loans advanced by Primary Agricultural Credit Societies increased to around 1272 crores. The value of agricultural produce handled by co-operatives during the period under review is estimated at Rs.1420 crores. Similarly, fertilizers worth Rs.794 crores were distributed by co-operatives which account for about 60 per cent of the total fertilizers distributed in the country. The co-operatives sold 72 per cent of the total controlled cloth production in rural areas. Co-operative sugar mills contributed 31.74 lakh tonnes of sugar, representing 49 per cent of the total production of sugar in the country. Practically, all urban areas in the country are covered by consumer co-operatives. The volume of retail trade handled by these co-operatives was to the tune of Rs.650 crores.

As regards the progress in the field of agricultural processing, the number of agro-based units so organised had risen to 2251 out of which 1803 had been installed (till March, 1978).

Though the Department performs all the activities relating to agricultural sector, there is no unified agency to take care of the remaining sectors of co-operation, e.g., khadi, handicrafts, handlooms, industrial co-operatives, etc. The Department just provides a fillip by getting the recommendations implemented from other functional ministries. This has resulted in unbalanced development of co-operatives. In this connection, the Working Group on Co-operation, appointed by Administrative Reforms Commission,
rightly observed that "there is a wide gap between
accepted policies and actual implementation". 52

It is suggested that a full-fledged ministry of
Co-operation may be set up. This ministry may be made
responsible for all matters relating to co-operatives.
The functional ministries may, however, assist the
Ministry in the technical aspects. The Working Group
on Co-operation as also the various Co-operative
Congresses have held the same view. 53

52. Government of India, Report of the Working Group
on Co-operation, Delhi, Administrative Reforms

53. The 7th Indian Co-operative Congress held at
Delhi (February 1976) observed that the subject
of co-operation at present is divided among many
Departments. The Congress feels that this creates
a lot of difficulties in co-ordination and
execution of various co-operative programmes,
and, therefore, recommends that there is need for
a separate ministry of co-operation at national
level with corresponding ministries at the state
level. See, National Co-operative Union of India,
Recommendations of Seventh Indian Co-operative
Congress, Delhi, 1976, p.17.