Chapter – II

CONCEPTUAL FRAMEWORK AND METHODOLOGY

2.1 THE CO-OPERATIVE FORM OF ORGANISATION

The genesis of the term ‘Co-operation’ can be found in the Latin word “Co-operari”. ‘Co’ means with and ‘Operari’ means to work. In other words, in its popular sense, ‘Co-operation’ means working together with others for a common purpose. However, in its special sense, co-operation refers to the system wherein people voluntarily associate for working together on terms of equality to eliminate their economic exploitation by middlemen or to fulfil any economic need that is common to them.

The above point probably calls for some elaboration. There is no universally accepted single definition of the term ‘co-operation’. It has been viewed and defined variously as

(i) an economic organisation with social content;
(ii) an instrument of socio-economic change;
(iii) a precursor of co-operative commonwealth; and
(iv) a training ground for democracy etc.

In fact, there are chiefly three schools of thought in this regard, viz, the co-operative enterprise school, the co-operative commonwealth school and the socialist co-operative school.¹

According to the first school of thought, co-operative institution is a voluntary association of individuals organised, capitalised and run by its members engaged in the production or marketing of goods and services.

The second school of thought is not merely contended with improving the economic position of the members within the existing framework but also aims at eliminating the competitive capitalistic system and replacing it by the one which is based on mutual co-operation.

The third and the last school believes that the co-operative movement can be an important instrument for social transformation and furtherance of the cause of an egalitarian society.

While defining co-operation, the Report of the Inquiry on Co-operative Enterprise in Europe published by the Government of the United States, stated that a co-operative enterprise is one which belongs to the people who use its services, the control of which rests equally with all its members and the gains of which are distributed in proportion to the use they make of its services.3

Prof. Paul Lambert (1963), a leading authority on co-operation and the editor of the famous journal 'Annals of Public and Co-operative Economy,' has defined co-operative as an enterprise formed and directed by an association of users, applying to itself the rules of democracy and directly intended to serve both its own members and the community as a whole.4

The essential points that come out of Lambert’s definition are that:
(i) a co-operative is an enterprise;
(ii) it is an association of users;
(iii) it applies to itself the rules of democracy; and
(iv) it intends to serve both (a) its own members, and (b) the community as a whole.

Bottomley (1989), in his book ‘Farmer Centred Enterprise for Agricultural Development’ viewed co-operative as “primarily economic organisation which seeks to respond to the self-perceived needs, whatever they may be of their members”5. According to him, the basic motivations which impel the members and which have given rise to the vast range of experience and enterprise on co-operation have sprung up form three main sources: first, from the need for protection against exploitation by economic forces too powerful for the individual to withstand alone; second, from the impulse for self improvement by making the best use of often scarce resources; and third, from the concern to secure the best possible return from whatever form of economic activity, whether as producer or consumer the individual is engaged in.

Elsewhere co-operative has been described as a typical form of third sector organisation, so far as its independence, democratic formation, management and

participation of worker members are concerned. In co-operatives, people join (associate) together with a shared economic need; it could be obtaining a fair price for the crop or for produced goods. The basis of co-operation between members, usually, is a mutual economic need not met through existing market channels.

The International Co-operative Alliance (ICA) congress held at Manchester on 23rd September, 1995 defined co-operation as an autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. It has also focussed on the values of co-operation such as: self help, self responsibility, democracy, equality and solidarity.

2.2 PRINCIPLES OF CO-OPERATION

What transpires from the above discussion is that 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. Of course, a question that often arises and that needs to be resolved at the very outset is: where lies the distinctness of the co-operative form of organisation? To put it otherwise, given the fact that organisations like a joint stock company are also body corporates with limited liability, perpetual succession and democratic management, how one would differentiate a co-operative form of organisation from a joint stock company?

In fact, as is now generally and universally recognised, the distinctness of the co-operative form of organisation stems from the fact that these organisations essentially are based on certain principles. These principles are called the principles of co-operation. The principles of co-operation had been laid down originally by the Rochdale Society of Equitable Pioneers, although prior to these pioneers Robert Owen, Charles Fourier and William King had visualised an ideal form of society based on co-operation and mutual help. The original principles as adopted by Rochdale Pioneers underwent certain

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7 Ibid: p-226.


changes in order to meet the requirement of the dynamic social and economic environments. Yet the spirit behind these principle has remained unaltered and they still provide the inspiration to countless members engaged in co-operative activities all over the world.

The Rochdale Pioneers laid down the following principles:

(i) The capital of co-operatives should be of their own providing and bearing a fixed rate of interest (Limited interest on capital).
(ii) Only the purest provisions procurable should be supplied to members (Purity and quality of the product).
(iii) Full weight and measures should be ensured (Purity in weights and measures).
(iv) Market prices should be charged and no credit allowed (Cash trading and sale at market price).
(v) Profit should be divided pro-rata upon the amount of purchase made by each member (Patronage dividend).
(vi) The principle of "one member one vote" should obtain in governance along with the equality of the sexes in membership (open and voluntary membership).
(vii) The management should be in the hands of officers and the committee elected periodically (Democratic control).
(vii) A definite percentage of profit should be allotted to education (Education of members).
(ix) Accounting statements and balance sheets should be presented periodically to members.

The above principles underwent changes over the years, until these were reformulated by the International Co-operative Alliance in 1966 and subsequently in 1995.10

The ICA Congress laid particular emphasis on the following principles of co-operation:

1. Voluntary and open membership:

It means that a co-operative is a voluntary association of persons. There is no compulsion on any body to join a co-operative society. Membership and withdrawal of membership in a co-operative are voluntary. On the other hand, the principle of open membership means that the membership of a co-operative society shall be available to all

without any artificial restrictions. There can be no discrimination in a co-operative society on the ground of caste, creed, colour, community, sex, race or religion.

2. Democratic control:

The next important principle is that of democratic control. This means that each member of a co-operative has only one vote and no more, irrespective of the number of shares held by him. In a co-operative society each member stands on the basis of equality and gets an equal opportunity to participate freely in the conduct of its affairs.

3. Limited interest on capital:

Another important principle of co-operative enterprise is the payment of limited interest on capital. Capital is subordinated in co-operative enterprises because it is thought of as noxious, bearing many seeds of injustices, if it is not kept under control.

The main purpose of limited interest is, of course, to safeguard the non-profit character of the co-operative. But it has another meaning: that within the co-operative economy, capital has to serve, not dominate; it has to be satisfied with a fixed ‘wage’ at limited interest so as not to obtain an unfair return from the business operations.

4. Equitable distribution of surplus:

The principle of distribution of surplus in proportion to transactions was the most ingenious and unique principle invented by the Rochdale Pioneers. This principle is considered to be a practical expression of the non-profit character of the co-operative economy. This is achieved simply by dividing the surplus among members in proportion to their business done through the co-operatives, not to their investment in it.

5. Co-operative education:

It has been acknowledged on all hands that the strength and success of the co-operative movement depend on the existence of vast and enlightened membership. Without co-operative education, enlightened membership does not become a reality. Every society must contribute to promotion of education not only financially but also by undertaking active programmes for dissemination of the ideas of co-operation.

6. Co-operation among co-operatives:

The spirit of this principle is that all co-operative organisations in order to best serve the interest of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels. The principle is called, “co-operation among co-operatives”, because in competitive conditions, the trend of modern economy is towards having closer economic integration and larger units. If the co-operative movement is to rise to its full stature, either within
each country or internationally, the co-operative institutions must support one another. They must act as members of a common united front to realise the objectives and ideas of the movement as a whole.

In addition to the above principles, the 35th congress of the International Co-operative Alliance held at Manchester on 23rd September 1995, further laid stress on the following seventh principle of co-operation.

7. Concern for community:

This principle emphasise that co-operatives should work for the sustainable development of their community through policies approved by their members.\(^{11}\)

Co-operatives, it is to be clearly understood, are based on the values of self-help, self responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others. The co-operative principles are guidelines by which co-operatives put their values into practice.

In India, the first official attempt towards defining a co-operative form of organisation was undertaken through the enactment of the Co-operative Credit Societies Act, 1904 at the central level.\(^{12}\) However, the Act of 1904 applied to societies for the purpose of co-operative credit only and not to co-operative societies of other kinds. In order to remove this limitation, the Co-operative Societies Act of 1912 was enacted, which amended the Co-operative Societies Act of 1904. Section 4 of the Co-operative Societies Act 1912, defined a co-operative society as an association of persons which has as its object the promotion of the economic interests of its members in accordance with co-operative principles.\(^{13}\)

Under the government of India Act, 1935 co-operative societies became a provincial subject. After independence co-operation was included as a state subject under the Constitution of India. However, the Central Co-operative Societies Act, 1912 continued to serve as a model for subsequent legislation passed by the various state governments. In Assam, the central Act of 1912 was repealed in its application to the state of Assam by the enactment of the Assam Co-operative Societies Act, 1949 (Act I of

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\(^{12}\) Ibid; p. 26.

Section 4 (1) of the Assam Co-operative Societies Act of 1949 states as follows:

Any society established with the object of promotion of the economic interests or general welfare of its members or of the public in accordance with the co-operative principles, or a society established with the object of facilitating the operations of any society may be registered under this Act with limited liability.  

Section 6(1) of the said Act provides as follows:

No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least ten eligible persons and in cases where the primary object of the society is the creation of funds to be lent to its members, unless such persons reside in the same town, village or in the same Panchayat Area.

The Assam co-operative Societies Act of 1949, points clearly to the following features of the co-operative organisation:

(i) **Body Corporate**: A society is an association of persons registered under the Assam Co-operative Societies Act, 1949 with limited liability. By virtue of the registration every co-operative society becomes a body corporate with perpetual succession and a common seal.

(ii) **Open and voluntary membership**: Any individual who has attained the age of 18 years or above can become a member of co-operative society voluntarily. There is no restriction on becoming the member of a co-operative on the basis of caste, creed, sex or religion. It is open to everyone not otherwise disqualified.

(iii) **Minimum number of members**: Every society, other than a society of which a member is a registered society, must have at least ten eligible members.

(iv) **Object**: The object for which the association of persons is formed should be the promotion of the economic interests or general welfare of its members.

(v) **Co-operative principles**: The society must pursue its objective in accordance with the co-operative principles.

(vi) **Management**: Ordinarily the supreme authority of a registered society shall be vested in the General Assembly. The General Assembly of a registered society shall consist of all those who are eligible to vote at general meeting of the society. However, the management of the day to day affairs of every registered

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15 cf. section 6(1) of the Assam Co-operative Societies Act, 1949.
17 cf. section 5 of the Assam Co-operative Societies Act, 1949.
19 cf. section 4 of the Assam Co-operative Societies Act, 1949.
20 cf. section 31(3) & 31(1) of the Assam Co-operative Societies Act, 1949.
society is normally vested in the managing body of the society, members of which are duly elected by the General Assembly of members in the Annual General Meeting of the society.21

(vii) Democratic member control: The democratic way of functioning of a society is ensured by the principle of one member one vote. Section 17(1) of the Assam Co-operative Societies Act 1949, States as follows:

Irrespective of the shares he holds in the society and subject to any temporary disqualifications from voting which may be prescribed in bye-laws and to the provisions of section 31(2) and 31(3) relating to voting by representatives, a member of a registered society shall have one vote only in the affairs of the society.22

The above seven characteristics suggest clearly how a co-operative form of organisation has been conceptualised and defined by the lawmakers in Assam. Needless to say that for the purpose of the study, a co-operative society or a co-operative enterprise would mean any entity that is registered as such under the Assam Co-operative Societies Act, 1949.

2.3 TYPES OF CO-OPERATIVE ENTERPRISES

Co-operatives are broadly classified on the basis of their structure of formation, motivation and functions.

On the basis of structure of formation, co-operatives are of two types: (1) Primary Co-operatives, and (2) Secondary or Federal Co-operatives.23

Primary Co-operatives: The basic unit in the co-operative form of enterprise is the primary co-operative in which individuals are shareholding members.

The members themselves contribute to the capital of the enterprise and the management is vested upon a committee of management, called managing committee elected by the members. The organisational rules and procedures of management are set down in the bye-laws of the enterprise, subject to the approval of the local legislation governing the administration of co-operative societies.

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22 Ibid: p. 50.
Secondary Co-operatives: Secondary co-operatives or Federal co-operatives are simply an extension of primary co-operatives. While primary co-operatives have individual person as members, a secondary co-operative is one in which other co-operatives are the members.

The structure and organisation of secondary co-operative follow the similar pattern of a primary co-operative. It provides, through the device of federation, the ability to organise very large scale business operation at the national or even international level without detriment to the democratic control of the primary co-operatives by their own members.

Types of Primary Co-operatives

There are mainly six types of co-operatives, which operate at the primary level. These are:

(i) Savings and credit co-operatives: These types of co-operative organisations are specialised in encouraging savings and providing credit to members. They have as their prime objectives: the encouragement of a sense of thrift and the provision of credit for productive and provident purposes.

Examples of such co-operatives are:

(a) Primary Agricultural Credit Societies (PACS),
(b) Urban Credit Co-operatives Banks,
(c) Thrift and Credit Co-operatives.

In these co-operatives, normally a comparative rate of interest is paid on savings and a lower rate of interest charged for credit. The particular significance of these types of co-operatives is that they facilitate the operation of savings and credit services to the members.

(ii) Consumers' co-operatives: Such co-operatives are formed to cater to the needs of lower middle class people, students and the labourers. These societies protect weaker sections from the clutches of profit hungry businessmen. The membership of these societies is open to every one irrespective of caste, creed, sex or religion. The societies make bulk purchases directly from producers or wholesalers and sell the goods to the members on retail basis, after charging small profit to cover up administrative costs and to the non-members at market price.

(iii) Producers' co-operatives: These co-operatives are formed for the benefit of small
producers who find it difficult to collect various factors of production and also to face marketing problems. The purpose is to improve economic condition of small producers by giving them necessary facilities. Producers' co-operatives include the following broad categories:

(a) Farming Co-operatives;
(b) Processing Co-operatives; and
(c) Industrial Co-operatives.

(a) **Farming co-operatives** are voluntary association of farmers and of other producers engaged in primary sector activities. Normally producers and farmers belonging to the same trade in a particulars region or locality join their hands to reap the economies of large scale production and to protect themselves against the exploitation by middlemen and by large private enterprises. The co-operative supplies raw materials and other input services to the members at reasonable rates and arrange for selling of the produce in the market. Profits of the co-operative if any are distributed among the members after retaining some profits for general pool.

(b) **Processing co-operatives** are the co-operatives engaged in the processing of agro-products. Such co-operatives include the co-operatives engaged in sugar processing, cotton processing, fruits and vegetable processing, oil-seeds processing and other co-operative enterprises for value addition of agro-products.

(c) **Industrial co-operatives** on the other hand are formed by artisans, craftsmen, industrial workers and other small industrial producers. In most cases, these are formed by traditional artisans, such as weavers, carpenters, potters, smiths and so on who have been carrying on their business independently with the help of their family members and have been used to shouldering the risk of production and marketing themselves.  

(iv) **Housing co-operatives:** The housing co-operatives are of different types. Some societies construct houses and give them on small rent to the members. The members do not become owners but the rent is nominal. The second type of societies acquire land and give the plots to the members for constructing their houses themselves. The societies also arrange loans for their members from financial institutions and government agencies. The third type of societies acquires land and construct houses themselves. The

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constructed houses are handed over to the members who pay the price in easy instalments spread over a longer period.

The purpose of all these societies is to help their members in purchasing land and constructing houses.

(v) Marketing co-operatives: As the title implies the primary function of such co-operative is the collective marketing of members' produce. Usually, marketing co-operatives specialise in a particular product produced by their members or crop grown in their area. Sometimes, such co-operatives also market other products/crops for which a market exists.

However, in all cases, the marketing board fix the prices to be paid and the co-operatives have no discretion either to vary these, or to seek other possible outlets.

(vi) Multipurpose co-operatives: The basic concept of the multipurpose co-operative is to secure an integrated service of the functions of credit, supply and marketing to farmer-members. A farmer requires credit to purchase the agricultural requisites he needs for improved farming. If the agency which provides the requirements on credit is also the same to which or through which, the produce is sold, then the value of the credit can be deducted from the value of the proceeds of the crop before the balance is paid to the farmer. It is this need along with other convenient business arrangement that prompt many people to organise multipurpose co-operatives.

Types of co-operatives on the basis of structure of operation:

On the basis of their structure of operation co-operatives are of mainly two types:

(a) Linkage dependent co-operatives: Co-operatives of the same trade which are vertically integrated with each other from primary level to national level and with a defined structure of operation making the village level primary units dependent upon the district level unions for production and the district level unions dependent upon the state level or national level federations for marketing of their produce are called linkage dependent co-operatives. Operation of such co-operatives depend upon a design structure of critical linkages between the primary production function to processing and marketing of the product, each function being dependent upon the other function. Business operation of every units of linkage dependent co-operatives from primary level depend upon the policy decisions of its next higher vertical unit. Examples of such co-operatives include amongst others the Dairy co-operatives of Gujarat and the Sugar co-operatives of Maharashtra.
(b) Linkage-independent co-operatives: Co-operatives which are not linked to federal structure for their operation are called linkage-independent co-operatives. Such co-operatives are self-decision or autonomous units of the producers and not dependent upon any federal body for their policy decision of production and marketing. They are free to define and pursue their own goals independently. Examples of such co-operatives include among others the Gambhira joint farming co-operative in Kheda district of Gujarat, Hanuman Dairy in Kolhapur, Bhatti weavers' co-operative in Himachal Pradesh and also the industrial co-operatives of South Assam.

2.4 CO-OPERATIVE ENTREPRENEURSHIP

In co-operative, attempt is made to 'collectivise the entrepreneur'. Here, the emphasis is on greater democratisation of entrepreneurial function. Though, like company, co-operative is a combination of both 'association' and 'enterprise', it is the association aspect that is stressed more in a co-operative enterprise.

Arthur Birnie, while delineating the concept of collective entrepreneurship observed that 'co-operative is an ideal commonwealth where production is controlled by producers and consumers enrolled in voluntary association, where profit, the chief source of the inequalities of the present system is suppressed, and where the exploitation of one person by another is no longer possible. The means by which co-operators hope to attain their ends are almost as interesting and original as the ends themselves. Not revolutionary action or state intervention but the free initiative of individuals working through voluntary association is the instrument on which they rely.

The three elements that constitute the basis of group entrepreneurship in co-operative are:

26 Ibid: p. 4.
28 Ibid: p. 66.
(a) pooling of knowledge;
(b) pooling of pecuniary resources; and
(c) ideological motivation.

It is worthwhile in this connection to draw a clear distinction between the concept of capitalist (private) entrepreneur and the co-operative entrepreneur, so as to identify the specific features of a co-operative entrepreneur.

Individuals are entrepreneurs in both capitalist enterprise and co-operative enterprise. A clearly defined entrepreneur class exists in both sectors. But the entrepreneur class is more or less 'closed' in capitalist enterprise; on the other hand, the entrepreneur class in co-operative is an open class with 'fluid' membership.  

The leaders and managers are the real entrepreneurs in co-operative, as they explore the opportunity and take the initiative to forge the relationship among the individuals to achieve the purpose central to the members. They are the people who are able to see and evaluate opportunities, gather necessary resources and feed back and initiate appropriate action for growth and continuity.

Here again, the distinction between the two aspects of co-operative, namely, the co-operative looked at as an 'association' and the co-operative looked at as an 'enterprise' is fundamental to the understanding of the role of entrepreneur in co-operative.

In co-operative enterprise, the entrepreneur is an individual who has to promote a wider collective agreement among those concerned and also promote enterprise that is innovative and efficient. Study of successful co-operatives in India and elsewhere revealed that the basic motivation that impels the leader and other members to join the co-operative enterprise is not profit but maximising the members' welfare.

In a co-operative the members agree to collectively share the risk of enterprise. This they do for fulfilment of their perceived needs and also for furtherance of their economic and social interest by making best use of scarce resources. They perceive co-operative as an alternative to social and economic exploitation of capitalist

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31 Ibid: p. 64.
forces. The common bond of community interest and the neighbourliness within the group provide the cement which binds them together and creates harmony and sociability.

The entrepreneur in a capitalist enterprise represents capital. He can claim to be the residual claimant. But the entrepreneur in co-operative although is an 'innovator and co-ordinator', is never the sole 'risk taker' nor a 'residual claimant'. As a result the inputs expected from the entrepreneur and the material rewards offered to him do not match. The special rewards for the co-operative entrepreneur are those related to his winning the allegiance and the recognition from the members rather than amassing wealth and capital.

Modern co-operative theory adopted a modified view about the inputs expected from the entrepreneur, the rewards offered to him, the duration of the entrepreneur's position and the sharing of entrepreneur's power.

According to this (modern) view, the co-operative entrepreneur can claim a salary and even a performance linked bonus. But performance in co-operative is defined by multiple yardstick, not by profit alone. He can hold office for a limited period and not for life. The position and power of entrepreneur in co-operative is determined by community election not by capital.

The entrepreneur in co-operative has to strike a balance between the interest of the dominant decision makers and the enterprise itself. He has to integrate the organisational interest (ensuring continuity and growth of the organisation) with members collective interest (maximising member's welfare).

In case of a company the operation of proportional voting right of members enables the promoters to retain control over the enterprise and thus secure their individual interest. Obviously in case of a company, the association aspect remains subservient to the enterprise aspect. Because in private enterprise, leaders are always under pressure to deploy the organisation's resources for maximising stake holders return. But this does not hold good in co-operative enterprise.

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In co-operative, return on capital is not seen as the sole indicator of leadership or management effectiveness. Co-operatives seek salience (prominence and centrality of the interest of the members) and not the maximisation of promoters' individual gains. Co-operatives are driven by a strong extension motive— the desire to be of help to the needy. Unlike private entrepreneurs co-operative entrepreneurs do not seek pecuniary rewards for their work.

People come forward to accept leadership in co-operative because of their need for power, prestige, status and allegiance. This is the critical difference between individual entrepreneur and co-operative entrepreneur.

As a result of all these, a co-operative is likely to make choices in a manner fundamentally different from private enterprise. It requires to function in a manner which would expand and deepen its presence in its membership, in its business and in the economy of its domain, thereby making it more salient. This is done by enticing new members, expanding business, fighting, vanquishing or pre-empting competition, locating and responding to unexplored member needs, diversifying, integrating vertically and horizontally and contributing to social overhead investment.

Tushar Shah observed, in co-operative entrepreneurship exists so far as the producer member form a collective enterprise of their own to achieve a common goal of improved production with better price for their product, continuous growth and existence, which could not be achieved with individual efforts. So long the members are committed to the purpose to achieve their interest with continuity and growth with self help and self perseverance, taking risk with tolerance, maintaining integrity with fair price and management practice, it is entrepreneurship in co-operative.

To sum up co-operative entrepreneurship may be seen as the organisational function of aggregating the priorities of members, articulating the aggregate in the organisational objectives and holding the operating system accountable for pursuing and accomplishing these objectives.

37 Ibid: p.58.
2.5 PRE-CONDITIONS FOR SUCCESS OF CO-OOPERATIVE ENTERPRISE

Survey of available literature indicates that there is no uniformity in growth and development of co-operatives in India. Certain regions have seen significant growth of co-operative societies, while in major parts of the country co-operatives are still in nascent stage and have not proved successful. Even in the same state or in the same region, certain types of co-operatives flourished, when others did not. The states of Gujarat and Maharashtra for instance have experienced spectacular growth of a variety of producers' co-operatives, like Dairy Co-operatives, Sugar Co-operatives, Oilseed Growers Co-operatives etc. Similarly the states of Madhya Pradesh, Tamilnadu, Andhra Pradesh, Kerala and Karnataka have track records of successful fruits & vegetable co-operatives, weavers co-operatives, fishery co-operatives and plantation co-operatives.

Regarding the success of co-operative enterprises in the above mentioned states, many observers trace their high performance to the strong commercial acumen peculiar to the people in these states. Others suggest that successful co-operatives are concentrated in regions where the policy environment is favourable and where they are protected from disruptive interference by bureaucrats and politicians. There are still others who argue that successful co-operatives follow the principles of co-operation espoused by the International Co-operative Alliance.  

Survey of literature concerning the workings of co-operative enterprises revealed that a strong spirit of association and co-operation among the producers acted behind the successful launching and operation of producers' co-operatives in the Western and Southern parts of India.

While identifying the major factors behind the success of sugar co-operatives in Maharashtra and Gujarat, Attwood and Baviskar observed that a strong spirit of association and co-operation among the producers' of sugarcane and the commercial acumen of the dominant section among the producers acted behind the successful launching and operation of sugar co-operatives in Maharashtra and South Gujarat.  

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The Dairy co-operatives of Gujarat also had the same experience. The case of 'Amul' may be cited as an instance in this connection. It was the leadership of late Tribhubandadas Patel that led to the formation of Kaira District Milk Producers' Co-operative Union, popularly known as 'Amul' in Gujarat. 'Amul's success in Anand led to the white revolution in Gujarat under the co-operative sector. It has been observed by researchers that the compulsion of the milk producers' in Kaira district (now Anand district) to stand united against 'Poison' Dairy' in tandem with the credible leadership of Tribhubandadas Patel and the professional skill of Verghese Kurien could create the necessary conditions for the success of Amul and later the other milk producers' co-operatives in Gujarat.\(^43\)

In the case of 'Cocoa' farming co-operatives of Kerala and Kamataka researchers observed that the felt need of the farmers to exploit the market opportunity and their compulsion to protect themselves from the exploitation of 'Cadbury' a private sector enterprise acted behind the successful launching and operation of 'CAMPCO' a co-operative enterprise of the Cocoa farmers of Kerala and Kamataka.\(^44\)

The history of the Fishery co-operatives of Kerala, Weavers co-operatives of Tamilnadu and Oilseed growers' co-operatives of Madhya Pradesh revealed that the concerned producers, at the time of their launching of the enterprises were already in the given line of trade and were adequately advanced in terms of skill and experience. Also the leadership in these cases were instrumental in developing among the members a strong spirit of association that could become the basis of successful operation of the co-operative enterprises in the respective areas.\(^45\)

Researchers also observed that behind the successful operation of each co-operative there were credible leaders, and managers who placed priority to serving members' interest and who were able to foresee the opportunities and arrange necessary resources for the success of the enterprise. They observed that the existence of socially accepted and dedicated leaders among the producers made the co-operatives in Maharashtra, Gujarat and other parts of India vibrant enterprises of the producers. In the absence of credible leader mere association of producers for a common cause and

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interest may not work in forging the relationship between the members of a co-operative enterprise. Researchers emphasised the need for socially accepted leadership in the successful promotion and operation of co-operatives. It is the leader who integrate the interests of both powerful and less powerful members of enterprise. Tushar Shah observed that a strong co-operative culture working in tandem with a constantly regenerating co-operative leadership made Surat and Valsad districts of Gujarat a fertile ground of co-operatives.46

Attwood and Baviskar have suggested that co-operatives succeed when they chance into outstanding leaders and/or super managers, thus implying the need to augment the supply of leadership and managerial resources in rural communities.47 Others (like Taimini) have concluded that the political economy, social context and the legal and policy framework of a region have to acquire certain characteristics before it becomes a fertile ground for co-operatives.48

Tushar Shah has different opinion in this regard. In his experiments of successful and unsuccessful co-operatives, he identified three features common to successful classes of co-operatives which were absent in their unsuccessful counterpart classes. First, they were ‘Swayambhoo’ (self creating) or needed little external nudge to come into existence. Second, they fiercely guarded their autonomy by fighting, resisting or mutuating in the face of external assault on their sanctity. Finally, because they derived their sustenance from the allegiance of their members, they constantly searched for better ways of serving their members and earning their allegiance.49

Shah concluded that a co-operative will succeed when: (a) it constantly expands the member-centrality of its services; (b) designs its governance structure for maximum feasible patronage cohesiveness; (c) creates an operating system that roots powerful competitive advantage in its unique relationship with its membership; and (d) ensures sustained member allegiance through a mutuality of rights between itself and its members.50

46 Tushar Shah: op.cit, 1996.
50 Ibid, p. 222.
To sum up, the experiences of successful producers' co-operatives in India point to the following two aspects:

(i) **Strong association:** In all the cases of successful co-operatives studied by the scholars, the association among the members and the association of the members with their enterprise were found to be strong. In fact, in a co-operative, the association aspect takes precedence over all the other aspects precisely because of the fact that a co-operative enterprise is a living association of persons. As P.R. Dubhashi noted:

> A co-operative enterprise is the association of men, not a collection of capital. Here, the primacy is of man over capital and not capital over man. Co-operation is an association of members, not of share holders. A co-operative share is only a certificate in token of contribution to capital of the society. Co-operative enterprise requires capital but supply of capital does not make any difference to the assumption that every member is equal to every body else. Ownership is based on the principle of one member one vote.

Of course, as Tushar Shah and other scholars have emphasised, a strong association is possible only when certain important conditions are fulfilled. Firstly, the co-operative must strive to acquire the position wherefrom it can provide services that are central to the living or livelihood of the members. Secondly, members also must feel and recognise the centrality or indispensability of the co-operative for their own sustenance and well-being. Thirdly, the members' active association with the co-operative must also be strong; that is members must take active interest and participate actively in the co-operative's affairs.

(ii) **Entrepreneurial aspect:** Scholars also have pointed out that a strong association seldom appears on its own. It often is the result of the skill, initiative, dedication and innovativeness of the persons who promote the co-operative and are entrusted with the responsibility of planning and running the enterprise. In other words, it is the ability of the enterprise leaders to serve members' needs more effectively that results in a high degree of members' allegiance to the organisation. The entrepreneurial aspect is particularly important in case of producers' co-operatives that operate within the framework of a market economy and therefore have to constantly negotiate with the market forces and respond correctly to the changing marketing environment. All these in turn suggest that

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those who are entrusted with the task of running co-operative enterprises have two important responsibilities. On the one hand they have to display sound entrepreneurial skill and initiative to ensure good health and growth for their respective enterprises; on the other hand they also have to ensure strict adherence to co-operative principles and centrality of the interest and welfare of all the members of the enterprise.  

Scholars studying cases of successful co-operatives in the more advanced parts of the country observed:
(a) the co-operative leaders, that is those who were entrusted with the task of managing the affairs of the enterprise, had a clear perception of the objectives of the enterprise, of the priorities of the members and of their own roles in relation to both the enterprise and the members;  
(b) the perception of the leaders was often translated into requisite entrepreneurial actions of effectively planning and managing the enterprise, and  
(c) the entrepreneurial and managerial effectiveness was evident from the operational results of the enterprises as well as from their ever expanding volume of business.

Researchers elsewhere have also dealt with in detail the desired role of the government in catalysing co-operation. It has generally been recognised that one of the prime determinants, rather sine-qua-non, for successful growth of co-operative entrepreneurship is the existence of a clearly articulated governmental promotional strategy. The state should provide the necessary support and guidance but not neither curb the operational autonomy of enterprises nor allow these enterprises to remain dependents for ever. Deviation from these norms has often been responsible for malfunctioning of co-operatives or for their ultimate failures.

56 see Ruth Heredia: op.cit, 1997.  
57 see Tushar Shah: op.cit, 1995.  
Jayaprakash Narayan suggested that in relation to the co-operative sector, government should ensure the following:  
(a) good governance;  
(b) no unwarranted interference; and  
(c) no discrimination in treatment different from other enterprises.

Attwood and Baviskar emphatically stated that the growth of co-operative in India, has suffered the most because of "inadequate understanding and wrong expectation by planners and policy makers."  

Hyden while arguing for 'green house approach', said that in the situation having different socio-economic set-up, the emphasis of the government should be on providing the people with right stimuli and incentives so that they themselves organise and accomplish task of common interest, rather than on organising people for the purpose in ways which are beyond their comprehension and interest.

The issues raised by scholars as mentioned in the above paragraphs provide a broad frame of analysis which require to be examined and verified for identifying the nature of co-operative entrepreneurship in the region under study and, more importantly for evaluating the growth pattern and the promotional strategy of co-operative enterprises in South Assam Plains.

2.6 METHODOLOGY AND SAMPLE DESIGN

The study being an exploratory one has been based mainly on the primary data collected from the sample enterprises. Semi-structured interview schedules were used for collecting information and primary data regarding the promotional and operational details of the sample co-operatives and also for knowing the motivation, perception, attitudes and perspectives of the leaders and other members of the sample enterprises.

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The universe of our study was relatively large. Considering the large number of co-operatives and their inaccessibility in many cases, we made a purposive selection of 20 sample enterprises for our field survey. The sample enterprises consisted of the functioning producers' co-operatives only in the three plain districts of South Assam viz. Cachar, Hailakandi and Karimganj.

For the purpose of selecting the sample enterprises, at first the details regarding the functioning co-operative societies were collected from the Offices of the Assistant Registrar of Co-operative Societies in Cachar, Hailakandi, Karimganj and Ramkrishna Nagar and also from the Offices of the Assistant Director of Handloom and Textiles in Cachar, Karimganj and from the Office of the Superintendent of Handloom and Textiles in Hailakandi. The list of societies obtained from the above sources shows that as on 31.3.99 there were 1345 registered co-operative societies belonging to different categories in the three plain districts of South Assam (cf. Table 2.1).
<table>
<thead>
<tr>
<th>Category</th>
<th>1951-52*</th>
<th>1988-89**</th>
<th>1998-99**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cachar</td>
<td>Hailakandi</td>
<td>Karimganj</td>
</tr>
<tr>
<td>1. GPSS</td>
<td>---</td>
<td>39</td>
<td>16</td>
</tr>
<tr>
<td>2. Whole sale consumers co-operatives</td>
<td>---</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3. Primary consumers co-operatives</td>
<td>34</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>4. Marketing co-operatives</td>
<td>---</td>
<td>---</td>
<td>2</td>
</tr>
<tr>
<td>5. Processing co-operatives</td>
<td>---</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>6. Farming co-operatives</td>
<td>1</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>7. Fishery co-operatives</td>
<td>1</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>8. Industrial co-operatives</td>
<td>8</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>9. Thrift co-operatives</td>
<td>---</td>
<td>42</td>
<td>17</td>
</tr>
<tr>
<td>10. School &amp; College co-operatives</td>
<td>---</td>
<td>69</td>
<td>23</td>
</tr>
<tr>
<td>11. Women co-operatives</td>
<td>---</td>
<td>---</td>
<td>1</td>
</tr>
<tr>
<td>12. Tea garden co-operatives</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>13. Primary Milk producers co-operatives</td>
<td>---</td>
<td>85</td>
<td>10</td>
</tr>
<tr>
<td>14. Housing co-operatives</td>
<td>---</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>15. Primary Handloom weavers co-operatives</td>
<td>14</td>
<td>42</td>
<td>23</td>
</tr>
<tr>
<td>16. Others (including primary poultry and sericulture co-operatives)</td>
<td>71</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>129</td>
<td>350</td>
<td>135</td>
</tr>
</tbody>
</table>

Notes: No separate published statistics were available for the three plain districts.


** Unpublished statistics obtained from the Offices of the Asstt Registrar of Co-operative Societies in Cachar, Hailakandi and Karimganj districts and also from the Offices of the Asstt. Director of Handloom and Textiles in Cachar, Hailakandi and Karimganj districts.
Producers' co-operatives for the purpose of our study included the following:

(a) Farmers' co-operatives operating in the Fishery and Dairy sectors;
(b) Processing co-operatives;
(c) Industrial co-operatives particularly the Handloom Weavers' co-operatives and the Handicrafts co-operatives.

Table 2.2 shows as on 31.3.99 there were 478 producers' co-operatives of the above broad categories of which 383 were functioning primary co-operatives and 91 were non-functioning co-operatives. Of the total functioning co-operatives, 113 were farming co-operatives, 2 were processing co-operatives and 268 were industrial co-operatives. Considering the large number of co-operatives and also considering the homogeneity of the enterprises belonging to a given category, purposive selection of 20 co-operatives were made for the field survey. The sample consisted of nine farmers' co-operatives (including 4 fishery co-operatives and 5 primary milk produces' co-operatives), one agro-processing co-operative, and ten industrial co-operatives (including nine handloom weavers' co-operatives and one artisans' co-operative). The sample size was slightly higher than five percent of the number of functioning co-operatives in the universe of our study.

While selecting the sample enterprises, factors such as location, year of establishment, line of business, and accessibility of the enterprises (in terms of the unit's readiness to respond) were taken into consideration.

Having selected the sample enterprises, the next step was the selection of sample respondents. For each one of the sample enterprises, nine respondents including three leaders were interviewed. The leader respondents included the chairman, the secretary and one other member of the Managing Committee selected on a random basis. For every enterprise, apart from the leaders, six other respondents were selected on a random basis from among the general members of the enterprise. For this purpose, the Registers of Members of the sample enterprises were consulted and used as the sampling frame.

Thus, the final sample for the purpose of this study consisted of 20 co-operative enterprises and 180 respondents. Among the respondents sixty were office bearers and members of the Managing Committee and one hundred twenty were the general members in the sample enterprises.
**TABLE 2.2: NUMBER OF PRODUCERS’ CO-OPERATIVES IN SOUTH ASSAM PLAINS (AS ON 31.3.99)**

<table>
<thead>
<tr>
<th>Category of Producers’ Co-operatives</th>
<th>Cachar</th>
<th>Hailakandi</th>
<th>Karimganj</th>
<th>South Assam Plains</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>NF</td>
<td>Total</td>
<td>F</td>
</tr>
<tr>
<td>A. FARMING CO-OPERATIVES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Fishery co-operatives</td>
<td>99</td>
<td>26</td>
<td>125</td>
<td>5</td>
</tr>
<tr>
<td>(ii) Milk Producers co-operatives</td>
<td>13</td>
<td>13</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>(iii) Poultry co-operatives</td>
<td>70</td>
<td>24</td>
<td>94</td>
<td>12</td>
</tr>
<tr>
<td>(iv) Farming co-operatives</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>(v) Sericulture co-operatives</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>(vi) Piggery co-operatives</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>B. PROCESSING CO-OPERATIVES</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>C. INDUSTRIAL CO-OPERATIVES</td>
<td>89</td>
<td>8</td>
<td>97</td>
<td>84</td>
</tr>
<tr>
<td>(i) Industrial co-operatives</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>2</td>
</tr>
<tr>
<td>(ii) Weavers co-operatives</td>
<td>79</td>
<td>8</td>
<td>87</td>
<td>82</td>
</tr>
<tr>
<td>D. MILK UNION</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>E. WEAVERS' AND ARTISANS' UNION</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>F. TOTAL (A-C)</td>
<td>18</td>
<td>34</td>
<td>223</td>
<td>90</td>
</tr>
<tr>
<td>G. TOTAL (A-E)</td>
<td>191</td>
<td>34</td>
<td>225</td>
<td>91</td>
</tr>
</tbody>
</table>

Note: (i) 'F' means Functioning Societies. (ii) 'NF' means Non-functioning societies. (iii) 'South Assam Plains' means the entire tract covering the three districts of Cachar, Hailakandi and Karimganj.

For collection of primary data, interview schedules were prepared and the same were administered among the selected respondents. Necessary modifications in the interview schedules were made after conducting initial test survey.

Separate interview schedules were used for collecting information from the different groups of respondents. One set of the interview schedule was meant for the leaders of the enterprises, seeking information about the socio-economic status of the leaders and their relation with the enterprises and the members. A second schedule was meant exclusively for the members (other than the members of the managing committee). It sought to collect information regarding the members’ socio-economic status, their interest, level of participation and perception of co-operation and also their evaluation of the leaders in the enterprises.

Quantitative information regarding the operational and financial health of the sample enterprises were collected by studying the final accounts of the enterprises.

The data so collected from the field were supplemented by arranging discussions with the officials of the Department of Co-operation and other associated departments like the Department of Handloom and Textiles, Department of Agriculture and the Department of Dairy Development of the Government of Assam.

The study also necessitated a good deal of information for understanding the socio-economic realities of the region under study. For this, books, journals, reports and other published and un-published materials were consulted.

For an overview of the producers’ co-operatives at the national level, extensive survey of available literature has been made. Books, periodicals and reports (both published and unpublished) on the co-operatives and entrepreneurship were consulted for the purpose. Discussions with leading professionals and experts like Dr. Verghese Kurien (Chairman NDDB), Dr. Katar Singh (Director, IRMA) and Dr. S.N. Singh (Consultant IRMA) among others, were very helpful in enabling us to gain the necessary insight into the field of co-operative entrepreneurship.

The data so collected were processed and analysed for the purpose of arriving at our final observations.