CHAPTER I

INTRODUCTION:

THE BASIC PHILOSOPHY BEHIND COOPERATIVE MOVEMENT.

Man is a cooperative animal. The feeling of cooperation is inherent in human mind since the beginning of human history on this earth. Different types of societies as we find today, for example, from the rural community life of primitive type to the modern civilised societies of decent type, are the results of constant and continuous cooperation of mankind. No doubt, man conceived the idea of cooperation from the very start of his living but it was not understood in a refined sense as is experienced in the modern cooperative movements of today.

Man of the pre-cooperative history faced unbearable lots of difficulties in the course of his isolated living. By and by, while keeping bare existence, he felt the need for cooperation to help secure his living. Cooperation was then mainly unorganised and unsystematised. But when the individuals became aware of the benefits of exchange of helps and joint action, they began to think more and more of the furtherance of well being of each of them separately and all of them jointly. Cooperation is thus not a new endeavour of a few persons. It is as old as the dawn of human history on the earth. All living beings on this earth do exhibit different categorical norms of joint action or cooperation as is well exemplified even by the
natural instincts of small creatures like ants and bees forming their own harmonious communities. Such is the importance of cooperation in community life.

Cooperation, in its modern technical sense, implies a putting together of efforts in an unselfish, humane and undivided manner, according to certain binding principles, by a group of individuals who have understood amongst themselves the need for achieving an objective which they cannot achieve singly for reasons beyond their control.

Because of its importance in economic life of man cooperation has today become an indispensable way of life for everyone. The essentiality of cooperation cannot be exaggerated. It can be emphatically put that man cannot live without cooperation. He needs it in some form or the other. For, he is not perfect and hardly self-sufficient. This imperfect nature of man calls for cooperation in the form of exchange of helps from each other. It is in this sense of rendering or exchange of helps that the word "cooperation" has been so frequently used by common men.

The basic philosophy underlying cooperation and cooperative movement is however quite different. The
philosophy behind the cooperative movement is that it has an aim or objective for improvement of not a few but a maximum number of people who are weak materially. Thus in the economic jargon when we speak of cooperation, it relates to the cooperative societies which are economic organisations or associations wherein not one individual but a number of individuals work together in human and democratic manner, according to certain principles of business based on equality and justice to boost up their moral, social and material well-being.

Cooperative philosophy embraces the element of humanity as one of its constituents. Without this, cooperative philosophy may sometimes be reduced to the philosophy of dacoity or robbery. The dacoits may combine together and do their work of dacoity jointly, but, in no case, they will be said to be cooperative. For, they lack humanity in their way of action. Hence, socially desirable and morally sound undertakings will find their happy places in cooperation and cooperative movement.

The chief philosophy of cooperative movement centres round the development of social environment and total upliftment of the society as a whole. Cooperative end is thus a noble end. Ignoble ends will have no place
in cooperation. This, however, does not necessarily mean that cooperative movement should be equated to abstract ethics and morality. Taking into account the moral and ethical elements, we have to give due consideration on the social and economic aspects of cooperation.

Cooperative ideas are the sources of reformistic thought and cover every aspect of man's life such as social, economic, political, cultural and ethical. This is why cooperation is increasingly being used as a way of life in every walk of life.

The cooperative movement in any country aims at narrowing the gap of difference in the economic advantages between the haves and the have-nots in the society. Cooperation does not believe in survival of the fittest. Rather it is a device for protecting the weak. The weak and vulnerable sections of the society, because of their poverty, are poor physically, as well as mentally, and thus, cannot stand on their own legs. Cooperative societies have been evolved as an agency to improve their conditions. Today's cooperative societies are the results of the constant experiments devised by many a philanthropist in a bid to protect the weaker sections from being exploited. Elimination of exploitation is thus an
important aspect of the basic philosophy behind cooperative movement.

Cooperation also stands for distributive justice and aims at narrowing the disparity between the rich and the poor. Being grounded in utter poverty the minds of the poor people are pre-occupied with the wretchedness of their conditions and they cannot think of anything other than getting their daily bread. Cooperation also stands as an opposition against profiteering by the middlemen and tends to appropriate the advantages and benefits in favour of the consumers. Cooperative movement has thus the practical value of curbing inflationary pressures in an economy. Not only this, cooperative movement also reserves the ground for producers’ welfare. It empowers the individual producers to dispense with their private employer and his profits and thus helps them to secure the benefits of the enterprise.

The poor indebted individuals can obtain the advantages of collective capital and credit through formation of cooperatives of their own. The power of the private financial institutions which used to crush them for many years to skeleton farmers can thus be checked.
These are only a few of the many things which cooperation can do for the people of small means. In fact, cooperation occupies a supreme position among all the movements that seek economic reform and social upbringing in a nonviolent, evolutionary and constructive manner.

The Aims and Ideals of Cooperative Movement:

As a movement cooperation has before it certain aims and objectives. Because of its high philosophy and unusual merits, cooperative movement has gained universal recognition as a golden means of social and economic development. Every country of the world, today, has adopted cooperative movement as a means of rapid economic development with social justice. The significance of cooperative approach to economic life of man lies in its emphasis on social welfare. Cooperation treats man as a whole. It never disassociates man from his social, economic and moral aspect of life. Cooperative man is, thus, different from the 'economic man' who was much despised by the moral philosophers. Cooperative man should be bound in life by the consideration of human values. He has to put the so-called market values in a wider and more human setting. Modern cooperative thought is thus closely related to the trends of modern economic thought, especially to that of welfare economics.
Cooperative movement aims at bringing about an even and ordered progress of the society. It seeks to do so by relying on the principle of protection of the weak. The doctrine of survival of the fittest under capitalist regime makes the group or team spirit subordinate to the individualistic greed and, the common benefit to individual benefit, whereas cooperation proposes to extend its protecting umbrella over the weak. The weak can become strong through the exercise of self-help and mutual help. Cooperation does not seek to pull down the strong from their progress. It simply seeks to rescue the weak from the state of being exploited by the strong. Hence, cooperative movement stands as a strong opposition against the economic and social ills created by other private organisations or systems.

In contrast to private enterprises, the employers and all the gains of business are expropriated by him. The factors of production may thus be rewarded unequally. In such a situation cooperation will propose to assure all those who are engaged in production of a share of the gains proportionate to the magnitude of work contributed by each. In a cooperative organisation, the surplus profits would be shared by both capital and labour in their
agreeable proportions. Cooperation thus seeks to eliminate the evils of the private enterprise but not to substitute it completely.

Trade unionism under capitalism aims at improving, as far as possible, the conditions of the labouring class to the utter neglect of capital and hence continuance of hostilities; whereas cooperation, even in the capitalist system, represents the type of economic structure or organisation where class hostility and hatred are substituted by peace, harmony and goodwill.

Elimination of middlemen who exploit both the producers and the consumers is also one of the chief objectives of the movement. As the lion's share of the prices given by the consumer goes to the middlemen and only a little inappropriate amount reaches the actual producers there is always a difference between what the consumer pays and what the producer actually receives for his produces. In other words, there is the problem of price-spreads. Formation of producers and consumers societies will help reduce such price spreads. In the words of Mr. Wils Thedin, "The cooperative movement can also play its part in fighting against the monopoly and
restoring free competition in the interest of the consumers. ¹

Cooperation is not only a business organisation but, it is on the other and more important side, an advocacy of human cause. In the words of J.J. Worley, "It is not so much a way of trading as a way of living; the outcome of an attitude of mind - what psychologists call a complex. It would, I imagine, be termed the 'association complex'; for it encourages the habit of thinking in terms of the group or association, rather than in terms of the ego. That is to say, it is an outlook on life which Herbert Spencer defined as 'the ego-altruistic', which impels a desire to associate, to collaborate, to cooperate with one's fellows for the attainment of the greatest common measure of social well-being-collective and individual." ² Hall and Watkins have also supported this view in the following words, "Cooperation has other aims than economic ones. The earnest cooperator seeks to apply cooperative methods


to all purposes of social life, and does so because he believes that in working for the common good, man's highest qualities are enlisted and developed and in the employment and development of these qualities the man himself becomes a better man and the quality of the human race is improved.3 And, the Principles Commission of the I.C.A. says, "It is this aim that makes a cooperative society something different from an ordinary economic enterprise and justifies its being tested, not simply from the standpoint of its business efficiency but also from the standpoint of its contribution to the moral and social values which elevate human life above the merely material and animal."4

Thus cooperative thought serves as a source of spiritual happiness and cooperative movement aims at moral and spiritual development of mankind. As a matter of fact, smooth execution and efficiency in the working of a cooperative economy or enterprise cannot be brought about without purification of human mind. Training of


human mind in the lines of cooperative principles is thus quite necessary. Emphasising this aspect Smith Gordon and O'Brien expressed the view, "If our educational system could be so changed as to substitute the idea which cooperators express in the formula, 'Each for all and all for each', for the 'idea of a war of all against all', there is nothing impracticable in applying cooperation as a means of reconstructing our industrial life on a more equitable basis".5

It is only when both the material and moral values of cooperation are respected that a cooperative organisation would be able to maintain discipline in its administration and management and thus work successfully. Though the primary aim of cooperative is to improve economic conditions of the members, the latter are also provided with necessary avenues for pursuing their moral and spiritual advancement to make themselves decent citizens. Cooperation can thus be said to be not merely an economic organisation for attainment of certain economic ends of only a particular class or group of people, it can also be used as a modest means for bringing about a social change.

In fact, any work of social reconstruction may not succeed in the absence of communal consciousness which would come through the dynamic process of social education along cooperative lines. One cannot deny the fact that many abuses of political systems or of economic systems result partly from the lack of such consciousness on the part of the general masses. This can be overcome through the study and practice of cooperative philosophy and ideology. Cooperation, being a school of initiative, teaches man to make himself a master of his own destiny. This entails the necessity of training of human mind along the lines of cooperative principles and practice to make man conscious of his own responsibility to the society.

The high ideals of a cooperative republic will be attained only when all cooperators in the world possess such a cooperative spirit. Without a true cooperative spirit, cooperation may not achieve much. The importance of a true cooperative spirit was well emphasised by Prof. J.J. Worley in the following words, "Cooperation points to a new world, but this new world will not come of itself. A new world will come, for the old world is breaking to pieces but the new world will be better or worse according to the power or weakness of the
cooperative spirit in the hearts of men. A real co-
operator should thus be a man imbued with the spirit of
self-sacrifice, team-work and fraternity. True citizen-
ship with such spirits and a sense of decency would come
through the road to cooperative practice. It will be
worthwhile to mention here the aim of the cooperative
movement pointed out by the Principles Commission of the
I.C.A. In the words of the Commission, "The world will
guide the success of cooperation by its contribution to
raising the level of human well being as quickly as
possible. Humanity at large is seeking, however, blindly,
for a major transformation from a system dominated by
capital to one based on human dignity and equality. The
cooperative movement, when true to its principles, and
armed with the courage of its convictions, can prove by
practical demonstration that a world society is possible
in which man is no longer the slave but master of economic
forces. Its mission is to teach the common people by
demonstration how the principles which express their
neighbourly and brotherly relations in their cooperative
can also inspire the mutual relations of nations. The
objectives and ideas of the movement as a whole 'are no

less than the attainment of a stage at which conflict, monopoly and unearned profit cease to exist', and this can be realised only by 'the unstinted and united efforts of all cooperators and cooperative institutions, large and small, nation and international.' The aims of cooperative movement may be specific or general according to the magnitude or scope of activities undertaken, but it must necessarily revolutionise in an evolutionary manner the whole economic and social system where class conflicts, social tensions and economic inequalities are predominant.

As the movement has varied aims and objectives and as it combines all the good ideals of extreme systems like Communism, Statism, Capitalism and Fascism in the pursuit of a common good, cooperative methods can act as an answer to many a problem of a state. Cooperative way is a way that goes in the middle of these extremes and hence, it is a golden way to prosperity of a nation. This goldenness will continue so long as cooperative consciousness is generated amongst the cooperators in their common endeavour. To quote Carr Saunders, Florence and Peers, "It may, therefore, be regarded as the possible

middle way between laissez faire liberalism and rigid planning on a compulsory basis, and in this aspect, it has a strong claim to the allegiance of all those who believe that some form of economic planning is necessary, in the interest of order and justice, but who dislike the element of coercion in other systems which are offered for their approval."

These miraculous healing powers of cooperation cannot, however, claim an over-all substitution for an already existing economic system, whether private or public. What it can do, while within the system, is to play its role as a catalytic agent in correcting those economic hazards occurring in the systems.

To-day, modern governments aspire for attainment of political democracy with economic justice. Political democracy without economic democracy is, however, a myth. And attainment of economic democracy will come via the road to cooperative democracy. Cooperative democracy becomes economic democracy when each and every cooperator works voluntarily in all spheres of economic activities.

in the interest of all who join a cooperative society and derive the benefits for their own use and not for profit. The sum total of these activities will make an assurance of economic security to all within and without the cooperative organisation. In the words of Paul Lambert, "In the absence of political democracy, cooperative democracy is but a snare."  

In fact, the chief aim of world cooperative movement in its entirety would be to help build a new cooperative world, where political democracy, economic democracy, pacifism and right are the order. To quote B.Y. Landis, "The cooperative economy will help insure the future of political democracy. It will firmly undergird the free governmental institutions which are now so highly prized. The idea of a cooperative economy is, like the general concept of democracy, an end generally recognised as good. It is an idea that, like the wish for justice, lives within us as a 'great longing'."  

Salvation from social and economic ills can be attained with much success only when there is a sound  

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cooperative movement in an economy. A new social order contemplated by the Cooperative Republic may be brought about only when thousands of cooperators work voluntarily without the least sense of compulsion, but rather with a deep sense of self-responsibility.

Although cooperation came up first as an economic means to provide people with goods and services they needed for themselves, next came satisfaction for social objectives as one of its proposals. The study of cooperation and cooperative movement has, therefore, become quite indispensable for modern governments in regard to the transformation of their societies into just and democratic social orders. Professor Charles Gide speaks highly of the vital strength and ever-healing power of cooperation. In his words, "Whilst abolishing advertisement, lying, cheating, and inducements to extravagance, it will succeed in establishing in business a reign of truth and justice.... It (cooperation) is a living organism and the results already achieved contain the germs of all the possibilities to be wished for in a latent state ... each cooperative society which obeys the laws which it has made for itself already constitutes a little world organised in conformity with justice and social benefit, and it is sufficient to let it develop
spontaneously, either by growth or imitation, to realise in the more or less distant future, the best of all possible worlds. 

Socialist transformation of the society as has been done in many socialist countries like the U.S.S.R. has been largely due to the highly developed cooperative movements in these countries. Indeed, much of the success of the social and cultural revolutions in a country like Soviet Russia has been owing to the highly developed cooperative methods and working. In contrast, many failures in our country is attributable to the apolitical character of the leaders of the movement and lack of mutual confidence, social responsibility and social cohesion on the part of the general members at large. In a democratic set-up like India where many vicious cycles of economic hazards witness the country's economy there is an imperative necessity to encourage a strong and healthy sector of cooperatives. The cooperative sector will have to emerge as a third sector in India's mixed economy of private and public enterprises and will help produce the desired results of a socialised economic life. The nation's dream of bringing about a socialistic

pattern of society will be capable of being realised when there is a strong cooperative movement in the country.  

Cooperative movement by virtue of its being a non-violent movement will be able to bring about true democracy or the Swaraj of the masses as was once dreamed of by the great soul, Mahatama Gandhiji. The Mahatama once said in 1939, "True democracy or the Swaraj of the masses can never come through untruthful and violent means, for the simple reason that the natural corollary to their use would be to remove all opposition through the suppression or extermination of the antagonists - that does not make for individual freedom. Individual freedom can have the fullest play only under a regime of unadulterated ahimsa." Cooperative movement thus serves as a site for learning whereby man can prepare to make himself fit and to get his freedom - economic, social and cultural.

The ultimate goal of the cooperative movement will thus be the formation of a world cooperative economy. The world has to seek to achieve this end through a slow but continuous process of expansion of the movement in different parts of the globe.

though they have not been formulated to be the be-all and the end-all of cooperative principles.

In their attempt to attain the objects of their society, the Pioneers were to follow the following rules:

1. Goods would be sold at prevailing local prices.

2. Interest upon capital would be paid at a fixed rate as a first claim upon profits.

3. There would be no credit— all goods sold and purchased would be paid for at the time of delivery.

4. Men and women would enjoy equal voting rights within the society.

5. Each member would have only one vote whatever the amount of his shareholding.

6. Regular and frequent meetings of members would be called to discuss the affairs of the society.

7. Accounts would be properly kept, audited and presented to members.

These Rochdale principles remain as the Biblical tenets of Modern Cooperation even today, though improvements
have been made from time to time by various international bodies like the I.C.A. (International Cooperative Alliance).

There has always been dispute as to what are the essential principles of cooperation. G.D.H. Cole in his book, *Century of Cooperation* enumerates eight principles:

(i) democratic control (one man, one vote);
(ii) open membership;
(iii) a fixed or limited return on capital;
(iv) the distribution of surplus, after meeting interest on capital and all operating expenses as a dividend on purchases;
(v) cash trading only;
(vi) the sale of pure and unadulterated goods;
(vii) the education of membership; and lastly,
(viii) political and religious neutrality.

Of the eight principles the sixth one i.e., the sale of pure and unadulterated goods was added by Cole to the already existing and long debated principles. The Congress of the I.C.A. in Vienna in 1930 appointed a Committee with a view to determining which rules should be regarded as
the true principles of the Rochdale Society. The Committee recommended the above seven principles with the exception of Rule No. VI, and these seven principles were codified at the Congress in Paris in 1937.

The cooperative principles were reformulated by a Commission appointed by the I.C.A. in 1964 under the chairmanship of D.G. Karve of India, with Mr. A. Bonner of England, Mr. Havard and A. Covden of the U.S.A., Prof. D.R. Hendl er of Germany and Prof. I. Istanov of the U.S.S.R. as members. The Commission submitted its report in 1966. It laid down the following principles:

(i) Open and voluntary membership.
(ii) Democratic administration.
(iii) Self-help and mutual help.
(iv) Principles of service.
(v) Distribution of surplus
(vi) Political and religious neutrality.
(vii) Proper weightment and supply of unadulterated goods.
(viii) Principles of education.
(ix) Cooperation among cooperatives.

The cooperative principles were subject to still another revision by the I.C.A. at its Congress in Vienna in 1969. The principles thus adopted were the following six:
1. Open and voluntary membership.
2. Democratic administration.
3. Limited rate of interest on share capital.
4. Distribution of surplus.
5. Provision of education.
6. Cooperation among cooperatives.

A few of the former principles have been excluded as they are not all applicable to different organisations of societies. The principles have been so formulated as to suit them to all the different organisations in different types of societies.

A detailed examination of the cooperative principles has therefore become a matter of imperative necessity on the part of every cooperator or cooperative theorist for a clear understanding of cooperative ideology and for a sound cooperative working. Let us examine them one by one.

1. Open and voluntary membership: This principle has been stated in the I.C.A. Rules as "Membership of a cooperative society shall be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership." ¹³

¹³ Weeraman, P.E., op.cit., p.62.
This principle can be divided into two sub-principles - (i) Open membership, and (ii) Voluntary association.

Open membership implies that cooperative association should be open to all, irrespective of caste, creed or colour. It thus stands quite opposed to the principle of exclusiveness or individualism, sectionalism or any form of vested interests. Prof. J.J. Worley has given the name 'Universality' to this principle of open membership. According to him, "A movement firmly based on the principle of universality is one lifted high above the battles of colour, creed or party. Because its membership is, of necessity, open to all, it cannot possibly degenerate into a class organisation or a movement identifying itself with any one political party. Just as cooperation transcends all creeds, so it transcends all parties. It can never become a sect."\(^{14}\)

Secondly, voluntary association implies that a person who joins a cooperative society should do so of his own free will, and likewise, the society which admits the person into its fold, should do so voluntarily. It

further means that no one should be compelled to join the society or prevented from withdrawal of membership. Voluntary association is thus dependent on the existence of autonomy both in the individual and in the society. It is the voluntary will or accord of individuals to associate with others. Prof. Worley highly stressed the importance of the principle of association in cooperation. In his own words, "Associations are of infinite variety, but no other form of association has the scope and significance of Association amplified and orientated by universality. It operates in the interest of all, and not in the interest of any particular or privileged class or group; neither does it operate to the advantage of the few at the expense of the many." 15

This principle of association will embrace the idea of human solidarity and social interdependability. The main significance of this principle is that it will provide an incentive for better work and develop voluntary initiative.

But this principle of voluntarism has now-a-days undergone modification because of certain practical difficulties. A small element of compulsion has been

15. Ibid., p. 13.
introduced in many underdeveloped countries of the world. In our country, instead of the government awarding the voluntary development of the movement, has helped the movement by way of giving grants and subsidies and, thus, enrolled itself as a shareholder in many apex level and national level societies.

We cannot overemphasize the merits of open and voluntary membership, but we should also be on our own guard as cooperators that membership is not open to dishonest and irresponsible persons. For, admission of such persons may even cause ruination of the society instead of adding to its prosperity.

On the other hand, we should recognize the importance of element of compulsion in cooperation. Compulsory cooperation is essential for some economic activities in some countries, especially Socialist ones, where cooperatives cannot make much headway due to extreme poverty, illiteracy and other social factors during the early period of development. Recognising the importance of this element of compulsion Prof. H. Calvert went to the extent of saying, "Compulsory cooperation, wisely conducted, is compulsory adult education in business methods. Compulsory thrift is generally adopted to be beneficial. The
result, however, can never be the same as voluntary cooperation. Voluntary membership not only strengthens individual responsibility, but it differentiates cooperation from state schemes of social reform. ¹⁶

Voluntary membership with a refined sense of cooperativism may not be coming up from the downtrodden group of population especially for whom the cooperatives have been devised. This case is particularly true of the Indian movement, the bulk of whose population are illiterate and ignorant about the advantages of cooperation.

Much of the success of the Rochdale pioneers of the British Cooperative Movement owes to the intrinsic qualities of the members of their Society. Internal discipline, feeling of common interest and brotherhood coupled with the business qualities of punctuality, precision and group feeling were mainly responsible for the society's existence with unbreakable fame till today. Over and above these, honesty of the members also played an important part for the success. The Indian experience is, however, quite the reverse of this. This is why the

Cooperative Planning Committee (1946) in India have recommended that, "after careful examination we have come to the conclusion that the voluntary principle governing admission to the membership of a cooperative society, should be respected and that no one should be compelled to join a society. In certain kinds of cooperative activities like consolidation of holdings, crop protection or irrigation, if compulsion is not introduced, it is likely that what is generally admitted as an object essential for economic progress will not be attained. We, therefore, recommend that in the larger interests of the country, a resolution passed by members of a cooperative society who form two-thirds of the community affected should be made binding by law on non-members also." 17

It has, therefore, to be concluded that, though compulsory cooperation is desirable in some respects, a wise policy of compulsion is advisable to the extent upto which adverse effects to the management of the cooperatives are not seen.

2. Democratic Control or Administration: This principle is a corollary to the first principle. A cooperative

17. Ibid., p.24.
society being a union of persons and not of capital, its administration should be purely democratic. As all the members in a cooperative stand on an equal footing in running the society, irrespective of the number of shares held by each of them, sovereign power lies in their hands. In other words, the general body of the members can exercise its supremacy in electing or appointing the members of the Managing Committee. The Managing Committee can only carry out the works of the society on the direction of the General Body and is, thus, accountable to the latter. The principle thus implies that each and every member of the society shall enjoy equal rights in respect of voting power or appointing power or in other decisions which are going to affect his/her society. 'One man one vote' is the ruling principle instead of 'one share one vote'.

Cooperative democracy is different from political democracy. Whereas the latter is heterogeneous, the former is homogeneous in the sense that there exists a direct relationship between the objects of the common undertaking and the common needs of the members which the common undertaking has to satisfy. As Carr Saunders, Florence and Peers have put it, "Unlike most, if not all, political democracies, cooperative democracy has never
fallen under the sway of financial or sectional interests, demagogues or bosses. It is true that the fluent speaker or the good mixer may at times have an advantage as a candidate at elections, and that the employee interest has occasionally pursued a sectional policy with success. But these are very minor exceptions, and it is a fact that cooperative democracy has never been perverted, as have many political democracies, into a machine which the careerist, masquerading as a statesman, consciously or unconsciously works in the interest of self-seeking groups. 18

Efficiency of democratic control is, however, unachievable without the admission of democrat members. Observance of the principle of open and voluntary membership therefore becomes quite imperative. Not only this, the members so admitted will also have to enjoy individual autonomy. Autonomy here can also be interpreted as liberty which means freedom from something up to certain extent and is, therefore, conditioned by necessity and social obligations.

When the members enjoy autonomy they feel themselves that they are democrats and that they can enjoy the fruits

of economic democracy. The principle of liberty will thus pave the way to true democracy. True democracy, in the words of Prof. Worley, "involves a sense of comradeship, friendliness, brotherhood, or whatever it may be called. It expresses warmth of emotion, not a mere cold recognition. A democrat is someone who has a physical glow of sympathy and love; a man is not a democrat, however, justly he may try to behave to his fellow men, unless he feels like that ...." 19

It has to be noted that these democratic spirits are sometimes more powerful than the capital and other means in effecting control of the society along democratic lines and also in enlarging the scope of activities of the society.

Democratic administration or control also calls for proportionate representation in cooperative organisations at different levels.

It sometimes happens that the government, in its programme of aiding the cooperatives, interferes in the management of the societies, thereby affecting the

autonomy of the members and the societies. Excessive interference disturbs the internal disciplines of the societies and thus leads to a moral breakdown of the members which mars their incentives to work hard for the further progress of their societies.

In our Indian context, the government vests in the Registrar of Cooperative Societies the veto power in regard to the decisions of societies. Such a power may at times violate the very moral validity of the members and sanctity of constitution of the societies.

It is, therefore, necessary that the government does not create any disturbance to the ideal of cooperative democracy. It is desirable that the government respects the internal byelaws and other disciplines. Instead of nullifying the basic principles of cooperation, it should give only the necessary guidance in financial and administrative matters. It need not say or lay down anything which may affect the autonomy of the members as well as of the societies.

The Principles Commission of the I.C.A. held in this connection, as "government may ask that its representatives shall sit on boards of management for a time,
not with a power of veto, but to make sure that the aid provided is being utilised in the way in which it was originally intended." It added significantly: The important consideration is that the government representative shall not continue to sit a day longer than is necessary.  

Hence, to maintain cooperative democracy the government should also turn wise ears to the voices of the societies as well-wishers of the latter and implement policies not inimical to their democratic interests.

3. **Limited rate of interest on share capital**: Cooperatives being anti-profit and anti-exploitation organisations, should not allow much accessibility to capital to play its part in business aspects and claim its respective remuneration. For, if capital is allowed a free play in the society, much of the society's profit will go to it and, thus, it may ultimately reign over labour. The society will then lose its democratic character.

Long before, the Rochdale Pioneers had conceived the idea of 'labour working with capital' and not 'labour

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20. Weeraman, P.E., op.cit., p.76.
working for capital or its possessor. The Principles Commission of the I.C.A. has also recommended that 'share capital shall only receive a strictly limited rate of interest, if any.' According to the Commission, "Cooperative rules regarding interest and the division and use of surplus are the two fold result of a firm resolve to establish and extend a more equitable division of the product of economic organisation than is commonly found in the profit dominated business world.' 

Therefore, if the capital is given its interest, it may not make further claims on the surplus of the society. The surplus may be distributed to the members in proportion to the volume of participation by them to the society's business.

But care must be taken in the fixation of limits to the rate of interest. Too high a rate of interest will carry away lion's share of the surplus of the society towards the owner of capital. A very low rate may also not be favourable from the point of view of attracting capital towards the business of the society. Hence, the limits should be legitimate and subject to alteration from time to time.

21. Ibid., p.78.
4. **Distribution of Surplus**: Service motive in cooperation instead of profit motive simply implies that one should not profit for himself and himself only at the expense of others. Surplus or profit must always be there in cooperatives, and such surplus should be distributed in accordance with certain rules of the cooperatives based on equity.

Equity is indeed an essence of cooperation. It is, as Prof. Worley says, the economic interpretation of 'Mutuality'. It is the negation of privilege, nepotism and all forms of favouritism and 'influence'. It would ensure that all positions, whether of trust or administrative responsibility, or purely technical, would be filled by those best qualified to hold them, irrespective of all considerations of personal relationship, patronage and social contacts. 22

Equity thus represents fairness not only in business but also in human relations. It thus leads to equality and social justice. The surplus resulting from the efforts of the members of a society belong to them and, as such, it should be distributed to them equitably, that is, in proportion to their respective contributions to the society's business.

And, in case of the surplus resulting from the sum total of transactions done by the members along with some non-members outside the society, it is desirable that only that part of the total surplus proportionate to the members' transactions be divided among the members, and that the rest assignable to the non-members be kept with the society's reserve fund. This method will check illegitimate profit that may go to the members. The Principles Commission of the I.C.A. has, in this connection, pointed out that, because members undertake the risk of the undertaking "it is the members and no one else who are fairly entitled to share in the savings which a cooperative makes, but only in so far as these savings result from their own transactions with it. The society must itself be scrupulous in dealing with any revenue which accrues from dealing with non-members using its regular services; if it is not reserved for individual non-members as an inducement to them to apply for membership, then it should be devoted to some purpose of common benefit, preferably for the wider community beyond the society's membership. In no case should it be added to the savings distributed to members, otherwise they would participate in profits in a manner that cooperation expressly abjures."  

The implication of the above is that a cooperative society shall have to observe the principle of economy in its business methods.

Economy: Economy here means elimination of waste, may be of time, of energy, or of life in addition to waste of material. It is thus a means to achieve efficiency in the disposition and planning of business of a society. Only theoretical assertions and philosophical propaganda will not help bring efficiency in cooperatives. Theories should be realised into practical effects. This realisation would be possible when cooperators practise economy with a deep sense of personal and social responsibility and with ceaseless efforts. The failures of many Indian cooperatives have been at least partly due to the lack of this practical way of cooperation. The practical aspects of economy can find their places in the cost reduced business methods of cash trading, the setting up of reserves for depreciation and other contingencies, the auditing of accounts and other trading entries, and the establishment of a clear cut book-keeping system and the promotion of thrift among the members. Cash trading alone can check losses of the society through bad debts, and can induce the members to save more.
5. **Responsibility**: Though responsibility has not been recommended as a working principle of cooperation, it should be an inherent quality of each cooperator. It should tie together each and every cooperator in the society. Each member as a democrat member should be responsible for himself as a member and for the society's welfare as a constituent. Only then, the society will be able to climb the ladder of progress. Irresponsible members are the headache of the society. For, they lack the quality of social consciousness and social cohesion. To quote Prof. Worley, "In order to deepen the sense of personal responsibility among those who serve the Movement in professional capacities - cooperative employees - the setting up of an ideal of cooperative service rather than that of mere employment would appear to be desirable - a civil service in our State within a State ... workers engaged in the service of the Movement should be encouraged to regard their work as something more than a perfunctory effort to obtain their livelihood. They have to become conscious of participation, in an intensely practical way, in the great human cause of social regeneration."

6. **Education**: All men are not gifted alike. Some can pick up a thing more quickly than others. Likewise, some

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voluntarily cooperate with others for their own benefits without proper education whereas some others' hearts cannot be cooperativised even after giving proper education. In any case, however, cooperatives cannot ignore its education programmes. Because cooperatives exist not only for the welfare of the members within it but its welfare objects also extend up to the whole of entire community. Cooperative education should aim at attracting more members within the movement.

In our country where majority of the rural population are illiterate and are not as adventurous as the Rochdale Pioneers of England who formed their Equitable Society amidst many conflicting interests cooperative education programme is a must. The promises of the big political bosses to provide the rural population with many economic facilities such as high purchasing power, adequate employment and a high standard of living would not be realised in practice and even if to be realised, would take time, unless the cooperatives are not sweeping the rural masses together into their fold through massive education programmes. The need for a general education programme in the cooperative movement has been well pointed out by Harry Laidler as, "The Cooperative Movement must likewise engage in a comprehensive educational program. It must present to its members all the philosophies of
fundamental economic change and stimulate its membership to hard and courageous thinking and acting in the behalf of the cooperative ideal. If it fails to do this, it may degenerate into a mere system of shops which pay dividend on purchases. If it succeeds, in this educational task, it may well give a new strength and purpose to the whole social and economic life of the age."

General cooperative education or cooperative education programmes must aim at revolutionising the cooperative movement through three phases. The first phase should be devoted to the publicity and propaganda of the benefits and utilities of cooperation. It should thus aim at bringing in new persons within the movement by making them attentive, them interested and then convinced of the cooperative principles and methods and the resulting benefits. Such a publicised spreading of cooperative knowledge will be beneficial in winning voluntary membership and, ultimately, in strengthening the movement vis-à-vis other movements.

The second phase of education programmes should be within the framework of a society and devoted to leadership

training and training of the general members. As different types of societies require different skills in the knowledge of management and administration, the managers and directors should be trained in advanced cooperative institutes in the arts and science of management administration and supervision. The general members should also be trained in the member-education programme so that they may become good cooperators and, ultimately, good cooperative leaders.

The third phase of cooperative education and training is planned for all, irrespective of positions in the societies. This will be the stage where poor cooperators, after they have acquired proper cooperative education, can prepare to make themselves fine citizens fit for entry into any befitting position in the society.

The I.C.A. has stated this principle as, "All cooperative societies shall make provision for the education of their members, officers and employees, and of the general public, in the principles and techniques of cooperation, both economic and democratic." 26

7. **Publicity**: Though the I.C.A. Rules did not lay much emphasis on publicity as a working principle of cooperation, this principle is very important from the point of view of general conviction and persuasion. Publicity is opposed to secrecy, concealment and instigation. It implies that all the details of the trading concerns and other financial and administrative statement of a cooperative society should be made public to one and all of the society without reservation. It is thus helpful in inviting confidence and loyalty from members, and in inducing them to work harder.

Publicity can also be interpreted as one of the means to educate the public in the lines of cooperation and, may include education through pamphlets, posters, journals, magazines, newspapers, theatrical plays, novels and films. In a wider sense, it may also include introduction of cooperative education in the courses of general education in schools, colleges and universities and organisation of seminars and forums on cooperation.

Prof. Worley gives us a nice interpretation of publicity. He says, "The principle of publicity operates against secrecy, intrigue, conspiracy, and subterfuge. It tends to remove such social evils as secret diplomacy."
Political corruption, secret commissions, double dealing, deceit and fraud cannot thrive in the clean air or search-light of publicity. It is the enemy of obscurantism."27

In India, the Maclagan Committee emphasised the importance of publicity in the following words, "All business should be transacted with the maximum of publicity within the society. For example, these should be kept in some place open to the inspection of every member, a list showing the loans issued to every member, the names of his sureties and the amount of the loan still unpaid, and each member should be required to know generally how his account stands, general meetings should be frequently held, at which the accounts and affairs of the society are fully discussed and explained."28

8. Cooperation among Cooperatives: True to their ideology, cooperatives, instead of competing with each other and one gaining at the expense of the others, should be tied together by a common bond of unity and joint action.


There must be a thorough understanding clarified among the members of different primary societies and among those of secondary and tertiary organisations. The smaller bodies should cooperate with their upper strata bodies by giving their due loyalty.

As the cooperatives follow anti-capitalist measures, business capitalists are trying their best to paralyse the business of the cooperatives. On the other hand, the political bosses are trying to win elections by flattering the small cooperative leaders to play a dual role—one of canvassing for election and the other of working as leaders in the cooperatives. Sometimes, the Press on the instigation by business capitalists tries to decry the cooperative movement. It is in the light of these hostile attitudes that cooperatives should observe the principle of cooperation among cooperatives as an offensive armour. Moreover, the chief objective of world peace aimed at by the peace loving countries of today is unachievable without the unification and cooperation of all cooperative organisations of the world. The endeavour of many international cooperative organisations like the I.C.A., I.L.O., etc. to strengthen the world cooperative movement will be meaningless without cooperation among the cooperatives.
The principle of cooperation among cooperatives is thus a principle of conscious cooperators. Conscious cooperators are, in the words of Prof. Worley, internationalists, or rather, supernationalists. That is to say, they are more concerned with human aspirations than with nationalist passions, which threaten to turn the world into a ghastly shambles, or even worse.29

We cannot but emphasise the recommendation of the Principles Commission of the I.C.A. which stated as follows: "All cooperative organisations, in order to best serve the interests of their members and their communities, shall actively cooperate in every practical way with other cooperatives at local, national and international units, having as their aim the achievement of unity of action by cooperators throughout the world."30

9. Political and Religious Neutrality: Political and religious neutrality has become a controversial principle. For example, the principle of political neutrality has been discarded in Great Britain. But, even then, this principle cannot be completely discarded. Religious neutrality is still observed and has got many supporters.

30. Weeraman, P.E., op.cit., p.82.
for a country like India where multiplicity of political parties and religions of different sects exist with different ideologies of their own, cooperatives should observe the principle of political and religious neutrality lest they should become mere political organisations in the hands of a few selfish cooperators.

Conclusion: Besides the above principles so far discussed, there are also certain sub-principles which deserve due consideration because of their importance. They are: cash trading and thrift, honorary service, self-help and mutual help, honest trading, fraternity and unity.

The principle of cash trading which was advocated by the Rochdale Pioneers in order to avoid the evils of indebtedness and to encourage thrift is now-a-days discarded in some quarters because of its inapplicability in all cases. The merit of this principle cannot however, be denied in cases where it is applicable. Similarly, honorary service, though possible in some cases when the activity of the society is very limited, shall have to be modified according to the necessity of the societies. Self-help and mutual help still claims its validity as a principle of cooperation. Though this does not stand
as a working principle, the cooperators should feel this and encourage it. Fraternity is also an underlying principle and cannot be separated from the ideal of cooperation. When combined with unity, it turns the cooperative principles into practice with ease. To conclude with, the principles of cooperation are interdependent with one another. All the principles of all types of cooperatives in all the countries, whether practicable in some respects or impracticable in others, have their own merits. Therefore, what we need to study is those principles applicable to local conditions and are suitable for specific purposes in specific areas of operation.