CHAPTER II

THE ROLE OF COOPERATION IN ECONOMIC DEVELOPMENT.

The term, 'economic development' has been defined as "the process by which an economy is transformed from one whose rate of growth of per capita income is small or negative to one in which a significant self-sustained rate of increase of per capita income is a permanent long run feature. A society will be called underdeveloped if economic development is possible but incomplete." This definition of economic development seeks to determine or measure the level of economic development in terms of a rise in per capita income of the particular community within a given period of time.

Different definitions of economic development and economic growth have been given by different economists and social scientists. It is not, however, our purpose to concentrate our discussion on these definitions. Our purpose is to explain the role that has to be played by cooperation in the economic development of a particular community or country, whether developed or underdeveloped.

Economic development unlike social development, is measurable in terms of rise in per capita income. Social development, on the other hand, is hardly measurable and hence subjective in nature. Social development is a more comprehensive term and commands a wider scope than economic development. Economic development is thus different from social development in that the latter embraces the former within its own fold and, besides, the social development is concerned with other aspects in the life of the community such as freedom of the individuals, equitable distribution of income and wealth among the various groups of the society, moral and spiritual development of the people in such a manner that the society develops as a whole.

But it should be noted that both of these types of development are so inextricably linked with each other that the study of one cannot be divorced from the study of the other. Some social scientists have found it very difficult to differentiate economic development from social development. For, social development includes in itself economic development and, moreover, economic development becomes impossible without change in social structures or, in other words, without social change or transformation of the society. This is why a United
Nations Report observed in this connection as, "It is impossible to define economic development precisely or in absolute terms. As a process, which is nowhere complete and nowhere absent, it is the product of simultaneous developments in many fields. It involves in particular an increase in productivity - a more efficient use of resources to produce more and better food, clothing, shelter and other necessaries and amenities of life, at a less heavy cost in human toil and hardship."  

Economic development is also not to be equated with industrialisation. Economic development is much more than the simple acquisition of industries. It may be defined as nothing less than the upward movement of the 'entire social system', or it may be interpreted as the attainment of a number of 'ideals of modernisation' such as a rise in productivity, social and economic equalisation, modern knowledge, improved institutions and attitudes, and a


rationally coordinated system of policy measures that can remove the best of undesirable conditions in the social system that have perpetuated a state of underdevelopment.\textsuperscript{4}

Economic development may thus be defined as that process of change from a state of underdevelopment to that of a developed one. The economies of the world have been broadly divided into two categories - underdeveloped and developed economies. The underdeveloped economies are mainly characterised by low per capita income of the people because of pre-dominance of agriculture, lack of adequate investible resources, low productivity due to low quality but high rate of population growth, etc. The Planning Commission of India has pointed out, "An underdeveloped economy is characterised by the co-existence, in greater or less degree, of unutilized or underutilized manpower on the one hand and of unexploited natural resources on the other."\textsuperscript{5}

For every underdeveloped country there is the need for economic development. Economic development in an


underdeveloped country, as has been mentioned, must aim at attainment of a number of ideals of modernisation such as a break-through in productivity, equality of opportunities - both social and economic, adaption to modern knowledge of innovations and technology, improved institutions and attitudes, and above all, those conditions required to remove the defects in the prevailing social systems. In short, it is concerned with the problem of over-all improvement of the existing system.

As the economic conditions prevailing in a particular country at any given period of time are largely shaped by the existing social environments, it is necessary that simultaneous changes are brought about both in the economic as well as social systems while making any plan for economic development.

Every underdeveloped country is in need of economic planning at the highest priority for fostering its economic development. India, being one of the developing countries in the world, is also in need of planning for its economic development. With development planning it is supposed to utilise more effectively its resources available to the community so that the living standard of its people is raised to a reasonable standard. In the words of Prof. P.M.S. Blackett, "almost everything must be sacrificed to
economic growth. Economic growth is not everything, but it is almost everything in a country like India." The Planning Commission of India has also observed in this regard as, "The urge to economic and social change under present conditions comes from the fact of poverty and of inequalities in income, wealth and opportunity. The elimination of poverty cannot, obviously, be achieved merely by redistributing existing wealth. Nor can a programme aiming only at raising production remove existing inequalities. The two have to be considered together; only a simultaneous advance along both these lines can create the conditions in which the community can put forth its best efforts for promoting development. The problem, therefore, is not one of merely re-channelling economic activity within the existing socio-economic framework but that framework has itself to be remoulded so as to enable it to accommodate progressively those fundamental urges which express themselves in the demands for the right to work, the right to adequate income, the right to education and to a measure of insurance against old age, sickness and other disabilities. The Directive Principles of State Policy enunciated in Articles 36 to 51 of the Constitution

make it clear that for the attainment of these ends, ownership and control of the material resources of the country should be so distributed as best to serve the common good, and that the operation of the economic system should not result in the concentration of wealth and economic power in the hands of a few. It is in this larger perspective that the task of planning has to be envisaged."

Cooperation has to assume an increasing role in the economic development of developing countries. It has a special significance in a country like India which is engaged in planning for the fulfilment of its economic and social objectives. The experience in the cooperatively advanced countries of the West has also shown cooperatives as the potent agencies for generating forces of economic growth particularly in certain sectors of the economy such as agriculture, small and cottage industries, marketing, distribution, supplies, housing, transport, etc.

The cooperative organisation is an appropriate medium for working out democratic planning. The messages

of planning could be carried to the largest number of people through this medium. It would act both as an executing as well as educational agency for planning. In economic planning it is required to ensure a mass voluntary cooperation of the people in carrying out the tenets of planning in order to achieve the end goals of planning. Cooperation, by virtue of its being voluntary and democratic in character, can enlist such participation in an organised way. In a democratic country like India, it seems quite impossible to enlist the support of millions of small farmers and artisans of small scale and cottage industries without cooperative organisations.

The significance of cooperative enterprise in economic development has also increased because of the fact that in a cooperative system or enterprise there is always the possibility of introducing a wide range of changes because of the adaptability of the cooperative organisation to the diverse requirements of different social groups in a country. No democratic planning would succeed unless the people accept the tenets of planning and have acquiescence in it. A cooperative enterprise being a democratic organisation can successfully help induce people to have their acquiescence in the tenets of planning and to work accordingly. In a developing country like India the cooperatives
exist as institutions where both officials and non-officials meet and work together with constant exchange of views and opinions, and thus act as instruments of planned economic development of the country so as to fulfill, in part at least, the economic requirements of its people, and, simultaneously to eliminate opportunities of concentration and, also act as regulators in the distribution of profits since capital is allowed to get only regulated moderate interest, the surplus being distributed among the members in accordance with their participation in the undertaking.

But the question arises as to how these objectives of democratic planning can be achieved through the system of voluntary participation by the people. The Planning Commission of India has answered this question in the words, "Public cooperation and public opinion constitute the principal force and sanction behind planning. A democracy working for social ends has to base itself on the willing assent of the people and not the coercive power of the State. This leads to the application of principles of cooperation in all phases of social activity in all the functions which bring together individuals for the pursuit of common purpose. The people have to cooperate among themselves and with the various agencies responsible for
the formulation and execution of the plan. In the way any programme is conceived, offered and carried out, action by the agencies of the government must be inspired by an understanding of the role of the people and supported by practical steps to enlist their enthusiastic participation.\textsuperscript{8}

The execution of the plan is thus based on securing public cooperation and arousing public opinion, and not so much on the State Authority. It is on the basis of this plea that cooperative institutions are to be encouraged for the peaceful implementation of economic planning in underdeveloped countries. Indeed, cooperatives are institutions which bring together people for participation in the execution of plans and for satisfaction of common interests and needs. In our country, the Cooperative Planning Committee has stressed the importance of cooperative societies in carrying out the schemes envisaged in the plan in the words, "The cooperative society has an important role to play as the most suitable medium for the democratisation of economic planning. It provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it. In

\textsuperscript{8} Ibid., p.670.
carrying out its plans, the State will wish to enlist the goodwill of the sections of the community for and through whom planning has to be undertaken.⁹

Thus, in India, the Planning Commission has made a strong plea for adoption of cooperatives as an indispensable instrument of planned economic action in a democracy. Other developing countries of Asia and Africa have also given similar recognition to this role of cooperation. Indeed it is the relationship between the system of cooperative enterprise and economic planning that has made the role of cooperation in economic development very significant.

The role of cooperation in economic planning emerges from the consideration that the cooperative movement is itself a form of planned economy. This consideration rests on the hypothesis that a cooperative enterprise/organisation is itself under the process of economic planning while it is in progress in its efforts to better the economic conditions of different sections of members constituting it. In another sense, it is assumed to have represented a body of producers or consumers who have a strong desire

⁹. Ibid., p.671.
to improve their own conditions and, therefore, organised themselves into an association whose primary objective is to uplift them from the state of being exploited and living downtrodden while under the capitalist system to one of self-sufficiency, plenty and prosperity through the process of voluntary participation and democratic management and administration. And when a number of these cooperative units are aggregated, thereby covering a significant portion of the production activities, or distributive trade or agricultural marketing or agricultural finance or any other economic activities, they form an important sector of the planned economy. Every planned economy has, therefore, to recognise the potential of the cooperative structure and operations in its planning process.

But it has to be pointed out here that in an economy where planning is based on a high degree of centralisation and bureaucratisation in decision-making, cooperation may not have much of a role. It is only when the economy seeks to undertake its planning on the basis of popular participation and decentralised decision-making that cooperation has a significant place in it. Prof. D.R. Gadgil has described the intimate relationship between cooperation and decentralised economic planning in the
words, "In my opinion, the planning process is a two-way process. It is a process which takes note of local circumstances, local possibilities and local capacities and takes note of the over-all possibilities and objectives of economy. This two-way process of conveying over-all aims to the locality and conveying local knowledge to the centre is significantly possible in an integrated manner in the cooperative order. The cooperative order has at its base the primary (society) which is essentially a local unit and it has at appropriate stage, for each function to be performed at the upper level, a higher tier federal authority. It is such a cooperative order that can lend itself to decentralised planning." 10

The importance of cooperation in economic planning lies in the fact that this system is capable of satisfying the diverse requirements of various elements comprising the social structures, that is, persons with different ways and habits of life and with varied economic needs. This peculiar advantage can be conveniently utilised to study the plan, explain it to the members and enlist their popular support and execute it on a voluntary basis through the varying forms of cooperatives. Neither the system of

10. As quoted by Puri, S.S., op.cit., p.75.
private enterprise nor that of state ownership can match this advantage of cooperative system. Varied forms of cooperatives such as those in the fields of agricultural credit, marketing, processing, consumers activities, artisans and labourers' activities, etc. are all appropriate cooperative endeavours that can be conveniently used as tools of economic planning at the grass root level. An I.L.O. publication has rightly stated, "Various types of cooperative societies retain and restore the freedom of the individual through self-help reinforced by mutual help. At the same time, they provide the means whereby traditional skills are maintained and improved and give back to the people the ownership of and the responsibility for the tools of their trade. The benefits of combined action are displayed in the sociological and economic aspects of life, in that the community spirit is encouraged and developed by the practical application of the democratic methods to the economic work of the community." 11

The economic value of cooperation has received recognition of a number of international bodies. The cooperative movement's long tradition of association with

the I.L.O. (International Labour Office) dates back as early as the time of Albert Thomas, the one-time director of the office who was a great believer of the economic value of cooperation. This Office has always had a cooperative section (now the Cooperation and Handicrafts Division) and produces regular publications such as bulletins, brochures and many notes on new developments and new legislation besides publication of an international directory of cooperative organisations. It has also been a host to the International Committee for Inter-Cooperative Relations, and built up a panel of cooperative experts. And for promoting the cooperative movement as a phenomenon of global expansion it undertakes holding of International seminars on cooperation in Europe, and other continents and sending out of cooperative experts and advisors especially in the developing countries when the latter is in need of them in its cooperative planning. Similarly, the Food and Agriculture Organisation of the United Nations (FAO), founded in the U.S.A. in 1943 and subsequently transferred to Rome, has a cooperative section dealing with agricultural problems. Moreover, the United Nations itself as well as UNESCO have taken certain interest on cooperation and its role in international cooperative relations and development. The International Cooperative Alliance (I.C.A.) has also been formed with
a view to promoting development of cooperatives on an international scale.

All these interests shown by the International bodies on cooperation amount to the assertion that cooperation is such a system as can fit itself into any social, political and economic system of the world.

The role of cooperation in economic and social development was formally recognised by the International Labour Conference (I.L.O.) in the Recommendation on this subject adopted in 1966, as well as by the General Assembly of the United Nations. In regard to contribution of cooperative systems towards the progress of developing countries, the 58th Inter-Parliamentary Conference, held from October 1 to 9, 1970 at the Hague called upon Parliaments to give active support to the cooperative movements in their respective countries with the purpose of helping cooperative systems in developing countries:

"(a) By giving a much higher priority and a greater share of resources to aiding and fostering cooperative systems when planning technical assistance programmes;

(b) By seeking to eliminate from legal instruments any provisions that would restrict the development of
cooperative systems and to ensure a firm legal basis to cooperatives;

(c) By encouraging forms of cooperative organisation which are consistent with the conditions and cultures of the developing country;

(d) By recognising the importance of village and rural cooperative systems, especially in countries where the mass of the population is not living in towns;

(e) By concentrating their efforts on enhancing education, cooperative instruction and training at all levels to promote and support cooperative systems;

(f) By encouraging Governments, the Specialised Agencies of the United Nations, the International Cooperative Alliance, and all other bodies and more comprehensive cooperative systems as an integral part of the Second Development Decade of the U.N. in order to concert and unite efforts to accelerate the development of the cooperative movement.\textsuperscript{12}

The 25th Congress of the International Cooperative Alliance, while adopting resolution on the role of the cooperative movement in economic and social development, recalled the United Nations General Assembly Resolution No. 2459/XXIII on the Role of the Cooperative Movement in Social and Economic Development, which confirmed the important role of the cooperative movement in the development of different countries; and reaffirmed the fact that the cooperative form of ownership gives special possibilities to activate social initiative and to mobilise human and financial resources under social control for their effective use for the benefit of economic development and social progress.¹³

Many famous personalities on cooperation also emphasised the role of cooperation in economic development of developing countries. Late Prof. Dr. G. Karve once pointed out, "the newly independent and developing States of South-East Asia have to face the challenge of satisfying the ardent and impatient hopes of their people for a better life. From dependent agriculture and petty industrial employment has to come rapid all round economic development."

¹³. Resolutions adopted by the 25th I.C.A. Congress held at Warsaw, Poland, Oct. 2-5, 1972, Cooperative Information, 1/73, 49th Year, I.L.O., p.5.
Forms of social organisation have to provide freedom and equality on the one hand and industry and skill on the other. It is here that cooperation, in contrast to State management and capitalist enterprise, has a particularly apt role to play. Dr. Bonow in his inaugural address to the Regional Conference held at Tokyo in April, 1964 under the auspices of the I.C.A. pointed out that "the administrative economic and social problems confronting the newly independent countries call for a coordinated economic and social policy of a global character. In the formulation and implementation of such a policy cooperation must be reckoned with as an important factor. But time is short. The economic and social difficulties are seriously aggravated by over-population and under-nourishment, and the most urgent task we all now face is to find means of countering the threat of world famine. A world wide catastrophe can be averted, but only as a result of concerted action to increase productivity and to augment the volume of production in agriculture especially in the developing countries themselves. Cooperation in the fields of agricultural credit, supply and marketing, is, therefore, of paramount importance to the developing countries and

must be accorded top priority in the economic and social planning.¹⁵

The concept of cooperation has been used and propagated throughout the world because of its highly acclaimed role in bringing about rapid economic development in a developing country with a social purpose.

In India the successive Five Year Plans have emphasised this role of cooperation. The First Five Year Plan recognised cooperation as an instrument of democratic planning combining initiative, mutual benefit and social purpose. It observed, "in a regime of planned development, cooperation is an instrument, which while retaining some of the advantages of decentralisation and local initiative will yet serve willingly and readily the overall purpose and directives of the plan".¹⁶ The First Plan further added, "As it is the purpose of the Plan to change the economy of the country from an individualistic to a socially regulated and cooperative basis, its success should be judged among others by the extent to which it is implemented through cooperative organisation."¹⁷ The approach

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¹⁶. Report of the Working Group on Cooperation (Fifth Five Year Plan), Government of India, Ministry of Agri. (Deptt. of Cooperation), New Delhi, 1973, p.3.
¹⁷. Ibid., p.3.
to the cooperative movement in the First Plan was further reiterated in the succeeding Plans. For example, the Second Plan stated that "economic development along democratic lines offers a vast field for the application of cooperation in its infinitely varying forms. Our socialistic pattern of society implies the creation of large numbers of decentralised units, both in agriculture and in industry. These small units can obtain the advantages of scale and organisation mainly by coming together. The character of economic development in India with its emphasis on social change, therefore, provides a great deal of scope for the organisation of cooperative activity. The building up of a cooperative sector as a part of the scheme of planned development is, thus, one of the central aims of national policy". 18

The Third Five Year Plan also emphasised the role of cooperation in planned development of India in the words, "In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and

18. Ibid., p.3.
construction and the provisions of essential amenities for local communities. Even in medium and large industries and in transport, an increasing range of activities can be undertaken on cooperative lines. The socialist pattern of society implies the creation of large numbers of decentralised units in agriculture, industry and the services. Cooperation has the merit of combining freedom and opportunity for the small man with benefits of large scale management and organisation as well as good will and support from the community. Thus, rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for social stability, for expansion of employment opportunities, and for rapid economic development. Along with a growing public sector and a private sector which function with responsibility to the community as a whole, the influence of cooperation extends far beyond the particular activities organised on cooperative lines, and gives to the social structure and the national economy, balance, direction and a sense of values.  

A question may be asked among ourselves as to why either public enterprise or private ownership cannot all

19. Ibid., pp.4-5.
alone result in economic up-keep of the people in developing countries. It has to be answered that both types of enterprises have their own relevance and suitability in the context of planned economic development. For example, public utility services such as the Posts and Telegraphs, the Railways, etc. which are of large scale operations may be undertaken by the public enterprises. On the other hand, private enterprise with its principal objective of profit maximisation, though not without any criticism for its anti-social consequences, sometimes promote inventiveness and progress. Under any circumstances, however, the case for these enterprises cannot surpass the case for cooperative organisations. As a matter of fact, cooperative enterprises act as a balancing force between these two sectors of the economy, and seeks to control social conflicts and uprisings which are very much characteristic of the two. Moreover, cooperative enterprises are also not subject to the paralysis of red tape, etc.

In socialist national economies, State and cooperative forms of ownership are equally socialist in character. There are no antagonistic contradictions between the two systems. Neither of them tends to force out one another. Instead, they develop and progress harmoniously. The
relationship between them is thus said to be characterised by collaboration and not competition.

Some planners have expressed the view that cooperative ownership is essentially a variant of private ownership and is thus closer to the latter than to socialist ownership. It has also been expressed that cooperatives are a sector of the national economy, independent of the state, and that the state may not interfere with their activities. These are erroneous views. In actuality, cooperative ownership is essentially not a variant of private ownership. Rather it must be reckoned with as the form of ownership or enterprise that seeks to serve the interests of the people within the framework of socialist planned economy.

Today, there is a strong case for cooperation in all countries of the Third World. This is due to the fact that cooperation is not merely a form of business organisation but it can also be a way of life. Both the developed and developing countries have built their own systems of production, distribution, banking, insurance and sundry services in cooperative lines with the sole aim of bringing benefit to the community at large. In the cooperative the element of social benefit has always overshadowed the element of individual benefit or profit.
The element of personal equality achieved through the operation of the voluntary systems by personal efforts, has reserved wide areas of choice for cooperation within a planned framework. Besides this element of personal equality, there are many other reasons for which this system is preferably chosen as an instrument of economic and social development of the developing countries.

This system is highly flexible and can accommodate all types of economic activities of the people. In other words, it is applicable to people of many walks of life aspiring for achievement of certain economic and social standards. By providing the basis for a unique education in democracy, this system seeks to teach people, in an automatic manner, how to be responsible, dutiful, tolerable, honest, and above all, to be social. This system has thus prepared the ground for training the people themselves through self-help and mutual help, so that they become fine human beings in the later stage of their lives, and help contribute to the overall social and economic development of their own countries.

How does the system work?

In developing countries there exists a large number of small producers and operators especially in the farming
community and other small scale operations, who cannot by their own individual operations influence the working of the market forces. These people constitute the bulk of the working population in these countries. There is thus no dearth of human capital which is one of the most important factors of production.

But lack of human capital formation has been one of the major stumbling blocks in economic development of these countries. Human capital is as essential as material capital, and, moreover, in the case of a predominantly agricultural economy like ours where majority of the farming population are still deeply rooted in or identified with religious beliefs, social customs and obsolete traditions, human capital formation has to be given primary importance. Due consideration must be given to this factor in any sector of development, either agricultural or industrial. And it is in this respect of human capital formation that cooperation has to play its big role as an agency. Cooperative societies of various types by their nature are instrumental in making the members and prospective members sharp in intellect, cooperative in behaviour and skilled in productive activities, and thus, increase productive efficiency of the working population as a whole.
The Role of Cooperation in human capital formation for agricultural development:

The importance of investment in people in agricultural sector arises because of the fact that the farming population in underdeveloped countries are usually guided by traditional ways of thinking and not integrated in a common value system and are considerably paralysed by limited aspirations. The situation in these countries is so serious that introduction of new innovations and techniques of production with proper institutions will not help bring about any spectacular improvement in such circumstances, unless the value system of the community and the whole social structure containing it are altered first and made adaptable to the overall socio-economic framework of planning. State initiative and actions aimed at creating wider avenues for intensive and better use of cropland and other natural resources by the farmers will be all futile until the millions of agricultural workers are well motivated to change their deep-rooted attitudes. Indeed the fundamental problem of increasing the economic efficiency of these people will continue to persist as most of them, under the prevailing conditions, are not forthcoming to work with a sense of duty as individuals and with a sense of social responsibility as parts of the community.
Production in agriculture will thus ultimately depend upon the individual responsibility of the millions of farming population. Cultivators or peasants are thus the most decisive factor in agricultural production. All other factors such as capital, improved technology and improved inputs will be secondary to this human factor.

Prof. Theodore W. Schultz has delved into the problem of underdevelopment of agriculture in underdeveloped countries, and suggested improvement in the quality of the farming population as a remedy for the underdevelopment. In his own words, "What we have learned in recent decades about the economics of agriculture will appear to most reasonably well informed people to be paradoxical. Agriculture in many low-income countries has the potential economic capacity to produce enough food for the still growing population and also improve the income and welfare of poor people significantly. The decisive factors of production in improving the welfare of poor people are not space, energy, and cropland; the decisive factors are the improvement in population quality and advances in knowledge."

As a matter of fact, in developing agriculture, the size or extent of farmland and its soil fertility will not

matter much. What will matter most are the incentives and associated opportunities by which the farm people can augment the effective supply of farmland through the method of investments in agricultural research and improvement of human skills, and knowledge.

The human factor in agricultural development has assumed an increasing role in the developed countries. The underdeveloped or low-income countries also need not remain poor as they are today. For, they are not without any human resource for entrepreneurship, although it cannot be denied that the farmers in these countries differ greatly from their counterparts in developed countries in ability to perceive, interpret and take decisions and adopt new methods and techniques because of differences in schooling, health and experience. There is, therefore, ample scope for development of agriculture in these poor countries if efforts are made to raise the quality of the farm population through systematic education and research. Cooperative organisations are such institutions as can fit themselves into the framework of decentralised planning for agricultural development in the rural sector. The cooperatives in the rural sector can act as decentralised democratic institutions for undertaking training of the rural population to make them productive labour force in achieving the objectives of modernisation of agriculture.
In our Indian context also, the planners should give more attention, while planning for agricultural development, to the human attitudes and social relations which have strongly bound the social systems in the rural sector of the economy. They should not forget that it is the rural poor who are going to bring about increases in the total volume of production in the economy.

It is, therefore, suggested that any plan of agricultural development should centre round the development of the human factor, namely, the poor cultivator. That is to say, any planning by the Government for such development should first aim at converting the poor and unskilled cultivators into active and skilled ones. They should also be allowed to take important decisions in all matters relating to farm and business management. Only then, their participation in development process can be assured, and production can also increase with increase in their productive efficiency.

As the people cannot be easily motivated to participate in any programme of development, they should be first taught in the principles and practices of cooperation. Hence the need for cooperative societies in the rural sector. The people should also be made aware of the universal applicability of cooperation to different aspects
of the rural life. After making them fully aware of their own conditions they will come up to a stage to think for the betterment of themselves in their own lines and, in the process, they will acquire the necessary knowledge and skills; and with the gradual development of their faith in the efficacy of their own cooperative action taken for their problems they will develop a sense of participation. It is this willingness or desire to participate which is of paramount importance for the successful working of any organisation. No plan for agricultural development will succeed without the willing participation or cooperation of the people.

Therefore, in order to secure full participation of the working population in the cooperative system of agricultural development, they should be fully made aware of the fact that they can do much more things effectively in organised forms rather than what they can do individually. In other words, there should be proper arrangements for cooperative education and training. Obviously, giving knowledge should precede the participation.

The cooperatives, indeed, can be of immense help in physical, institutional and social aspects of agricultural planning. They bring technical knowledge to the doors of
the farmers and increase the effectiveness of the agricultural extension works introduced by the government. They administer credit, ensure procurement and supplies of farm requisites, undertake marketing of farm produce on behalf of the producers. To be precise enough, they are the most useful tool for bringing about total rural upliftment.

In India the Royal Commission on Agriculture recognised the importance of cooperation in rural development as early as 1926-27. The Commission observed, "If cooperation fails there will fail the best hope of rural India". The Food and Agriculture Organisation (FAO) of the United Nations has also rightly stated, "It is gratifying phenomenon that in most developing countries, cooperation has been attracting an increasing amount of attention over the last twenty years. There are at present numerous national socio-economic plans which provide for a rapid rural cooperative development, assuming that cooperation is one of the most appropriate instruments to bring about an increase in agricultural production and a durable rise in the standard of life in the rural areas".21

Role of cooperation in providing credit and increasing agricultural production:

In the field of credit, cooperative credit satisfies all the canons of a good credit system, viz, adequacy, proximity, reasonable rate of interest, supervision and self-management. Cooperative credit institutions serve the poor farmers more promptly than other institutions like the government, commercial banks, etc. In recognition of such a superiority of cooperative credit an I.C.A. publication observes, "Credit from cooperative sources can be tailored more closely to farmers' requirements. In the case of local credit societies personal knowledge of and confidence in the borrower can to some extent be a substitute for the kind of security a commercial bank would demand. Repayment can be phased to fit in with expected returns from the investment. Advice can be given to the borrower regarding the best utilisation of the loan, so as to avoid situations in which he is unable to meet his obligations". 22

As emphasised above, planning for increasing agricultural production requires the formation of village cooperatives. These institutions will encourage improved

methods of cultivation and discourage uneconomic and obsolete practices. They will also assess the needs of cultivation and implement decisions which are in the general interest of the members in particular and the villagers en masse. They will thus create the necessary framework for bringing about other required changes in the rural economic life that may go along the lines of increasing agricultural production.

It may, however, be argued that there can be increase in agricultural production even without the creation of cooperative institutions. But the difficulty that would arise then is that the increased production, instead of bringing remunerative prices to the farming population, will tend to militate against them. A considerable part of the income accruing from increased production may thus go to the moneylenders, traders, landlords and other non-farmers. From this consideration it follows that credit available in adequate quantity and at proper time which is always envisaged in the cooperative credit has become quite indispensable for revolutionizing primitive agriculture in underdeveloped countries. Without such a proper institutional cooperative credit there will be no hope for developing other services like cooperative marketing. Organisation and development of cooperative credit societies
should, therefore, be taken up as a measure of institutional reform in any plan for agricultural development in under-developed countries like India. Therefore, the 25th Congress of the I.C.A. rightly observes, "Agricultural cooperative of all types, including the cooperatives which are engaged in collective management of economy and in collective cultivation of land, are playing an enormous part in the economic and social development of countries, in considerable increase of agricultural production, in reduction of production costs of rural economies, in improvement of welfare of peasants and in acceleration of technical progress." 23

We have mentioned the role of the agricultural credit cooperatives in increasing agricultural production. Not only these agricultural credit cooperatives but other types of societies - farming societies, marketing and supply societies, processing, etc., all within the reach of the farming community, will go a long way in increasing agricultural production, and thus in bringing a large part of the increased income accruing from the increased production to the actual producers. The small producers in the under-developed countries can thus be provided with extra income to make further investments in production. And as they can

invest more in production, they acquire such a better position as to invest a little more in health and education than before. Investments in health and education will further accelerate the pace of all round development of these farmers. They will become strong both mentally and physically. The base for agricultural investment will thus become quite wide along with the increase in the farmers' entrepreneurial ability.

As a corollary to the programme of increasing agricultural production the village cooperatives may also help implement tenancy reforms by disseminating knowledge and information about these to the farming community. One cannot thus underestimate the educative value of cooperation. Indeed agricultural cooperatives can help in facilitating the introduction of new ideas. The village cooperatives are like forums providing room for the members to learn consciousness of participation and identification. As they are made up of the villagers they find it easy to win the confidence of the members and other local people and the latter will also accept the information given by them.

Role of Cooperation in Industrialisation:

In underdeveloped countries there are surplus agricultural population due to the high rate of population growth on the one hand and non-availability of cultivable
land on the other. According to a United Nations Report, there are 20 to 50 p.c. agricultural surplus population in some of these countries.

In recent years there has been a growing interest in small scale industries as a means of employing the underutilised manpower in the agricultural sector of these underdeveloped countries. This is due to the fact that the large scale industries cannot absorb more than a small percentage of these countries' teeming population and the great bulk of the population remain rural in character. And, as the primary sector is already overburdened, the only possible outlet for the surplus agricultural population lies in the direction of cottage and village industries. This is why some social scientists have advocated a rapid industrialisation programme especially based on small scale and cottage industries to counteract the problem of underemployment in the primary sector. Even the United Nations expressed the view that, "the main remedy for underemployment is to create new employment opportunities. Where more land can be brought into cultivation, this will afford some relief. But in most countries where underemployment is acute, nearly all the cultivable land is already cultivated. Efforts have to be concentrated upon creating new industries off the land, of which manufacturing industries comprise the largest and
usually the most promising category. Thus the most urgent problem of these countries is industrialisation." 24

The increase in importance of small scale and cottage industries in underdeveloped countries has also been due to the fact that they are less capital intensive and are capable of making efficient use of resources and tapping more savings and entrepreneurship unlike the medium and heavy industries.

In our Indian context, capital is relatively scarce while labour is relatively plentiful and cheap. Such a situation coupled with the fact that only farming cannot secure full employment in the rural areas, accounts for the suitability of the small scale and cottage industries as one of the means of economic development in this country. It is in the context of development of these small scale and cottage industries as one of the means of economic development that cooperation will have to play a big role.

Before the wind of the World Cooperative Movement swept into the Indian territory the Indian villagers used

to supplement their meagre incomes by organising cottage industries at their own individual capacities. And such a practice of running cottage industries individually continues even today. But as mechanised civilisation comes in, it has become quite difficult a job for these poor village craftsmen and artisans to face strong competition from mechanised firms and industries. Therefore, there arises the need to patronise the small scale and cottage industries. It is necessary to renovate these industries by providing improved tools, better working conditions, better training, better marketing facilities and other services to these artisans. But it has to be admitted that such a renovation will be possible only when all the cottage workers and artisans in all the villages group together and organise industrial cooperatives of their own.

Organisation of industrial cooperatives on sound lines should thus be one of the main objectives of Indian Cooperative Movement. Industrial cooperatives have played a big role in the revival of cottage industries in many countries of the world such as China and Switzerland.²⁵

There is, therefore, no reason why our country should also not devise a programme of renovation of our village and cottage industries through cooperative methods.

Prosperity of the Indian villages and, hence prosperity of the country as a whole will depend much upon the possibility of resuscitating the country's dying cottage industries. Cooperative movement can play an effective role in this endeavour. Through cooperation the poor artisans and other small industrialists in the Indian villages can impart to themselves jointly the strength which they do not have individually. Small scale and other village-based industries such as handloom, handicrafts, carpentry, hand pounding, oil crushing, milk processing, fruit processing, match-making, soap-making, paper making, blacksmithy, etc. organised on cooperative basis will act as right ventures in the right direction. Further, organised on cooperative basis, these small units will subsequently be able to solve other problems relating to supply of raw materials, credit and marketing facilities, and other services.

No doubt, the Government of India recognised the importance of small scale and cottage industries in the economic development of the country as early as 1948. The Resolution of the Government of India in the Ministry of
Industry and Supply in 1948 stated that, "the cottage and small scale industries have a more important role in the national economy offering as they do scope for individual, village, or cooperative enterprise and means for rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements ...." 26

As a matter of fact, cooperative organisation, as an instrument of planned economic development, has great possibilities of improving the rural economy, as its federal structure helps the Government to reach a large number of scattered groups of units, and also enables them to derive benefits from large scale organisation. But the unfortunate thing is that the knowledge of fostering the small scale and cottage industries through the organisation of cooperatives can hardly reach the rural poor at the grassroot level due to the lack of systematic education and cooperative leadership in the rural areas.

Notwithstanding this fact, it is inevitable to organise industrial cooperatives in such a way that they embrace most of the economic activities of the villagers. We have to recall Mahatama Gandhiji's prophetic statement, 'The salvation of India lies in cottage industries', and give our due recognition to such industries organised on cooperative basis.

Other Roles of Cooperation:

Besides helping in agricultural development and rural industrialisation programme, cooperation has many other roles to play even in the tertiary sector of the economy. It may go to the extent of improving the inadequate infrastructural facilities such as poor means of transport and communication, poor housing, poor education, and above all, lack of good leadership. As a matter of fact, the scope of rural development is as wide as the entire gamut of the problems of development of the social and economic conditions of all the people constituting the whole rural community. It cannot be said to be merely a problem of increasing production in agriculture and rural industries alone. It is much more than that and extends to other problems of the villagers such as their level of education, health, housing, family structure, modes of thinking and living. Any programme of development
in the rural sector should, therefore, centre round the development of all these variables together. Cooperative societies of different types such as housing cooperatives, transport cooperatives, education societies, etc. may be formed, and they will offer a wide scope for removing the bottlenecks and handicaps from which the rural economies suffer.

In our Indian context, cooperation has to play an increasing role in carrying out the Community Development Projects and other economic programmes under the Panchayati Raj. The Planning Commission of India observed that, 'in all the aspects of community development cooperative methods of organisation should be adopted to the maximum possible extent', and that 'in every community area a programme for all round cooperative development should be drawn up'. The Commission was also of the view that, 'the establishment of various types of cooperative societies after educating the local public regarding their benefit will be the best means of enlisting the active support of the people on voluntary basis for works of improvement on an organised scale'.

Thus, agricultural cooperatives, industrial cooperatives and other cooperatives in the rural sector will have to play big roles in transforming the impoverished rural economy into a prosperous and self-sufficient one. But the problem of poor countries is not only one of developing the rural sector. Development of the urban sector will equally occupy an important place in the economic development of these countries. In the urban areas too, there is no lack of small artisans, petty traders, small salary earners, and other unskilled labourers who cannot improve their conditions individually unless some common economic programme has to be evolved for them. It is in such a situation that cooperation has to play its role. Urban cooperative banks, consumers' stores, employees' thrift and credit societies and workshop societies can help a lot in ameliorating the conditions of the urban poor.

As a matter of fact, in underdeveloped countries where there are marked differences between rural life and urban life there is a greater need for rural-urban integration. Cooperative societies of various types may be organised in both the urban and rural areas for spearheading the attack on the problem of mass poverty. Such an attack should be reinforced with a corresponding attack
on removal of illiteracy, lack of skills, ill health, improper housing, inadequate power and transport and other infrastructural inadequacies, and above all, on inefficient production.

The development in all the walks of life—agriculture, industry, trade and commerce, transport and communication, power, health and education, technical progress and innovations, however, will depend upon the full participation of the people in the working of the plans on a voluntary and cooperative basis.

History of the World Cooperative Movement proves that cooperation, in one form or the other, has played an important role in solving the socio-economic problems in almost all the countries of the world. For example, Consumers cooperation in England, the U.S.S.R. and Sweden has solved much of their socio-economic problems. Similarly, Credit cooperatives in Germany, Italy and Sweden; Cooperative Marketing in Canada, Australia and the U.S.A.; Cooperative Farming in the U.S.S.R., Palestine and Yugoslavia; Cooperative Dairies in Denmark, Ireland and New Zealand; Cooperative Housing in the U.S.A., Sweden and Israel; Producers Cooperatives in England and France; Labour Cooperatives in Italy; Insurance Societies in England, etc.
have solved many of the economic problems of these countries.

It is thus quite evident that cooperation has played an important role in the economic development of the advanced countries irrespective of their political systems. Cooperation has, therefore, to play still a bigger role in the economic development of the developing countries. Recognising the role of cooperatives in economic development the Director General of the I.L.O. observed in his report in 1951 that, "cooperation is helping to solve pressing economic problems". 28 The 27th Congress of the I.C.A. held in 1980 also accorded the highest priority to the development of Agricultural Cooperatives including Agricultural Producers' Cooperatives among small farmers, particularly in developing countries, with a view to increasing food production and raising the real incomes of primary producers. 29

Because of their high economic values and social importance the cooperatives have reached today international


business horizon. Many multi-national cooperatives such as the International Cooperative Insurance Federation (ICIF), International Cooperative Bank (INCEBA), International Cooperative Petroleum Association (ICPA), etc., have played important roles in providing many goods and services on a global basis. The final aim of cooperation will thus be the creation of Cooperative Commonwealth on a global basis as conceived by James P. Warbasse, the chief exponent of the Commonwealth School in America.