CHAPTER II

CONCEPT AND METHOD:

The genesis of the cooperative theory:

The preceding survey of cooperative practices gave birth to ideas accordingly. The genesis of the modern cooperative movement can be traced back to the first half of the 18th century. Those were the days of scarcity and shortage in whole of Europe. The Capitalist structure created by the industrial revolution was also responsible for creating many social and economic evils in the society.

Robert Owen, a Welshman, was the first to propound and propagate the ideals of co-operation in England in 1773. William King (1828) popularly known as the 'poor man's doctor' was another staunch advocate of cooperative movement in England. King's main contribution is the publication of a periodical 'The Cooperator' through which he expounded the philosophy of consumer cooperative. The movement was given a big push in 1844 by a handful of weavers by launching a small consumer store called Rochdale Equitable Pioneer.
Society. It was run according to certain business rules, which later on acquired the shape and style of cooperative principles.

Expension of the idea ::

From England, the cooperative movement spread to some Continental Countries, particularly France, Germany and Italy. In France, Charles Fourier, son of a cloth merchant advocated cooperative production. Paul Lambert in his book, studies in social philosophy of Co-operation, writes; Fourier was one of the first reformers who laid stress on the fact that the struggle against pauperism depends more on the increase of production than on social context which would atleast secure a proportiional better distribution provided such an increase of production occurs in growing national income.

Cooperative experiments of various kinds were made by Proudhon, Phillipe Buchez, (Phillipe Buchez was a staunch supporter of French Socialim). He was of the opinion; To each according to his needs, from each according to his capacity, Charles Gide, George Fanquet and Louis Blanqe.

2. Ibid, P. 89.
Similarly in Germany, Hermann Schulze-Delitzsh and Friedrich Wilhelm Reiff Eisen, towards the end of 1840 set up several associations for benefiting the poor people in urban and rural areas respectively.

In Italy, development of cooperative movement was undertaken by Luati and Leone Wollersburg. In order to acquire a thorough understanding of the Raiffeisen system, Luzzatti went to Germany, and on return he set up in 1866, the first cooperative Bank named Banche-Popolare (People's Bank).

Soon the movement attracted the attention of social workers of the other European Countries as well as those of the continents of America and Asia, facing similar socio-economic problems. In fact, by now, the movement has attracted international attention leading to the establishment of the international Co-operative Alliance (ICA) at London in 1895. This Organisation provides a forum for Cooperation and reinforcement among national cooperative movements.

3 NCUI, Anthology, (N.D.) PP 37-41
4 Ibid. P.P. 93-94
Another factor which contributed to the spread of the movement after the Second World War was the emergence of several independent states, particularly in Asia and Africa. The new states encouraged the spread of the cooperative movement as a part of their national strategy for planned development. As such by now it has spread into several countries round the globe which is shown in table. 1.

The evolution of Cooperative in the world can be traced from times beginning from the day individuals first joined hands for the advancement common goals of life. Generally speaking Cooperatives means living, thinking and working together. In its technical sense it denotes a special method of doing business. In its former sense, cooperative existed even before the existence of man. In fact, cooperative is much order than the man himself. Examples are not wanting of reflexive and instinctive Cooperation in the animal world. Form action of social groups is the out come of reflexive cooperation, while the life of ants, bees, wasps, lives etc. provides the best example of instinctive cooperation. Ashley Montaqué has rightly said that without the operation of the principles of cooperation are socialbility and mutual aid, the progress of organic life, the improvement of the organism, and the strengthening of the species becomes utterly

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5 NCUI, Anthology, Vol. I PP. 47-51
6 Ibid; P.P. 62 -63
incomprehensible]. Right from the hunting age up to the present day the
progress and development of human beings, in all spheres, social, economic,
religious and political is marked by a sense of thinking, working and living
together. Cooperation is, thus, older than the cooperative movement. The
cooperative movement is only one example of human cooperation among
others e.g. joint stock companies, cartels, trusts etc. The term cooperation,
thus, cannotes several meanings. A universal meaning and theory of
cooperation or cooperative society is, therefore, difficult to find. This
subject is still one of the most heated topics of discussion national and
international circles.

Cooperators, without caring for a universal theory have been adopting
the movement in their own way to suit the size and magnitude of their
problems, in accordance with their environments. If there is any theory,
then as the Maclagen Committee has suggested that, 'The theory of
Cooperation is very briefly that an isolated and powerless individual can,
by association with others, and by moral development and mutual support
obtain in his own degree the material advantages, available to the wealthy
or powerful persons and there by develop himself to the fullest extent of
his natural abilities. It is, thus, a movement whose theory has evolved
with times and experiences gained by the cooperators. There is no rigidity

\[7. \text{See ibid., Chapt. L, v. 114, p. 56}
8. \text{Ibid., p. 62.}\]
either in the concept or in the practice. It is the objective, the ideal or the purpose which is to be achieved. The cooperative movement has existed because of its ideals and it is from the pursuits of these ideals that its principles are derived and characteristic features determined.

Man is a social animal. Cooperation is, therefore the very soul of human existence. Nature has endowed him with the powers of speech and thought and these distinguish him from animals.9

Philosophy and religion lend support to cooperative co-existence. Knowledge consists in conceiving of the universe as an integrated whole. Real knowledge consists in finding a single unified existence in the whole of the universe. The body is the nearest parallel to this conception. The human body consists of millions of cells, all drawn out of a single blood stream. They have disposed themselves into various limbs and organs differing in form, shape, function etc, but all of them cooperate for the common good of the body as a whole. Each for all and all for each is the law of the human body. Like wise the society, must be organised in such a way that each may work for all and all for each. This attitude to life as a single unit is calculated to remove hatred from the hearts of men, bridge the gulf between man and man and eradicate differences arising

9 Ibid., p. 81.
out of selfishness, greed etc. Co-operation is, therefore, a mode of life and not a mere economic adjustment of human relatives. In fact, in India the co-operation existed in socio-cultural fabric itself.*

*At this point a distinction can be made between Euro or western concept of co-operation and its Indian environment. In India, Co-operation originated not because of material want, but it originated because of relative prosperity. The classic vernacular literature speaks of co-operation as a way of life in India. In this regard, the philosophic scriptures discuss the co-operation in all cultural activities to the extent of enriching the environment with the use of precious material like refreshing sprinkles etc. Such an activity is otherwise superfluous in routine mundane life.
ANCIENT FOUNDATIONS OF CO-OPERATION IN INDIA

There is a common belief that cooperation is a modern science of comparatively recent origin, and alien graft in India. But if only we care to examine our past it will be discovered that this is a misconception. The socioeconomic fabric of our ancient village, primarily based on the joint family system, is a glaring example of cooperative life embracing as it did the social, economic and moral aspects of life having existed from good old days. Nonetheless a close study of even present day village life in any part of the country should convince any objective, observer that a deep seated spirit of Cooperation permeated all economic activities. That many lived under the same roof and shared the same food, raised crops together, marketed the surplus grain jointly, irrigated the fields from the same well, grazed cattle on common pastures, owned common orchards in the village, jointly processed and got implements made and repaired together by the common artisan who was himself jointly supported and maintained in the village and liberally contributed (and received back) to the marriage expenses of fellow villagers, even beyond the narrow sphere of caste system in the form of cash and kind are some of the many examples of a true Cooperative life. This

II. See Anthology, pp. 31-33
deep-seated spirit found in the present day village societies could not have sprung overnight. It must have been acquired over the years, and had its roots in ancient times. But historical circumstance and a long spell of alien rule cut us off from our rich past. And this led to our believing the economies and Co-operation, like so many other things as having a western origin and a recent growth.  

In present form, however, we heard of co-operative practise and co-operative societies for the first time in our country towards the end of the last century when the decennial witnessed the well known agrarian disturbances of 1875. Towards the end of the 19th century, the condition of the rural masses in India was quite deplorable. The country-side was studded with deprivedness. Yet the important outcome of the middle ages in our country is still visible. And it was the birth of artisan and craft system all over the country in a new form which was influenced by the trade with the foreign countries, particularly, in central Asia and west Asia.  

ASSOCIATING ARTISANSHIP:

The study of the non-agricultural producers cooperatives carriers with itself mainly the study of the Industrial cooperatives which broadly fall under two classes; Firstly, there are Artisan societies, in which the small crafts-men combine together to form associations to achieve any of the following aims:

(i) To secure raw materials or tools and implements at moderate rates.
(ii) To secure prompt and cheap credit facilities;
(iii) To provide technical and general guidance in various productive processes and
(iv) To secure fair prices for their products.

Mostly these societies have been organised in a number of countries of the world and are faring well. They are specially suited for poor market. Their chief aim is to eliminate the middlemen and thus to acquire his profit for themselves.

Ibid. P-48
The second class comprises those societies where the producers organise themselves into one association and carry on the work of production without any outside intrusion. In other words, in such societies workers are their own manufacturers. They are themselves, the capitalist, the labourer, the organiser, the enterpriser and the marketer.

Large-scale industries provide no scope for being organised on cooperative basis, and therefore, in the scope of Industrial Cooperatives, we should include only those small-scale and cottage industries which have been organised on cooperative lines in the country.¹⁵

India has accountable industrial past. Even before the era of modern Europe, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. The skill of Indians, remarked Prof. Weber, in the production of delicate woven fabrics, in the mixing of colours, in the working of materials and precious stones and in all matters of technical arts has from the very early times enjoyed a world-wide celebrity. Many of these industries were organised in the cottage of the workers. This industrial supremacy, however, came to an end towards the close of the 18th and the beginning of the 19th century. Various factors were responsible in demolishing this structure in India. The disappearance of

¹⁵ [Source: Guha, S. *The Cooperative Movement-A Handbook*, H-Delhi, 56, p. 131]
¹⁶ [Source: Ibid, p. 138]
indigenous courts, the growing western influence, the apathetic attitude of the alien government and above all the rough competition put in by the cheap machine made goods all were responsible for the rapid decline of our handicrafts.

Despite their decay, cottage industries still hold a key position in the industrial setup of our country and they have to play a vital role in cherishing the future hopes of independent India. Various measures taken by the Government of India to stabilize the position of such cooperatives in the country.

The handloom Industry, being the most wide spread Organisation of weavers, having been recognised for the rehabilitation of the handloom industry, provision of loans to weavers for the purchase of shares of the primary societies and the provision of working capital for the societies were found necessary.

The Board adopted two schemes for internal and external marketing Organisation was set-up to study the existing marketing conditions and to explore the possibilities of further development, keeping the trade.

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17. Report of the Indian Commission 1918 P1
18. Jathan and Beri "Indian economics P 133 Vol. IV
2. INDUSTRIAL COOPERATIVE

The handloom industry in India, which dates back to the Epic Ages, had rich laurels for its products and art work, was given a heavy jolt with advent of industrial revolution, challenging its monopolistic position with the mill made textiles. A large number of looms were rendered idle, throwing the weavers to unemployment. The distress of weavers constantly increased. Exploitation and poverty took over them. They became economically weak and socially backward.

With all its setback, the handloom industry however, continues to occupy a prominent place in the country's economy in view of its being the largest cottage industry, providing means of livelihood to about ten million persons, mainly in the villages, and meeting nearly one-third of country's requirement of cloth. Dispersed over the entire country, it is Characteristically an activity that involves the entire family of weavers in various processes.

\[9\] Ibid, P-68 Dr. C. B. Mamoria - Agricultural Cooperative Structure in India - Kitab Mahal Delhi - 1983 PP 80-81
\[9\] Ibid, P-41
\[9\] For details see, The Royal Commission on Agriculture, 1921 Annual Report, pp-54-56.
In a predominantly agricultural country like India facing the problem of economic uplift of weaker sections of the society, the village and small scale industries play an important role in the national economy. These industries have the potentiality to generate income and employment with comparatively smaller capital investment. India is wedded to the ideal of establishing a socialistic society. It is, therefore, necessary to safeguard the interests of the poor-sections of the community against the exploitation of capitalists and create opportunities for the equalization in the distribution of wealth. This can be achieved through industrial Cooperatives. These Cooperatives can generate incomes, increase employment opportunities, raise production capacity of the members and help in augmenting their resources through self-help.\(^{13}\)

The importance of cooperative Industries was first highlighted by the industrial commission 1918. The Royal Commission on Agriculture was also in favour of organising the village artisans on cooperative basis for providing facilities like credit, supply of raw material and marketing facilities. In India the importance of giving a distinctly Cooperative bias to these industries was first emphasised by the Government in its Industrial Policy Resolution 1948.

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\(^{13}\) *Ibid*, p. 62
This was latter reflected in the directive principles of the constitution. The Industrial policy Resolution 1956 again stressed the Govt's intention to develop a steadily increasing proportion of the activities of the private sector along Cooperative lines. The main objects of this policy are to extend work opportunities, raise incomes and to bring about a more balanced and integrated rural economy such as providing common facilities, joint handling of orders and marketing. The primary object of Industrial Cooperatives is socioeconomic development of its members.

The such cooperative societies are mainly of two types namely:

1. Service Cooperative Societies and;
2. Production Cooperative Societies

1. **Service Societies**

Service societies provide various services to their members to enable them to produce goods and also provide facilities of marketing.

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24. Planning Commission, Third Five Year Plan P-212

25. See Anthology, Vol. 11, PP. 89-94
of their products. The services rendered may be in the form of supply of raw material, tools and other equipments on hire or on easy hire purchase terms. In these societies production is the responsibility of members of the society. Similarly, the society may undertake to sell the goods produced by the members on commission basis. Sometimes more than one services are rendered, by these societies as Gur Khañ. Coir Cooperative and the industrial credit societies.

2. Production Societies

The Production societies produce goods on their own and generally utilise their members as labour in the product in process. Such societies assume the risk of production. The society purchase raw materials on its own rents or purchases the tools and equipment required for production and sells the product in terminal markets. The production cooperatives are carried on either in a common workshop or in the members' homes. There may also be industrial production societies in which the membership may not consist of persons who participate in the production activity of the society but may of persons who produce the chief raw material used by them or of those who are the main consumers in our country. The dairy & fisheries cooperatives are typical example of

\[\text{Ibid. p. 89.}\]
a difficult blending of ancient ....cooperative system. On the one hand (s) they reject on Euro-Entred Corporation & economic problems on the other hand they spea_k of the working of cooperative based on Indian environment and concern stores.

**INDIAN DAIRY ECONOMY:**

Cattle play a significant role in the economic life of rural India. They have remained as the keystone of Indian farming since time immemorial as draught and milk stock. Their utility for the rural community is so high, that they are considered as embodiment of divinity. Welfare be to our mother and father, Welfare be to our cow, so says Athara Veda. They have been contributing to the prosperity of rural India in more than one ways.

**FISHERIES COOPERATIVE:**

In European countries, fisheries Cooperative were started in the early years of this century, but they gained momentum only in the late 20th. Though the movement was wholly of fisherman, in countries like Spain, Norway, Swedan and in the U.K. out side sympathis as also gave a push
to it. The fishermen's cooperative are well developed in Japan. About 50% of the cooperative -societies are operating their own markets. The cooperative Association are grouped into federations which are affiliated to the National federation of fisheries Cooperatives Association for agriculture and forestry for their financial needs.

The back bone of the Fishery industry is fishermen and fish farmers. In most of the developing countries, the role of the development of the Fishery Industry has been assigned to fishery Cooperatives. Three tier organisations structure of the fishery Cooperatives in the country has existed at the grass-root level, Primary Cooperative Societies/Distt./Regional/State level federations at the middle level and National Federation at national level. The main functions of the cooperatives are to assist the constituents in providing credit, input, technical know-how and arranging facilities for processing, canning and marketing of fish and fish products. This way there is a complete integration of activities from the primary to national level.

Generally speaking, fishery primary societies in most developing countries

are not economically viable. They have to be re-grouped, reorganised and re-vitalised. The re-grouping and re-organisation process should ensure that the societies become economically viable.

In order to build up a sound fishery cooperative movement the primary societies have to be strengthened. One aspect in the process of strengthening them is the introduction of a sound but flexible system of financial and management accounting to aid management with suitable method of recording accounting data and preparing reports and statements monthly or at any point of times for the evaluation of performance, planning and control.

A primary fishery cooperative society is a business organisation of fishermen. It performs several functions, e.g. supplying of fishing boats and gear, marine engines and fishery requisites, marketing of member’s fresh fish and fishery products.

\[\text{Ibid, P}\text{-439}\]
There are following different types of societies among fishery cooperative :-

1. Societies owing machanised boats and gear and operating :
   a) In one or more units
   b) In wider areas through branches.

2. Societies in which groups of members operate machanised boats as owners :

3. (a) Societies in which non-motorised crafts belonging to the society are hired to members for fishing;
       (b) Societies in which individual members own non-motorised crafts and operate with the help of family members.

As regards marketing, depending on the facilities available, the societies auction their catches or supply to their own marketing federations or to the state fishery cooperations.

A Primary society owning several boats may be controlled by a manager
functioning under a committee or a board of directors. If, however, a society is large, covering a wide area, with a number of boats at different points, it would not be possible for a single person to manage the different units from a central office. In such a case, it will be necessary to establish branches with Branch managers who will work under the control and guidance of a General Manager at the Head Office. Each branch will be a cost centre and a responsibility centre and it will be necessary for the general manager to control the operations of each branch effectively. The accounting forms will flow from the branches to the Head office daily, weekly, fortnightly or monthly as desired by the general manager to ensure efficient management and to record the transactions in the books of account at the Head office.\textsuperscript{30}

For the control techniques to be effective, the necessary forms should be skilfully designed. A flow chart of the forms in use will spotlight any weakness in the use of such forms and forms which are found to be unnecessary could be scrapped and new forms may be designed to suit the requirements of the society. For effective accounting and control, it is not merely the flow of forms that is important, but the use made of them

with due regard to promptness, regularity and accuracy. It will be
the duty of the manager to ensure that the above requirements are fulfilled.

The duty of a manager is to manage the business, his assistance, the
workers and the work, the duties of a General manager are to manage the
business, manage the managers, the workers and the work.\textsuperscript{31}.

Fishery is a very popular European industry. In India also it is an
ancient of popular industry. In terms of management and technique the
industry almost treats the problems facing the European fishery industry,
but in terms of resources, security and its economy domestirat the dominace
of our own condition, circumstances.

The development of the Cooperative movement during 1940’s in the
world was also highlighted by G.D.H. Cole. He observed: Today Co-
operation is a world wide movement. It exists in some form in every
continent and in nearly every considerable Country, in this connection it
will be worth while to mention the observations of late Pandit Jawahar Lal

\textsuperscript{31} Ibid., P. 19

\textsuperscript{39} Ibid, P-24 see also The Cooperator, NCUi, Vol. XXXV, 7, Jan.
98 P.36-70
Nehru. He summed up the genesis and growth of the movement in following words.

The Cooperative movement started long ago in many Countries on a relatively limited scale and with rather limited objectives; it has grown big in every Country whether it is Communist, Socialist or Capitalist. It has grown big and is ever-growing bigger because it has supplied a very big need. It may differ slightly in various countries in its make-up, but, broadly speaking, the basic things about the movement are much the same everywhere.

E.G. Nouse has observed, 'The Cooperative movement grew out of the circumstances of the industrial revolution-capitalism and the attendant irrational equality and was reaction against early abuses.'

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34. Ibid. p-201.
Concern for Community:

In Cooperative principles the ICA, Congress very recently added one new principle called Concern for Community.35

According to this principle, Cooperatives work for the sustainable development of their communities through policies approved by their members. The principle emphasised that although cooperatives primarily exist for their members, yet they are also often closely tied to their communities. They have a special responsibility to ensure that development of their communities economically, socially and culturally is sustained. They have a responsibility to work steadily for the environmental protection of those communities.36

35. Enbant, R. B, India Cooperative Studies, Bombay, Oxford University Press 1920 P-56

The Tendencies and the Concept of Cooperative

The survey of European background of the cooperatives is a pointer to the fact that cooperative emerged as a movement. In europe cooperative farmed itself as a practia. In most of the European Countries, cooperative began an ideology contaxting the powerful ideology of industrialision. Where as the industrialison set forth its own objective laws. In such laws no other interferace or consideration is allowed to take place. Growth of production is put at the centre of the ideology of industrialism. But the cooperative movement spoke through its ideologues that the human factors or the community should be put at the centre of the production. In the european circumstances the production remained primary over the cooperative concept of production for the community.

In India both these tendencies are at play. But industrialison though powerful did not reduce the cooperative community production idea as a sub servient to industrial production system. Such a remarkable difference between the Indian and Europe the state & admistration refuse to interfare into the system of production. Where as in our country, the state not only liked to interfer but in our constitution, a directive is given for the State policies accordingly to which the Govt. of the administration are to take
an effort to organise the production on the cooperative basis.

**The Problems and Methodology:**

From the administrative point of view there is a clear reference to cooperative system in India. Our constitution lays down the parameter of the cooperative system. This study draws its subject matter of the problems from this reference to cooperative given in the directive principles of state policy. The focus of this study is to analyse the core of cooperative systems keeping in view the constitutional reference. The problems of analysis centres between the two boundaries.

**Boundaries of the Study:**

On the one hand, the cooperative in India are distinguishable from the European context because of the fact of the very constitutional reference to cooperatives in India. But by its very nature cooperation is a voluntary effort. If the fact of self help and self will is primary for the cooperatives then the state efforts can only be secondary to it. But then it will be a typically European situation.
The variables tested in this study are divided in two types:

(i) **Key Variables**:

(a) Global ecology of cooperative.
(b) District premises and environment of Indian cooperative system.
(c) Symmetry between the two.
(d) Banking as cooperative balance setter.

(ii) **Spot Variables**:

(a) Indian Space and cooperative administration.
(b) Efficiency components in banking.
(c) The banking managerial input in cooperative organisation.
(d) Cooperative entrepreneurship in cooperative culture.

In which the cooperative is already reduced in importance by the Industrialism. That means cooperative on its own cannot contest the powerful industrialism as a system. This causes forth the state interference in favour of cooperative and this arrangement is constitutionally provided for the government administration. This is the focus of the study to analyse...
the voluntary and the state efforts for the cooperative organisation. The nature of this balance between voluntary and state efforts basically involves the financial system that is why the analysis of cooperative banking becomes central theme of this study. In the cooperative banking system the central cooperative banking is named as per this importance. This banking is organised at District Level in our country to analyse this problem. In this study The Rohtak Central Cooperative Bank Ltd, Rohtak Haryana is selected as the case.

Research Tools and Methodology :

Because cooperative banking reflects the very functioning of whole cooperative system that is why the research techniques need to be accordingly be fitting. On the one hand, this study takes the whole cooperative environment in view to analyse how it is being reflected in the cooperative banking system. This study adopts the two main techniques.

A) Identification of cooperative, ecology parameters.

B) Crux Qualification :

The following tools are applied

(i) Parameter Formation

(ii) Parameter Classification
(iii) Parameter Simulation

These three tools are utilized to identify the environmental differences and simulations in co-operative movements in India and Europe. On this basis the Indian co-operative environment is analysed with the help of following tools:

(a) General Survey

(b) Co-operative, Inter-sectoral analysis

(c) Internal, Textual stimuli.

In the particular context of banking:

(a) Co-operative Sector banking intervention

(b) Co-operative banking financial linkages.

(c) Co-operative banking and Capital market interaction

(d) Co-operative banking transactional analysis; these tools are utilized to quantify the central co-operative banking transactions.

(e) Question-Response-Analysis

In this analysis the working of bank is analysed which is based on the following parameters:
Hypothesis:

That voluntary and state effort constitutes a balance on which co-operation system works. The working of whole co-operative system is reflected in the co-operative banking. It represent a point which is central to understand the aforesaid balance on which the co-operative system functions in India.

For the sake of comprehension the above idea is elaborated further to the banking sector. In the co-operative context the banking is analysed in this studies to identify the balance between the assets drawn from both the sides. These two sides represent the established banking system of India from which the co-operative banking draws its liquidity and the subsequent norms and rules of transactions. Secondly, the voluntary or the member or the public side which is brought into the economic main stream of the country through the banking system in general and the co-operative banking in particular.