CHAPTER FOUR

CO-OPERATIVE SOCIETIES IN INDIA

THINK WIN-WIN

A man died and he was asked if he would like to go to heaven or hell. The man asked if he could see both before deciding. He was taken to hell first and the man saw a big hall containing a long table, laden with many kinds of food. He also saw rows of people with pale sad faces. They looked starved and there was no laughter. And he observed one more thing. Their hands were tied to four-foot forks and knives and they were trying to get the food from the center of the table to put into their mouth. But they could not.

Then he was taken to heaven. There he saw a big hall with a long table, with lots of food. He noticed rows of people on both the sides of the table with their hands tied with four-foot forks and knives also. But here people were laughing and were well fed and happy looking. The people were feeding one another across the table. The result was happiness, prosperity, enjoyment and gratification because they were not thinking of themselves alone, they were thinking win-win.

The same is true for our lives.

And for co-operative societies
Chapter IV

Part I

Co-operatives Societies in India

Some selected definitions of co-operatives

1. “A form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves” H Calvert.

2. “An association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share it’s rewards in proportion to the degree in which they make use of the associations” C R Fay

3. “Co-operation is only one aspect of a vast movement which promotes voluntary associations of individuals having common needs who combine towards the achievements of common economic ends”. V L Mehta.

4. “Co-operation is something more than a system. It is a spirit, which appeals to the heart and the mind. It is a religion applied to business. It is gospel of self sufficiency and service”. M L Darling.

5. “Co-operation is self help as well as mutual help. It is a joint enterprise of those who are not financially strong and can not stand on their own legs and therefore come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic conditions”. K N Katju.

6. “The theory of co-operation is, that an isolated and powerless man, by association with others and by moral development and mutual support, obtain in his degree, the material advantage available to the wealthy and powerful persons, and thereby develop himself to the fullest extent of his natural abilities”. The Maclagan Committee.

7. “The act of persons, voluntarily united, for utilizing reciprocally their own forces, resources or both under their arrangement to their common profit or loss”. M T Herrick.
8. "Co-operative society" means a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State, under section 3(g) of the Central Act or under section 3(h) of the new Act. A "co-operative society" is not defined under the State Act.1

**Area of Operation of Central and State Acts**

While a co-operative society in each State is generally formed and registered according to the laws of that State and its area of operation is confined to that State or any part thereof; a multi-State co-operative society is an inter-State society, which has its area of operation in more than one State. According to the Co-operative Societies Act of each state, a co-operative society registered within any State under the law of that State is not allowed to operate in other States without the permission of the Government or Registrar of Co-operative Societies of that State. In case of multi-State co-operative society, it can operate in more than one State as a matter of right.

**Characteristics of a co-operative society**

1. It is an association of persons and not of capital
2. It is an enterprise and not a charitable association.
3. The members not only share the gain but also share the risk.
4. It is a voluntary organization.
5. It has democratic management.
6. The main objective is not profit but service to the members.
7. It members are placed on the basis of equality.
8. Co-operation can exists only among the equals.
9. All the Co-operative organizations are the part of socio-economic movement.
10. It serves to relatively weaker section of the community.
11. It works for the protection of the weaker sections.
12. It eliminates all forms of exploitation.
13. It is more purposeful.
15. It educates people the principles of equality, mutuality, and co-operation.

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16. It encourages members to participate in joint economic action.

**History of Co-operative Movement**

Co-operation is a worldwide phenomenon. Experiments in co-operation have been carried on for over a century. In India the phenomenon came a little later. This section deals with the history of co-operation movement.

**Co-operative Movement in the World**

The earliest co-operatives were set-up among the weavers, who were the first and the hardest hit by the development of the mercantile economy and the industrial revolution. So the weavers, in order to gain access to the market in the tools of their trade or to the market in foodstuffs set up the first co-operative in Scotland (Fenwick, 1761; Govan, 1777; Darvel, 1840), in France (Lyons, 1835), in England (Rochdale, 1844) and in Germany (Chemnitz, 1845).

Though co-operation and mutual enterprise has been an essence of human-society ever since it evolved, the real co-operative movement can be credited to the Rochdale Pioneers who established a co-operative consumer store in North England. This store can be called as the *first in the co-operative consumer movement*.

The "Rochdale Pioneers", made their first aim to establish co-operatives where the members would not only be their own merchants but also their own producers and their own employers.

Around this time the co-operative movement was more at a utilitarian level. The concept though old was just being implemented and was growing slowly. Many great thinkers, far-sighted men and visionaries were applying their minds to find practical solutions to the new problems and to work out better systems of social organization.

In Great Britain Robert Owen (1771-1858) conceived and set up self-contained semi-agricultural, semi-industrial communities.

In France Charles Fourier (1722-1837), a commercial clerk published in 1822 his main work, a Treatise on Domestic Agricultural Association. This could be one of the first works on co-operation.
In France Saint-Simon (1760-1865) worked on various theories of "associations".

But it was Proudhon (1796-1865) who advocated mutual aid and "free credit" for free access to the money market and Buchez (1796-1865) who championed the idea of inalienable collective capital and workers’ production co-operative societies.

Schulze-Delitzsch (1808-1883) was the apostle of urban credit co-operatives and co-operatives in handicrafts, while F.W. Raiffeisen (1818-1888) did the same for rural credit co-operatives. Though all these visionaries had articulated the philosophy of co-operation it was not until the World-War II that an Authoritative Commission was appointed.

The historical social, cultural and geographical dimensions of co-operatives are so vast that it is difficult to encompass the ‘whole’ of the Co-operatives movement. In fact it is as vast and complex as natural and cultural diversities in which human beings operative from North America, Latin America, Europe East and West, Asia, Middle East, South East and Far East. Asia diverse Africa and other parts of the world- each in some way different from the other. And yet despite this complex diversity of human situations in which Co-operatives ideology is practiced, there is – there must be- common thread flowing everywhere.

Co-operatives in India:

‘In 2004 we completed HUNDRED YEARS of co-operative societies in India.’

Beginning of Co-operative societies in India:

Co-operation indicates the association of individuals to secure a common economic end by honest means. In India the idea of using co-operation for fighting rural indebtedness came from the suggestion of Mr. Frederic Nicholson, a Madras civilian, who after the studies of co-operative societies of Europe-especially of Germany- strongly recommended the establishment of co-operative credit societies in India. In his opinion, co-operative societies offered the solution for bringing to the peasant that continued over-fluctuating credit, which he needed. On the basis of his recommendations, the co-operative credit societies Act of 1904 was passed.

The Act allowed the formation of credit societies only. Any ten or more persons of the same village or of the same tribe or of the town might apply for forming a co-operative
society. A distinction was made between rural and urban societies. In the case of rural societies, the liability was unlimited. To encourage the movement, the government granted some concessions and privileges to the societies, registered under the act, such as exemption from income tax, stamp duties and registration fees, priority over other creditors and free audit etc. The registrar of co-operative societies exercised the supervision and control over the movement.

The Act gave a fillip to the co-operative societies, which began to develop rapidly beyond expectation. As the movement developed, need was felt for non-credit societies, which would deal with purchase and sale. There was also the need for central agencies to finance and control the primary credit societies.

What is a co-operative concept?

A Co-operative is a distinct form of organization in contrast to any other system. It is not private enterprise, nor public enterprise; it is neither capitalism nor socialism of different hues and colours. While there may be something in it of this or that, it has its own district philosophy of human society where men will be the happiest.

While the capitalist system has a lot to demonstrate its success resulting in economic advancement achieved by mankind in some sections of the present world, it is difficult to accept that it has resulted in unstinted happiness of mankind. I need not dilate on the unique success and its ghastly face resulting in imperialism, wars, pathetic, inequality, and its other ugly demonstrators. The present generation has witnessed miserable failure of the capitalist system also.

Despite various laudable achievements of Co-operatives in different parts of the world – Co-operatives system or Co-operatives commonwealth has yet to emerge to make the full impact on social development and human relations.

The Co-operatives movement believes that in a Co-operatives system human character will change from conflict and cacophony to co-operation and camaraderie, equality will not be slogan but a reality, equity and not profit maximization will be the guiding force for conducting enterprise and men and women will be endowed with virtues that behave a ‘good persons’. Ancient Indian system is believed to have had such characteristics. While ‘self’ may be the cause of progress in capitalist system it is the
extension of self to his fellows – ‘mutuality’ which is the motivating force for human action in a Co-operatives. Merging of his self with his fellows and instead of ‘one self, working together of ‘several selves’ is surely a unique trait for human action. There will be no chicanery, no deceit, and no calculation of benefit to his self only in a Co-operatives system. ‘I’ for ‘you’ and ‘you for me’ is surely a superior human state than one’s own ‘self’ only. Thus, mutuality destroys many of the ‘mean’ motives, which dominate men in acting for his self only. Once this becomes a pervading quality for all human actions, conflict disappears and men are happy together:

This is not a dream picture of man. It is God-given virtue in mankind even in a society based on individualism where men work together for many things. Co-operation harnesses this instinct of mankind for all its actions and a society based on this belief will be surely better than a society based on individual self interest. Thus ‘mutuality’ is the essence of Co-operation. Once this happens other ‘good’ things automatically emerge honest in dealings, equity in distribution, equality in behavior etc. A Co-operatives society cannot function without each member being honest.

Since the motivating factor is mutual interest feeling of dishonesty in dealings will have no place in dealing with his fellows and if the Co-operatives gets damaged he will also suffer and his purpose will be defeated. Honesty is not an imposed virtue for him but is an inherent requirement in the very structure of the Co-operatives system.

Equality is not a slogan in co-operative but is an ingrained attribute. Co-operative starts with equality- a group of similarly situated persons with the same purposes. It is a union of equals and it is given in the very structure of Co-operation. Likewise equity too is given in the Co-operatives structure itself. The members of the Co-operatives produce goods or services to be shared by each. The motive for production is not profit maximization and each member is satisfied with satisfaction of his wants.

It is to seek such a ‘steak’ that International Co-operatives Alliance (ICA) had been engaged for several years from Stockholm to Tokyo to Manchester culminating in reformulation of a new set of co-operative principles-in different phraseology than in 1937 or 1966.

The ICA has taken great pains to contain the whole thought in ‘Co-operative Identity’. SVAN Eke Book brought out many issues in search of the values of co-operation.
He has raised many issues, which need clarity of perception. The Manchester congress did not address itself to each of those issues. To the best of my understanding, the Manchester Congress failed to locate that streak of light, which makes co-operation a ‘Co-operation’.

Free enterprise is a noble idea and perhaps the ‘best’ way for releasing human energy for maximization of national wealth. However, everybody is not endowed with the same talent to succeed in free enterprise and, as is out experience, many are left behind and they cannot achieve the desired object by their “self-help”. Free enterprise is not solace to many who are so weak that “self-help” becomes ‘non-functional’. We need not dwell at length on various imperfections of the market system to create a society where peace and happiness is within the reach of every living person in the society.

To get the system going ‘free enterprise’ is interfered with, giving birth to hybrid system – some call it mixed economy – where production, distribution and many more things are directed and controlled by the state.

Man has been yearning for a system where all have opportunity and means of satisfying their needs, and there is peace, happiness and harmony in the society instead of conflict and elbowing the other out for one’s ‘own’ gain.

The Co-operatives provided that answer and though it sounds so simple, it is great ‘idea; Co-operation shows the way. It does not interfere with market system but works within the framework of the market economy and thus retains the ‘virtues’ of market system. In fact the co-operative improves the market system.

Ancient Indian villages practiced co-operation in the true spirit. Thus in those days Indian villages had ‘idyllic’ life. Co-operation is thus, not merely a way of conducting business but improving the quality of life – ‘I for your and you for me’ syndrome.

Co-operative ideologues had a dream, vision of changing the rife-strewn, competitive, exploitative society to one where humanness, harmony, equality, fatality, democracy prevailed, where instead of conflict co-operation was the basis of inter-personal relations and peace and happiness prevailed. It is the predominance of the ‘self’, which creates conflict and elbowing out of his fellows for self-gain. Co-operation changes the quality of men by merging of the selves. Co-operation releases many hidden qualities of
man-sense of honesty, equality, and democracy. These are inherent in co-operation based on ‘mutuality’.

Contrasted with the working for the self, mutuality is a great idea. Carried to its logical conclusion ‘mutuality’ encompasses entire humanity irrespective of any differences of geographical location, religion, colour and numerous other traits which divide human beings. One can imagine how peaceful and idyllic such a society would be, where debasing trait of man cheating, chicanery selfishness, greed-vanish or are minimized and each contributes to the other’s happiness.

Co-operation is a great invigorative force to mankind – it provides hope and confidence and spirit of action to those who are helpless and despondent, who suffer because they cannot do on their own. Co-operation provides new life to the hopeless; he achieves what he could not have achieved. It thus release new vigour for social development. Indeed a new society, a new man is created. This is the force of Co-operation based on ‘mutuality’. The true merit of co-operation is “mutually” If this urge of man is truthfully and energetically nurtured and devotedly proliferated, a new social order will emerge for the happiness of the entire mankind.

It is a pity that it was conceived as a ‘movement’ but it never became a movement – whatever structure exists today is a result of sporadic action here and there, or a programme of some agency. In reality Co-operatives, by and large, has become a form of economic enterprise, and is one method for conducting economic activity. True, even without that mystique vision and value, co-operative form of organization possesses many virtues. Which neither public nor private enterprise has, such that helpless people are activated and the have-nots attain the status of ‘heaves’?

Co-operation is, as contrasted to self-seeking competition and elbowing out of others for personal benefits, sublimation of inter-personal relations. When such a knowledge dawns in the minds of many in society it contributes to the well being of the society. Human beings then look upon each other as sparks of the same self and perform actions unselfishly.

Co-operation is an attitude of mind and its essence is one’s inclination to co-operate. The highest attainment of man is in ‘giving’ or extending co-operation, which provides a venue for progress. It transcends all distinctions in man-thus raising the level of humanity.
The present situation

To day the world co-operative scene presents a mixed picture. On the one hand, the co-operative movement has grown, membership has increased, it has become more diversified, there has been great deal of regional dispersal and there are numerous examples of co-operatives in world’s landscape where it has made spectacular achievements. On the other hand, a large number of Co-operatives are languishing, and considering the number of ‘Weak Elements’ in the society, such elements cannot legitimately be said to belong to the co-operative fold.

One marked change in the Co-operative movement that has surfaced in recent years in that several Co-operatives have become big and more Co-operatives have started making departures from the practice of Co-operative principles enunciated by International Co-operative Alliance (ICA), particularly in raising capital by use of joint stock company methods. They had challenged the relevance of the existing principles, particularly ‘Limited interest on capital which they considered as the devil of the peace hampering the growth of the movement.

At the global level concern has also been expressed at increasing government intervention in the management of Co-operative societies in many developing countries. Governments in these countries are using Co-operatives as a tool of planned programme for achievement of planned targets. Such Co-operatives do not have autonomy and democratic management. Co-operators have to a stance regarding correct relationship with the state in order to function effectively as a Co-operative. And there are Co-operatives in the erstwhile communist countries, which are undergoing transition to privatization. Co-operatives in these countries have to re-define their identity.

Thus the world Co-operative movement today presents a variety of hues and shades. This raises some basic questions and clarity in perceptions called for. Must all Co-operatives be alike? Could we comprehend ‘different’ colour and shades of Co-operatives? Or what is it that flows through all Co-operatives all over the world? The task is to find the essence of ‘Co-operative’ in all existing and prospective Co-operatives in the Co-operative movement.

Today the Co-operative movement is in search of its true identify. It is cross roads and Co-operatives are not sure which way to go. The crisis is because doctrinaire co-
operates assail many of the practices, which Co-operatives in many countries of the world have adopted in recent years in the conduct of their business. There are several issues, which have deeply disturbed co-operators, and they are looking out for unambiguous answers to them. It must be admitted that there have been far reaching changes within the Co-operative movement and there are Co-operatives with numerous shades and nuances.

It is alleged that many Co-operatives have deviated from the pursuit of values, which the movement had cherished. There is no unanimity among co-operators what these values are.

It is fortuitous that today Co-operators are keen and are frantically searching for wiser means for organizing and managing Co-operatives. Our search for ‘true values’ will not be in vain. Let us admit that in spite of all the errors, which some Co-operatives might have committed, they are not doomed. It will not be wrong to say that Co-operatives have done well. Let them do better. What Co-operatives need today is to have clearer light so as to see the path and the goal more clearly. There is no cause for despair, as things have not gone out of hand. We are not too late. The harsh truth is that the tide of Co-operative movement cannot be reversed.

Co-operatives to secure improvement in the quality of life through Re-vitalization

With phenomenal expansion of cooperatives in almost all the sectors, signs of structural weaknesses and regional imbalances have also become apparent. The reason for such weaknesses would be attributed to the large percentage of dormant membership, heavy dependence on Government assistance, poor deposit mobilization of members, lack of professional management, mounting overdue, etc. Concrete steps have now been initiated to revitalize the cooperatives to make them vibrant democratic organizations with economic viability and active participation of members.

National Policy on Cooperatives has been formulated in consultation with States/Union Territories. The objective of the National Policy is to facilitate all round development of the cooperatives in the country. Under this policy, cooperatives would be provided necessary support, encouragement and assistance, so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy, particularly in areas which require people's participation and community efforts. This is all the more important
in view of the fact that still a sizeable segment of the population in the country is below poverty line and the cooperatives are the only appropriate mechanism to lend support to this segment of the people.

In order to provide greater functional autonomy to cooperatives and to reduce bureaucratic interference and to professionalism the management of these institutions, based on the recommendations of Ch. Brahm Prakash Committee and Mirdha Committee, the Multi-State Cooperative Societies Act, 2002 was enacted and came into force with effect from 19th August 2002 repealing the Multi-State Cooperative Societies Act, 1984.

Co-operation occupies an important place in the Indian economy. Perhaps no other country in the world is the co-operative movement as large and as diverse as it is India. There is almost no sector left untouched by the co-operative movement.

The main areas of operation of co-operatives in India.

1. Agricultural Credit, Agricultural supplies, Agricultural Marketing, Agricultural Processing
2. Functional co-operatives like dairy, poultry, fisheries, fruits, vegetables etc.
3. Industrial co-operatives
4. Public Distribution of essential commodities through consumer co-operatives
5. Urban credit Co-operatives
6. Housing co-operatives

Co-operative movement in India is the result of a deliberate policy of the state and is vigorously pursued through formation of an elaborate governing infrastructure. The successive Five-year plans looked upon the co-operation movement as the balancing sector between public sector and the private sector.

And the success is evident. Almost 50 percent of the total sugar production in India is contributed by sugar co-operatives and over 60 percent of the total fertilizer distribution in the country is handled by the co-operatives. The consumer co-operatives are slowly becoming the backbone of the public distribution system and the marketing co-operatives are handling agricultural produce with an astounding growth rate.
The National Co-operative Development Corporation (NCDC), a statutory body was set up in 1963 by the Union ministry of Civil Supplies and Co-operation, to promote the co-operative movement in India.

Further there is the Indian Farmers Fertilizer Co-operative Ltd (IFFCO), which has been successful in setting up an effective marketing network in most of the states for selling modern farming technology instead of fertilizers alone. The operations of IFFCO are handled through its more than 30,000 member co-operatives.

The National Agricultural Co-operative Marketing Federation (NAFED) has over 5000 marketing societies. These societies operate at the local wholesale market level and handle agricultural produce. Thus the farmers have a market for their produce right at their doorstep. A market, which assures them reasonable returns and guaranteed payments.

All these Federations are acting like the spokesmen of member co-operatives and are doing liaisoning work between the co-operatives and the Government.

In India we find that the states of Maharashtra and Gujarat are well developed. Whereas the states of Andhra Pradesh, Rajasthan and Karnataka have shown remarkable progress in the co-operative movement and there is a vast potential for the development of co-operative in the remaining states.

The history of co-operative societies in India can be divided in two parts

1. Co-operative societies before independence (1947)
2. Co-operative societies after independence

Co-operative societies before 1947

The division between 'have' and 'have not' like in any other country has persisted in India for centuries and was more prominent in rural India. The situation was more glaring during the turn of the century when the colonial rule was at its peak and the demand for the self rule was fast gaining momentum. Historically India has been an agricultural country, with majority of its population dependent on agriculture and allied activities for survival. The subsistence village economy was a balance of demand and supply and was sustained by the self-sufficient villages. The concept of export and import was absent and so was the motivation for profiteering. Villages generated demand of goods and services and also
endeavored to meet them. Farmers owed cultivable land and grew whatever they wanted to
or were required by the village, paid a certain share of the harvest as tax and retained the
balance to meet their own requirements. Since the rate of tax was the share of the harvest, it
did not adversely affect the farmers when crops failed or the harvest was poor. The village
industry met the demand of the other goods and services within the village in lieu of food
gains produced. The caste system allowed by inheritance of profession by successive
generations. There was no lateral change in profession except in case of extreme emergency
like war. Thus the villages were self-sufficient in meeting their demand and automatically
the whole country was self-sufficient.

This was the situation when India passed under the colonial rule. Britishers brought
with them the land ownership pattern that existed in their country and went all out to
establish the same in India. They created a class of landlords through permanent settlement,
who owned but did not till the land and collected the revenue directly or indirectly on behalf
of the government. Farmers did not have ownership right over the land. The ownership right
provided for sale or mortgage of land, hitherto unknown in India. Farmers were allowed to
cultivate land on payment of certain pre-determined tax to the landlord, which had no
bearing with the success or failure of crop in a year. Often the rate of taxation was so
oppressive, that after payment of tax very little was left for the peasant’s family to keep
their body and soul together. Alienation to the ownership right also took away from the
farmers right to decide what crops were to be grown; the government or the landlords
decided it.

Industrial revolution, which was sweeping Europe, made Britain hub of international
industrial activity. To meet the requirements of raw materials for it’s industrial units, Britain
looked towards it’s colonies all over the world and India was no exception. More and more
agricultural land was brought under cultivation of those crops, which provided raw
materials for the British industries, so that the latter could earn more profits. Jute and indigo
cultivation replaced cereals and pulses and the character of agriculture changed from
subsistence to profiteering. Agricultural practices remained primitive and no effort was
made to increase the production. The British policy of converting the colonies as market for
cheap British goods resulted in destruction of the village and cottage industries and millions
becoming jobless. All this had a telling effect on the food grain production in the country.
With less production and increase in population, prices of food grain rose. Famine and
starvation became a common feature. India villages, which were earlier self-sufficient in meeting their demands, became impoverished.

Failure of crops coupled with oppressive revenue system provided the moneylenders with the opportunity to exploit the simple village peasantry. Absence of ay-easy credit, particularly for the purpose of agricultural operations forced the farmers to go to the moneylenders. Since the new ownership rights allowed the sale or mortgage of land, loan was easily forthcoming. Though the amount of loan in most cases remained very low, it was the high rate of interest, which was unmanageable and put the peasant into trouble. In the event of failure of crop, which was frequent, peasants failed to repay the loans received. They often restored to further loans to repay the earlier loans, with the principle remaining unpaid as they were trapped in the vicious circle of debt. Often they were uprooted from their own land. Many became homeless and moved to towns and cities in search of jobs and carried with them the burden of debt of their fore fathers. Few were lucky to get jobs to repay their debts but most of them barely managed to keep their life and soul together and in passing of their debt to their children. This exploitation of the rural mass as well as to a great extent of urban poor, which was not known in pre-British India, gave rise to unrest and disturbed the law and order situation in the country. The situation further aggravated as moneylenders were ‘banias’ an upper caste Hindu where as the peasants were primarily from the lower castes of Muslims. This sparked the riots involving the two communities in many places. Occurrence of frequent famines forced the British government to set up commission to study the reasons behind them. Shortage or absence of agriculture credit in absence of land to be offered as security was cited as the most important reason for unrest by those commissions. Though the findings of the commissions were significant, not much was done to relieve the situation till the report of the Famine Committee of 1901 appeared. This report precipitated the matter and the Co-operative Credit Commission Bill was passed in 1904 paying the path for the growth of the Co-operative societies in India.

The new act provided for the formation of small co-operative societies for making small short time loans on easy terms for productive purposes, the implication clearly being to bring the small farmers and the rural entrepreneurs outside the hold of the moneylenders. The act also provided for encouragement of thrift among people by way of saving and mobilizing deposits for the society as well as providing them with a training ground for self-management. These societies were to function within the framework of certain rules and regulations, as was embodied in the acts and rules. The co-operative credit societies act
provided for the Registrar of the Co-operative societies, who was responsible for spreading the co-operative societies within the province. He was required to tour the province, explain the salient features of the act and encourage formation of new societies. In this the ‘honorary organizers’ who were non-officials but recognized, helped the registrar. They lived in rural areas, were educated and possessed some social standing in their community and provided voluntary service by overseeing the functioning of these societies. It was the government which through it’s machinery, was responsible for the birth, growth and blossoming of the co-operative societies in India.

Co-operative societies were like any other government scheme whose implementation and success depended on the extent to which the government was serious in implementing the same. Like most other government-sponsored programmes, co-operative societies depended heavily on government’s direction in terms of policy and involvement of its officials for its implementations. The early reports on co-operation in India is full with the details of how the registrar of co-operative of a province and his officials toured the districts with the sole objective of forming new co-operative societies.

Co-operation in India as we see today, was not because of Indians realized the ‘strength’ of co-operation in mitigating their sufferings but was an instrument provided by the rulers to reduce their sufferings. It was more a kind of administrative relief measure for the peasants to reduce their sufferings. Had there not been destruction of self-sufficient Indian rural set up, that, possibly co-operation as we see today, would not have existed, though it is a fact that co-operation in some other forms did exist in India and was responsible for the existence of the self-sufficient Indian villages for centuries. The co-operative societies therefore in India, are the creation of the state and not by the people, for the people, of the people. Consequently a large number of societies failed to take off. The spontaneity among the members in participating in the events of the society was one of their own programmers, their whole-hearted support for its success, was absent. Matters were, by and large, either directly administered by the Registrar’s office or through the ‘honorary organizers’ and one or two prominent local members.

The beginning of the century saw nationalist movement in the country gaining momentum and pervading into every activity in the country and co-operative societies was no exception. Nationalist took active part in the matters connected with co-operatives. This was not to further the cause of co-operative, but to further the cause of independence, by
using such forum to highlight the demand for independence. Co-operative societies provided an opportunity for the nationalists to engage in public activity and to prove to the masses as well as to the alien rulers their capacity and capability in self-government and thereby could throw challenge to the colonial rule. The government closely monitored the programme to ensure that the fall out of the programme did not challenge their very existence and authority.

One of the objectives of the co-operative societies was to provide training ground for self-reliance through self-government. Societies were to be autonomous and self governed on the principles of democracy and were expected to develop disciplined, self-reliant citizens capable of taking independent decisions for themselves. Though the aim of the co-operative societies remained so, in practice its implementations rested heavily on government support. Britishers perceived Indians as too simple to look after their own interests and therefore took upon themselves the task of guiding them by setting the ground rules for the co-operative societies in the country.

An important feature of the pre-independent India was its feudal character with rigid caste system. Co-operative societies were meant for those who were poor and invariably either from the lower castes or were Muslims. Rigid caste system had such an effect on them that they had little faith and confidence in themselves. Self-reliance and self-government were alien concepts to them. For generations they had depended upon the upper caste for guidance and help. Under such a social set up it was essential that someone takes up the guardian's role and this accounts for the protective and paternalistic control exercised by the officials while launching the movement in India. There was a conscious effort on the part of the government to foster co-operation from the top. This led to the framing of the Rules, Acts and Guidelines, which robbed the co-operative societies from its basic objectives.

A retrospective study of the development and spread of the co-operative societies in India during the British rule lends credence to the extent of control and supervision, to which the movement was subjected to. Whatever may have been the lofty ideals behind the starting of the co-operative societies, we cannot wish away the fact that it was one of the many programmes of the alien rulers. Moreover, as discussed earlier, the very concept of starting co-operative societies in this country was first to cover the fall out of the policy of exploitation of the government and then to achieve other objectives. Further, co-operative
societies provided a little ground for the nationalist forces to rally around the suffering masses for demand of self-rule. Naturally the government had to keep a close watch and therefore devised means accordingly.

At the time of independence, there was large number of co-operative societies all over the country with membership running into thousands, yet the movement was bereft of co-operative spirit. People who were extremely poor and had almost no education and little faith and understanding of the true nature of co-operative principles, constituted the co-operative scenario in the country. For them self-reliance had no meaning. They had to slog the whole day for two square meals for their family and therefore could not bother who actually managed the co-operative societies as long as it provided them some economic relief. Co-operative societies therefore in the pre independence era were devoid of true spirit and character, which symbolized in the western world.

Co-operative societies- after 1947

With the independence, a different and a new form of government came to rule. It was the government of the people, by the people and for the people. The new government consisted of those luminaries who had struggled hard for the liberation of the country, politically as well as economically. They dreamt of India as one of the leaders in the group of nations and why not? India was one of the most naturally endowed countries of the world. It had immense resources as well as potential, what was required was only to guide the potentials so that maximum benefit could be obtained by exploiting country’s vast economical resources. Accordingly the government adopted the developmental policies based on five-year plan and mixed economy. It was also felt that there was need for a conscientious drive to promote peoples voluntary participation in planning and implementation of all programmers, which were connected with the economic development, so that economic power is decentralized and economic development and social justice can take place simultaneously. To achieve these objectives and also to train the vast population, two thirds of which lived in villages, in the matters of self-government, the only course left upon was to adopt co-operatives.

Co-operation, therefore, occupied a significant place in the five-year plans of the country and every plan, from the first till today, had accorded priority to this sector, recognizing the need for the upliftment of the poor section of the society. Co-operation was
to provide economic growth, reduce income inequality, alleviate poverty, reduce regional disparities, increase employment and attain social justice through the process of democracy, equality, solidarity, honesty and openness, in which self-help, social and self responsibility and caring for others were the ideals. Once perception of the role of co-operatives in the development of the country was identified, development of co-operatives became a matter of state policy. Every state government had the Department of Co-operation in which the Registrar of Co-operative Societies was the main functionary. Several policy level as well as administrative and institutional changes was brought in. New laws and rules were enacted and supportive infrastructures were created for the purpose of registration, supervision and inspection of co-operative societies, in other words, for close monitoring of the development of co-operative societies within the state. In search of co-operative identity, a floodgate was opened allowing formation of co-operative societies.

The government support and recognition flowed and the mushrooming of co-operative societies started all over the country. The co-operative societies enjoyed preferential treatment in terms of getting license for manufacturing, distribution of products, marketing of essential consumer articles etc. The government financial support became order of the day and gradually co-operative societies became appendages of the government. The office of the Registrar of Co-operative Societies became an all-powerful and all preamble phenomenons. The Registrar of Co-operative Societies was the Brahma (Creator), Vishnu (preserver) and Maheshwer (destroyer) of co-operative societies in the country. His authority determined a co-operative societies registration, its area of operation, membership enactment of byelaws; he inspected and audited the activities of the society and at his whims, the elected board of co-operative societies survived. Authority exercised by the Registrar of Co-operative Societies had its share of political commitment too. Since the Registrar of Co-operative Societies is a government servant, and government, often-political designs were manifested through Registrar of Co-operative Societies action. Politicians of various levels found their way into the co-operative societies. They were nominated as government nominee in the Board of Directors and were often appointed as chairman of the societies.

With co-operation becoming an instrument of state planning process, it became prerogative of the government to decide the area of operation for the co-operative societies. Their number, process of business and the extent of government aid became a part of the state plan and targets were fixed, which were for the government officials to achieve. In
pursuit of these targets new rules and regulations were framed to which co-operative societies were subjected to. This snuffed away the independent and voluntary character of the co-operative societies and the co-operative movement was transformed into a programme of the government, by the government but for the people. Voluntary involvement of the people got marginalized and the role of the government and its official increased.

In 1959, Indian Co-operative Union had conducted a seminar in New Delhi to take stock of the situation and address the state of affairs as far as co-operative thought and actions were concerned and the conditions prevailing in the movement all over the country. Observations of the seminar were:

1. Psychologically co-operation was identified more with the government grants and loans rather than with self-help and mutual aid.

2. State was the main sponsor of the co-operative societies with political and partisan objectives.

3. Co-operative societies lacked popular initiatives and therefore no proper planning and assessments were made while forming them. Formation of co-operative societies was more of a target achievement exercise heavily dependent upon the initiatives of the concerned officials.

4. Organization of societies were more dependent upon the initiatives of those who are socially and economically more organized, as a result the objectives of forming them were mainly non-co-operative in nature leading to formation of large scale spurious societies.

5. Management and supervision of societies were overwhelmingly in the hands of government machinery.

6. The role of Registrar of Co-operative Societies was supreme. He exercised the power to suspend, remove or change the management of co-operative societies arbitrarily.

7. Cliques and vested interests made deep inroads in the co-operative societies and in those politicians, government officials all are involved.

Since 1959, forty-five years have passed, and experience of this period have further fortified the observations that were made in 1959. In fact in these years co-operative societies come to be known as ‘Government Co-operative societies’ or ‘Sarkari Sahakari’
and became a hot topic for discussion among the co-operative experts and the co-operators. Though many recommendations come up to facilitate development of co-operative societies free from the government control, nothing actually happened and co-operative societies continued to survive under the government patronage. Nothing was done in terms of government policies to make the co-operative societies stand on their own. In fact the people who were actually managing the show rather encouraged government’s involvement and thrived there under.

The year 1991 saw a paradigm shift in the policy of the government with regard to economic development of the country. The new economic policy envisages restricted involvement of the government in the economic development of the country. By allowing market forces to act freely the economy has been liberalized and private sector has been given a wider role to play. The government control and restrictions have been withdrawn to a great extent and flow of government funds in terms of aid and subsidy is being progressively reduced. This paradigm shift in the government’s policy has posed a new challenge for the survival of co-operative societies; they were left to fend themselves. After years of government’s support in the form of aid and subsidy, control and supervision was not an easy task for the co-operative societies to give them up and assume autonomy all of a sudden.

Co-operative societies have to reorient their activities so that they can face the challenges posed by the market forces under the liberalized economy. For this it is required that the co-operative societies come out of protective shell of State patronage, be autonomous in their functioning and strive to survive on their own. This is only possible when the membership base of the co-operative societies is strong and committed, have faith in the co-operative societies philosophies and above all feel that there is a need for a co-operative society in solving their problems, be it economic, social or political. The co-operative societies hold the potential and the promise to help the people who want to help them. Co-operation presents an alternate way of organizing and carrying out business activities and demonstrates that values of carrying and sharing, democracy and participation, do indeed work for the benefit of the individuals and thereby for the society as a whole.

Out of the possible ways to meet the challenges, one is to innovate ways, which can serve the members most faithfully, plan and implement activities, which will help them in
building their comparative strengths. This will provide them competitive edge to fight the market forces. Co-operative societies have to become more professional and entrepreneurial in their thought and action, and in their approach and in behaviour. The co-operative societies are essentially commercial enterprises should be the most important consideration to be born in the mind and should be given such play field, which is given to any other commercial enterprise. To face these challenges, co-operative societies will have to make appropriate changes, both in terms of their policy as well as in their functioning. This change in policy and functioning will depend upon the perception of the weakness and threat faced and strengths and opportunities provided by the co-operative societies.

Table 4.1: the growth of the co-operative societies in India

<table>
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<tr>
<th>Year</th>
<th>No. of Societies</th>
<th>No. of Members ('000)</th>
<th>Working Capital (Rs. In lakhs)</th>
<th>No. of Members per Society</th>
<th>Working Capital per Society (Rs)</th>
<th>Working Capital per member (Rs)</th>
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The above table explains the following points very clearly.

a. There has been a steady increase in number of societies, number of members and working capital during the period 1906-07 to 1945-46.

b. Figures fall down during the year 1946-47 due to partition.

c. The co-operative movement reported a good progress in 1949-50.

d. The rising trend was maintained till 1955-66.


f. The number of co-operative societies touched an all-time high in the year 2004-05.
g. The number of members per society, working capital per society and working capital per member kept on fluctuating in pre-independence period.

h. Working capital per member increased steadily in the initiation stage and again fluctuated in modification stage, increased during expansion stage and again fluctuated during restructuring stage.

i. In post-independence era working capital per society and working capital per member increased continuously.

j. Number of members per society reached its all-time high in 2004-05

The various stages of Co-operative development in India

"Co-operative movement in India had not fulfilled the hopes and expectations of the people."

In the pre-independence era, co-operative movement started with installation of the Co-operative Credit Societies Act of 1904 by the government. The Act of 1904 was later on amended in 1912 to permit the formation of societies for the purpose larger than the rural lending. The movement developed with slower speed till the development of co-operatives became the responsibility of the provincial governments. Thereafter it saw an "unplanned expansion" which finally forced the provinces to examine the possibilities of restructuring and reorganizing the societies into a planned manner. Thus the pre-independence co-operative movement was more or less developed in four stages- initiation, modification, and expansion and restructuring.

Initiation Stage (1904-1911)

In olden days when Mahajans and Sahukars were lending money to peasants on high interest rates, peasants were suppressed and indebted so badly that sometimes they even lost their valuable belongings and land in order to pay debts. In some parts of the country peasants started revolting against the Mahajani or Sahukari Pratha. The peasants of Poona and Ahmadnager made hard revolting sounds against the moneylenders who were charging the interest that increased or accumulated the burden of repayment. Riots, those that took place at that time attracted the attention of the government and as a consequent Deccan Agriculture Relief Act (1879), Land Improvement Loan Act (1883), and Agriculturist’s Loan Act (1884) were framed.
Land Improvement Loan Act (1883), and Agriculturist’s Loan Act (1884) are generally known as the Taccavi (or Takavi) Laws. Due to their limitations both of these laws failed to make agriculture a vast economic activity. Consequently the attention diverted to apply co-operative methods in agriculture practices.

During 1892, the Madras Government appointed Frederick Nicholson to study the village Banks organized in Germany on co-operative lines. He was also supposing to advice the possibility of a parallel system in India. He gave a vast report in 1895 and 1897 and recommended to introduce co-operative credit societies. Indian Famine Commission in 1901 repeated the words of Frederick Nicholson and recommended for the formation of mutual credit associations. In 1901, another committee under the presidency of Sir Edwards Law also suggested to form co-operative credit societies. This recommendation pawed the way for the formation of co-operative Credit Act of 1904 and the modern co-operation movement actually started in India.

**Act of 1904: Important Characteristics**

1. **Rural Urban Classification**

   Rural urban classification was completed and societies having four fifths of their agriculturist members were classified as rural and those having four fifths of their member’s non-agriculturist were classified as urban. Liabilities of rural societies were limited and of urban societies were limited or unlimited. Rural societies were not allowed to distribute their profits but urban societies were allowed to distribute their profits after carrying over one fourth of annual profit to the reserve fund.

2. **Powers to organize control and audit**

   Act had provisions to create the post of Registrar, who was supposed to organize and control the societies. Annual audit of the societies also came under this.

3. **Encouragement Benefits**

   - Societies were exempted from registration fee, stamp duty and income tax
   - Free audit by the Registrar of Co-operative Societies
   - Small and restricted field of operation to encourage self-help, mutual aid and economic management.
4. Advancing the Loan: loans could be given to members on personal or real (immoveable or ornament) security. Provisions were made to have prior approval of Registrar of Co-operative Societies in order to advance loans to other credit societies.

5. Reservation for Principles of Co-operation: Fundamental principles of “limited interest in the share capital” and “one man one vote” were reserved in the Act.

Modification Stage: (1912-1918)

The rural urban classification of societies done in Act of 1904 appeared as unscientific and unfitting. The restriction to register non-credit and federal institutions forced to make significant amendments in it. Consequently government of India passed an improved version as Co-operative Societies Act of 1912, which expedited the co-operative movement in India. The movement enlarged itself to non-credit forms of cooperation and non-agricultural credit societies.

Act of 1912: Important Characteristics

1. Provision for non credit societies: It facilitated the provision of other societies ready to work on co-operative lines or ready to ease the operation of co-operative societies. The liability of central societies was to be limited and that of rural societies was to be unlimited.

2. Empowering the Registrar of Co-operative Societies: Registrar was empowered to set up inquiries, inspect, liquidate and wind up the societies.

3. The condition to carry 25% of the net profit to a statutory reserve fund was imposed and it provided the permission to receive deposits and loans from non-members.

The healthy expansion of co-operative societies that took place due to the Act of 1912 attracted the government, which in 1915 appointed a committee under the Chairmanship of Sir Edward Maclagan to study and report on the progress of the movement. Committee gave its report in 1915. The Maclagan Committee’s recommendations and Act of 1912 introduced co-operative planning process in India.

Expansion Stage: (1919-29)

Prior to real implementation of Maclagn Committee’s views by the then Central Government, the political reforms, named as Mantagu-Chelmsford Constitutional Reforms of 1919 took place, under which co-operative movement became the responsibility of the
provincial government. Various provinces started passing the legislations on co-operatives, retaining the important features of Act of 1912. Bombay took the lead in passing the Co-operative societies Act of 1925. Subsequently Madras passed its Act in 1932, Bihar and Orissa in 1935, Coorg in 1936 and Bengal in 1940. The other provinces followed the Central Act of 1912.

Though the movement expanded significantly during 1919 to 1929 yet a steady increase in the over dues emerged as set back. As a result various provincial committees were framed to examine the working of the movement. Notables among them are the Okaden Committee of U.P., King Committee of C.P., Townsend Committee of Madras, Calver Committee of Burma, The Royal Commission on Agriculture and Indian Central Banking Enquiry Committee (1931). On the recommendations of the Central Banking Enquiry Committee, Reserve Bank of India was formed in 1934 and Agriculture Credit Department of RBI took birth on 1935.

Restructuring Stage: (1930-46)

The abrupt economic depression of early thirties of the century and abnormal fall in the prices of agricultural commodities grieved the movement. In various provinces the movement almost collapsed. Provinces to examine the possibilities of reconstruction and reorganization of societies to restrict to be called unplanned expansion framed various enquiry committees. Few names may be mentioned as; Vijayraghavacharya Committee in Madras, Rehabilitation Enquiry Committee of Travancore and Mysore, Kale Committee in Gwalior, Mehta and Bhansali Committee on the reorganization of co-operative movement in Bombay and Wace Committee in Punjab.

The movement developed greatly during the period of Second World War when agricultural produces prices shot up. This resulted in faster recovery of over dues, and improved financial conditions of the co-operative societies. Remarkable development took place and the movement diversified to various consumers and producers societies.

The Agriculture Finance Committee (1944) under the chairmanship of Professor D R Gadgil and the co-operative planning committee (1945) under the chairmanship of R G Saraiya gave their recommendations particularly relating to agricultural finance.

\footnote{Shri Ramdas Pantulu named this period as “Period of Unplanned Expansion”}
Recommendations of Saraiya Committee were preferred and accepted in the thirteenth conference of the Registrar of Co-operative Societies, 1947.

The following is the list of co-operative acts in India:

**Co-operative Acts in India**

To start and develop, an economic activity requires an organized society in which people collaborate with others to achieve their collective and individual goals. There are various examples in Indian history when people cooperate or collaborate to strengthen their economic and social conditions. The Hindu Sanyukt Parivar Pratha (Hindu Joint Family System) is one of the glaring examples of co-operative life in India. Panchayat System is another typical example of co-operation or self help groupism. Thus it can be said that the co-operative movement in India is not a new concept, rather it has evolved and developed into its modern managerial form.

**Taccavi Loan Act**

As per the recommendations of the Famine Committee (1880), Government of India passed two acts namely; Land Improvement Act of 1883 and Agriculturist’s Loan Act of 1884 for providing long term and short-term loans respectively. Financial assistance was made available to the farming community under the acts to redeem their prior debts as well as to do agricultural operations.

**Edward Law Committee 1901**

Sir Frederick Nicholson was deputed by the Madras Province in 1892 to study the co-operative in European countries especially Germany to find out the possibility of introducing agricultural banks in Madras. He submitted two reports in 1895 and in 1897 to the government, and stated in his report “Find Raiffeisen” and thereby recommended organization of banks on Raiffeisen model. Mr. Dupernix, the then collector of Utter Pradesh submitted an interesting report based on his experiment entitles, “People’s Bank for Northern India”. On the basis of these two reports, a committee was constituted under the chairmanship of Sir Edward Law in 1901 to make proposal for the consideration of the government. This committee was in favor of organizing co-operative societies on Raiffeisen Model. Consequently a new act was passed in 1904.
Co-operative Credit Societies Act 1904

This was the first co-operative society act passed in India. The highlights of the act, inter alia, were establishment of only primary credit societies by any ten persons; classification of rural and urban co-operative societies, appointment of Registrar of Co-operative Societies, rural societies with limited liability and urban societies with their own discretion. There was no provision for forming of non-credit societies.

Co-operative Societies Act 1912

This Act came into existence to overcome the defects of 1904 Act. The prominent feature were that only society with the object of promoting economic interests of its members on a co-operative basis could be established; provisions for establishing federal societies/banks with limited liability; classification of societies as limited and unlimited; banning the non-co-operatives to use the word “co-operation” and one fourth of the net profit of a co-operative society to be carried to reserve fund were made.

Edward Maclagan Committee 1914-15

The government of India in 1914 to study the general working of co-operative societies and to suggest suitable measures for their successful working constituted this committee. It stressed importance of the following aspects

❖ Loans to be given for productive purposes only
❖ Knowledge of co-operative principles and proper selection of members
❖ Careful scrutiny before granting loans and proper vigilance after words
❖ Punctual repayment of loans; recall of loans in the event of misapplication and encouragement of thrift among the members.

Co-operation – A state subject 1919

With the introduction of Montagu Chelmsford Reforms Act in 1919, the Maclagan Committee recommended co-operation as a provincial subject. Provincial governments were allowed to pass their own acts to administer the co-operatives in their respective provinces. Bombay took the lead and passed the new act in 1925 and was followed by Madras, Bihar, Orissa and Bengal etc.
Royal Commission on Agriculture 1926-28

It was constituted under the chairmanship of H Calvert to examine the working of agricultural co-operative societies. It observed, “If co-operative societies fail, the last hope of rural India will also fail”. The highlights of the report of the committee were: cottage industries to be established on co-operative basis; agricultural marketing to be strengthened through co-operative marketing societies and setting up of Indian Council for Agricultural Research to plan and monitor agricultural programmers.

Co-operative Planning Committee 1945-46

R G Saraiya headed it and it dealt with the respect of drawing up a plan to co-operative development. It stressed importance of converting rural societies into multi-purpose co-operatives; provision of cash credit accommodation for societies with good performance; introduction of controlled credit system and fixing credit limit for every member by credit co-operative societies so as to lend money in time.

All India Rural Credit Survey Committee 1951-54

The most important milestone in the history of co-operative societies was the publication of the report of All India Rural Credit Survey Committee. It conducted a vast survey covering about 75 districts, 600 villages and 1,27,343 heads of families. It found out that only 3.1 of the total credit requirements were supplied by co-operatives with 50 years of their existence. The committee submitted its report under the title of “Integrated System of Rural Credit”. The recommendations were; state partnership, linking of credit with marketing, training of co-operative personnel, crop loan system, long term operations, fund establishment of State Bank of India, large sized societies, effective supervisions, audit and creation of special funds.

National Development Council's Resolution 1958

National Development Council adopted a policy resolution on the co-operative legislation framework. It had observed, “Many of the existing procedures impede the development of co-operation as a popular movement in which small groups and communities can function freely and organize their activities along with the co-operative lines without excessive official interference”. Therefore the restrictive features of the existing co-operative legislations should be removed and both the present co-operative laws
and model legislation and rules, which have been under consideration of the states, should be modified in accordance with the approach outlined in the resolution.

**All India Credit Review Committee 1966-69**

The RBI under the Chairmanship of B Venkatappaiah constituted this committee. Adoption of the multi agency approach in the field of agricultural credit, creation of Rural Electrification Corporation, setting up of small farmers development agency, streamlining the credit policies and procedures, emphasizing the need for establishing viable co-operative societies and formation of Agriculture Refinance Corporation were the highlights of the recommendations.

**Committee on Integration of Co-operative Credit Institutions 1975-76**

RBI appointed a committee under the chairmanship of Dr. R K Hazari, for studying the possibilities of integrating the two wings of the co-operative societies. It recommended single window approach.

**Craficard 1979-81**

The RBI appointed a committee on March 30th 1979 headed by B Sivaraman, to review the arrangements of institutional credit for agriculture and rural development (CRAFICARD). Its main recommendations were setting up of the National Bank for Agriculture and Rural Development (NABARD), professionalization of co-operative management, setting up of “Evaluation and Monitoring Cell” and “Recovery Cell” in each state land development bank.

**Multi-State Co-operative Act 1984**

This act was passed to overcome the deficiencies of the Multi-State Co-operative societies Act of 1942. The Multi-State co-operative societies Act was enabling legislation facilitating the incorporation, regulation and winding up of Multi-State co-operative societies under the provisions of the co-operative societies act of the state concerned. But the MSCS act is a comprehensive central legislation with a central authority for promoting regulating and supervising the co-operative societies whose area of operation is beyond one state. Though this act is similar to state co-operative act (SCA), but many of the restrictive provisions of the SCA like compulsory amendment of byelaws and reorganization of co-
operative societies, power of government nominees to veto the decisions of the committee are deleted. The special features of the act are appointment of central registrar for registration, definition of co-operative principles (which are undefined in many state acts) registration of multi-state co-operative societies within six months from the date of receipt of application, admission of employees as members barring voting power in case of election to board management and the amendment of bye-laws; restricting any person to be the president or vice-president of more than one multi-state co-operative societies at the same time, restricting persons holding office of president or vice-president of multi-state co-operative societies for more than two years.

Agricultural Credit Review Committee 1986-89

The RBI constituted on August 1st 1986, an expert committee under the chairmanship of Prof. A M Khusro, to make a comprehensive review of the credit system in India. The highlights of the recommendations of the committee were evolving business development plans for each and every primary co-operative bank; setting up of a National Co-operative Bank of India; stressing on development area approach; strengthening the short term and long term credit structure and strengthening of co-operative banks by evolving viability norms.

Model co-operative societies Act 1991

The approach of the model law is to give a genuine character to co-operative societies, to facilitate building of an integrated co-operative structure so as to evolve a co-operative system, make a federal organization at various levels more responsive and responsible towards their members, to minimize the government control and interference to enable cooperators and co-operative societies to develop self reliance and self confidence with authority of decision making and to eliminate politicization. The draft law meets the norms of governance of a democratic autonomous enterprise in the country so deeply committed to democratic values.

Co-operatives and the government: The Third Path

After the attainment of independence, the question of economic ideology inevitably cropped up directly or indirectly, consciously or unconsciously, patently or latently. India had two alternatives to consider- the path of capitalist development based on laissez -faire,
the path followed by the United Kingdom and United States, and the path of the communist
development followed by USSR. India decided to mix the two and developed the third path
called democratic socialism. It is a combination of both, the public sector and the private
sector. The third factor was co-operative, which was the closest to the democratic socialism.

The objectives of the planned development, which were decided for India’s
progress, were very close to that of co-operative movement. Some of the objectives of the
plans were:

1. Increased agricultural production through supplies and services to millions of
farmers
2. Creation of employment opportunities.
3. Support to the increasing lot of small and marginal farmers
4. Helping to the rural artisans
5. Encouraging cottage and small-scale industries.
6. Setting up good public distribution system

Such objectives of the national planning could be fulfilled by the co-operative
societies only. So the private sector started developing in urban areas and the co-operative
societies in the rural areas. The commercial banks lent money mostly to the traders and co-
operative banks to the landless farmers and small farmers. This process generated lots of
employment opportunities in the rural areas. The consumer’s co-operative societies
controlled the prices of the food grains in case of scarcity.

The role of the government in the co-operative societies

1. It supports in the share capital of the co-operative societies by way of margin money
loans and guarantees.
2. The Registrar of Co-operative Societies help in formation and registration of the co-
operative societies.
3. The office also guides the members in the routine functioning of the society.
4. The officers also do the visit to the society and inspection of the activities.
5. The government from time to time formulates various financial support schemes for
the co-operative societies.
6. The government spares its officers of Indian Administrative Services and other
services to the deputation to work for co-operative societies.
7. It also helps in closure and liquidation of the co-operative societies.
8. It represents in the board of directors of the co-operative societies.
9. The government frames the policies for the co-operative societies.

The government starts various co-operative schools and colleges for the spread of co-operative education.

**Chart 4.1: Formation of various co-operative Institutes in India and Development of Independent Department of Co-operation**

<table>
<thead>
<tr>
<th>No.</th>
<th>Ministry</th>
<th>Department</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Ministry of Commerce, Civil Supplies and Co-operation</td>
<td>Department of Civil Supplies and Co-operation.</td>
<td>1977</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Civil Supplies and Co-operation</td>
<td>Department of Co-operation.</td>
<td>1976</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of Industry and Civil Supplies</td>
<td>Department of Civil Supplies</td>
<td>1974</td>
</tr>
<tr>
<td>5</td>
<td>Ministry of Agriculture</td>
<td>Department of co-operation.</td>
<td>1971</td>
</tr>
<tr>
<td>6</td>
<td>Ministry of Food, Agriculture, Community Development and Co-operation</td>
<td>Department of co-operation.</td>
<td>1966</td>
</tr>
<tr>
<td>7</td>
<td>Ministry of Community Development and Co-operation</td>
<td>Department of co-operation.</td>
<td>1958</td>
</tr>
<tr>
<td>8</td>
<td>Ministry and Food and Agriculture</td>
<td>Department of Agriculture (Co-operation Department)</td>
<td>1955</td>
</tr>
</tbody>
</table>


After the independence in 1947, the Planning Commission was set up by the government of India in March 1950. Thus the democratic planning of five-year periods started and the planning commission prepared its First Five Year Plan (1951) which emphasized to ensure large scale involvement of public (Public Cooperation) and “transparency and co-ordination between various levels of administration”. Consequently co-operative societies emerged as instrument/medium to implement National Plan.

“There is no co-operative movement in India, there is only the co-operative policy of government” said Sir Horace Plunkett, the great pioneer of co-operative movement in Ireland. In spite of considerable quantitative expansion of the co-operative societies, this observation has not lost its validity. Indeed it has become all the more pertinent.
Functions of the Government

### Chart 4.2: Role of Government

<table>
<thead>
<tr>
<th>Functions</th>
<th>Minimal Functions</th>
<th>Intermediate Functions</th>
<th>Activities Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improving equity</strong></td>
<td>Protecting the poor: Anti poverty programmes, Disaster relief</td>
<td>Overcoming imperfect information: Insurance, Financial regulation, Consumer protection</td>
<td>Redistribution, Asset redistribution</td>
</tr>
</tbody>
</table>


The above chart clearly indicates that protecting poor people is the minimal function of the state. Creating favorable atmosphere for formation of co-operative societies can do this. Let the poor weavers of power loom co-operative societies in Malegaon make collective efforts by forming the co-operative societies, which not only increased their buying power but also enables them to compete in the global competitive markets.

**Recommendations of 4th Indian Cooperative Congress (Selected Points)**

The 4th Indian Cooperative Congress was convened in 2001 at New Delhi. The Congress resolved the following recommendations:

1. NABARD should organize/undertake specific and need-based studies by formulating appropriate Terms of Reference, extend assistance for Development of Common Software and other identified areas of importance to the Cooperative Credit Sector.
2. The Congress to study the Credit System and Suggest Measures for Strengthening the Cooperative Credit Sector.

3. The Congress resolves that the recommendations of High Power Committee of RBI in respect of amendments in Cooperative Societies Acts be taken up by the States and Central Government at the earliest.

4. The Congress strongly denounces the practice of suppression of cooperative management on political consideration since it is highly undemocratic.

5. The Congress notes with great concern the growing tendency at the level of State Governments to reduce the budgetary support to the training and education activities for the cooperative institutions by the Coop. Unions at the State & District levels. Congress strongly recommends and urges the State Government. To provide for adequate budgetary support to training and education programmes for the cooperatives.

6. NCUI/NCCT should take into account training needs of different sectors of cooperatives in the context of changing environment and design and conduct appropriate training in consultation with sectoral federations/user organizations.

7. Cooperative Law should provide for reservation of at least 10% for women in the Management Committees of the Cooperatives at all levels.

8. Intensive education/awareness programmes for empowerment of women through cooperatives should be worked out and implemented through cooperative unions, training institutions, panchayati raj institutions and educational institutions.

9. The cooperatives have grown in number, size and volume; a large number of them particularly at the base level are weak and non-viable. Cooperatives should be revitalized by drawing institution specific plans and implemented as a package in a time bound manner. Federal Cooperative organizations should take initiative in this direction and ensure support from various quarters including State Governments.

10. Cooperative Law needs comprehensive changes to make the cooperatives member driven, democratically managed with functional autonomy. Removing all the restrictive provisions should eliminate govt. control and interference.

11. That the area of operation of Apex/Regional/Primary weavers cooperative be clearly demarcated and there should be no overlapping. Develop strong business linkages between these cooperatives for smooth marketing enabling them to face the challenges of powerloom/liberalisation & WTO.
12. To face the challenges of market-oriented economy, cooperatives should promote professionalisation at various levels by adopting modern management and information technology.

**Cooperative Education and Training**

Co-operation is a movement of the masses. It essentially involves collective capital and hence the responsibility is of all the members to make the co-operative venture successful. The first essential factor required is therefore an understanding of the concept and principles of co-operation. Therefore education and training is very important.

The Equitable Pioneers of Rochdale, who are truly the pioneers of the co-operative movement, realized this fact. They had, before launching their co-operative venture in 1844 had spent over a year in study of the problems. The Pioneers had included education among their objects! They had actually set aside 2.5% of their trading surplus towards education. They set up a school for young persons as early as 1850. Subsequently their Board granted the use of a room to members for mutual instruction on Sundays and Thursdays.

Later they organized science and arts classes in the evenings, at a time when night schools were little known.

The constant emphasis on education can be explained in the words of Charles Gide, "Common people with the ambition to provide for their own needs, and become their own merchants, bankers and creditors, their own employers and their own insurers would indeed be imprudent if they did not first equip themselves with the knowledge and faith.

It has to be realized that most of the co-operatives, which are organized, are by and for people from the more underprivileged sections. Education therefore becomes very important if the co-operative is aiming at the all-round development of its members.

The Government of India has been implementing a Central Sector Scheme for Cooperative Education and Training through the National Cooperative Union of India (NCUI) and the National Council for Cooperative Training (NCCT). The main objective of the programme is to bring about overall improvement in the working and management of cooperative societies through increased member participation in societies business and activities. The Government of India through the Department of Agriculture & Cooperation
is providing 100 percent financial assistance in the form of grant-in-aid to NCUI for implementing the Special Scheme of Intensification of Cooperative Education in cooperatively underdeveloped States/UTs and 20 percent of the total expenditure on all other approved activities. NCCT is getting 100% grants-in-aid from the Department of Agriculture & Cooperation, for conducting Cooperative Training Programmes.

The programmes relating to cooperative education are being implemented by NCUI through the State Cooperative Unions. Besides, NCUI is directly implementing a Special Scheme for Intensification of Cooperative Education in the Cooperatively under developed States and Union Territories through 32 Cooperative Education Field Projects located in 19 Cooperatively underdeveloped States/Union Territories. During the year 2000-2001, 6,12,327 persons were educated by the NCUI under various programmes.

The following Institutes impart education to the employees of the co-operatives.

1. Vaikunth Mehta National Institute of Co-operative Management Ganeshkhind Rd., Pune 411 005
2. Padmashree Vitthalrao Vikhe-Patil Institute of Co-operative Management, Pune
3. Dr. Dhananjayrao Gadgil Institute of Co-operative Management, Nagpur.

The cooperative training programmes are conducted through the National Council for Cooperative Training (NCCT) and its constituents viz. Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), Pune to cater to the training requirements of senior level persons, 5 Regional Institutes of Cooperative Management (RICMs) and 14 Institutes of Cooperative Management (ICMs) located in various States to meet the training requirements of middle level persons in cooperative departments and organizations. It also provides academic support and guidance to 92 junior cooperative training centers functioning under the control of state governments to train junior level cooperative personnel of states. During the year 2003-2004, the VAMNICOM, Pune conducted 189 programmes with the participation of 5299 persons. The RICMs and ICMs put together trained 10443 persons under 603 programmes during the same year.

Against the approved outlay of Rs. 17.61.00 thousand for Cooperative Education and Training during the year 2003-2004, the actual expenditure was Rs. 17.60.000 thousand. The outlay earmarked for implementing the Cooperative Education and Training
Programmes during the years 2003-2004 was of the order of Rs. 16,88,000 thousand. An amount of Rs. 7,80,000 thousand was released to NCU/NCCT as on 30th November 2004.

The Education Program

1. For the members

   It is the members who form the co-operative. They should well be aware of their rights, privileges as well as duties. They should also know about the organization they have joined, its philosophy, its objects, its culture and its ground-rules. Without the knowledge of these facts the members will merely be names on the roll-register. They will not be able to participate in the movement, contribute their skills to the co-operative nor will they be able to point out the mistakes of the management committee at the annual general meeting.

2. For the Management

   Assuming that a group of people come together and forms a co-operative, which intends to do business and generate profit for its members, it is important that the members who are elected to manage the co-operative should possess adequate managerial skills. It is therefore necessary that the managing committee should also be educated not only about the principles, practices and laws of co-operation but also about business management.

3. For Employees

   All the employees of a co-operative may not be members. It is therefore important to train and educate them about the principles of co-operation as well as the objects of the enterprise. The employees have to be trained to respond to the needs of the clients and follow a fair trade practice. Without this understanding the best of the objects and intentions of the co-operative are likely to fail.

4. For the Associates

   A business cannot be in a vacuum. There necessarily have to be transactions with a host of business associates and colleagues, government officials, private persons and of course the clients. All these persons too should understand about the principles and policies on which you carry out your activity as a co-operative. This type of education makes the
business associates realize that they are not dealing with another organization but with a co-operative, which ensures fair trade practice.

Co-operation is a movement. The whole world should know about it and participate in it. It also serves as propaganda for the business and advertising with deep impact.

Who Gives This Education

The International Co-operative Alliance has training facilities at the international level. In India the National Co-operative Union undertakes this function. There are also State Co-operative Unions in each state to impart education. Further there are Divisional Co-operation Board and District Co-operative Bodies, which conduct this function at their respective levels.

The Maharashtra State Co-operative Union takes care of the co-operative education and training. An Education Fund mainly finances it; which every co-operative society registered in the Maharashtra State has to subscribe to. Thus the goal of "self education through self-help" is attained.

In Maharashtra there is Vaikunth Mehta National Institute of Co-operative Management, at Pune, which offers a host of educational courses in co-operative management. This is a unique Institute, which has international acceptance. The courses are of advanced nature and for serious researchers/practitioners of Co-operation Theory as well as for top-managers in co-operation sector.

There are two more Institutes of Co-operative Management (ICM's) at Pune and Nagpur. These are the Padmashree Vitthalrao Vikhe-Patil Institute of Co-operative Management, Pune and the Dr. Dhananjayrao Gadgil Institute of Co-operative Management, Nagpur. These Institutes impart education to the employees of the co-operatives and the Co-operation Department who are working at the Middle Level. There are thirteen Co-operative Training Centers, which impart training to the lower level employees of the co-operatives.

Ambivalent Attitude for Co-operative Education

While many Co-operatives are worried about the methods for raising capital, none feels concerned about the principle of education and no wonder many members of Co-
operative societies are not aware of the objectives, methods and problems of the Co-operatives. Members’ lack of interest is because of lack of awareness about the objectives and problems. Further, the society at large is not aware of its noble aims and methods. It was for very solid reasons that founders of the Co-operative movement had enshrined education as a principle of co-operation. It was intended to be a continuous affair so that members are ever vigilant about their problems. Lack of funds cannot be taken as a cause for its neglect. There is lack of priority in spending Co-operative earnings. Some writers have lambasted luxurious spending by some Co-operatives. If the leadership is serious, ways can always be found for educating the members of their Co-operative societies.

Also there is need for training employees who have to conduct the day-to-day business of the society. They must be exposed to the latest tools and techniques of management for conducting their tasks.

There is further need for imparting leadership training to the members of the managing committees. Co-operatives must also educate potential members about the virtues of Co-operative form of organization.

The Schemes of Progress

The Government while understanding the importance of co-operatives has introduced several schemes for promoting the spirit of co-operation. Both the Central Government and the State Government of Maharashtra has introduced several schemes for the co-operatives. A few of them for industrial co-operatives (which include power loom co-operative societies) are listed here.

Scheme 1

In the industrial co-operative societies of weaker sections of the societies, the Government has several schemes.

❖ The Government sanctions share capital in the ratio 1:3, to enable the societies to borrow funds from the financial institutions.
❖ Financial Assistance for Tools and Equipments:

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❖ The Government sanctions loans up to Rs. 23,000/- to the members of such societies as 50% loan and 50% subsidy, for the purchase of tools and adopting improved methods of production.
❖ Loans and subsidies for the construction of Godowns, workshops/ work sheds
❖ The government gives up to Rs. 75,000/- (75% loan and 25% subsidy) to the societies for construction of work sheds or Godowns.
❖ Interest Subsidy for Working capital:
❖ The government gives an interest subsidy up to 3.5% to 4.5% on the amount borrowed by the co-operative. This scheme helps to reduce the burden of interest on the co-operative society, which is to be paid to financial agencies.
❖ Block Level Village Artisans Multipurpose Co-operative societies: grant-in-aid
❖ Under the scheme of employment guarantee to the rural artisans composite loans for Medium term are given from Rs 30,000/0 to Rs. 50,000/- per member.

Scheme 2

Central Sector Scheme for Development of Women Co-operatives

Under this scheme financial assistance is provided by the Central Government on 100 % basis to the newly formed co-operative societies by the women as well as existing women’s co-operatives. The financial assistance is as under

Table 4.2: Financial assistance for women under Development Schemes

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Share Capital</th>
<th>Working Capital</th>
<th>Subsidy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Societies</td>
<td>40,000</td>
<td>40,000</td>
<td>20,000</td>
<td>1,00,000</td>
</tr>
<tr>
<td>2</td>
<td>District Federation</td>
<td>80,000</td>
<td>80,000</td>
<td>40,000</td>
<td>2,00,000</td>
</tr>
<tr>
<td>3</td>
<td>State Federation</td>
<td>2,00,000</td>
<td>2,00,000</td>
<td>1,00,000</td>
<td>5,00,000</td>
</tr>
</tbody>
</table>

Source: www.Vamocom.org

Scheme 3: Co-operative Warehouse

Table 4.3: Central Sector Schemes for Warehouse (Rs. in thousand)

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the Scheme</th>
<th>Funds released</th>
<th>Budget Allocation as on 31.12.2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cooperative Education &amp; Training</td>
<td>168800</td>
<td>78000</td>
</tr>
<tr>
<td>2</td>
<td>Assistance to NAFED for promoting business activities</td>
<td>500</td>
<td>--</td>
</tr>
<tr>
<td>3</td>
<td>Assistance to National Cooperative Federations</td>
<td>10000</td>
<td>6600</td>
</tr>
<tr>
<td>4</td>
<td>Development of Multi State Cooperative Societies and</td>
<td>2000</td>
<td>1000</td>
</tr>
<tr>
<td></td>
<td>Strengthening of Cooperation Division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Integrated Cooperative Development Project in Selected</td>
<td>100000</td>
<td>--</td>
</tr>
</tbody>
</table>
The Warehousing Corporation provides 90% assistance for the construction of warehouse out of which 50% is loan and 40% is Government share capital. The Department of Agriculture & Cooperation, Govt. of India is implementing various Central Sector and Centrally Sponsored Schemes to promote the cooperatives in the country. The Plan Schemes for the year 2000-2001 are given below:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Scheme</th>
<th>Budget Allocation</th>
<th>Revised Estimates</th>
<th>Funds released as on 15.02.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cooperative Education &amp; Training</td>
<td>90000</td>
<td>189500</td>
<td>85000</td>
</tr>
<tr>
<td>2.</td>
<td>Assistance to National Cooperative Federations and National Federation of Labour Cooperatives</td>
<td>5000</td>
<td>15000</td>
<td>4000</td>
</tr>
<tr>
<td>3.</td>
<td>Assistance for Cooperative Marketing Processing, Storage Programme in Cooperative Underdeveloped States/Union Territories</td>
<td>15000</td>
<td>100000</td>
<td>15000</td>
</tr>
<tr>
<td>4.</td>
<td>Central Sector Scheme of Cooperative Education &amp; Training</td>
<td>319500</td>
<td>500</td>
<td>Nil</td>
</tr>
<tr>
<td>5.</td>
<td>Central Sector Scheme of Assistance to NCDC for Development of Cooperatives</td>
<td>385000</td>
<td>95000</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>814500</strong></td>
<td><strong>400000</strong></td>
<td><strong>104000</strong></td>
</tr>
</tbody>
</table>

Source: www.Vamocom.org

**All pervasive government control not good for co-operative societies**

Co-operatives laws empower the registrar/government to
Amalgamate, merge, divide. Co-operatives almost at will
Unilaterally amend the byelaws, the basic contract among the members, in all matters including the objectives, the activities, membership eligibility, and the management of the Co-operatives.
Conduct and withhold the elections, and nominate the persons to the board of directors
Supersede the board and appoint anyone, not necessarily the members, to manage the affairs for such lengths of time as seen appropriate
Decide in staff strengths, recruitment, qualifications, service conditions,
Decide on investment of funds by the Co-operative, evening its own business
Appoint auditors and receive their reports
Liquidate or continue that existence of a Co-operative even when members think otherwise.

This extent of authority and power in the hands of government and registrar is the main hindrance in the smooth functioning of the power loom co-operative societies in Malegaon.

Co-operatives and the new economic regime

In the period of free economy, when all the forms of enterprises are freed from government controls, why not Co-operatives? Now the market has answer to all the questions. The private Co-operatives may provide an answer to many of the problems of the poor. Both central and state governments have been extending their helping hands through various forms of assistance, from dawn of co-operative societies till today, for strengthening the co-operative societies so as to establish the egalitarian social order based on the eternal principles and philosophies of co-operation. As national five year planning envisages economic growth with social justice, co-operation has been the apt and main instrument in the government's hands to accomplish the stated task. The retrospective scenario of co-operative movement has proved that the without the active support of government, an orderly growth and development cannot be expected. Therefore as things exist today, we cannot completely do away with the state aid to co-operative societies. It will take some more time for the co-operative societies in India to function as autonomous bodies.
It is important that the Co-operative laws undergo reforms. The bad Co-operative legislations have prevented people from participating in Co-operative business. When the reforms will take place, the Co-operatives will become relevant and beneficial once again.

**The Co-operative Values**

Co-operators all over the world are highly confused today. None has clear perception of what co-operative values are which they must pursue while running their Co-operative enterprises. Mr. Book who has made prodigious effort in summing up various stands of thought on these issues. Mentions that "the general approach to the concept of "basic values" is mainly my own.

Values form the fundamental belief of a given society to influence and stimulate action. Mr. Book describes Co-operative Values as Co-operative belief and convictions about how to achieve a "better society".

Mr. Book mentions these values as (1) equality (2) democracy (3) equality (4) social justice (5) liberty (6) voluntaries (7) mutual help (8) social and economic emancipation (9) meeting economic needs (10) social responsibility (11) internationalism, global solidarity and peace. He asserts that committed co-operators look upon these values as basic ideological framework for Co-operative.

Based on these basic ideas Mr. Book infers basic ethics of a co-operators viz (1) honesty (2) caring (3) mutuality (4) solidarity (5) social responsibility (6) justness and fairness (7) democratic mind and constructiveness called Co-operative culture.

Doctrinaire co-operators insist that a Co-operative sans these values is no Co-operative. Based on these values, many Co-operatives ideologists have envisioned established of "Co-operative commonwealth", "Co-operative communities", "Cooperatism," "Co-operative self management", "Co-operative sector", "School of democracy and a "basis of countervailing power".

Different persons, in different Co-operatives, in different cultural contexts, have interpreted these values differently. But values ought to be universally valid in all circumstances. The real cause for confusion is because of this multiplicity in the perception
of values for a Co-operative. The true essence, spirit and value of co-operative are eternal, permanent and ever lasting.

The ‘Co-operation’ in true spirit is itself a value to be cherished by mankind. A true co-operation nurtures many virtues such as fraternity, equality which make one a good man. “I for your and you for me” syndrome of socio-cultural life. Co-operation is surely an expression of finer self of man working together for common good, feeling of equality with his fellows and a sense of sharing. Co-operative action added a new dimension, a new way of conducting their affairs. The idea of Co-operation is so logical, so simple in concept that it appeals to all. The ideology of Co-operation has universal appeal to mankind everywhere and it will every remain so. It will survive and prosper so long as Co-operation in true spirit is created and conducted.

**Searching for Co-operative Values**

While paying highest tributes to the team of very eminent and distinguished academe clans and experts on Co-operation for enlightening us on Co-operative values and reformulating Co-operative principles by the ICA Manchester Congress of 1995, vagueness persists and perhaps we remain where we were before 1995. Co-operative values still elude us and we do not precisely know what those values are which could universally apply to Co-operatives everywhere.

After a great fanfare and prodigious efforts by a member of distinguished co-operators and academicians for several years, the Manchester Congress re-formulated the Co-operative principles overriding ICA 1966 Principles – though in essence it is the same principles stated in different phraseology.

While the Congress has lavishly used high-sounding phraseology to express its concept of definition, values and principles, it has not been able to touch the basic core of Co-operative ideology. The definition as given in “Statement on Co-operative Identity” is inadequate, without the mention of based on mutuality”. Under this definition there could be institution without Co-operative ideology. Such an association of persons without mutuality could not be a genuine co-operation. Such an association becomes Co-operative only when people are inspired by a sense of ‘mutuality. Self-interest gives place to mutual interest as if their selves merge into one, so far as achievements of that purpose is
concerned. It is this inner meaning that distinguishes Co-operation from other forms of human association. Associations based on ‘mutuality’ confer real meaning to co-operative.

Co-operatives have all the time been searching for values but they were not able to precisely identify them. It has been a bit disappointing that the Manchester Congress also could not locate them. It mentions ‘Co-operatives are based on the values of self-help, democracy, equality and solidarity’. Self-help is not peculiar to co-operation. It is universal human trait. Everyone, except those physically and mentality disabled rely on self-help for their progress. No human existence is possible without self-help. But however one may try one cannot achieve much only through self-help. It is ‘mutual help’ which gives meaning to self. Mutuality is the heart and soul of co-operation and once co-operation is based on mutuality equality, equity, democracy, solidarity and various other virtues automatically flow from it.

The entire thrust of Co-operative values is contained in ‘mutuality’. Mutuality is the only value for which co-operators must aspire. As a contrast to self-seeking, which results in competition and elbowing out of others for personal benefits, mutuality fosters interpersonal relations among Co-operative members, which becomes sublime. Its ultimate thrust is “oneness” of man. It is when such a feeling drawn in the minds of the Co-operative members that it conduces to the well-being of the society. Human beings then look upon each other as sparks of the same self and perform actions unselfishly. This is the message of Co-operative values.

True Co-operative based on ‘mutuality’ transcends all distinctions based on caste, creed, religion, language, sex and nationality. Such Co-operative thought is more revolutionary than that of socialism and capitalism. In the mess of capitalism and socialism, Co-operation gives a new message to mankind – the remedy that will cure the evils of capitalism and socialism. Co-operation is the need of the modern world to harness this instinct of mankind for peace and brotherhood.

“Self-help, self-responsibility, democracy, equality, equity and solidarity” count not be the values for which Co-operatives were created. Co-operation started by merging one’s self-help with others’ self-mutuality. And when such mutuality is established, equality, responsibility, democracy, equity and solidarity spring up. These are inherent in ‘mutuality’. Equality is at once the result of mutuality. There is no other way of running a Co-operative enterprise than by democratic method.
The very act of co-operation results in self-responsibility and solidarity. Mutuality is of great value in human endeavor and it really uplifts man to higher pedestal of life. The statement on Co-operative identity observes, “In tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others”. Do co-operators really believe in it? Do they take such oath when they join the membership of a cooperative? Perhaps it is too pedantic to hold that all members believe in honesty. In fact it is our belief that in the society all are honest and it is on this belief that our social framework is based.

Honesty, equality, equity are inherent in a Co-operative based on mutuality. The members must necessarily be honest, otherwise they cannot function. A Co-operative will lose its moorings with a dishonest person as its member. It is not out of ethical predilection that equality prevails in Co-operatives. It is an association of equals; all have the same urge for a particular object.

In the Statement of Co-operative Identity the Manchester Congress of ICA 1995, has recorded Co-operative values as, “Co-operatives are based on the values of self-help, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others”. Are these the ‘values’ for which the co-operative movement was founded?

The first impulse for organizing a co-operative was mutual help to achieve a purpose, which not be achieved by ‘self-help’ alone. It is not the impulse of self-help, which gave them strength to achieve the objective but a combination of ‘self-help’ group of persons. Without ‘mutual help’ their “self-help” would not result in action. Although it may not sound big, the urge for ‘mutuality” for action gave birth to Co-operation. However much an individual may be inspired by “self-help” his own effort alone will not bear fruit.

In the nature of market economy some people are left behind and they are so weak that they cannot achieve an objective by their lone effort. Everyone in the group has similar urge for achievement and when one feels the need to combine his self-help with others it becomes a “force” a ‘sum’ with which they can meet their needs, which they were unable to achieve by their own ‘self-help’.

The urge for mutuality is recognition of ‘equality’ between man and man for the time being and for that purpose all individual ‘selves’ become one as if one is doing for
himself. They contribute their money, will to achieve, and their knowledge and effort for achieving that purpose.

Once ‘mutuality’ is established as a basis for action, then equality, democracy, equity and solidarity automatically follows. None of these have any meaning without ‘mutuality’. Equality, equity, democracy and solidarity result from mutuality but by themselves these attributes have no meaning in Co-operation.

In fact, mutuality is not merely a ‘contractual’ phrase but has much great philosophical significance. It is said ‘men are equal’. This statement is based on our concept that the same ‘spirit’ dwells in each one of us. There is common creator of all of us. “Thou art that “ is true of all of us. Co-operation is practical translation of that ‘great vedantic truth’ that the same spirit dwells in each one of us. As soon as ‘mutuality’ is established, equality automatically springs up. Likewise ‘equity’ will naturally follow when some fruit is to be shared when the enterprise is based on mutuality. The edifice of Co-operation based on mutuality will crumble if one gets more and the other less. There will be no place for inequity so long as Co-operation is based on’ mutuality’.

Democracy is inherent in a co-operative based on mutuality; in fact democracy is given to the very structure of co-operation. It is in the interest of everybody that they take decision, which is good for everybody in the group.

It is a group of people with ‘similar’ need who have constituted the society for “getting something equally desired”. The Members have created the society for meeting their ‘felt’ need. Only they know best how to have them and therefore, there cannot be any better method than ‘democratic management’ of a Co-operative society.

There may be wide ranging differences in the practice of democracy in different geographical and cultural milieu in different corners of the world. What is of relevance is that democratic spirit must prevail whatever the differences in the method if its application.

The ICA has listed ‘solidarity’ as one of the values for a co-operative. This is inherent in Co-operation based on ‘mutuality’. Mutuality is not limited to two or more persons of a group. It encompasses all who are inspired by the spirit of ‘mutuality’. The ultimate aim of the co-operatives is to establish a society based on mutuality. Thus
solidarity is inherent in the Co-operative concept. It is in the interest of every co-operator locally, nationally and internationally that there is solidarity among members universally.

The Statement on Co-operative Identity has noted ‘honesty openness, social responsibility and caring for others’ as ethical values which members of the Co-operatives, believe in. As a matter of fact it is but a natural concomitant of ‘mutuality’. A Co-operative society of dishonest persons cannot exist. No group efforts can last with ‘dishonest’ persons in it. It is not a distinctive feature of a co-operative society. It is true of all group action. One cannot be dishonest to him. It is in each member’s interest that he acts with utmost honesty.

The Statement mentions ‘openness’ as one of the ethical qualities, which members of Co-operatives must have. Indeed the streak of mutuality is not confined to fellow members only but extends to ‘all’ in the society. The logical end of ‘Co-operatives’ is creation of a Co-operative system and co-operators, therefore, consider all as potential members of Co-operative society. There is nothing to hide and they are ‘open’ to all in the pursuit of their operations.

“Social responsibility” and caring for others” need not be thrust on co-operators as ‘values’. It has been rightly observed by Mr. Book that ‘few Co-operative concepts are as confuse as ‘social responsibility’. Why should it be singled out for co-operators alone? In a democratic society each member of the society must have social responsibility. It is not possible for Co-operatives to take upon themselves more social responsibility than their competitors. The fact of the matter is that social responsibility is built into the Co-operative system. That some ‘deprived’ persons have obtained some benefits by their joint effort is itself a contribution to social development as otherwise government or some one else would have to bother for them. The idea of social responsibility for the Co-operative has been stretched too much. They are fighting ‘poverty’ and they need a lot more to do to provide more and better services to the members. They have only as much social responsibility as others in the society have.

To thrust this responsibility on Co-operatives will be weakening them in pursuits of their efforts to improve themselves. The very act of Co-operation fulfils certain social responsibility in that they don’t need extraneous help to resuscitate themselves from poverty. They don’t need public assistance for rescuing them for deprivation. That they have dedicated themselves to improving their condition by ‘mutual help’ is itself a distinct
contribution to social development. The concept of social responsibility is so much contain
in the ‘Co-operatives way’ that it needs no specific mention as a Co-operative value. There
is a chance that in its zeal for social responsibility they may go far beyond their limit,
injuring members’ interest.

This is such a vague concept that every one seems to have his own definition of its
meaning. May be they having the society’s general welfare in view such as, environment,
hygiene and amelioration of the unfortunate members of the society? This is the basic duty
of all citizens in a democratic society.

Indeed the members of a co-operative are like friends in adversity. Creating and
sharing a benefit is a great binding force for mankind. The inclination to serve his fellow is
given to mankind by God and co-operative harnesses this urge of man, as if disaster has
occurred for all of them. In a Co-operative all the members are expected to have a highly
motivated propensity to serve each other without comparing closely their personal gain.

**Mutuality – the Co-operative Value**

What is of essence in a Co-operative is that it is based on ‘mutuality’. This is the
only value, which all Co-operators must always cherish. All other attributes, e.g., equality,
equity, democratic outlook, universality, morality automatically emerge in a Co-operative
based on ‘mutuality’. Acting for self only is a limiting adjunct to our personality. Co­
operation provides opportunity for extension of human personality. Co-operation is
transcending the boundaries of one’s ego. Co-operative is one step ahead in man’s
development by changes in behavioral pattern with his follows.

The scriptures say, ‘A person is not mature until he has ability and willingness to see
himself among others and do unto others as he would have them do to him and extend this
concept to whole humanity. Co-operative value is elevation of man to higher pedestal by
pursuing mutuality in all his endeavors with his fellow beings.

Value is certain basic aspirations of mankind, applicable everywhere all the time.
They will ever remain so, today and thousand years hence. so long as the human ‘male-up’
is the same. The proponents of Co-operative movement discovered that human society can
be better with equality, fraternity, equity, esprit decentralized corps, peace and happiness
and free from exploitation and conflict, if we conduct our affairs on Co-operative basis.
These virtues will be the automatic concomitant in a true Co-operative. The value to be cherished by a co-operator therefore is “co-operation” based on mutuality.

The most essential value of co-operation is “mutuality” with one’s fellows, beings – identifying one’s interest with the interest of one’s fellows, sincerely work for the common good of all. It is predominance of self which created ‘I’ and; thou’ feelings, resulting in conflict, cacophony and exploitation, it is this unity of ‘selves’ which is the essence of co-operation. Such spirit of co-operation automatically brings in equality. Co-operation accepts that in spite of several differences in shape, size and colour of man, all human beings have the same urges and aspiration for peace and happiness. A true Co-operative thus recognizes the value of equality between man and man. One does not become “less man” by differences between wealth he possesses or physical attributes he has. So long Co-operatives are imbues with this belief, other differences in their style of functioning are of lesser consequences.

Evolution of Co-operative principles

<table>
<thead>
<tr>
<th>No.</th>
<th>Rochdale Principles</th>
<th>Raiffeison Principles</th>
<th>Schulze-Delitzch Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Voluntary and open membership</td>
<td>Self-help without exclusion of state help provided co-operative independence is preserved.</td>
<td>Self-help with exclusion of any outside help, private or public.</td>
</tr>
<tr>
<td>2</td>
<td>Democratic control by one member one vote.</td>
<td>Limited Area (one village)</td>
<td>Large territory of operation</td>
</tr>
<tr>
<td>3</td>
<td>Division of the surplus in proportion to patronage.</td>
<td>Allocation of entire surplus to individual reserves.</td>
<td>Division of the surplus in proportion to operation.</td>
</tr>
<tr>
<td>4</td>
<td>Limited interest on capital.</td>
<td>Membership without subscription of shares</td>
<td>High interest on shares to attract large subscription of shares.</td>
</tr>
<tr>
<td>5</td>
<td>Political and religious neutrality.</td>
<td>Unlimited liability of members</td>
<td>Limited liability (originally unlimited)</td>
</tr>
<tr>
<td>6</td>
<td>Cash trading</td>
<td>Limitation of the business to members only.</td>
<td>Business specialization</td>
</tr>
<tr>
<td>7</td>
<td>Promotion of education</td>
<td>Voluntary work by board members</td>
<td>Allocation of the 10% of the surplus to reserves.</td>
</tr>
</tbody>
</table>

Source: Gulab Singh Azad, ICR, April 2001, page. 233

The co-operative principles basically evolved out of what were originally the rules of organization, working and management of the Rochdale Ewuitable Pioneer Society (1844). As the Pioneers started in right earnest their business activity, they had to bind themselves by basic principles and operational rules. The workers co-operative in France,
Raiffeisen and Schulz-Deitzsche Agricultural Co-operatives in Germany had their own operational rules, but the basic principles of open membership, democratic control, limited interest on capital and distribution of surplus on the basis of member’s patronage were identical. Comparison of the main principles underlying the three co-operative movement started in 1840’s are given in the following table.

At the first glance, it seems that the three systems vary a great deal. But on the fundamental matters, they respect the same principles. They all have the same attitude to the recruitment of the members (Volunteers), system of control (Democracy), aim of enterprise (Service) and ownership (By members). They differ only on certain operational matters. The following principles adopted by the Pioneers were latter universally accepted and endorsed by the special committee of International Co-operative Alliance (ICA) in 1937 for the World Co-operative Movement.

Main principles:

1. Principle of Open membership
2. Principle of Democratic control
3. Principle of Dividend on purchase
4. Principle of Limited interest on capital

Optional principles:

5. Principle of Political and religious neutrality
6. Principle of Cash trading
7. Principle of Promotion of education

After 1937, socio-economic and political conditions of various nations have changed due to introduction of new technology and management techniques and the co-operatives had to adopt themselves to the changing situation and adjust their scope from mere defense of group interest to a positive contribution for the welfare of their members in the expanding economic system. Hence the need for a review of the co-operative principles was discussed at 22nd Congress of ICA in 1963. In accordance with the ICA Congress Resolution, a commission was set up under the Chairmanship of Prof. D.G.Karve (1964). The commission suggested a new set of co-operative principles, which was adopted by the 23rd Co-operative Congress in 1966 at Vienna.
The commission reaffirmed the first four principles in the full form, dropped the operational principles of political and religious neutrality and that of cash trading and made promotion of co-operative education as a necessary principle and added a new principle “Cooperation among co-operatives” for global integration of co-operative efforts. Thus the commission considered the following six co-operative principles as essential to genuine and effective co-operative practices.

1. Principle of Voluntary and open membership
2. Principle of Democratic control
3. Principle of Limited interest on share capital
4. Principle of Distribution of surplus in proportion to their transactions
5. Principle of Cooperative Education

The principles formulated in 1966 remained relevant and valid for over two decades and were found to be workable in most parts of the world. Around the middle of nineteen eighties, certain disturbing trends developed:

1. Like weakening of consumer movements especially in developed countries
2. Meager patronage dividend with co-operatives,
3. Apathy of members toward participation in co-operative activities, organization and business functions,
4. Too weak financial base,
5. Unable to cope with the existing competition,
6. Failure to expand, modernize and diversify their business activities,
7. Growing interest and interference of state and government authorities on co-operative functioning,
8. Weaker ideological base

Because of these developments it become visible in many parts of the world to follow the co-operative principles very rigidly. Apart from the above, the need for the change in the co-operative principles was felt due to the followings:

1. Rapid technological development necessitating ever increasing magnitude of capital investment.
2. Increasing intensity of competition from large scale industrial trading and financial corporations in public and private sectors
3. Need for highly professional management with authority to take quick decisions to meet the rapidly changing market conditions.

Keeping above-mentioned technical, political, social and economic developments in mind, the CIA again thought to review the Co-operative principles formulated in 1996 and to amend them according to global economic situations and requirements. Hence these principles were once again. Hence these principles were once again submitted for review in the Centennial Congress and General Assembly in Manchester in September 1995. Finally, the CIA Congress held in September 1995 adopted the following revised Co-operative principles, which serve as Magna Carta for the entire co-operative movement of the twenty first century.

1. Principle of Voluntary and Open membership
2. Principle of Democratic Member Control
3. Principle of Member Economic Participation
4. Principle of Autonomy and Independence
5. Principle of Education, Training and Information
6. Principle of Co-operation among Co-operatives
7. Principle of Concern for Community

Out of these seven principles, the first three principles (Voluntary and Open membership, Democratic Member Control, Member Economic Participation) essentially address the internal dynamics of co-operatives and the last four principles (Autonomy and Independence, Education, Training and Information, Co-operation among Co-operatives, Concern for Community) affect both the internal operation and external relationship of co-operatives. The co-operative principles that form the heart of co-operatives are not independent of each other. They have strong linkages with each other. The observance of these in totality constitutes a co-operative organization. Hence co-operatives should not be judged exclusively on the basis of any one principle, rather they should be evaluated how well they adhere to the principles as an entity. Of functioning are of lesser consequence.

International Co-operative Alliance formulated or rather formalized the principles of co-operation. They are

197
• Principle of Voluntary and open membership
• Principle of Democratic Management
• Principle of Limited interest on capital
• Principle of Patronage dividend in proportion of members’ transactions
• Principle of Education and Training and
• Principle of Co-operation among co-operatives

There have been also other principles like the principles of political neutrality, correct weight and measures, purity of goods and thrift, which were also taken into consideration. The Manchester Congress has reformulated these principles in 1995 and now the principles of co-operation are as follows:

1st Principle: Principle of Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons who use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Principle of Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Principle of Member Economic Participation

Members contribute equitably to and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operative and supporting other activities approved by the members.

4th Principle: Principle of Autonomy and Independence
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments or raise capital from external sources they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Vth Principle: Principle of Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation.

VIth Principle: Principle of Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, regional, national and international structures.

VIIth Principle: Principle of Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

The seventh Principle was added at the Manchester Congress of 1995.

Application of Co-operative principles in the Indian Co-operative societies

The growth development and success depends on the proper implementation of co-operative principles. Co-operative principles are a set of rules, which govern the life activity of co-operative enterprise. In the words of International Co-operative Alliance “The principles are those practices which are essential i.e. absolutely indispensable to the achievement of the co-operative movement purpose”. The principles of co-operative are broad guidelines for co-operative societies in the conduct of various activities. They direct the movement at present and indicate the follow up action to be pursued by the society in further. They determine goals of the movement. “Co-operative principles are the way of
organizing and conducting co-operative activities which are an inherent and independent corollary of the ideal or the objective of the co-operative movement.\textsuperscript{3}

On the basis of above discussion, it can be said that co-operative principles are those invariable ideas or guidelines which determine the essential characteristics of a co-operative society as forms of organization which serve as a yardstick through which the actual practical work can be measured. Thus co-operative principles are a system of abstract ideas which cooperators have deduced from their own practical experience and which have proved in the past to be the best suited guidelines to all those who want to establish effective and enduring co-operative societies. Co-operative has their own principles, which are universal in their own recognition and acceptance.

Since the beginning of their origin, co-operatives lay great emphasis on them. These principles manifest the nature of co-operatives, underline management principles, inter organizational relationship etc. The application and operation of these principles indeed make a co-operative true and genuine co-operative. The co-operative principles are more than commandments. They are also guidelines in judging the behaviour of the cooperators and of making decisions. It is not easy to ask if a co-operative is following the principles, it is important to know if it is following their spirit. If they vision each principles portrays, individually or collectively, is ingrained in the daily activities of co-operative organization. A clear understanding of the underlying co-operative principles is a great advantage for the proper understanding and application of the co-operative law and last but not least for eventual amendments.

\textsuperscript{3} Prof. D.G. Karve
Co-operative Movement in Maharashtra

Progress of co-operative movement in Maharashtra

Maharashtra is one of the major States of India. It is also the most urbanized and industrialized State. Co-operative movement is widespread and has a long history in Maharashtra and even today it plays an important role in the economy of Maharashtra. The genesis of the co-operative movement in Maharashtra can be divided into six stages.

The pre-co-operative stage (1870-1903)

With the Deccan Agriculturists’ Relief Act, The land Improvement Loan Act 1883 and the Agricultural Loans Act, the Nickolson Report.

The Initial Stage (1904-1911)

From the Agricultural Credit Co-operative Societies Act 1904 to the creation of the Bombay Central Co-operative bank.

The Evolution Stage (1912 to 1924)

After the Co-operative societies Act of 1912, the movement passed through a new phase of re-organization: formation of co-operative financing agencies, formulation of co-operative educational schemes and organization of non-credit societies.

The Stagnation Stage (1925-1947)

The enactment in 1925 of the Bombay Co-operative Societies Act widened the scope of the movement in the Bombay province both horizontally as well as vertically. The Bombay Co-operative Insurance Society was established in the year 1930. In the same year the Co-operative Land Mortgage Bank was also formed for long term financing for redemption of debts, land improvement and purchase of land.
The Growth Stage (1948-1961)

There was an all-round progress during these two decades after India attained independence from the British Rule.

The movement diversified especially in the rural area where sugarcane was grown. The agriculturists pursued this concept of self-help and made the best use of the credit facilities given to them for augmenting the production. Examples like the Pravaranagar Sugar Co-operative inspired many to organize co-operatives in the sugar sector with long-term goals in mind. Significant attitudinal changes had occurred at the grass root level.

This was also the period of emergence of rural leadership through co-operative movement. The Apex Bank also started to strengthen its organization and the working of the secondary level central financing agencies. This was also the period where institutional foundation was strengthened.

The Diversification Stage (1962 onwards)

Expansion, accompanied by extensive vertical and horizontal diversification embraced all fields of socio-economic activity with gains varying from 2 to 6 times. The State government initiated policies and programs to strengthen the co-operative effort. Some of the noteworthy features of the movement during this period were the increased mobilization of resources, strengthening the co-operative effort in the sphere of agricultural production and the building of rural leadership.

The State Co-operative Bank also built up the necessary strength to provide support to the government programs of intensive production and procurement of food grains, financing of sugar factories and other new industries in the co-operative sector.

The co-operatives have helped the rural economy of Maharashtra tremendously. It has been able to groom grass root level leadership and bring about peaceful socio-economic changes and help institutionalize the rural economy to a considerable extent.
Table 4.6: Progress of the Co-operative Movement in Maharashtra

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Table 4.7: Co-operative Societies In Maharashtra State (Salient Features)

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This above Tables gives an idea about the progress of the co-operative movement in Maharashtra over the years.

Co-operative Movement has been recognized as an effective instrument for the economic development of the rural masses and for improvement in the socio-economic condition of the underprivileged.

Since majority of the population of Maharashtra lives in the rural areas and is involved in agricultural activity, the co-operative movement here assumes greater significance. Today we find that co-operatives are found in almost all the pockets of Maharashtra and have been vastly successful in the overall improvement of the quality of life in the rural areas. This is a success of not only the people of Maharashtra but also of the co-operative movement itself.

The co-operative movement in Maharashtra has not only improved the lives of the people here but has made significant contribution to the economy of the State itself. Today Maharashtra is considered as the land of opportunities as it is one of the most developed states not only economically but also in terms of infrastructure. Without doubt a major credit goes to the co-operative sector, which has not only promoted and developed rural

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5) Outstanding loans (In lakhs)

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<td>5,13,247</td>
<td>12,06,282</td>
<td>23,33,018</td>
<td>67,65,339</td>
<td>71,02,479</td>
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6) Turnover value of goods Sold (Rs. In lakhs)

<table>
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<tr>
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<th>A</th>
<th>1,005</th>
<th>1,730</th>
<th>5,097</th>
<th>8,209</th>
<th>14,623</th>
<th>19,458</th>
<th>1,92,948</th>
<th>47,052</th>
<th>101,159</th>
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<td>B</td>
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<td>258</td>
<td>306</td>
<td>455</td>
<td>977</td>
<td>1,793</td>
<td>-</td>
<td>6,802</td>
<td>3,754</td>
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<tr>
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<td>C</td>
<td>4,761</td>
<td>14,501</td>
<td>21,389</td>
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<td>97,923</td>
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<td>2,64,389</td>
<td>3,20,343</td>
<td>4,40,765</td>
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<td>D</td>
<td>3,601</td>
<td>7,250</td>
<td>19,433</td>
<td>52,001</td>
<td>1,03,134</td>
<td>1,45,400</td>
<td>3,46,703</td>
<td>6,82,402</td>
<td>7,49,603</td>
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<tr>
<td></td>
<td>E</td>
<td>1,17</td>
<td>4,549</td>
<td>6,914</td>
<td>14,123</td>
<td>18,684</td>
<td>27,756</td>
<td>13,008</td>
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<td>F</td>
<td>18,73</td>
<td>28,288</td>
<td>53,139</td>
<td>1,08,58</td>
<td>1,35,341</td>
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<td>6,63,906</td>
<td>11,35,908</td>
<td>13,33,828</td>
<td>14,63,979</td>
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</table>

leadership, which can certainly be termed as the leadership of the masses but also has been involved in promoting the development of infrastructure in the State.

**Types of co-operative societies in Maharashtra**

Co-operation works not only in the agriculture sector in Maharashtra but also in the non-agriculture. Considering the fact that Maharashtra is the most urbanized State of India it is but natural that Maharashtra co-operatives should have a strong presence in the urban region as well. These society’s activities are common to both urban as well as rural areas.

**Credit Societies**

There are several urban co-op credit societies, which give credit to their members. These societies are organized at the grass root level. There are Urban Co-operative Banks which carry out regular Banking activities. These Banks and Credit societies join the District Central Co-operative Banks. Besides there are also co-operatives like the Salary Earners Co-op Societies which form part of the co-operative credit system.

**Industrial Societies**

The artisans and workers to get employment and to create adequate facilities to carry on their trade organize industrial societies. The Government gives assistance to such societies under various schemes. Over 310 societies have been organized as block Level Village Artisans Multipurpose Co-operative Societies in the State. Some of the facilities given by the government are contribution to share capital, financial assistance for tools and equipments, loans and subsidy for construction of Go downs, workshops etc. The power loom and handloom co-operative societies fall in this category.

**Housing Societies**

Housing societies are mainly an urban phenomenon and are of four types:

1. **Tenant Ownership**: In the case where the land is owned by the Society and the structure on the plot is owned by the members. Individual members are allotted plots by the co-operative to construct their houses. The society creates infrastructure and may also arrange the finance for the members.
b. Tenant Co-partnership: The land and the constructed structure are owned by the society and the members who are allotted the flats have the easement rights.

c. Builder Co-operative: where the builder floats a housing scheme and sells the flats. The buyers of the flats then organize into a housing society. Such societies are merely service societies or maintenance societies.

d. House Mortgage Society: House Mortgage Society provides loans to individuals having the piece of land anywhere in the area of its operation, for construction of houses. House Mortgage Society borrows money from various sources for this purpose.

Labour Contract Societies:

The labour contract societies are organized mainly from the laborers whose sole source of livelihood is manual labour, as well small farmers, with a view to assure them gainful employment and adequate distribution of profit amongst themselves.

Others

The Government has also promoted certain special interest-group co-operatives like the women's co-operatives to promote economic growth of the women. Under the financial assistance scheme the Government contributes up to one hundred thousand Rupees as share capital, working capital and subsidy to the newly organized women's co-operatives.

Organization of co-operation department in Maharashtra

Administration of co-operatives is done by an independent department of co-operation in the Ministry of Co-operation and Textiles in Maharashtra. The Minister for co-operation is the overall in charge of the co-operative administration, which is assisted by the Minister of state for co-operation. On the executive side the Principal Secretary for co-operation of the government of Maharashtra heads the department at the Mentally level at Mumbai. The number of Deputy Secretaries assists him. Department of co-operation is headed by the Minister for co-operation as a head of the department at the field level having his office at Pune. The commission rate of Sugar, Pune looks after the sugar co-operatives, whereas the Director of Agriculture marketing, Pune and the Director of Handloom, power loom and co-operative textiles are concerned with the Agricultural Marketing and co-op
textiles. The hierarchy of the Co-operation Department in Maharashtra with the addresses of the offices is given below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Tel. No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister for Co-operation</td>
<td>Vith Floor, Mantralaya, Mumbai</td>
<td>(022) 2025151</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(022) 2025222</td>
</tr>
<tr>
<td>Minister of State for Co-operation</td>
<td>Vth Floor Mantralaya, Mumbai</td>
<td>(022) 2831983</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(022) 2837261</td>
</tr>
<tr>
<td>Minister for Agrl. Marketing</td>
<td>IIIrd Floor, Mantralaya, Mumbai</td>
<td>(022) 2025398</td>
</tr>
<tr>
<td>Secretary (Co-operation)</td>
<td>IIIrd Floor, Mantralaya, Mumbai</td>
<td>(022) 2025283</td>
</tr>
<tr>
<td>Commissioners for Co-operation</td>
<td>Central Building, Pune 411 001</td>
<td>(020) 6122500</td>
</tr>
<tr>
<td>Registrar, Co-operative Societies Maharashtra State</td>
<td>Pune.</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Table 4.9: Hierarchy of the cooperative department**

<table>
<thead>
<tr>
<th>Commissioner &amp; Registrar</th>
<th>Additional Commissioner and Special Registrar- Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additional Registrar- Administration</td>
</tr>
<tr>
<td></td>
<td>Additional Registrar- Planning</td>
</tr>
<tr>
<td></td>
<td>Additional Registrar- Inspection and Election</td>
</tr>
<tr>
<td></td>
<td>Additional Registrar- Audit</td>
</tr>
<tr>
<td></td>
<td>Joint registrar- Housing</td>
</tr>
<tr>
<td></td>
<td>Joint registrar-S.L., A.C.</td>
</tr>
<tr>
<td></td>
<td>Joint registrar-Tsp- Nasik</td>
</tr>
<tr>
<td></td>
<td>Deputy Registrar-Tsp- Nagpur</td>
</tr>
<tr>
<td></td>
<td>Deputy Registrar-I.sp. – Nasik</td>
</tr>
<tr>
<td></td>
<td>Divisional Joint Registrar, C.S.</td>
</tr>
<tr>
<td></td>
<td>Divisional Joint Registrar, Audit</td>
</tr>
<tr>
<td></td>
<td>Joint Registrar- Appeal</td>
</tr>
</tbody>
</table>

At each Revenue Division Headquarters viz. Mumbai, Pune, Nagpur, Amravati, Nasik and Aurangabad. Divisional Joint Registrar, Co-operative Societies, heads the Administration Wing and the Audit Wing is headed by the Divisional Joint Registrar, Co-op Societies (Audit) District Deputy Registrar Co-op societies and the District Special Auditor Co-op societies are the District heads of Administration and Audit of co-operative department at each district in the State. At the Taluka Level, Assistant/ Deputy Registrars and Taluka Auditors to carry out the functions of Administration and Audit respectively.

**Benefits of Co-operative societies**

From its inception exactly hundred year ago in the year 1904, the co-operative societies have resulted in various benefits to the Indian society. The beneficial heads of the co-operative societies is described in the following heads:
1. Economic Benefits

- Supply of cheap credit
- Spread of banking habits
- More employment
- Distribution of essential commodities
- Encouragement to Thrift and other savings

The co-operative societies have liberated thousands of poor from the clutches of moneylenders. The movement has helped to develop the rural population habits of thrift and investment. Hoarded wealth is being invested for productive purposes. Cultivators are in a position to get loans at interest much lower than charged by moneylenders. Co-operative marketing and purchases have enabled cultivators to get better seeds and manure at reasonable prices. The movement has also helped in the development of cottage industries and reconstruction of village industries. There is no doubt that the movement has resulted in substantial economic benefits to vast number of rural masses that were being exploited by moneylenders.

2. Social benefits

Social and Moral benefits

- Checks petty quarrels of villagers
- Litigation and extravagance drunkenness and gambling are all at discount in a good co-operative society
- Develops good character and sense of responsibility
- The idle men become industrialist
- Harmonizes several social and economic interests
- The reduction in friction

The various reports have indicated that co-operative movement has resulted in various social benefits such as greater spread of education, better civil life and public health. Habits of thrift and investment have resulted in cutting down of expenses on ceremonial functions. Litigations, extravagance, drunkenness and gambling were declining and were replaced by social virtues such as co-operative spirit, industry, self-reliance, thrift and mutual help. These are the social virtues, which are needed to rebuild village communities.
In villages where co-operative movement has spread, there is greater demand for education by children of agriculturists. The movement has also developed moral virtues like loyalty, unity, co-operation, self-reliance, self-respect, and spirit of compromise and art of organized working. The movement has provided opportunities for bringing out the best qualities in members. The co-operative movement has served as a school for democratic training. It is school for training for working in municipalities and later at the national level. There is no doubt that the co-operative movement has brought about higher standard of living for millions of people in villages and also in urban areas. The movement has rendered great economic, social and moral benefits to vast number of Indians.

3. Educational benefits

- Training business methods to the members
- Works as an elementary school in the subject of business finance

4. Other benefits

- Provides opportunities to its members to learn art of running democratic institutions
- Encourage social leaderships
- Dependence on Government

In several places Co-operatives have undervalued themselves by looking to government for financial and other forms of assistance. Dependence on government undermines their autonomy and freedom of operation and in course of time it becomes a tool of the government.

The very act of Co-cooperativeness generates inner strength in a Co-operative form of organization. In fact we have so many instances when only those Co-operatives have gone ahead which have not sought any government favors. While saying this, it is not meant that they should be anti-government and grow on their own efforts only. Modern business enterprises are doing financial restructuring to raise capital resources. What prevents Co-operatives from doing likewise? By definition Co-operative being an organization of men of small means the members themselves cannot contribute the needed resources. Their equity base is so low that they cannot borrow the required amount from the
market. However Co-operatives can raise required resources if their equity base is enlarged and it is here that the rub lies.

Many Co-operatives say that they cannot increase their equity because of the “principle of limited interest on capital” then who will invest in a Co-operative where the return is limited, and when plenty of opportunities of investments with higher returns are available and even Co-operatives with surplus savings invest their money in other enterprises. Thus many Co-operatives consider the principles of “limited interest on capital” as an obstructive factor in raising resources and plead for dropping this principle. When this principle is not there they can raise their equity base which will enhance their “Own” capital base well as enable them to borrow from the market. We will discuss more about capital in the next chapter.

Problems of the co-operative societies in Maharashtra

Though co-operative societies have made great progress and have made substantial benefits on people, there are many serious problems and defects too such as

1. The co-operative societies have developed very slowly. Even in agriculture only marginal number of farmers are in the co-operative fold.
2. The non-credit societies also progressed very slowly.
3. The co-operative movement completely depended upon the government for funding. As a result it proved unable to mobilize funds from members and masses.
4. Heavy dependence of government witnessed frequent interferences from the government officials as if the co-operative societies were the extension of the government departments.
5. There is inadequacy of trained staff. It is due to inadequate training facilities. The movement failed to attract the capable people. Official and the members were not even aware of the basic principles and objectives of the co-operatives.
6. There are some serious internal weaknesses, which were hindering the smooth working of the co-operative societies. Some of these internal weaknesses are paucity of funds, granting of loans without taking into account the repaying capacity, unsatisfactory keeping of accounts, factional policies in management and among the members, too much dependence on outside finance, dominance of caste
prejudices, predominance of some powerful group in the management, granting of
benami loans to officials, unsatisfactory audit and inspection.

7. Because of the above defects, the problem of over dues emerged. The amount of
over dues has shown ever-increasing trend.

8. The unnecessary connection of political parties with the co-operative societies has
proved very costly to the co-operative societies. The members in the over
confidence of being connected with some political giants do not take interest in the
routine activities of the societies. They sometimes not even bother to refund the
loan amount in time. This has damaged the entire image of the co-operative
societies. The members without going into the basics of the co-operative just form
the societies not for actual working but for political needs. Ultimately they do not
know the rules and regulations. One or two of them unnecessarily try to dominate
the entire society, which results into quarrels and fighting. The societies get closed
or dissolved and the other genuine members by observing this remain away from
the co-operative societies. This has proved dangerous in many ways to the co-
operative societies.

9. There is a dearth of co-operative training and awareness. Members can be roughly
classified as under:
   a. Those who are not aware about co-operative objectives and principles 50%
   b. Those who feel that the co-operative societies have failed and therefore they
      should not form the co-operative societies. 30%
   c. Those who feel that co-operative societies are worst form of doing Business
      10%
   d. Those who think that co-operative societies is a good solution 10%

**Weakness of the co-operative societies**

There are many reasons for the painfully slow growth of the co-operative societies.

1. Lack of spontaneity

   The co-operative societies in India did not bring the people themselves. The
movement was not voluntary and the people did not come forward to organize
societies to satisfy their needs. On the contrary, the movement took the form of a
government department. The villagers thought it as a government-lending agency.
The government officials were ignorant about the basic principles and objectives of the co-operative societies.

2. Lack of funds

It was thought that the members themselves will pool their resources first and in case of insufficiency they will take loans from the government. But the central and state co-operatives could not attract much capital from the general public. The RBI was willing to lend to the co-operative banks at the concessional rates, but even this facility could not be taken advantage by the State Co-operative banks. In totality, lack of fund is a major draw back of the co-operative movement.

3. Loans for unproductive purposes

The co-operative societies failed to appreciate the organic connection between credit, marketing and processing. The loans were provided even for unproductive purposes, which finally made the societies unable to refund the loans in time. The loans were used for personal purposes such as marriage, construction of house, repaying earlier loans, payment of interest etc.

4. Lack of co-operation from the people

Indian rural population is mostly illiterate, ignorant and extremely conservative. Most of them did not understand the true meaning of co-operation.

5. Defective management

The failure and liquidation of many societies is due to poor management. In many cases the landlords tried their level best to demoralize the members. The work of many societies suffered from nepotism, favoritism and partiality. Some rich people also started getting associated with the co-operative societies and with their influence they got the loans from the government.

6. Defective leadership

As mentioned earlier, the rich, politically strong and economically sound people also tried to get the benefits of co-operative societies. In the process they tried to
capture the management of the societies. They became the leaders of the co-operative societies, who actually were interested only in their own benefits and not the benefits of the masses. These political leaders destroyed the very objectives of the co-operative societies. They appointed their political loyalists on the various posts for their political advantages. Emergence of actual co-operative leaders could not take place. No true leader could come up from the members themselves.

7. The attitude of the government

The government was correct in encouragement of the movement in all possible ways. The mistake it made was to convert the co-operative societies into government departments with rigid rules and shortsightedness. The tendency was to control too much. In the process nothing was left to the members. They could not take decisions; no leaders could emerge from within. Moreover government tried to speed up the movement instead of strengthening it.

8. The nature of Indian Public

The selfish leaders exploited the illiterate, ignorant and de-motivated Indian masses very easily. The very nature of the common man was to either forgive or forget. Such leaders could not be punished for their sins and crimes. Therefore they kept on doing bad activities and damaged the entire movement.

9. Corruption in the system

The needy can be exploited very easily. This happened quite often in the co-operative societies. The corruption in the government departments, and the corrupt government officials also damaged the co-operative societies very much. The members are exploited every time; be it the time of registration, loan application, repayment of loans or closure and liquidation. The benefits of the co-operative societies are snatched and eaten up by the officials and nothing is left for the members. Instead of encouraging the members to form co-operative societies and get benefits, the officers misguide the members and benefits themselves.

Challenges before Co-operatives

Today co-operatives are facing many challenges for shaping a meaningful movement.
1. Social Value

Success of co-operatives organization, which functions on the basis of people’s participation and involvement, has to be part and parcel of the social system. Economic and technological changes are disturbing the basic fabric of society. Access to electronic media in remote places is reviving the spate of consumerism over socialism. Today capitalization is failed as the winner and it is spreading under the guise of liberalization and globalization. In free market system under liberalization and globalization, competition becomes intense and success and failure of any organization or enterprise or institution is measured in terms of profit or loss. “Profiteering Tendency” is once again raising its ugly head to play havoc on unorganized, unprotected economically weaker units.

2. Organizational Effectiveness

Co-operatives in this country have generally three-tier federal structure with village level institutions as primary tier, district and state level institution as secondary tier and national level institutions as apex tier. Three tiers are linked together in terms of technical advice, financial support and common business strategy. Strengthening of federal structure is pre-requisite for developing viable co-operative model in future. Unfortunately all three tiers are working in tandem and they lack coherence in mutual assistance. There is also duplication of efforts, which result in wastage of limited resources and potential. Co-operatives as an organization need restructuring and consolidation of their resources for optimal use. Organization should also be guided on the lines of professional management and should be large enough to be flexible to accommodate any changes within it. There is no reason why co-operatives organizations cannot be competitive, economically viable and profit oriented provided it has dynamic and imaginative leadership to give guidance. There is consensus that movement must be rebuilt from the grassroots. primary societies that comprise its base. Primary societies should be small enough for members to be able to relate to them, yet large enough for efficient and effective operation. The federal structure of co-operative needs to be strengthened. It becomes necessary to establish effective inter-cooperative relationship between various units of federal structure. This type of structure has been found to be appropriate given the geographical dimension and administrative set up of the country.
3. Government Interventions

What Co-operatives need today is freedom from the shackles of government interventions. This will give some amount of autonomy to the Co-operatives. There should be change in the nature of the government interaction with the Co-operatives. Earlier government tends to control and guide the Co-operative movement. From its present role the government should switch over to the role of promoter. It should frame a comprehensive policy and broad guidelines for the operation of Co-operatives and should play a role of supervisor. Financial assistance in successive five-year plans is on decline, which indicates that the government expects Co-operatives, like other organizations, to be self reliant in long run. Sooner the government gives freedom to Co-operatives better it will be for viability of Co-operatives. This will not only help the emergence of new Co-operatives and its management but also strengthen the democratic norms by way of micro planning and implementation.

4. New Leadership

One of the challenges before the Co-operatives is the emergence of new dynamic leaders. The professional leaders are expected to be full of the following skills.

A. Building Shared Vision

When more people come to share a vision, the vision becomes real in true sense. When people have visionary leaders, the vision no longer rests of their shoulders alone. Leaping on to the 21\textsuperscript{st} century with out shared vision will tantamount to leaping into darkness. When the leaders are nurturing their own vision people may say that it is may vision. But when shared vision develops, it becomes both My Vision and Our Vision. A shared vision has less chance of failure.

B. Surfacing and Testing Mental Models

Many of the best ideas in organization never get into practices. One reason is that new insights and initiatives often conflict with established mental model. The leadership task of challenging assumptions without invoking defensiveness requires reflection and enquiry skill possessed by few leaders in traditional controlling organization. Most leaders are skilled in articulating their views and presenting them persuasively.
C. Systematic Thinking

We all know that leaders should help their people see the big picture. But the actual skills whereby leaders are supposed to achieve this are not well understood. Experience shows that successful leaders often are “System Thinkers” to a considerable extent. They focus less on day-to-day events and more on underlying trends and forces of changes. But they do this almost completely intuitively. One of the most significant developments in management sciences is the gradual coalescence of management systems thinking as a field of study and practice.

The Essence of Co-operation

Co-operative is a system of thought, feeling and action shared by a group of similarly situated persons, based on ‘mutuality’ giving all its members an objective and a code of behaviour. A true Co-operative demands from its member’s strict adherence to righteous values – honesty, truthfulness, devotion, equality, equity and avoidance of all that is prohibited in the prescribed moral codes prevalent in the society. It is not for maximizations of profit that a Co-operative society is created but for fulfilling a member’s need and the need of his fellow’s beings. Merging his self-interest with the interest of his group fellows, pooling together their human and material resources, establishing esprit decentralized corps with his fellow being for attainment of a goal, which they were deprecated of in the normal functioning of the market economy, is surely a distinct path and an unique achievement for mankind.

The union of people in a Co-operative is the union of love and virtue. It is presumed that the very act of Co-operation begets immeasurable excellence of friendship. Co-operation brings about benefit where none existed. It makes direct addition to GDP of the society. It provides benefits in times of need and, however small, it has great value. The benefit of Co-operation cannot be measured merely in terms of money. Its value is that an option was made available where there was none. Indeed the members of the Co-operative are like friends in adversity. Creating and sharing a benefit is a great binding force for mankind. Co-operative capital gives importance to men who were unimportant. It is said that sense of serving one’s fellows adds pleasure to work. We see this when some disaster occurs many people rush to help such fellows. This inclination to serve his fellow beings is given to mankind by God and a Co-operative harnesses this urge in man as if disaster had
occurred to all of them. Co-operators tickle this disaster of ‘deprivation’ by group efforts. In a Co-operative all the members are expected to have highly motivated propensity to serve each other without comparing closely their personal gain. It is said men work harder if it serves certain social ends that they value. A strong sentiment of group cohesion achieves greater results than individual effort. Co-operation gives its members a social status and stimulus for action and opportunities for upward movement.

Co-operation is an expression of finer sense of man–fellow’s feelings, identifying his self with the self of others, acceptance of universality and men pooling their resources both human and material, and satisfaction of all in the group rather than his self-only. Motivated by such urges, Co-operative movement has delineated a new path – blaze trailing path for the ‘weak’ persons of the society who cannot attain that goal on their own.

**Causes, which have retarded the growth of the movement**

Various causes have been responsible for the weaknesses and poor performance of the co-operative movement. According to the Rural Credit Survey Committee, “the more fundamental causes of failure of the movement were economic and socioeconomic” The administrative, structural and financial weakness and the educational and technical backwardness are subsidiary forms of symptom rather than the main disease.”

The causes for the limited progress of the co-operative movement have been

- The laissez faire policy of the state
- Illiteracy of the members
- Small size of the primary units
- Undue reliance of the honorary services
- Inefficient in management
- The factors which have retarded the growth of the co-operative movement are:
  - Poverty and mal-nutrition
  - Widespread indebtedness
  - High percentage of illiteracy
  - Lack of business experience
  - Uneconomic holdings
  - Inadequate transportation and storage

217
Dearth of regulated markets
Exploitation by the moneylenders and the middlemen
Great price fluctuations
Old methods of business
Important factors that have retarded the development of the movement are:
Lack of spontaneity
Lack of knowledge of principles of co-operation
Inefficient management
Existence of too many dormant and non-viable societies
Failure to serve the needy Strata
Absence of self help
Inadequacy of finance
Multi utilization and diversion of use of co-operative loans
Co-operative credit has not been the controlled credit
High incidence of overdue
Dominance of vested interests
Unplanned and hurried expansion
Lack of dedicated leadership
Fragmentary approach
Lack of congenial atmosphere
Lack of supervision audit and inspection
Inconsistency in policies and their half-hearted implementation
"There is non-cooperation in the co-operation itself"

Existing Constraints

In spite of the quantitative growth, the cooperative sector is beset with several constraints related to legislative and policy support, resource availability, infrastructure-development, institutional inadequacies, lack of awareness among the members, erosion of the democratic content in management, excessive bureaucratic and governmental controls and needless political interference in the operations of the societies.
1. Legislative and Policy Constraints

Operatives are basically economic enterprises requiring proper legislative and policy support aimed at the creation of an environment conducive to their healthy development. Provisions continue to remain in the cooperative laws, which hinder and hamper the development of these institutions. The restrictive regulatory regime has also restricted the autonomy of the cooperatives.

2. Resource Constraint

The cooperative sector in general and cooperative societies in the agricultural credit sector in particular is facing severe resource-crunch. Mounting over dues in cooperative credit institutions and lack of recycling of funds together with inability to mobilize internal resources, have made a large number of cooperatives sick and defunct.

3. Infrastructure Constraint

The cooperative sector is still predominated by poor infrastructure, particularly, in the field of post harvest technology, storage, marketing and processing apart from lack of basic rural infrastructure support such as roads, electricity, communications, etc.

4. Institutional Constraint

There have been instances of cooperative institutions in some cases working at variance. Some federal cooperatives, which were supposed to guide, and nurse their affiliate organizations are competing with them resulting in deterioration of the health of the primary and grass root level cooperatives. Lack of professional management and human resource development are also some of the traditional institutional constraints. Cooperatives in the financial sector and particularly in the banking sector are facing the problems of (i) dual controls; (ii) increasing incidence of sickness; and (iii) low level of professionalism, which have been adversely affecting the depositors’ interest.

5. Constraint Relating to Member Awareness

A successful cooperative requires enlightened and informed membership. Although the membership of cooperatives in terms of numbers has increased manifold, dormant membership and the absence of active participation of members in their management have
not only resulted in sickness but also encouraged the dominance of vested interests causing blockages in the percolation of benefits to the members. In a large number of cases, elections and general body meetings in cooperatives are not held regularly. The non-conduct of elections and general body meetings regularly has been creating apathy among members towards the management.

6. Constraint Arising Out of Excessive Government Controls and Needless Political Interference

Unjustified super session of elected managements by the Government and bureaucratic controls over the management of cooperatives has rendered these institutions as Government driven bodies rather than the member driven. There are institutions where the administrators continue for unduly long periods and members are not allowed to exercise their right to elect their own management. This situation leads to a regulatory regime and excessive governmental control and political interference in the day-to-day management of cooperatives.

The ideology of cooperatives is based on the principles of self-help, self-responsibility, democracy, equality, equity and solidarity. Members of cooperatives should believe and imbibe the values of honesty, openness, social responsibility and concern for one another.

Co-operatives in the 21st Century:

Co-operatives in the 21st century have to emerge as a savior of mankind.

In hundred year of its existence the co-operative societies have seen many ups and downs and today they have mixed achievements of successes and failures. In some areas and for some purposes they proved to be very successful, while in some other cases they proved to be either partially successful or completely failure. Co-operative societies could fulfill some of its basic objectives but not all. Today one can say that co-operative societies have to still go a long way to serve the needy and poor of this country. The increasing number of poor and deprived people, imbalanced regional development and concentration of economic wealth only in few hands clearly point out that co-operative societies have not been that much successful in solving these problems of Indian economy. In-spite of all its benefits, the co-operative societies in the era of globalization once again have to reorient them to protect and guide the poor and the lower middle class for their bread and butter.
Co-operatives in a competitive Environment

The need for inter-co-operative Collaboration

The introduction of the first International Co-operative Congress, held in London in 1895, had this to say on the subject of inter-co-operative collaboration. "Everybody of cooperation is by the very principle it professes, driven to desire union with every other body of co-operators."

As we look the power loom co-operative societies in Malegaon, we are struck with the absence of inter co-operative collaboration. This denies them strength and the power that comes from unity.

The Vienna session of the ICA Congress of 1966 decided to add, "Co-operation between co-operatives" to be the long established principle of co-operatives."

The Shining Examples of co-operative societies

This section deals with those co-operative societies whose exemplary work is no doubt, a shining example before others. An example to be appreciated and emulated. These are the societies, which have experimented, improvised and innovated- successfully. We salute these examples, which embody the spirit of co-operation and progress.

The Pravaranagar Udhyog Samuha: (The Pravaranagar Rural Industrial Complex)

In 1951, the Pravaranagar Sugar Co-operative came into existence. The birth of this sugar co-operative itself was a revolution of sorts not only in the Indian co-operative sector but also the Asian region. This was the first sugar co-operative in Asia owned collectively by farmers from the Ahmednagar region. This co-operative was organized by Dr.Vitthalrao Vikhe-Patil and received guidance from Dr.Dhananjayrao Gadgil, an eminent thinker in the co-operative philosophy.

This co-operative sugar factory set an example in the echelons of rural Maharashtra and inspired the formation of scores of other sugar-co-operatives in Maharashtra. Thus it set a starting point for not only the farmers to organize themselves but also the concept of rural leadership.
Today there are about 175 such sugar factories out of which 116 are operative and which processed 50.19 million Metric Tones of sugarcane almost one-third of the sugar cane processed in India. The pioneers did not stop only at sugar cane processing. Today the Pravaranagar Sugar Co-operative (now named as Padmashree Dr Vitthalrao Vikhe-Patil Co-op Sugar Factory Ltd.) has integrated various projects for optimal benefits to its members.

❖ **Watershed Management**: Sugarcane requires water. the co-operative has undertaken watershed management program so that water will be available to their members crops.

❖ **Modernization of Distillery**: has been undertaken for optimal production of spirit from molasses.

❖ **Water pollution control**: this program is undertaken as responsibility towards the environment. It controls pollution of river water where waste from the distillery is disposed.

❖ Pravara Institute of Research and Education in Natural and Social Sciences

❖ The co-operative has also diversified into a chemical plant and paper manufacturing plant.

The co-operative has also developed a host of other co-operatives ranging from those which give loans for higher education to local students to workers credit society to transporters co-operative societies for transportation of sugarcane and also the Pravara Co-op Bank. Thus this co-operative has developed itself with a definite long-term vision. Today it is a successful embodiment of all the seven principles of co-op.

Warna Nagar is a typical example of an all-round sustained development of a rural area. The co-operative movement here successfully outlines the transformation of a traditional rural society into an economic success story. The development started with the establishment of a co-operative sugar factory in the year 1956. Though co-op sugar factories are by no means a novelty now, they certainly were in those days. The sugarcane grower members contributed to the area development fund which has been used in undertaking various rural development projects like lift irrigation, construction of roads, dairy development etc. Its example is worth to be emulated.

With the aid of good management practice and dedication as well as a part of an astute vision led to the establishment of a poultry farm, which tied up with MAFCO for marketing of eggs and chicks. Thus yet another profit center was established.
This further led to the development of a huge dairy complex. Using effective marketing skills and by adopting marketing techniques of the times like effective advertising, this new project also attained success. To give a human dimension to the success-story, Warana sugar Factory provided the initial funds for the establishment for Arts, Science and Commerce College. This college not only has provided education to the local youth but also has a positive ripple effect in stopping the flow of rural youth to urban areas as well as making available trained manpower for aiding the growth of the area.

The Warana nagar Children’s Orchestra has earned fame in the various parts of the country and the world, which shows that the efforts of the rural leadership in developing younger generation in the areas of art and culture. The economic development of this area is closely linked to the growth and development of this multifarious co-operative. It is indeed a very bright star in the co-operative galaxy of this country.

Making Collective Dough

It is a story of seven illiterate and poor women who borrowed Rs. 80 to start a Papad business, and took its turnover from Rs.6196 in the first year to Rs. 300 crores in the next four decades, involving 40,000 women on its revolutionary march.

Separate divisions of advertising today guide Lijjat. marketing sales promotion and exports. All the centers are autonomous, profit remains with the respective branches and are normally used to augment to business after a due share is distributed as extra vani charges to sister-members. Employees numbering about 5000 including the chairperson herself, are in no way superior to sister-members, and therefore expected to behave accordingly. Today Lijjat also makes Sasa detergent and cake.

How is Lijjat placed in the market?

Though each branch is responsible for the marketing of its products in the area allotted to it, the new centralized marketing offices now procure surplus production from different branches and market it at all India level. The products are marketed through a wide network of dealers and distributors all across the country. The dealers are given a set commission of seven percent. Lijjat had 298 crores of sales in the year 1999-2000, Rs. 288 crores in 2000-2001 and Rs. 281 crores in 2001-2002.
The goodness of Shri Mahila Griha Udyog Lijjat Papad lies, among other things, in its ability to offer dignified self-employment opportunities to women. Any women looking for work can approach any of its branches and join 40,000 plus sister members without any fuss and earn Rs. 2000 to Rs. 3000 every month for her roughly six hours of work every day from home. The system does not collapse under the weight of its growing members of workers, but on the contrary gathered strength from them and become a shining example of a business based on the sound but apparently impractical Gandhiyan concept of Co-operation. Today Lijjat has Rs. 300 Crores turnovers per year.

**How does it work?**

After a woman has signed a pledge form, she is considered as a sister member. All the branches work between 10.30 a.m. to 6.00 p.m. during which time some sisters prepare dough while other receive papads from those who had taken the dough home the previous day. Payment called “Vani Charge” is paid to them before fresh dough is given to them. Accounts are never kept pending even for a day, nor any credit given to the any dealer.

Every branch is headed by the branch head, which is chosen among the sister members by consensus. Similarly. Allotment of different works like dough making, distribution of dough, weighting and collection of papad, packing all is decided by the sister-members by consensus. The wage system is such that same amount of work fetches a same amount of wage. In any case it is the collective responsibility of the sister-members to manage all branch activities effectively, efficiently and profitably. Apart from production the branch is also responsible of marketing its product in the area allotted to it.

To maintain the high quality and standard of Lijjat products and uniformity in the taste for the same products from different branches, the central office supplies the raw-material- moong and urad flour, to all its branches. This remains the only involvement of the central office in the entire production and marketing exercise of the branch office.

Vani charges (rolling) differ from branch to branch depending upon the profit of the branch. Each sister-member is expected, so also pledge, to roll at least three kilogram of papad every day. A new member, after about 15 days of training starts achieving this target.
If there is any loss, sister members, as the owners of the enterprise, absorb this by taking less Vani charges. Similarly profits are distributed among the sister members as extra vani charges at the discussion of the branch concerned.

Amul, the taste of India

50 years after it was first launched. Amul's sale figures have jumped from 1000 tones a year in 1966 to over 25,000 tones a year in 1997. No other brand comes even close to it. All because a thumb-sized girl climbed on to the hoardings and put a spell on the masses.

For 30 years the Utterly Butterly girl has managed to keep her fan following intact. So much so that the ads are now ready to enter the Guinness Book of World Records for being the longest running campaign ever. The ultimate compliment to the butter came when a British company launched butter and called it Utterly Butterly, last year.

It all began in 1966 when Sylvester daCunha, then the managing director of the advertising agency, ASP, clinched the account for Amul butter. The butter, which had been launched in 1945, had a staid, boring image, primarily because the earlier advertising agency which was in charge of the account preferred to stick to routine, corporate ads.

Conclusions

1. Need for change in Co-operative Act in context of changed scenario

Indian “Co-operatives” more often than not, have come into being at the behest of a state government, which defines who should be the members, what purpose it should serve, and how. Co-operative laws allow the registrar of companies to refuse citizens the right to voluntarily set up Co-operatives, if he/she is not of the opinion that the proposed Co-operatives might not be viable, or that if allowed to come into existence, it will affect the business of a Co-operative already in existence and laws also empower the registrar to classify Co-operatives, a power used by him/her to restrict /contain/expand the Co-operatives.

Today co-operative societies need more liberty with respect to the management and finance. With state controlled situation, they cannot function in the modern competitive
world. There is a need to change the co-operative principles societies as to provide more flexibility to the power loom co-operative societies in Malegaon.

The following additional rules are required.

1. The societies should be allowed to manage their own routine matters without much government interference.
2. The state should allow the societies to conduct their elections and appoint dignitaries.
3. The collection of finance should be made more flexible. Let them collect funds from members and non-members.
4. The principle of limited interest on capital is removed so as to make societies to stand at par with companies in terms of dividend and returns.

2. The Need for a modified National Policy on Co-operatives

The role of cooperatives has acquired a new dimension in the changing scenario of globalization and liberalization of Nation's economy. Internal and structural weaknesses of these institutions combined with lack of proper policy support have neutralized their positive impact. There are wide regional imbalances in the development of the cooperatives in the country. This has necessitated the need for a clear-cut national policy on cooperatives to enable sustained development and growth of healthy and self-reliant cooperatives for meeting the sector/regional aspirations of the people in consonance with the principles of cooperation. In this connection, it is also imperative to address the issues, which require to be attended to by evolving a suitable legislative and policy support to these institutions.

The proposed National Policy on Cooperatives, as follows, is a part of the concerted efforts of the government to provide appropriate policy and legislative support to cooperatives with a view to revitalizing them.

The Co-operatives identity and values lend themselves readily to the vision of collective learning. In the global scheme of 21st Century, Co-operative organizations should become more relevant and successful if they realize the vision clearly and correctly.

In brief, the reduction of overdue mobilizing of deposits, revitalization of dormant societies, amalgamation of weaker ones into viable units, introduction of new policies and effective linkages of credit with marketing and improving the overall efficiency of co-
operatives by toning up their management and better supervision of the use of loans at all levels are the most important aspects of the future co-operative policy. If these are accomplished co-operative societies and co-operative banks may cease to the mere groups of borrowers as at present and emerge as an effective banking agency and serve the cause of agricultural and industrial production better than at present.

The Government of India trusts that the enunciation of this statement of Policy on Cooperatives aimed at professionalisation and democratization of their operations will facilitate the development of cooperatives as self-reliant and economically viable organizations, providing their members improved access to the economies of scale, offsetting various risk elements, safeguarding them against market imperfections and bestowing the advantages of collective action.

And further trusts that the above statement of policy would ensure enduring autonomy and lasting viability to them as democratically owned, self-reliant enterprises, responsible and accountable to their members and to a larger public interest.

The co-operative societies have already completed hundred years of its existence in India. The growth of co-operative societies in the field of industries has not been up-to the mark. The government at both central and state levels has been trying best to strengthen all the types of co-operative societies. The co-operative societies acts, various government departments and ministries are busy in this task.

However the success in respect to industrial co-operative societies has been very marginal. Though the number of co-operative societies has increased many folds but the contribution in terms of poverty eradication and upliftment of poor is always at doubt. The growth for industrial co-operative societies has been more negligible. There are lots of problems and constraints in this regard. The changing global scenario demands changes in the co-operative societies structure but the excessive control by the government and outdated rules and regulations restrict the industrial co-operative societies to become dynamic.

This write up is an attempt to understand the situation of co-operative societies and suggest certain measures as remedy to this.