

Our Civil Society and Cooperatives

Daman Prakash



International Cooperative Alliance
Regional Office for Asia and the Pacific

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Our Civil Society and Cooperatives

Cooperative Institutions as true Contributors to the Development of our "Civil Society"

by **Daman Prakash**

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Our Civil Society and Cooperatives

**Cooperative Institutions as True Contributors to the
Enrichment of our Civil Society**

Daman Prakash

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*Dedicated to all those who are trying to identify the basic foundations
and values in Cooperatives and to all those who are looking for civility
in the Cooperative World of Today*

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Foreword

Cooperative institutions are unique institutions in the sense that these happen to be the socio-economic institutions which are created by the members on their free will and to meet their own needs - social and economic - through democratic means and by applying appropriate management techniques and in accordance with the Principles of Cooperation. All over the world for more than 150 years these institutions have been performing their tasks well in all conceivable sectors of economy. In many countries cooperative enterprises had demonstrated commendable achievements by providing efficient economic and social services. The roles played by cooperative leaders were courageous, full of high morals, and with positive attitudes towards the betterment of members. They were able to give their best to the building and promotion of cooperative enterprises.

Of late, there has been a tremendous growth in the number of cooperatives and cooperative membership besides the volumes of business transacted by them. They have become large estate-owners, big-time employers and large business operators. Many of the cooperatives have highly qualified professionals. Within the Movement there are well-known thinkers and ideologists. However, during our recent times, according to the discussions which had taken place within the International Cooperative Alliance (ICA), it has been found that some of the values which were highly cherished by the former leaders have suffered a setback, the Principles of Cooperation have been distorted or perhaps misunderstood and misrepresented, and the governments have gradually taken over the management controls of cooperative institutions, especially more in the developing world. Instead of performing the role of a guide, friend and philosopher of the Cooperative Movement, the government has turned to be the 'masters' of the Movement. Already during the '60s the Principles of Cooperation had to be

revised to keep in line with the changing situations of our modern times. Again, during the last couple of years intensive discussions have been going on around the world on defining Cooperative Values and suggesting a review or revision of Principles of Cooperation. Cooperative thought, cooperative way of life and cooperative way of doing business have been undergoing a change with times. The Movement has thus shown its dynamism and its willingness to adapt to changed environments. The 100 years old history of the International Cooperative Alliance bears an ample testimony to this dynamism.

Looking at the current problems faced by the Cooperative Movement worldwide and especially in the Third World, the most urgent tasks are to improve the quality of leadership, management leaders, and enhancing a greater collaboration with the governments with a view to achieve harmony - not to perpetuate conflicts. There is a need now to provide for education and training of leaders, providing them with some models of Conduct/Ethics so that they achieve a higher degree of accountability and transparency in their work and in their relations with their cooperatives. They have to be more member-oriented rather than being self-centered.

“Cooperatives fail because their leadership is of poor quality and/or the management is incompetent and ill-trained. Cooperatives perform poorly because of constant interference by petty bureaucrats who seek pecuniary and other gains and politicians who use the cooperative as a pawn in the chessboard of their power games. Whenever we talk about the failure of cooperatives we generally refer basically to the failure of cooperative values”. Efficiently-run cooperative institutions represent the quality of members and their leaders. They also represent the quality of our human society - our civil society. We need a re-emergence of a reformed civil society within which all human associations - governmental and non-governmental - perform their tasks for the 'total' development of citizens.

The present material entitled **Our Civil Society and Cooperatives - Cooperative Institutions as True Contributors to the Enrichment of our Civil Society** written by my colleague, Dr Daman Prakash, lists the problems faced by the society, the role of the non-governmental organisations and the cooperatives, roles played by cooperative leaders, roles played by governments in the development of cooperatives and touches on the very key issue of the need of having codes of conduct/ethics for cooperatives and cooperative leaders. I found this material of great relevance for our cooperative workers, leaders and managers and thought that this could be made available for a wider distribution.

Dr Daman Prakash has been working with the International Cooperative Alliance for the last 32 years and is thus rightly qualified to produce a paper of this nature. He has a rich experience of working with grass-roots organisations not only in India but also in other countries and as well with the United Nations system. He is now the Project Director of the Agricultural Cooperative Management Training Project for Asia at the ICA ROAP. I would appreciate if this paper is brought to the attention of cooperative scholars and cooperative leaders. Cooperatives are encouraged to have this material serialized in their journals and have it distributed widely by translating it into local languages.

I am sure the material presented in this paper would be useful. We would be very happy to receive comments and suggestions on the contents of this material.

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October 31, 1994

CHAPTER-1

Introduction

01 Cooperative institutions have been significant players in the social theatre.

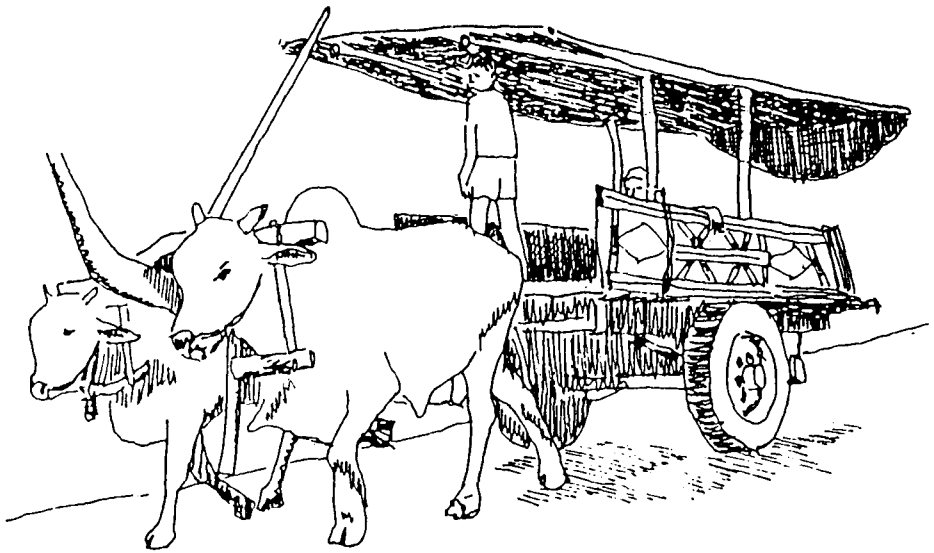
02 Contrary to the common belief that cooperative institutions do not deliver social goods, some of the recent studies and observations strengthen the argument that cooperatives are indeed people's organisations which can respond effectively to the felt-needs of their members. A closer social audit of such institutions would reveal that leaders with vision in collaboration with enlightened membership and with the cooperation of dedicated and devoted management can certainly transform our 'civil society' into a place of security and satisfaction. These NGOs can effectively help eliminate poverty, sustain environment, provide employment, and enrich social standards of the people. Governments only have to genuinely recognize their relevance and significance, earn their confidence, realise their potential, and give them the freedom of action and treat them with respect since they personify the initiatives of grass-roots people of limited means and resources.

The Civil Society

03 “Civil Society” is not a new concept. It is as old as the man himself. This civil society consists of you, he/she, they and me. In our olden times, man allowed himself to be governed through the representatives/elders elected (or chosen by mutual consent) by the society, and, in turn, they expected a good ‘governance’ which was ethical, social, just, respectful, accountable, transparent and responsive to the needs of the people. Over a period of time, this ‘governance’ got transformed into ‘ruling’ as the representatives/elders ignored the social and moral values and assumed the roles of ‘rulers’. They expected the people to have trust in them, believe them and ‘obey’ them. A ruler is ruthless, selfish, impersonal, insensitive and powerful. The present-day ‘democracy’ is a device which is cleverly used by the rulers as an instrument to rule. It is the time that the old concept of ‘civil society’ is recreated, reconstructed and sharpened and the governments of the day - the rulers - are made to be ethical, social, just, respectful, accountable, transparent and responsive to the needs of the people. In nourishing this concept further, the role of self-help groups, cooperatives, voluntary agencies, and other non-governmental organisations is appropriate and extremely important. People, after all, are the basic elements of this civil society.

04 In the civil society of those days there was the rule of law, respect for the elders, fear, respect and justness of the authority, tolerance, security and freedom for the weak and the mighty to speak against injustice. There was mutual respect for each other, trust in the elders and authority. There were moral and ethical values which helped the society to maintain law and order. The patronage to the institutions and individuals was based on merits. The scenario has now changed due to the fact that ‘self’ has come before the larger interests. Toleration has faded. Dissent is not appreciated, morality, civility and ethical values have come under the clouds of self-interest. The

role of the government as a friend, philosopher and guide has changed into that of 'masters'. The potentials of good-intentioned individuals and groups have been ignored. Conflicts have come up because the state itself started fiddling with the initiatives of individuals and groups by asserting its own authority and presence through legislation, executive and money. The civil society is now at a cross-road and is in a confused state and looks for reformation.



CHAPTER-2

Problems of Human Development in a Civil Society

01 It has been argued, mostly by the developed countries that poor countries have slipped into the vicious circle of poverty because there has not been any appreciable economic development (economic growth). The counter argument could be as if the developed countries have no greed for power or as if the people and the governments there are fully satisfied with each other. Growth brings development, progress and security. The growth also generates problems. Growth alone is not an indicator of progress of human society. Development attracts greed - greed for money, greed for power, greed for raw materials from poor countries, daring to block the transfer of technologies (e.g., controlling the technology is a hindrance to social development - controlling through patenting seeds, for instance, is a means to offset the agricultural production and taking away the business and freedom of the farmers in developing countries), entering into unequal contracts for the supply of energy resources, water resources and freedom of passage, enactment of unpopular and undemocratic or unilateral legislation enabling the government to usurp popularly-elected institutions, destruction of ecological balance and the ozone layer

due to high level of industrial development and having the audacity to blame the third world for generating pollution, and asking them to share the cost of the cleaning operations and charging high costs for transfer of environment-related technologies; destruction of cultural values through media invasions and so on. The 'greed' led to the recent wars e.g., the gulf war mainly on account of having a hold on oil resources and supplies. No wonder the next wars will be fought on controlling fresh water resources, marine products and forest reserves. Development has to be full and complete and achieved with the full support and participation of the people. People are social, and they have economic needs. If the process of development responds to both aspects - social and economic - then only we can expect a full development of the people. That development will help improve the quality of life.

02 A closer view of our world would unfold before us some of the most disturbing trends which have damaged the sacred fabric of mankind, which, among others, destroyed our ecology, excessive spending on war machines, destruction of human rights, destruction of regional diversities and cultures, destructive subordination of agriculture to industry, worsening of income distribution, drastic reductions in educational budgets and suppression of freedom of expression etc. etc. Petty issues assumed international dimensions. Defence budgets got hiked up at the cost of education and development. The cuts on education budgets were so deep and hard-hitting that at least two or three generations would continue to be ignorant and deprived of the benefits of community's development. The population of 'educated illiterates' will increase. The money spent on unwanted wars could have been spent on education, training and development which would have enriched the social development of the society. There is a strong need to soften these hard corners so that regional diversities are protected, ecological balances are maintained, a proper climate is created for staging

a social environmental comeback, and money is put to a more realistic use - enhancing the social standards of the people. There is need for restoring the rights to the people and ensuring that people enjoy their rights and are enabled and empowered to exercise their responsibilities without fear and favour.

03 We have also noticed the spread of climate of fear, greed for money and power, and helplessness of people to have their grievances redressed by governments. There is a tremendous growth in terrorism, destruction of our environment, and growth of poverty through the ever-expanding slums and shanties. Because of 'non-governance' and due to the inability of the people to have their rights enforced, precious lands in urban areas are being encroached upon by those who 'matter'. Agricultural lands are getting reduced due to urbanisation because these projects are sponsored by the 'influential' and the poor or the law-abiding members of the civil society are gradually getting deprived of adequate supply of clean drinking water, reliable and clean supply of electricity and clogging of roads and streets. Politicians and corrupt bureaucrats/law enforcers encourage people to illegally tap electricity and water from main supply lines, thereby forcing the law-abiding to pay more taxes and charges to the civic authorities. Our children now have no place where they could go and play in the open and enjoy fresh air. In order to justify their existence, the politicians, and, at times, the governments have been telling lies saying that civic amenities are under a tremendous pressure due to increasing population and aging machines and outdated/faulty systems. Such tricks do not hold water because, at the same time, the number of so-called 'civil/public servants' is increasing bringing thereby a terrible pressure on tax-payers. People have been asking themselves why so many civil/public servants with so little to be done by them! Why do we see senior level public servants managing small, independent, self-help organisations which are of no real concern to the government!

04 Due to pressures of growing population, shrinking civic supplies and services and lack of employment opportunities the population of street children - rag pickers - is increasing, many able-bodied and well-educated young boys and girls sit idle looking for opportunities to work, poor women are getting subjected to atrocities and humiliation. It is in these areas we can find, with some satisfaction, the NGOs doing a commendable job. Their resources are limited but their objectives and services seem commendable. They need to be acknowledged, encouraged, nourished and enriched.

05 The NGOs have also earned the acceptability of the people in the sense that the governments, instead of 'governing' the people - the civil society - have been 'ruling' the people. They have progressively moved from 'governance' to 'non-governance'. The governments have, unfortunately, tolerated, and at times, encouraged a great divide between the people's leaders - the elected representatives of the people - and the people themselves. This is not intentional but incidental. The art of logical and ethical governance has degenerated into cheap politics, fully laden with manipulations, corruption, inefficiency, suspicion, indecision and insensitivity to the people and their needs. The leaders have been sucked into the whirlpool of contradictions, anti-social practices and self-interest at the cost of the same very people who had chosen them to govern them (the people). As a result, the so-called 'development programmes' offered by governments often served self-interests and fulfilled political ambitions.

06 In order to hold on to power and influence, governments have been using a variety of instruments and weapons e.g., political patronage, cleverly-designed projects and programmes, funding institutions which work for the governments and further the interests of governments, and even the use of brutal force on the members of the civil society, violation of human rights, perpetuation of caste differences, use of religious conflicts and, as well, smothering the

popular wishes and hurting the pride of the people. Such tendencies have become apparent during our most recent times. People are beginning to ask for whom are really these governments, and, after all, who runs them and what purpose do they serve! People themselves seem to have been going out of focus. Governments have been distancing themselves from the people. Even at the world level, we find an extension of the same trend. (As it so happens, the United Nations System is also perpetuated by such governments. That System is also trying to please its constituents, and where an individual or an NGO has no meaning! According to the UN system, any organisation which is neither a government agency nor one of the UN Specialised Agencies, and which happens to be closer to the people at the grass-roots level is termed as a 'non-governmental organisation' - a negative way of putting things!). The work culture in the UN bodies is based on 'decisions by consensus', bureaucratic delays in decision-making, excessive 'personal-oriented preferences', and by using highly refined diplomacy.

07 Voluntary agencies (also called the non-governmental organisations), self-help groups, social clubs or groups, literacy programmes, health education institutions have been serving the masses with a certain degree of efficiency, satisfaction and confidence. They seem to enjoy the trust of the people. These institutions are usually supported by voluntary groups. The activities are aimed at improving the lot of the people based on their expressed needs. Voluntary agencies are more democratic, enjoy greater freedom in developing strategies and programmes thereby responding to the needs of the people. They are free from government controls. Decision-making in these organisations is faster. Decisions can be made to respond to the needs of even a smaller number of people and for a desired length of time and for a desired area of operation.

08 The voluntary agencies do have an edge over government departments in important spheres like elementary education, adult

literacy and health care for all. Perhaps they are the only agencies that can undertake vital but delicate tasks like organising and serving the rural poor. Apparently their grip on the people and their needs is greater than that of the government. Governments have become too political, too distant from the people, and indifferent. They coin very juicy and highly idealistic slogans but the actions remain shallow. These NGOs do not bother much about the 'vote banks'. They mean business, and that too with and for the people.

09 There are, however, some rays of hope, and these rays are those non-governmental organisations which have the courage to stand up and fight for the cause of people and to provide them the much-needed relief which could not have been possible through the government-sponsored programmes and initiatives. These NGOs are the people's organisations or self-help groups - which, through their own means and resources, try to serve the people in their social and economic environments. We can find such NGOs in some of the most critical fields e.g., population growth, fighting disease and hunger, protection against human rights violations, protection of civil rights and fostering respect for responsibilities, protection against unequal and unilateral trading agreements, protection of the innocent like women and children from harsh treatments from anti-social elements, drugs and narcotics, destruction of our environment through indiscriminate disposal of pollutants and other harmful substances like the nuclear wastes etc.

10 A review of the variety of voluntary agencies would reveal that most of them have their objectives narrowly defined. These agencies have been created to deliver their single-point programmes e.g., rural development-oriented agencies are mainly concerned with the upliftment of rural masses and/or to improve conditions of villages, public health agencies cater to specific target groups and provide services only in specific sectors of health care (eye camps, cancer detection services, mother/child care organisations, special educa-

tion services for handicaps), family planning agencies aim at controlling birth rates, social forestry programmes, homes for the aged, labour welfare, adult literacy, slums improvements, correction houses etc. etc. Cooperative institutions provide integrated services and aim at the total development of the individual members and the community at large. Their objectives are broad-based and all encompassing. A multi-purpose cooperative, for instance, would provide all the services needed by the members and their families e.g., agro-services, agricultural credit, farm guidance, warehousing, marketing, consumer goods, education, training, medical care, livestock care, water supply, electrification, recreation, social services etc.

11 Cooperative institutions are also based on a set of principles which are most humane, democratic and concerned with all aspects of human life - social and economic. The Principles of Cooperation are the best guidelines to strengthen world peace, solidarity and love for mankind. The Principles are intended to safeguard the human rights and enable the members to practice democracy and enjoy the freedom of action. The membership of a cooperative society is open to all without any restrictions of any kind. Members join or form a cooperative on their own to fulfil their felt-needs and, without any external pressures. 'Cooperative democracy required a democratic structure, a fair distribution of tasks, a continuous dialogue assisted by information, and beyond these, an attitude of the individual towards others, a way of treating them. It demanded an open mind, a capacity to listen, a will to understand. Democracy must also be applied to economic fields so that the economy expresses the will of the citizens themselves'.

12 We find in many of the developing countries cooperatives being the focal point for the villagers, consumers, farmers, artisans and others through which they obtain good quality and reasonably-priced goods and services, farm credit, facilities for marketing and

warehousing of agricultural produce, raw materials and the like. Cooperative institutions have been providing all kinds of services, educational, vocational, technical consultancies including health programmes. On the top of it all, cooperatives are the best instruments to promote the real type of democracy which is neutral and self-propelling. They have to be free from local politics. Political democracy is indispensable to the development of cooperation.

13 The International Cooperative Alliance (ICA) which is a world association of cooperatives of all types, represents the philosophy of Cooperation and serves as a spokesman for the entire Cooperative Movement. It is fascinating to note that its membership represents all shades of politics, all levels of social and economic development. The discussions that take place in the various fora of the ICA are all concerned with the total development of the people - members and non-members. The ICA aims at bringing peace, strengthening mutual understanding and reverence for values, ethics and principles throughout the world. The elaborate discussions that take place in its Congresses, Assembly meetings and other committee meetings, the declarations issued in connection with the International Cooperative Day celebrations are the clear indications that in the cooperative world all are equal, everyone has the opportunity to live peacefully and everyone has the right to make the society a rich and vibrant civil society. Its objectives are: (a) to promote the world Cooperative Movement, based upon mutual self-help and democracy; (b) to promote and protect cooperative values and principles; (c) to facilitate the development of economic and other mutually beneficial relations between its member-organisations; and (d) to further the economic and social progress of people, thereby contributing to international peace and security. We can infer from the above that cooperative institutions are complete institutions which can contribute to the development of a rich civil society.

CHAPTER-3

Cooperatives are the Most Relevant NGOs

01 Among the whole range of voluntary or non-governmental organisations are the cooperative institutions. Cooperatives are people's organisations, formed by the members themselves on their free will and are operated on sound democratic lines and in accordance with the internationally-accepted Principles of Cooperation. A cooperative society is essentially organised to serve its members and it is the members who should feel its need and promote it. Cooperatives are the little democracies that operate at the door-steps of the members. Cooperatives have their own bylaws and work programmes and they are supposed not to be subordinates of the government, although they have to operate within the legal framework of the government. In order to obtain their legal status, a cooperative needs to be registered. Cooperative institutions are both economic and social entities. These are not the mere charitable trusts or social clubs where the members come and participate in social or recreational activities.

02 Cooperatives are democratic institutions and are created to serve their members to satisfy their social and economic needs with mutual consent and irrespective of any artificial barriers e.g., political,

religious belief, caste and creed etc. A cooperative society is merely a manifestation, an organ to promote and uphold some basic values. It is as much a form of organisation created to meet the needs of the community, in a given situation, without exploitation, as a value-based institution, committed to build a social order characterized by equity, equality and distributive justice. The measure of its success, therefore, will be as much its efficiency and the return that it may ensure to its members, as the extent to which it eliminates or reduces exploitation within the community.

03 The strength of a cooperative and its ability to be successful is connected with its members, their mutual solidarity, their knowledge of people in the group, their trust in their leaders and also their ability and willingness to make sacrifices. How far is the cooperative able to successfully avoid conflicts with its constituents and with government is also a point of strength? That shows the maturity of the leaders, correctness of the decisions taken and the dedication of employees!

04 The essential characteristic of a cooperative is that it is a democratic organisation engaged in the market place, providing goods and services. It is nevertheless based on people, not on capital or government direction. In its essence it can never escape, even if it wanted to, the capacity of members to exercise control whenever they wish to do so. In the strongest cooperatives the involvement of the members is evident and determinative. Moreover, 'membership' is diverse, not a simple, relationship. Members are owners: they have rights and responsibilities associated with electing directors and with giving general direction to the cooperative. They are also users: they are expected to use the services of the cooperatives. If the members do not use the services of their own institution, then who else will, and how then can their cooperatives succeed in fulfilling the needs of their own members. When a cooperative has a surplus, members should receive a 'return', usually based on the extent to which they used the services provided by the cooperative.

CHAPTER-4

Perceptions on 'Economic Returns'

01 In some cases, however, cooperatives have indeed strayed away from their real objectives. In such cases 'profit-making' objective rules supreme. Out of these profits, cooperatives in their wisdom, have invested their profits (a major portion of which should have, in fact, gone back to the members) in huge and ultra-modern buildings and facilities which remain largely unproductive and of no real value or use to the ordinary members. Many of the cooperatives have become large estate-owners and several of them even take pride in having star-studded/5-star board rooms. Very little of such profits flow back to the member-owners in the form of services. These may as well be very isolated cases. Ironically, many a leaders take pride in boasting aloud of the huge profits their cooperatives have earned, without really realising that profit-making is not the ultimate objective of a cooperative. Even the audit classifications are based on the amount of profits earned, not based on the quantity and quality of services rendered by these cooperatives to their members. On the distribution of 'economic returns' the best guidelines are contained in the Principles of Cooperation. The 4th Principle reads as follows:

"04. Economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others.

"This may be done by decision of the members as follows:

- a) by provision for development of the business of cooperative;
- b) by provision of common services; and
- c) by distribution among the members in proportion of their transactions with the society."

02 There is, however, a strong need for cooperatives to have a fresh look at the business they perform. There is a need to amplify their social agenda in addition to diversifying their economic activities in order to get higher economic returns. These returns (in fact, the profits) are to be ploughed back into the business of the cooperative, not only to be employed in shares, fixed deposits or government securities but in enlarging the business and creating a strong 'good will' among the members and the community. Such investments do not represent aggressive decision-making capacities. They represent 'defensive' decisions.

03 In a number of cases, profits made by cooperatives have been employed in the service of the community. Some of the encouraging instances are: using funds for development of welfare programmes for cooperatives in the sectors of environment, health consciousness, education and development of weaker sectors of the society; offering scholarships; supporting infrastructures relating to warehousing, housing for cooperative members and workers; health checks; drinking water supply; creating programmes aimed at income-generation among women, tribals and youth etc.

CHAPTER-5

Cooperative Sovereignty

01 Cooperatives also have all the basic ingredients which constitute a State i.e., Territory, Government, Population and Sovereignty. The State is superior to the cooperative institution in the sense that sovereignty is absolute in the case of the State, while the cooperatives have to operate within the sovereignty framework of the State. So, cooperatives have the following components i.e., Territory (it is called the area of operation of a cooperative - a village, a town, a province or the entire country), Government (it is the democratic control exercised by the members on the affairs of the cooperative i.e., the general body, board/managing committee and sub-committees etc.), Population (this means the membership which have formed the cooperative through a legal process of payment of admission fee and purchase of shares), and Sovereignty (in the case of cooperatives, it is the general meeting of the members which is recognised by the law as the supreme authority which enjoys the powers of creating bylaws and enacting various rules and policies which are binding on all the members). The law within which the cooperative operates is enacted by the sovereign State. The limitations for the two are drawn naturally. The flash-point comes when

crossing the limits comes into play. The question of rights and responsibilities thus becomes supreme. The State has obligations towards the community and the cooperative has obligations towards its members and towards the State. It would be appropriate to say here that cooperatives need the governments as much as the governments need cooperatives. Both are bound by a common bond. Both have limits and these limits have to be understood, respected and honoured, without the one hurting the pride of the other.

02 This dimension could easily be co-related with the 'civil society' where the members elect their representatives to run the affairs of the cooperative and ensure that the management of the cooperative is responsive to the needs of the members. The situation gets worse when the elected representatives get sucked into the area of influence of self-interest, the government, the politicians and others. They then, instead of serving the members, try to rule (dominate) over the cooperative and its members.

03 In several cooperatively-advanced countries we find the member-led cooperatives progressing and responding to the needs. These institutions came up because the members created them on their own free will and without any pressure from the government. As a result they contributed significantly to the enrichment of social life and thereby covered the economic needs of their members. Consumer cooperatives of Scandinavian countries, the United States, Canada, and Great Britain are the good examples where they succeeded without any financial or personnel patronage from the government. In the initial stages (immediately after the World War-II) in Japan, however, the government did contribute substantially to the evolution of cooperative associations with a view to consolidate people, land resources and national economy. The cooperatives there maintained the Japanese traditional group work and succeeded in strengthening and nurturing the cooperative concept,

strengthening the open membership, democratic control and freedom in decision-making. They have now strong cooperatives in all sectors. These governments do not even have the Registrar of Cooperatives and still the cooperatives there succeeded well. Whereas in the Asia Pacific region where most of the countries gained their independence during the '40s, the governments were in a hurry to create conditions and institutions which helped consolidating the communities, economies and providing services to the people and setting their plans of development in motion. Cooperatives were consequently considered as the best means to achieve this end. The governments had the pious intentions of propagating cooperatives and encouraging the people to form cooperatives. In so doing, the governments came forward with a variety of incentives and contributions e.g., participation in share capital of cooperatives, providing them with personnel, auditing their accounts, providing funds for operating offices, contributing to the education of members and training of cooperative employees, helping in creating a variety of infra-structure e.g., processing units, warehouses, subsidizing office equipments and even formulating model bylaws. Governments even fixed targets as to how many agricultural and consumer cooperatives should be created within a fixed period of time.

04 As a result a large amount of government money was poured in the process of cooperative development, a large number of government officials were placed at the disposal of cooperatives to manage their affairs, and even to guide the boards and managing committees the government sent their officials to participate in the meetings. The governments, being new as they were during that period, were keen that people's institutions should develop, because they were not there in the first place. In their frenzy to achieve targets and to show the positive aspects of cooperative operations, the deputed government officials ignored the elected representatives as well as the basic

members of cooperatives. This was done mainly using the pretext that a lot of government money was involved and the cooperatives were covered under the national economic development plans. The government gradually assumed the charge of running and managing the cooperatives. Subsequently these institutions were discovered to be suitable to mobilise people for political purposes.

05 The government thus deflected from its role of friend, philosopher and guide of cooperatives. The intentions of cultivating the civil society got degenerated into a controlled civil society in which the cooperative society was reduced to be a mere onlooker or an agency of the government! The sovereignty (strength and independence) which was sought to be acquired by cooperatives through government assistance, guidance and support was instead acquired by the Registrar of Cooperatives who assumed the powers of even appointing himself to be a general body of a cooperative.

06 There is yet another dimension to the question of governance in cooperatives. That relates to the government. The government enacts laws and gets them executed through its machinery - in this case - usually the Registrar of Cooperatives. The Registrar being a part of the establishment over-rides the popular wishes and decisions of the membership in various forms e.g., refusal to register amendments to the bylaws, rejecting the resolutions of the general body of members, superseding the duly elected managing committee and appointing himself as the general body of the cooperative, imposing government officials on the cooperatives directly or through the creation of a panel authority, compulsory auditing of the accounts of cooperatives by departmental auditors, or even depending on his own whims and fancies etc. On one hand the general body is termed as "supreme" and on the other its decisions/resolutions are rejected by a single person who represents government. Then what is the sanctity of the authority of the general wish of the many members expressed through the 'General Body of Members'? The

members of cooperatives thus get beatings from many sides: one, from their own leaders who have disregarded or deserted them; secondly, through the Registrar, who exercises his powers indiscriminately taking shelter under the cooperative law of the day; thirdly, from the government Department of Cooperative Development where the minister-in-charge of cooperatives himself is directly involved; fourthly, from their own federations who seem to enjoy indulging in competition with their constituents; and, finally, from themselves because they cannot achieve their objectives with which they had created 'their own' cooperative.

07 Cooperative institutions, being members' organisations, are the best and most suited voluntary organisations (rather self-help groups) which respond effectively to the social and economic needs of the members. Cooperatives provide training in running democratic institutions, and lay stress on the principle of solidarity and mutual interest. This ideology needs to be respected and preserved. Of course with a provision that these cooperatives are allowed to operate on their own strength!



CHAPTER-6

Crisis of Leadership in Cooperatives -Roles Leaders Play

Positive Aspects

01 Many of the cooperatives world over have not only been successful in achieving their economic and social objectives but have also provided additional services to their members and the community at large. Such cooperatives enjoy the confidence and support of their members. Such a phenomenon is mainly due to several obvious factors e.g., members' representatives were in direct and active communication with the members; the representatives were the people of vision, prestige and understanding; representatives were honest and felt accountable to their constituents as their moral responsibility; representatives had full faith in the institution created by them; representatives were the people of integrity and did not misuse the resources and assets of their cooperatives for their self-interest; the representatives reposed full confidence and trust in their employees. There are instances where the leaders did not accept any honorarium, salaries or fringe benefits from their cooperatives. They, on the contrary, gave away their own properties to their institutions. They served their institutions in honorary capacities,

often overtime. These were the people of foresight and took their decisions based on facts and figures and with full confidence.

02 While social control and 'member control' are important factors in the creation of a generally conducive environment for successful cooperatives, it is not enough to guarantee their success. For a cooperative society to be successful, the cooperative leaders, in addition to being knowledgeable, must also be the persons of honesty, tolerance, benevolence, loyalty, sincerity, integrity and vision. For a leader to be effective not only does he have to be competent and humane, but work in close association with the people and be able to feel their pulse. When reading cooperative history, the role of certain key persons is being regarded as crucial for the success of many cooperative organisations. These personalities were dedicated and committed to the idea of Cooperation. In many countries, primary school teachers were instrumental in forming primary cooperative societies. Governments were never directly involved. They only provided the legal framework within which the role of the government was confined to registration and liquidation of cooperatives.

03 It was fascinating and heart-warming to observe in some of the Asian countries Board members standing for a while saying prayers in the name of God or in the name of the Nation, and bowing to the National/religious symbols before sitting down in a formal session. Some of the members explained that this sort of prayers helps them cooling down the tempers, frustrations and hard feelings and to start the session of doing business in a calm environment. The feeling of 'forget and forgive', 'let us carry on with the business' etc. prevails. There are also instances where members, office-bearers and employees take an oath of allegiance before taking up their assignments signifying their faith, belief and loyalty in their cooperative and the cooperative philosophy.

04 Many of the cooperatives of the nineteenth century, most obviously the Rochdale Pioneers, had a special commitment to honesty - in measurements and quality - which distinguished them in the market place. Financial cooperatives in many parts of the world have gained excellent reputations for the honest ways they calculate interest payments. Many agricultural cooperatives have prospered because of their commitment to high quality, honestly labelled produce. Aside from a special tradition of honesty, cooperatives must have a commitment to honest dealings with their members, which, in turn, should lead to honest dealings with non-members. Cooperatives are also different because of the nature of their management. All members, through participation in the democratic process, share responsibilities for the general management of the cooperative. The elected directors, as representatives of the members, have specific roles and responsibilities for the over-all direction of the cooperative; in fact, they are "trustees" for the members and the long-term viability of the cooperative, either in its present or some altered form. Hired managers have special tasks simply because they provide leadership for the cooperative. They must in partnership with elected Boards, providing appropriate and full information and recognizing where their responsibilities end and where the Board's begins. Managers must also recognize the special qualities of membership - how it can be promoted, how it can be used to advance the business of the cooperative, and how the different qualities of membership should be nourished.

05 Similarly, the employees of cooperatives have special responsibilities. They too must cultivate members; they must specifically demonstrate a commitment to their cooperative; they must contribute their advice and enthusiasm to the future direction of the cooperative. In return, the cooperative has the responsibility to ensure that employees are fairly treated, that they are given opportunities to develop professionally and personally, and that

they are appropriately consulted. In some cases, if it fits the culture and the type of cooperative, workers may be elected as members of the Board.

Negative Aspects of Roles Played by Cooperative Leaders

06 On the other hand there are cooperatives, all over the world, whose leaders have been found misusing the assets and resources of their cooperatives for self-gain. Such representatives were monopolizing the seats of leadership; perpetuating themselves and projecting their own image at the expense of the institution; treating cooperatives as their personal properties; employing their own relatives and friends in the cooperatives; using cooperative business opportunities as their own private business; borrowing money from the cooperatives and not repaying their loans.

07 Some of the following instances have been quite common: using cooperative vehicles and other facilities for their own personal comforts; using cooperatives as launching pads to enter active politics; playing in the hands of politicians; subordinating themselves and their cooperatives to the wishes of the government; injecting religious and caste and creed influences in cooperatives; decisions not being taken based on facts and figures but on whims and fancies; dominating the discussions at meetings; spending lavishly on cooperative buildings and acquiring expensive and unwanted equipments and machines in order to collect kickbacks; not attending board meetings but collecting the sitting fees and claiming travelling expenses which were never actually incurred; audits not carried out and not presenting the audit reports to the general meetings; general meetings and other committee meetings not convened in time; postponing elections on one pretext or the other; taking over administrative functions from the real chief executives of the cooperatives; creating mafia-like power structures

and groupings to serve self-interests; keeping large sums of money in cash for safe-keeping under the personal charge of a board member and using these funds for private purposes; Presiding officers not signing the minutes books in time and not issuing the proceedings of the meetings among the participating members; not supporting the inclusion/election of women on managing committees/boards; avoiding training and education sessions which are intended to orient them in cooperative culture; etc. etc. These were the negative aspects of leadership which brought a bad name to the cooperatives. As a consequence the members got disinterested because they felt exploited and cheated. Members did not transact any business with the cooperative. As luck would have it, now the members have to fight against such negative leaders instead of fighting against the so-called 'middle-men'. It is now a different kind of war!

08 Leaders tend to perpetuate themselves. In developing countries, this tendency is accentuated by the prevalent social stratification. A study of the structure of cooperative leadership in rural India had shown that:

- a majority of the presidents of cooperatives are big landlords;
- all presidents belong to the dominant caste;
- election of president is unanimous and ritualistic; and
- most of the office-bearers have political affiliations.

09 In the typical circumstances of rural areas, the above features of the working of cooperatives lead to what are commonly described as 'vested interests'. Many rural cooperatives can be treated like pocket constituencies of family or a group of families who are influential on account of social and economic status.

CHAPTER-7

Conflicts Spell Disaster for Cooperatives

01 The negative aspects resulted into conflicts between the board and the executives, between the board and the employees, between the cooperative and the members and even between the cooperatives and the government. Many cases of dispute were referred for arbitration. Even in the courts a large number of cases are lying pending decision. The image of cooperative institutions and their leaders got tarnished in addition to heaping unnecessary expenditure on cooperatives. The goodwill was lost. The credibility of cooperatives and their leaders was gone. However, due to some reasons or the other if conflict is carried too far it tends to get out of control. Once it is out of solution, it turns to be destructive. Interpersonal and inter- group or inter-department conflicts pose problems to organisational life. Such conflicts cause behavioral problems, emotional upsets and a variety of adversities engulfing the entire organisation. The apparent destructive effects are deterioration of cooperation and team-work, increase in distance between people and group, domain of distrust, withholding and distortion of information, disobedience and indiscipline. It further creates tendency of deliberate sabotage of the opponents. It spoils work climate

and pollutes the organisation with a feeling of revenge and feud. The most detrimental effect of conflict is the distortion of organisation objective, and stoppage of production of goods and services. Thus organisation is distracted from fulfilling social responsibility in the extreme case of conflict. That situation surely leads to the path of self-destruction.

02 Conflicts also arise when the business federations forget their role as coordinators, guides and promoters. Instead, they tend to take on the business of their own constituent-members by competing with them and depriving them of the right of exercising their decision-making obligations. The federations thus clearly overstep their limitations and infringe on the freedom and area of operation of their constituent-members. The federations begin to 'rule' over their members and start issuing 'orders' to them instead of offering their expert advice, guidance, information-sharing, help, assistance and enhancing their bargaining powers. In this process nobody gains - the federations lose their goodwill in the eyes of their constituent-members, and the affiliate members feel exploited, deprived of their freedom and business. The area of conflict thus widens. The federations, however, can, with the help and cooperation of its constituents, promote the business of the members but strictly based on mutually-agreed conduct, understanding and guidelines. The decision of the federations to compete with their own constituents amounts to disregard of the Principles of Cooperation, especially the Principle of Cooperation among Cooperatives. The federations can help their members by supplying them with advisory, consultancy and information services rather than coming into conflict with them due to competition and dominance.

03 Many of the conflicts in cooperatives arise as the administration of funds, assets, business and personnel is ineffective. The work conditions are below the normal standards. Job descriptions in a majority of cases are left vague. They are not sufficiently crisp, not

responsibility-specific oriented, and not to-the-point and are often left open-ended. Work performance/personal assessments are only a matter of routine and the service conditions can easily be interpreted differently by different people. Inventory controls are not well-touted. Controls on vehicles and other office facilities are too loose. Cooperatives do not encourage their employees to go in for professional training mainly either due to their ignorance of the value of training or perhaps due to lack of resources. For an institution like a cooperative the administrative procedures have to be framed/adopted in such a way that the institution does not strangle itself with its own bureaucratic red-tape and at the same time, there is ample scope for individual initiatives and organisational innovations. Instances are not lacking where conflicts assumed alarming proportions between the Board and the Chief Executive, between the Chief Executive and the managers, between the Chairman himself and the Chief Executive etc.

“Freedom of the citizens also means protection of their rights against interference by the administration. The Law must prevail over decrees of application, regulations, circulars, and orders, which often increase government’s powers over private organisations like cooperatives and sometimes go against the spirit and even the letter of the law on which they claim is based. Government’s powers to make decrees of application of laws must therefore be restricted to technical and administrative matters so that it cannot be used to change the substance of the Law.”

-Professor Hans-H Munkner

CHAPTER-8

Self-Imposed Discipline: Need to Have a Code of Conduct

01 Several such conflicts could have been solved without much difficulty if a proper demarcation of responsibilities was laid down and each one knew one's limitations. A code of conduct is, therefore, considered essential for all functionaries of cooperatives, and these demarcations and limitations must be respected and faithfully observed. A Code of Conduct/Ethics is an effective means of reducing areas of friction, misunderstanding, toning down the hard feelings and promoting a healthy climate to inculcate among the leaders and others a sense of belonging. This also helps to keep people on a right course of action, thus generating harmony and a sense of purpose.

02 Such negative situations arose because the leaders did not observe the normal norms of social and professional behaviour. Their conduct was bad, unethical and not in accordance with the spirit of the philosophy of Cooperation and the Principles of Cooperation. They showed very little regard and respect to the philosophy of Cooperation and the faith with which the members had elected them. Ethics were forgotten and consequently the values got eroded.

03 Although in the bylaws, rules and acts some indications are normally given as to how the Chairman, Board members, Managing Director, and other leaders should behave. These are given under the rights and responsibilities of these office-bearers and officers. Unfortunately, these were seldom observed, thus putting the cooperatives in bad situations. The leader should combine competence and courage, blend efficiency with empathy, and enterprise bringing with them the skills of rare sensitivity to the unique problems faced by the members. They have to be analytical and keen on achieving a good performance. It is ironical that today we have to tell our leaders and governments what they should do and what they should not do!

04 In some of the countries, discussions have been going on as to how to impose discipline on office-bearers and officers of cooperatives in addition to following the guidelines that are already available in bylaws, rules and acts. Everything cannot be written in the law or bylaws. There are certain obvious traditions and rules of human behaviour which have also to be followed in the civil society. There is always an unwritten code of conduct in the human society. And, Cooperatives are the associations of human beings. Since these normal norms have been flouted and thrown to the winds, there is a need now to remind the leaders of their social responsibilities to reassess their worth, relevance and usefulness.

05 A Code of Conduct is a self-imposed discipline on top leaders and chief executives of cooperatives to improve their own image among the members in particular, and in the eyes of the public, in general. The Code of Conduct/Ethics is framed voluntarily by the board (leaders) with a view to observe respectfully the spirit of bylaws, acts, and rules and to make their behaviour in cooperatives more transparent and accountable to members. Such self-imposed restrictions can be: that the leaders will not misuse the facilities and assets of their cooperative for their personal comfort; that they will

not contest elections for a specific post for more than two terms in a row; that they will not hold top offices in two cooperatives at the same time; that they have the leadership qualities to influence the activities and behaviour of the subordinates to have desired performance with their willing cooperation; that the members will attend the board meetings; that the members will not dispute and criticize in public the decisions of the board; that the members will not recruit their immediate kith and kin in the employ of cooperative; that the members will encourage the officers and employees of the cooperatives to be truthful and place before the Board authentic information and well-thought out proposals for taking sound decisions; that the members will develop harmonious relations with the executives of the cooperative; that the members will observe the Principles of Cooperation while taking any social and economic decisions; that the members, by their actions and conduct, avoid all political, religious and other such ambitions; that the members will undergo an orientation training course before their elections to the Board; that the members' first and foremost ambition shall be to serve the members and through them the community at large.

06 The code is needed not only for the cooperatives and cooperative leaders but also for the governments which, in many places, command authority over cooperatives. Arbitrary decisions of the government, for instance, removing the board members, board itself, rejecting the resolutions passed by the general meetings, and framing rules quite contrary to the Cooperative Law, bylaws and Principles of Cooperation, are fit cases where certain guidelines are needed. If there are limits for cooperatives there are then also limits for governments, which both are expected to remain within. Any trespassing would be not only unwelcome but also dangerous.

07 Cooperative institutions are the best fora for the leaders to practice democracy, honesty and demonstrate their integrity, vision and concern for all. The Principles of Cooperation are the best set

of human behaviour code which aim at serving the community with dedication. The Principles are the best guiding principles to enrich the 'civil society' as they lead us to strengthen world peace, brotherhood and mutual understanding. They are liberal and have the capacity to radiate the love for all without any sort of discrimination towards any - man or woman, rich or poor. The membership is voluntary, free and open to all and the Principles are based on democracy and ethical norms of carrying the business in accordance with the business and human management practices and principles. If these are not observed or followed, then who else will observe an additional set of codes. The Principles of Cooperation are by themselves a Code of Conduct/Ethics. It is good enough to give them the proper respect they deserve and follow them faithfully, religiously, and preserve their sanctity and spirit.



CHAPTER-9

Belief in the Principles of Cooperation

01 While normally the objective of cooperatives is to improve the living conditions of their members in broader terms in Asia, the objectives of cooperatives have been identified as organisations that secure employment, improve income distribution and establish market value. It is treated and considered as a vehicle for improving the economic, social and cultural situations of people belonging to the lower echelon like the farmers. Members, if adequately empowered; if given the right type of education and orientation; if motivated properly; if assured that they will have a say in the process of decision-making; and if they are confident that they can operate their institutions democratically and on sound management methods, they can produce those fine institutions which can transform our society into a vibrant 'civil society'. Such institutions can protect the cultural heritage and diversities of the regions and of the people to sustain our environment and our social and economic institutions which we cherish and long to preserve for our future generations.

02 Historically, the attitude of the cooperatives particularly in the West, was that the government should keep its hands off the Movement. This approach has witnessed a gradual change in the

development of the role and responsibilities of the State towards its people. The nature of State at present is the 'Welfare State'. It means that it is the responsibility of the State to ensure socio-economic welfare of the people. It is this change of the role and responsibility of the State that relationship between the State and Cooperatives has become a matter of urgency. Moreover, the State and cooperatives have much similarity in their objectives and goals. The major difference is that cooperative are to work for the fulfilment of objectives as laid down in the bylaws or the purpose for which the members join together. In other words, the cooperatives are to promote the welfare of their respective members, whereas the government has a wider responsibility. In most of the developing countries cooperatives have been visualized and developed as institutions, through which the government could implement their policies and programmes for the betterment of the life of the people. In the context of wider responsibility and use of cooperatives as instruments and agencies of government programmes, certain conflicts do arise in the objectives of the cooperatives and that of the government. Such situations may create distortions in the cooperatives against which it is necessary to evolve certain safeguards.

03 The effect of government-cooperative relationship could be both positive and negative depending upon the attitude of the government. With a positive attitude, a conducive environment for the development of cooperatives may be created in which cooperatives may flourish and function as people's popular democratic institutions, government supporting the strengthening of cooperative character of institutions, cooperative philosophy and principles. Negatively, governments may start regulating the working of cooperatives eroding their autonomy and limiting the role of members in the decision-making process, a situation which is so very prevalent in many of the developing countries.

04 It has been noticed that in many of the countries governments

have distorted the Principles of Cooperation to suit their own policies and programmes. Cooperatives, as NGOs, have been rendered toothless and they have become subordinates to the governments. The civil servants rule over them, dictate the Boards of Directors and carry out the day-to-day working assuming the powers of the general meeting of members. Such situations are not conducive to the growth of cooperative institutions and are a total violation of the Principles of Cooperation. They seem to move out of the fabric of civil society. In many cases even the Principles of Cooperation have not been included in the preambles of cooperative law.

05 It would be relevant here to cite some of the most recent and interesting examples how the governments tried to subjugate the interests of cooperatives. In many countries, the cooperative legislation provides for an Education/Training/Development Cess/Charges (or a tax). The money thus collected is expected to be used for education and training and general development purposes and is supposed to be placed in a common fund which is to be operated jointly by the Cooperative Department and the cooperative national apex. In theory the intention sounds to be great and highly idealistic but putting it in practice is a hard nut to crack. The Department, in many cases, treats this as a treasury fund and is unilaterally utilised for recruiting government staff, operating government-run cooperative colleges or training institutes, and to buy the equipment and vehicles which are ordinarily not possible under the normal government budget available to them. The cooperatives are thus deprived of the use of their own money which is thus cleverly grabbed by the government. They are made to 'beg' for these funds. The authority thus makes the cooperative to remain content with whatever they are 'given'. To cap it all, if there are shortfalls in the achievement of standards in cooperatives, the Departments are ever-ready to criticize them and punish them by dissolving the Boards and making

adverse remarks in their audit reports. The trust thus gets diluted and the cooperatives are put on an uneasy 'defensive'.

06 There are countries like India, Bangladesh, Malaysia and Sri Lanka, where the government and registrars have the powers to suo motto amend the bylaws of the society and take decision regarding amalgamation/division of societies as well. Such provisions hit at the roots of autonomy of the society besides amounting to usurping the legitimate functions of the society by external agencies who are non-members. It is also a common knowledge that cooperative laws in most of the countries appear to have become highly complex in spite of the fact that people have been asking these laws to be simple and easy-to-understand. Besides other reasons, the diversification of cooperative activities along with increasing State aid is also responsible for bringing in provisions resulting in very tight government control and interference much against the cooperative ideology. State participation in cooperatives was contemplated as a device for providing professional advice, guidance and counselling to the cooperatives in the situations created by the rapidly growing developmental needs. Government should have continued its benevolent support and supervision by confining its role to: (i) the administration of cooperative law; and (ii) the developmental aspect of cooperatives, recognizing them as instruments of economic development.

07 In recent times, cooperatives have grown without cooperative character. Cooperative leadership has weakened and cooperatives present a picture of government agencies. People's efforts not being visible anywhere. The basic elements of 'cooperative development' have been sacrificed in the target-oriented approach, and race for political patronage. Some of the glaring restrictive provisions which could be spotted easily are the following:

- Provision for compulsory amendment of bylaws by the registrar;

- Power of the government to nominate directors;
- Registrar's powers to veto, annul or rescind resolutions;
- Registrar's powers to suspend/supersede board of directors;
- Power of registrar/government to issue directives to cooperatives;
- Power to exempt cooperatives from application of any provision of the cooperative law;
- Power to make rules for functioning of cooperatives;
- Powers for compulsory amalgamation/division of cooperatives;
- Provisions supportive of vested interests, which include:
 - (a) Provision obstructing the regular process of elections;
 - (b) Provision permitting holding office for more terms without any limit and in more than one institutions at one time.

08 Many governments make policy declarations to give greater freedom to cooperatives through legislation review or change. These statements often are, in fact, intended for 'domestic audience' and for 'international theatre'. True demands for revision and change in cooperative legislation from the cooperative family really mean nothing since they often clash with the vested interests - politicians, bureaucrats and other pressures. In India, a special committee constituted by the Planning Commission had submitted a draft of a reformed version of a Model Cooperative Law which was heralded as the most revolutionary, most democratic, most progressive and the most cooperative-friendly. The model law was aimed at restoring power to the members, and reducing drastically the influence of the government on cooperatives. The draft, however, never could enter the Parliament for discussion. The good hopes remained only on paper and the government control on cooperatives remained as tight

as ever, perhaps even more. Reasons! The government may have valid compulsions in not introducing the proposal in the Parliament. It may either be a political decision or perhaps a pressure from the bureaucracy. The 'will' of the draft has been broken to such an extent that only a cosmetic touch-up may be done on the existing Multi-State Cooperative Societies Act!

09 While planning to set up cooperatives on genuine lines, it is very necessary to now think about the role of the government. Government is no doubt charged with the responsibility of administration of the cooperative laws, yet it should be made clear that its role would be more like a supporter and that it should create a helping environment by taking the following positive steps to ensure sustained growth of the movement:

- i) to encourage and stimulate leadership from within the Movement and itself playing the role of a catalyst, guide and a benevolent onlooker instead of usurping and substituting its own managerial role;
- ii) to ensure smooth transition of official leadership by installing democratic leadership, whenever and wherever necessary;
- iii) to ensure timely elections;
- iv) to enact laws which not only strengthen the hands of cooperative leadership and help democratic functioning but indicate the parameters and inter-relationship between the elected leadership on one hand and the executives and the management wings of the cooperatives on the other;
- v) As a safeguard, to take steps for balancing autonomy at various levels by fixing accountability;
- vi) To intervene in cooperative affairs only as a measure of last resort after appropriate consultations with the apex bodies/federations and giving opportunity to the concerned cooperative body in all fairness.

10 Since it happens to be the responsibility of the government to support cooperative development, the development has to be a 'real and genuine' development, the development that promotes the cooperative ideology, the real value of cooperative enterprise, and the enrichment of the members of cooperatives and consequently of our civil society. On the part of the governments there is also a need to have another look on the roles they play in the process of cooperative development. The role of the government is largely developmental. The practices of 'ruling' over the cooperatives and forcing them to be the agencies of the state and dissoiving the duly democratically-elected boards of cooperatives have to be quickly diluted and effectively terminated.

There is no doubt...that democracy in the management of cooperative organisations necessarily implies autonomy in the sense of independence of external control, apart from the obvious obligation of cooperative societies to bow to the same general laws as all other business undertakings and accept the discipline imposed by the state or the planning authorities. In a fully developed cooperative unit the management must rest in the hands of the members and all decisions be taken by the cooperators themselves, with no interference. Autonomy is, therefore, a corollary of democracy." – ICA 23rd Congress Report 1966. President's Inaugural Address.

CHAPTER-10

Roles of Cooperatives in Enriching our Civil Society –Their Social and Economic Contributions

01 An ordinary citizen looks for security. Security in terms of a living abode, avenues for work, facilities for education and development of children, medical care and some respect. Government programmes are available in a variety of sectors which are aimed at providing that security to the citizens. Government, of course, cannot do everything and earn the support of everyone. There are, therefore, created institutions or agencies which are given the task of supporting government programmes. Such programmes can be in the villages or in large cities, they may be for women or for children or even for the aged. Cooperative institutions have, in the past, particularly during the crisis faced by mankind during the World War-I and II and other such unfortunate situations had come forward to support governments and provided a number of services to the people e.g., distribution of consumer goods through a network of consumer cooperatives, farm inputs to the farmers through agricultural cooperatives, credit facilities to the members through a network of cooperative banks and other cooperative financial institutions. People have, therefore, accepted the fact that cooperatives are

people's institutions, their own organisations, and they can, if proper conditions are available, carry out development programmes aimed at securing a rightful place for an individual in the society. A look at the global spread of cooperatives, a broad spectrum of cooperative activity can be found. Cooperatives exist in a variety of sectors e.g., agricultural cooperatives, consumer cooperatives, irrigation cooperatives, food processing, handicraft, weaving, metal work, labour and construction, electric supply, leather work, printing, health, educational trusts, banks, water supply, recreation, arts and crafts, etc. etc. Cooperatives have been able to provide a variety of social services to their members besides providing opportunities of employment and additional income-generation.

02 Some of the social aspects of cooperatives have been the following:

- Employment generation
- Formal and non-formal education
- Vocational training
- Medical and health care services
- Environment protection activities
- Drinking water supply
- House construction
- Fine arts and sports
- Legal aid and consultancy services
- Consumer education - consumer protection
- Rural welfare programmes
- Rural communication etc. etc.

03 Cooperative institutions in the Asia-Pacific Region (covered by the International Cooperative Alliance Regional Office based in New Delhi, India since 1960) have provided a number of good instances

where they have provided services to their members in poverty alleviation, social integration and employment generation. Some of the instances are: social aspects of sugar cooperatives in India; Milk cooperatives in India; Agricultural and Consumer cooperatives in Japan (in the sectors of encouraging women to participate in cooperative activities through their own 'Han groups' and farm women's associations, health programmes, medical cooperatives, holiday and recreation programmes etc.); Women associations in India, Sri Lanka, and Indonesia; Cooperative hospitals in India and Sri Lanka; Health and welfare programmes of Japanese agricultural cooperatives; Construction of low-cost houses for workers through the initiative of Indonesia's INKOPKAR (Workers' Cooperative Alliance); Livestock care programmes of dairy cooperatives in India, Indonesia and South Korea; Accident insurance cover for fishermen in India and Japan; Health care programmes for women and children by the National Federation of Labour Cooperatives-India; Member information and education through the media in Japan through the *Ie-No-Hikari* of agricultural cooperatives; Sri Lanka's MPCs extending facilities like holiday homes and hospitals to members and the community in general; Recycling of waste and production of environment-friendly items of daily use by the consumer cooperatives of Japan; IFFCO's social forestry programmes in India, etc.

04 Agricultural cooperatives in Japan are the most sophisticated high-tech managed cooperative institutions which, not only produce and market the needed agricultural products but also look after the members and their interests in its totality. In spite of the application of the best management tools and the astonishing business volumes handled by them, these cooperatives have, of late, been finding it hard to sustain the interest of farmers and attract new ones to maintain the most respected institution of agriculture. The phenomenal rise of Japanese post-War economy can safely be attributed to the hard and systematic work done by these agricultural coopera-

tives in consolidating people, land resources and producing and providing the needed food and services to the community.

05 The Japanese agricultural cooperatives had introduced a number of innovations which are of great relevance to the movements in the region. Some of the interesting features of the agricultural cooperatives have been: Amalgamation of cooperatives to make them more viable and service-oriented (and the amalgamation of cooperatives is done with the consent of participating cooperatives, not through the dictum of the government); Farm guidance and better-living services to achieve a high degree of communication with the members and to enrich their social life (cooperatives pay for such services); Protection of interests of farmer-members through mutual insurance, health-care; Carefully planned and well-executed marketing and supply functions through specially-created and cooperative-owned holding companies (the concept of cooperative companies has been implemented with success); Production of quality consumer goods and services; Successfully interacting with the government through a process of policy dialogue (the government respects such suggestions); Education and training of farmer-members through a network of cooperative training institutions and extension network; Ensuring higher economic returns to the farmer-members through a process of value-addition; Encouraging women and youth to form associations to compliment and supplement the work of agricultural cooperatives especially sustaining interest of the young and the aged in the honoured profession of farming; Encouraging the farmer-members in controlling pollution to produce and market the healthy and nourishing agricultural products to safeguard the interests of consumers; and Extending technical collaboration and assistance to the developing movements.

CHAPTER-11

Cooperatives Participate in Social Development

01 Contrary to the common belief that cooperative institutions do not deliver social goods, some of the recent studies strengthen the argument that cooperatives are indeed people's organisations which can respond effectively to the felt-needs of their members. A closer social audit of such institutions would reveal that leaders with vision in collaboration with enlightened membership and with the cooperation of dedicated and devoted management can transform our 'civil society' into a place of security and satisfaction. These NGOs can effectively help eliminate poverty, sustain environment, provide employment, and enrich social standards of the people. Governments only have to recognize their significance and relevance and give them the much-needed freedom of action and treat them with respect since they personify the initiatives of grass-roots people of limited means and resources.

02 If given proper support and encouragement, people come forward willingly to satisfy their economic and social needs. Under the umbrella of a cooperative institution members play their roles as owners, as employers, as managers while serving the cooperative through business operations or through participation in organisa-

tional structure. In cooperative institutions, members come forward because they can get 'economic and social rewards' for their participation. In real terms 'economic rewards' are the most attractive. If the members do not see any economic returns coming to them, the process of their participation weakens. Empowerment of members goes well with the members' participation. They have the right to participate in their cooperative venture, and if do not have the opportunity of this participation, there is obviously the need for their empowerment. They need to have their rights back.



CHAPTER-12

Summing-Up

01 Cooperative institutions are an important and integral part of our civil society. These institutions belong to responsible citizens and people of dignity. Due to the fact that they need to protect their identity and to meet their economic and social needs, these citizens have come together to help solve some of their problems without being exploited. These institutions function within the four corners of the legal requirements of the State and conform to the standards prevailing in the civil society. Due, however, to the materialistic growth in our society, and the eagerness of the people to encash fast the opportunities, cooperative institutions, unfortunately, have become victims of 'over programming', 'over protection', 'over administration' and lack of appreciation of morality which had created the philosophy of Cooperation, the Principles of Cooperation, and the Basic Values in Cooperatives. A majority of leaders who took control of cooperatives found them to be the most convenient tools to enter active politics, and also found them easy instruments to generate comforts and security for themselves at the cost of the ordinary members. Governments too found these institutions pliable in the sense that using the force of law and other channels of

administration, cooperatives were brought under their excessive authority and influence thereby converting them into government agencies and 'government undertakings'. It is sickening to look at the neon-signboard of cooperatives announcing themselves as "a Government Undertaking".

02 Heaping all the blames on members, their leaders and the cooperatives would not do any justice. In the process of losing sight of the objectives, many are the players - members themselves, leaders they elect, cooperatives they create, and the governments which create cooperative laws and cooperative development policies. Cooperatives have the objectives and they also have the responsibilities towards their members. If these objectives are not accomplished and if these responsibilities are not performed, only the members have to be blamed. It is often said that cooperative members do not 'participate'. True, why should they, when they are deprived of their decision-making rights! Someone else than the members decide on matters which relate directly to the members! But in actual practice, the members and the cooperatives seem to get a beating from various corners - from the government, because of 'non-conformity' with the law and being in contradiction with the wishes of the government; from their own federations which often compete with them; from their own members because they lose interest in their own institutions. Cooperatives managed effectively within democratic structures and committed to their members can rarely fail; in positive circumstances, with committed leadership, they are a sure recipe for success.

03 Cooperatives, consequently, lost sight of their real objectives of serving their members. Members ceased to be the masters - members' elected representatives became the rulers who eventually succeeded in securing the support of governments and government functionaries. It is not intended here to paint a picture of utter gloom and hopelessness. There are several instances where cooperative

institutions and their leaders have served their members in right earnest and where the governments also had lent a generous and helping hand. There have been a large number of right-thinking, intelligent and hard-working government officials who had contributed generously to the healthy growth of cooperatives and cooperative ideology. These instances have, however, to be discovered, replicated, amplified and talked about. People need these good things to know more now than ever before!

04 Looking around us in the civil society in which we are living today we find that the 'socio-ethical environment' has reached such an intolerable proportion that the good old type of cooperatives are no more to be seen; that the species and breed of leaders of vision and moral responsibility have become virtually extinct; and the normal ethics and codes of conduct have been bugged by a virus. Earlier, the 'ideal institutions', 'ideal leaders' and 'ideal manners' were found everywhere, today they have to be found out! Let us hope and wish that the good old times make a revisit soon and help cooperatives to be genuine, independent and self-sustaining!

05 Cooperatives should always be evolving. In the future, existing cooperatives will have to change if they are to respond effectively to such problems as the population explosion, the increasing power of the multinational corporations, the crisis confronting communities, the problems of environmental degradation, and the challenges of adding new constituencies. The most obvious commitment is to sustain and support the cooperative way of doing business. Cooperators must project a clear picture of what their organisations stand for, how they are operated, and why they are necessary. That picture should be clear in the training given to all those associated with cooperatives, in the advertising cooperatives use, in their relations with governments, and in their daily activities. Cooperatives will also have to pay much more attention to the legislative frameworks within which they function. In most countries, legislation will have

to be simplified, cooperatives will have to accept more self-regulation, and their will need to be more consistent representations to governments.

06 It is appropriate here to quote from the presidential inaugural address of the ICA President at the 23rd Congress. "There is no doubt...that democracy in the management of cooperative organisations necessarily implies autonomy in the sense of independence of external control, apart from the obvious obligation of cooperative societies to bow to the same general laws as all other business undertakings and accept the discipline imposed by the state or the planning authorities. In a fully developed cooperative unit the management must rest in the hands of the members and all decisions be taken by the cooperators themselves, with no interference. Autonomy is, therefore, a corollary of democracy".

07 Cooperative institutions are the agents which enrich our civil society through educating the people (members and their immediate family members including the community at large), training of employees, and creating a band of well-meaning leaders - leaders of vision and dedication. Cooperative institutions are expected to be transparent in their operations and accountable to no one else except the members. This they can do only through encouraging their leaders to reassess their worth, relevance and usefulness. The leaders need training in being honest, frank and fearless, and should have the courage to advocate the cause of Cooperation at any forum. Cooperative institutions are the missions and their leaders are the missionaries. The mission has to be pious and supreme!

Principles of Cooperation

01 Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

02 Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal right of voting (one member-one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

03 Share capital should only receive a strictly limited rate of interest, if any.

04 Economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

- a) by provision for development of the business of cooperative;

- b) by provision of common services; or
- c) by distribution among the members in proportion of their transactions with the society.

05 All cooperative societies should make provision for the education of their members, officers and employees and of the general public, in the principles and techniques of Cooperation, both economic and democratic.

06 All cooperative organisations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.

“Civil Society” is not a new concept. It is as old as the man himself. This civil society consists of you, he/she, they and me. In our olden times, man allowed himself to be governed through the representatives/elders elected (or chosen by mutual consent) by the society, and expected a good ‘governance’ which was ethical, social, just, respectful, accountable, transparent and responsive to the needs of the people. Over a period of time, this ‘governance’ has changed into ‘ruling’ as the representatives/elders ignored the social and moral values and assumed the roles of ‘rulers’. A ruler is ruthless, selfish, impersonal, insensitive and powerful. The present-day ‘democracy’ is a device which is cleverly used by the rulers as an instrument to rule. It is time that the old concept of ‘civil society’ is sharpened and the governments of the day are made to be ethical, social, just, respectful, accountable, transparent and responsive to the needs of the people. In nourishing this concept further, the role of the self-help groups, cooperatives and other non-governmental organisations is appropriate and extremely important.” – Daman Prakash.

Cooperative Values

- Self-help values (activity, creativity, responsibility, independence, 'do-it-yourself')
 - Mutual-help values (cooperation, unity, collective action, solidarity, peace)
 - Non-profit interest values (resource conservation, elimination of profit as a driving force, social responsibility, utilitarian goals, "not profiting from others work")
 - Democratic values (equality, participation, equity)
 - Voluntary-effort values (commitments, creative power, independence, pluralism)
 - Universal values (global perspective, openness)
 - Educational values (knowledge, understanding, insight etc.)
 - Purposeful values (benefit to members, etc.)
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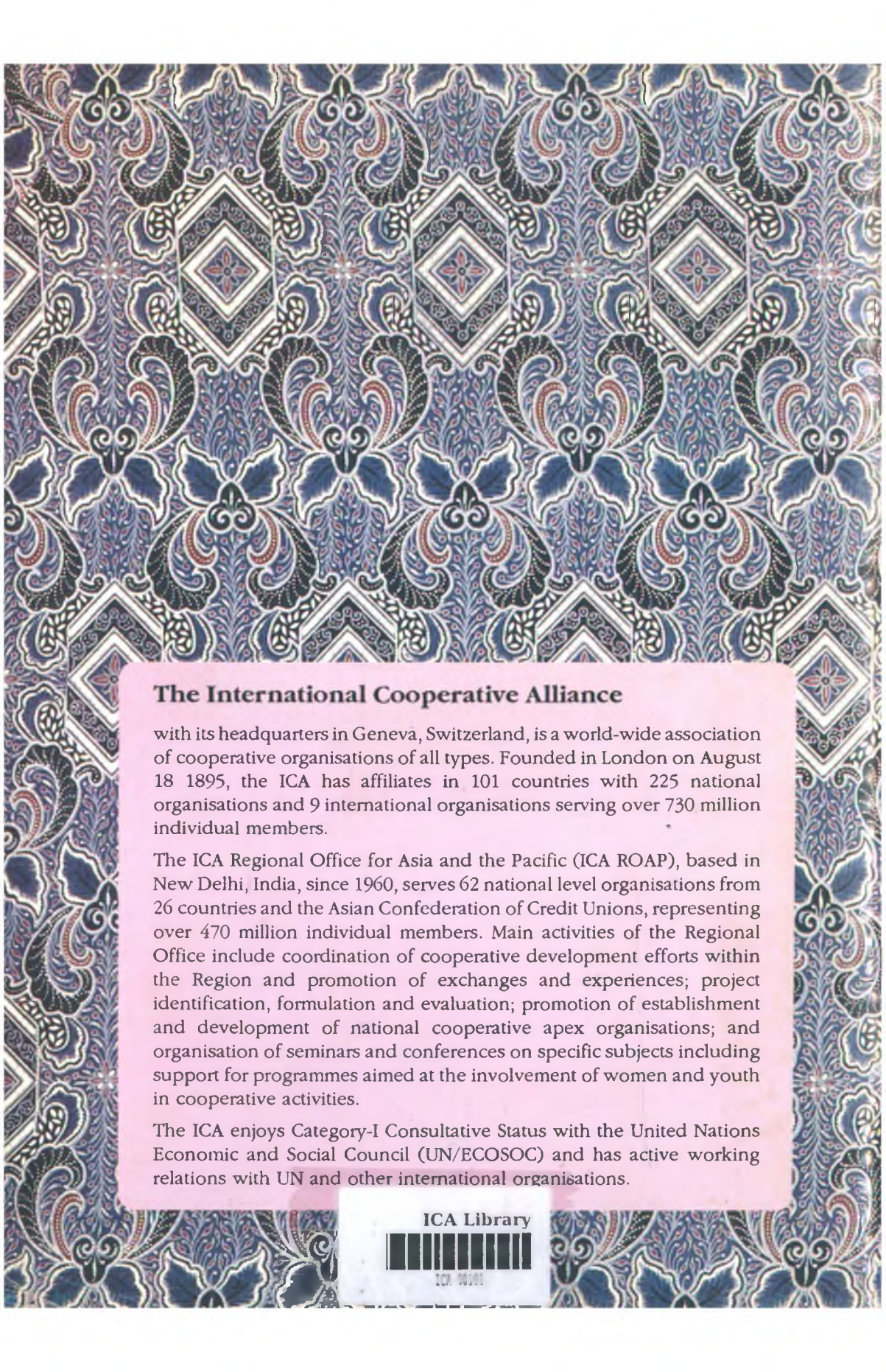
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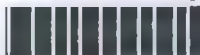
The International Cooperative Alliance

with its headquarters in Geneva, Switzerland, is a world-wide association of cooperative organisations of all types. Founded in London on August 18 1895, the ICA has affiliates in 101 countries with 225 national organisations and 9 international organisations serving over 730 million individual members.

The ICA Regional Office for Asia and the Pacific (ICA ROAP), based in New Delhi, India, since 1960, serves 62 national level organisations from 26 countries and the Asian Confederation of Credit Unions, representing over 470 million individual members. Main activities of the Regional Office include coordination of cooperative development efforts within the Region and promotion of exchanges and experiences; project identification, formulation and evaluation; promotion of establishment and development of national cooperative apex organisations; and organisation of seminars and conferences on specific subjects including support for programmes aimed at the involvement of women and youth in cooperative activities.

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