

ICA WORKING PARTY  
ON CO-OPERATIVE RESEARCH,  
PLANNING AND DEVELOPMENT

**VOL.I**

**Co-operative Values and  
Relations between Co-operatives  
and the State**

**Working Papers of a Seminar in New Delhi**  
October 3-6, 1989



*Published in collaboration between*

The ICA Working Party and  
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## FOREWORD

The ICA Working Party on Co-operative Research, Planning and Development arranged its annual meeting and seminar 1989 in New Delhi, October 3-6. The main theme was "Relations between Co-operatives and the State", particularly from the perspectives of co-operative values and principles.

About 25 persons participated with about 15 introductions and/or papers. We publish 16 of them in this volume as "working papers" in order to make the seminar available to a wider circle of interested persons. The authors welcome your comments, views, etc. on the papers and you will find the addresses in the list of participation.

On behalf of the Working Party we will express our thanks to the organizers in New Delhi for all assistance during the seminar and with this proceedings.

### The editorial committee of the seminar

**Sven Ake Book**  
*Chairman*

**Kaj Ilmonen**  
*Vice Chairman*

**RC Dwivedi**  
*Co-ordinator*





# **I**

## **GENERAL ASPECTS**



## CO-OPERATIVES AND THE STATE

### The Case of the Finnish E Movement

*Kaj Ilmonen<sup>1</sup>*

Since its inception the co-operative movement has proudly declared its independence from other collective movements and the state, understandably so because they considered themselves self-help organizations. But there was also another political reason for this attitude. At the time the co-operative movement came into being, there was considerable discussion about the role of the State in society. The contemporary view was that the State was evil, a Leviathan, whose function was to suppress its subjects. The working class in particular accepted this view because it considered the State to be the vehicle by which the upper class reproduced its power position in society. Therefore, mainly the working-class founders of the co-operative movement insisted that their task was to smash, rather than collaborate with the state.

From the early days, therefore, co-operative movements in Europe have maintained a healthy suspicion of the state. This attitude has become embodied in co-operative principles and reiterated in the programmes of the ICA. According to them, the co-operative movement is an autonomous organization functioning within different types of nation-states. It maintains its distance from the state apparatus and defends itself and the rest of the national economy from state intervention.

The historical experience of co-operative movements justifies this stand. However, it is quite another question whether co-operation has always acted in accordance with its principles, and whether, too, its attitude towards the state has always been so very wise. (It is very curious, for example, to read the ICA congress discussions at Budapest in 1904 concerning whether the movement should accept or reject state support.) One thing remains clear:

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some form of interaction between the co-operative movement and the state will continue far into the future, as Laidlaw stated in his interesting pamphlet (Laidlaw 1981). If this prognosis is correct, then it is pertinent to examine more deeply than before the nature of this relationship.

It is my intention to outline some of the theoretical considerations of the relationship between the co-operative movement and the state, and illustrate them from Finnish empirical experience.

### **The anatomy of capitalist societies**

In order to understand the relationship between co-operation and the state, it is first necessary to analyse the core structure of capitalism. This is best done through an historical description of the rise of capitalism. However, this is an exacting task; especially so as there exists a profound disagreement over how the transition from feudalism to capitalism took place (Hilton 1976). As, however, this is secondary to the issue under discussion, it is enough to recognise that the rise of mercantilism, of world trade, coupled with increasing demand in court circles and European towns, released new economic forces from the 15th century onwards. Wealth was no longer treated as treasure, but as capital and this led to the commodification and monetarization of markets and gave rise to the industrialization of the economy (Polanyi 1957).

Once this growing sector of the economy became in time an autonomous part of society, it clashed violently with former societal relationships and the absolutist character of the state. They posed major societal obstacles to the rise of industrial entrepreneurship. These the growing bourgeoisie could not look upon with indifference. It was in their interests to change the old rules that bound the state to the rest of society. This they succeeded in doing in places where there was a strong, urban bourgeoisie and proletariat, and where the state and the economy were clearly differentiated. (An additional condition for success was war (Urry 1981). As a result the state and civil society also separated, and the nation-state came into being. This process reached completion in Europe in the 19th century.

Once the separation of the state and civil society had taken place, the need arose to reform state administration. The greater the

gulf between the state and civil society, the greater the demand for representative democracy. The reason for this was obvious: all major societal groups and classes demanded that their interests be taken into consideration in the state apparatus. Because these groups and classes had unequal opportunities to promote their interests through the state, it became necessary to organize. This was the time when modern collective movements first appeared on the societal scene (Touraine 1981). One of these was the co-operative movement.

Capitalism thus developed on the basis of three structural elements: the capitalist sector of the economy, the state, and civil society, each preconditioning the other. Without the existence of the nation-state it would have been impossible to develop a strong industrial economy, and without this economy there could not have been an autonomous civil society. And finally, without civil society there could be no regulation between the state and the economy. In reality, the relationship between these elements of capitalism was not so simply. Civil society and the economy were mediated by markets, the economy and state by reproduction, and the state and civil society by laws and politics (Urry op. cit.).

This picture is all too static because no harmony exists between the fundamental elements of capitalism. All have hegemonious aims in respect to each other. The economy has always tried to use the state to obtain advantages over the economies of foreign nation-states and its own national civil society. The state has historically reacted in the same way in respect to the economy and civil society. Occasionally in European history the state or the economy have succeeded in dominating the other elements in capitalist society. Civil society has always been the loser, despite talk of people's capitalism and corporatist rule, and barring certain experimental periods, such as the workers councils following the October Revolution in Russia.

It is important to note that these central elements of capitalism not only have hegemonic aims in relation to each other, but serve as the tools for controlling each other. The capitalist economy has a strong tendency to create inequalities within civil society. To avoid these, collective movements can try to use the state as a counter-balancing power, a redistributor of wealth. These move-

ments have also been able to force state organs to pass laws regulating the commodity and labour markets.

### **The capitalist structure of Finland and co-operation**

Capitalism began to develop in Finland alongside the traditional modes of economic exchange in the second half of the 19th century. It was concentrated in the wood and paper industries, and even then grouped around the leading banks. This industrial complex, which soon became the cornerstone of the Finnish economy, also gave birth to secondary industries and services at the beginning of the 20th century. Finnish economic growth, was, despite the Great Depression, one of the fastest in the world. During the interwar years, at a time when Finland acquired a money economy, the capitalist sector began to differentiate from the rest of the economy.

The development of capitalism in Finland could not have been so favourable had not the country become independent in 1917. During the preceding century Finland had been an autonomous grand duchy within the Russian empire, without its own state apparatus. Those state organs that existed were without the right to make decisions in all questions concerning the country. Nevertheless, they possessed a fairly high degree of freedom due to Finland's autonomous position vis-a-vis autocratic Russia. After Finland's declaration of independence all this changed and the country had to develop its own state, administrative system.

The form this system would take was not clear from the outset. Strong forces within the country wished Finland to become an absolutist state, a monarchy. Thanks to capitalism, another strong force in society was the working class which, together with the landless peasantry, resisted attempts to impose a monarchy. And because a major part of the bourgeoisie also opposed a monarchy, a representative democracy was finally agreed upon.

The object of this brief overview of Finnish history has been to show that Finland already had a typically, capitalist structure when it achieved independence. Although perhaps not as developed as in other capitalist countries, Finland had its own state, capitalist sector of the economy, and civil society. These elements were relatively

autonomous of each other, although the state was perhaps dominant during the interwar period when Finland was a state-ruled country.

Co-operatives, like political parties and trade unions, began as collective movements within civil society. Representing the interests of workers and farmers, they declared themselves an alternative to all kinds of state regulation and the capitalist sector of the economy. In those early days co-operation had clearly defined economic and political ends.

The political ends of co-operation focussed on the relationship between civil society and the state. At the same time it struggled to obtain an independent and legitimate status in Finnish society, in order to promote the interests of its members through state organs. Its economic ends concerned the relationship between civil society and the capitalist sector of the economy. In the short term to correct market distortions, in the long run to change the structure of the economy, co-operatize it.

In order to achieve these ends co-operation relied upon a double strategy. At first it had to secure its own economic basis. The large number of co-operative society bankruptcies in the early years showed that this was no easy task. Its eventual success was due to a vast increase in the number of members and the strength of their buying loyalty. Secondly, the co-operatives worked hard politically to establish a legitimate position in Finnish society. Its first success was with the enactment of the Law on Co-operation at the beginning of this century. This in itself was insufficient to guarantee the existence of co-operation, and it was followed by a fierce political struggle within the movement over the mode of its administration and societal goals. This split the movement into two opposing camps which, aggravated by other, more important socio-political issues in the country, crystalized in the 1917-1918 Civil War.

After that time the progressive part of the co-operative movement, the E movement, experienced great difficulties in establishing itself in Finnish society. These were exacerbated in the late twenties by the rise of Fascism in Finland. Without its political activities the E movement could not have withstood external political and economic pressures. Its representatives had constantly

to depend on the state for help in securing its existence. In this it was so successful that by the outbreak of World War Two the E movement had become a legitimate part of Finnish society (Ilmonen 1986). In other words, only with the help of the state help was this movement of civil society able to resist the pressures of the economy and civil society.

Actually, the E movement not only used the state for defensive purposes, but also for offensive ones. During the interwar period, its representatives worked on behalf of consumers on several state committees and even in the government, bringing about changes in customs policy and other matters (Ilmonen op. cit.).

When World War Two broke out, co-operation, even the E movement, had a recognized position in Finland. Typically, the bourgeoisie in order to win the workers' loyalty had to accept their organizations. This could be seen in the arrangements for a war economy, largely based on the idea of state intervention. The state regulated both prices and the flow of commodities. Co-operatives received their share of supplies and channelled them through their own retail networks. However, this was contrary to the official, anti-state attitude of co-operation, and once the war was over it demanded an end to state intervention in the economy. That this happened was not merely because of pressure from co-operation. Nevertheless, co-operative representatives remained in the state organs because they felt this was the only way to serve the interests of the movement and its members (Ilmonen op. cit.).

E movement representation in state bodies has weakened since the sixties, at the same time as it has become more closely integrated with the capitalist sector of the economy. Parallel to this change in E movement policy there occurred a change in power relations between the state and the economy. However, just before the E movement slipped from the realm of state into the economic arena, it participated in creating a number of consumer protection bills. Despite resistance from the private sector, these passed into law at the end of the seventies (Ilmonen op. cit.).

After this political deed, the E movement not only separated itself from the state, but loosened its ties with civil society. In order



to overcome its enormous economic problems, it has worked to change co-operative law into something similar to joint-stock company law, simultaneously hiving off some of its economic functions into joint-stock companies, and even selling them profitably. It is motivated by the opportunity of becoming a stock-market company and so increasing capital. Although rational from the point of view of the E movement's economy, the price paid is the loosening of its ties with civil society.

## Conclusions

Firstly, when we consider the history of the E movement we see that it began as a typical collective movement within civil society. During World War Two it became closely bound to the state, after which it gradually integrated into the economy. Because all these three elements within capitalist society function according to different operating logics, each dependent organization must take this into consideration in its activities, otherwise it becomes schizoid. Actually, this has been the condition of the E movement throughout its history, altering its policies according to its position in the main arenas of capitalist society. During the interwar years, when it was strongly bound to civil society, it was a market corrective. From World War Two to the end of the fifties, when it was closely bound to the state, it tried to be a counterbalancing force in the market. Since then it has behaved like any other market force (Ilmonen 1988).

The second conclusion is that it is not particularly wise to maintain a wholly negative attitude towards the state. The state is an essential part of capitalism. Without it there would be no opportunities for the movements of civil society to fight against the evils of capitalism. The state can be used to regulate the relationship between civil society and the economy. It is, for example, one means to promote co-operative member interests.

The third conclusion is that the capitalist sector of the economy is an essential part of a democracy. Without it the state would be free to intervene in the economy and civil society, and the collective movements of civil society would be impotent against it. All known examples of actual socialism show that this model does not

work. Thus it is quite logical that co-operation defends the free market against state intervention. In this, however, it must show great caution because otherwise it runs the risk of losing its identity and working in the interests of its members.

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# RELATIONS BETWEEN COOPERATIVE ORGANISATIONS AND THE STATE;

## The Philippines in Focus

*Romualdo B. Gaffud\**

### 1. Overview

The seminar theme, "Relations Between Cooperative Organizations and the State", can actually be contextualized within the classic philosophical quest on determining the relationship between man and the state or in the contemporary problem of delineating the nature and relationship between civil society and the state. The term state here is understood to encompass government at both central and local levels, public corporate entities, non-profit public service institutions, and quasi-government bodies which collectively embody the expression of the state's economic and political power affirmed through the observance of law or through other modes of legitimacy.

In turn, the state exists within a given political and economic system that defines the shape of political power and the distribution of productive resources. While the state grows out of the prevailing political and economic system, however, it wields a leverage in tinkering with or overturning such a system.

Outside the state is civil society encompassing the general citizenry. Within civil society are institutions that facilitate citizen representation in the administration of the state such as political parties and other non-party based formations. Cooperatives may be integrated with the state machinery as a service extension arm or may opt to remain as a voluntary organization within civil society.

By convention, any association of persons or of societies can be recognized as a cooperative society provided it has as its objectives

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the economic and social betterment of its members through an enterprise based on mutual aid, and that it conforms to the Cooperative Principles set by the Rochdale Pioneers as reformulated by the 23rd Congress of the International Cooperative Alliance (ICA 1988: 4).

Just exactly how cooperatives figure out in reality comes up as the confluence of factors arising from objective conditions and the subjective forces within the state as well as civil society. In the Philippines, there are objective conditions that bear significantly on the relationship between cooperative organizations and the state.

For one, asset concentration is pervasive. Almost 80 per cent of land is owned and controlled by only 20 per cent of the population (Department of Agrarian Reform, 1987). Meanwhile, only 80 families are reported to be wielding decisive control over industrial and financial capital through a system of interlocking corporate directorates (Doherty 1979).

Likewise, income concentration is entrenched. Almost 40 per cent of national income accrues to only the upper 10 per cent of the populace while the bottom 40 per cent have to make do with only 14.1 of total income. Income of the top 10 per cent of families is 15 times that of the poorest 10 per cent (NEDA 1987).

It is no surprise then that poverty incidence is high. Nationwide poverty incidence as of 1988 is 49.5 per cent, though it is higher in the rural sector at 52.5 per cent (NSO 1989). While growth performance for the past three years is supposed to have reduced poverty incidence from a high of 59.5 per cent nationwide in 1985 (64 per cent in the rural sector), the benefits of growth did not affect at all those who belong to the lower income strata. The government has in fact admitted that the magic growth rates of 5.9 per cent in 1987 and 7 per cent in 1988 (Yap and Lamberte 1989: 45) did not in any way translate to concrete benefits for the lowest 30 per cent of families in the income bracket as there was no change at all in their share of total income (Sta. Ana 1989: 7).

The most adversely affected are those in the rural sector. As can earlier be noted, poverty incidence in the countryside is higher than the national average.

Two-thirds of the population live in the farms and depend on agriculture and agriculture-related transactions for their livelihood. The agriculture sector per se accounts for 28% of gross domestic product (GDP) but combined with agriculture-based transactions in other sectors of the economy, the aggregate contribution is 65 per cent of GDP (NSCB 1988: 21; Local Autonomy Congress 1989). Considering the crucial role of agriculture in Philippine development, cooperatives should be an ideal mechanism for advancing growth as well as equity. Yet the Philippine story has been different. And this could be attributed in no small measure to the unresolved dilemma on the relationship between cooperative organizations and the state.

Now, let's look at the story.

## **II. The Philippine Experience: A Flashback**

Cooperativism as it is known in the West along the Rochdale lineage came to the Philippines with the advent of the American regime in the early 1900s that followed three centuries of Spanish colonization (Verzosa 1988: 3).

Long before the American regime, however, there have been patterns of propensity toward cooperation manifested through the Filipino traditions of bayanihan and palusong. Bayanihan is exemplified by the joint action by village folk to help someone in need in the community such as in transferring house where a whole neighborhood would physically carry a house of one of their peers to another site. Palusong refers to group action where a farmer's neighbors assist their colleague in planting his field without any expectation for monetary reward except for such traditional gestures of thanks giving such as a free lunch or a round of native drink.

As they are officially dubbed in the Philippines today, cooperatives pertain to a modality of cooperation associated with the Rochdale tradition. In all, there are 3,957 primary cooperatives registered with our Bureau of Cooperative Development (Ibon 1989: 4). These cover credit, consumer, producer, marketing, service, and multi-purpose cooperatives. Aside from these, there are 17,193 registered Samahang Nayons (SN) or pre-cooperatives found mostly in the agriculture sector. These cooperatives mush-

roomed during the mid-70s through government mandate. Today, less than one-third have survived with only 600 deemed viable among those who have gone into economic activities (SCCP 1989: 9).

These Samahang Nayons were meant to pool their marketing transactions into an Area Marketing Cooperative (AMC) of which 75 organizations were registered. Today, however, only 35 are still functional with many of them having only marginal operations.

Aside from the AMC, Cooperative Rural Banks (CRB) were set up purportedly to serve as the SN's financing link. Twenty nine CRBs were set up, all of which are still functional today. As a system, they have combined resources worth P396 million or US \$18 million as of June 30, 1989. For the second quarter of 1989, only five CRBs registered a negative net income. This is an improvement over the 8 CRBs that incurred net losses in the first quarter of 1989 (CFPI 1989). There are some apprehensions though that as CRBs press for viability by diversifying their operations into nonagricultural transactions, service to the farmer members who provide the equity, matched by government shares, for these CRBs might suffer.

Apart from the agricultural cooperatives whose operations are governed by Presidential Decree (PD) 175, there are 125 electric cooperatives, 89 transport cooperatives, and 31 sugar cooperatives. All these cooperative clusters are governed by separate laws and are regulated by different government agencies.

While government has been instrumental in promoting the cooperative idea in the Philippines, it has also been responsible for maintaining the myth that cooperatives are extensions of government thereby stunting the growth of the movement as an autonomous people's initiative. For a start, the Rural Credit Act of 1915 mandated the establishment of rural credit cooperatives whose loanable funds were supposed to come from members contributions and savings. As the mandate failed to encourage self-financing, Act No. 2818 was passed in 1919 appropriating one million pesos for rice and corn production to members of rural credit cooperatives. With the 1919 legislation, government's presence became more prominent (Llanto and Quinonez 1987: 2).

In 1927, the Cooperative Marketing Law was passed with the avowed purpose of organizing farmers into marketing cooperatives that were meant to bolster farmers' efficiency in marketing their products. In 1940, cooperatives were granted tax exemptions through Commonwealth Act No. 565 (Llanto and Quinonez: 2).

What may have been perceived as fragmentary initiatives in cooperatives development was sought to be addressed with what was considered a first attempt in establishing a cooperative system in the Philippines. The creation of farmers' marketing associations (FACOMA) in 1952 following the establishment of the Agricultural Credit and Cooperative Financing Administration (ACCFA) is considered the earliest attempt at introducing an integrated system of cooperatives. ACCFA organized and superseded the FACOMAs and also served as the financing arm of the system (Terso 1987: 1). Combined, the two aggregations were supposed to integrate the hitherto disparate but otherwise integrated system of production, marketing, and finance in the rural sector.

Despite all the laws, however, government's effort at institutionalizing cooperatives in the rural sector is generally considered a failure. The failure is ascribed by government to lack of proper guidance and assistance on education and training according to the true nature and character of the cooperative movement (BCOD 1986). An expert on cooperatives mentions other causes for failure: inadequate membership support; weak and/or corrupt management; poor, sometimes dishonest supervision; insufficient capitalization; loan orientation of members; and political interference (Terso 1987: 3).

An alternative view reproves previous approaches to cooperative development in agriculture that presumes the pluralism of rural communities which naively presupposes an equal leverage among different social classes to participate in the political economy. In the Philippine experience, rich farmers were observed to have dominated leadership thus wielding effective control on the thrust and management of such cooperatives. Cooperatives that were meant to advance the welfare of the poor ended up promoting the welfare of the rich farmers instead. Dependence of cooperative leaders on government for direction and financial support also bred

a culture of patronage that was not conducive to the fullest fruition of self-reliance and self-management that are essential to the growth of cooperativism. Even the imperative of democratic administration and control could not flourish because of the dominant presence of cooperative elites (Morales 1988: 44).

In 1973, an ambitious program was launched to chart a new trajectory for cooperative development that would have hopefully distilled the lessons from the past through the introduction of pre-cooperatives or Samahang Nayons that would help farmers imbibe the ideals of cooperativism through systematic education and training. This spawned the SN-AMC-CRB linkage earlier discussed in this paper. Apart from the SN-AMC-CRB system, government also put up federation level structures and support systems. The Cooperative Insurance System of the Philippines (CISP), the Cooperative Marketing System of the Philippines (CMSP), the Cooperative Development Loan Fund (CDLF), the Management Training and Assistance Program (MTAP), and the Samahang Nayon Support Project (SNSP) were all set in place by government.

The period from 1973 to 1980 was for government a time of intense attention to agricultural and rural electric cooperatives. Meanwhile, the nonagricultural sector (credit unions, consumer cooperatives, industrial and service cooperatives) expanded with minimal support from government. Today, credit and consumer cooperatives constitute 70% of registered primary cooperatives (based on Bureau of Cooperative Development 1986 registration update). Major federations of consumer and credit cooperatives such as the National Confederation of Cooperatives (NATTCO), National Market Vendors Cooperative Service Federation (NAMVESCO), and the Philippine Federation of Credit Cooperatives (PFCCI) had combined assets of P116 million or US\$5.4 million and net savings of over P9 million or US\$416 thousand dollars as of 1987 (USAID 1987: 34-35). Their primaries show a much more robust performance. Ten Manila-based credit cooperatives alone had real assets worth P33.5 million or US\$1.5 million as of 1986 (Lamberate and Balbosa 1988: 76).



### III. Prospects and Constraints

The relative success of credit and consumers cooperatives has been attributed to many factors. One argument points out the surplus-generating capacity of fixed income households such as employees and professionals who constitute the bulk of membership. It is the surplus or savings that enable them to join the cooperative which then manages the funds that leads to capital accumulation. Besides, households of this nature only have to budget and program their cash (and credit) so as to subsist from one payday to another. There is therefore a certain degree of certainty in both income and cash flow among fixed income earning households. On the other hand, the farming household's income is prone to uncertainty because of the widely fluctuating returns and uncertain results characteristic of farm activity. Moreover, the farm household has to: (a) plan for a longer cash period such as one cropping season, (b) plan for more than just household needs, such as seed funds, fertilizers, and other inputs, and (c) provide for the uncertainty that typifies rural production. Compared to its fixed-income counterpart, the rural household therefore is involved in a much more complex budgeting and income-enhancing process (Paderanga 1989: 10).

Aside from the surplus-generating capacity of households composing credit and consumer cooperatives, one factor that has worked in their favor is their endogenous growth that did not rely on government subsidy or assistance. In the Philippines, this experience underscores the need to define the role that government, and the state in general, must perform in cooperative development. At present, the Philippine legislature is deliberating on two bills advocated by the cooperative movement that should hopefully set the legal framework for the relationship between government and the movement. The bills envision the integration into one agency all government functions in relation to cooperatives and the consolidation of all laws governing cooperatives into a single Cooperative Code.

Findings from a recent survey conducted by the Cooperative Foundation of the Philippines, Inc. are instructive in the task of

delineating the role between government, or the state in general, and cooperative organizations. The survey covering 8,185 cooperatives, samahang nayons, and self-help groups was undertaken in 1988. A highly significant conclusion yielded by the analysis of data is the institution-building character of cooperative development. This means that structural demands are accepted by the members and become obligatory to their role enactment. Pre-set concepts, structures, and operating systems tend to force a fitting process that dampen the creativity and flexibility of an incipient organization to adopt particular responses to varying situations. In essence, this implies that cooperative development can be meaningful only if it reinforces the values, needs, and aspirations of cooperative members (Bonifacio 1989).

The tendency toward the government's "fitting process" attitude toward cooperative development is affirmed by field survey results showing that the primary assistance received by cooperatives from government are training/education and organizational assistance. In the purview of social psychology, people are made to fit into the existing organizational structure and culture. This means that cooperatives do not undergo a process of institution-building where specific attitudes and values are developed by the members through repeated interaction or association. In the case of existing cooperatives, it is assumed that the values and attitudes are already institutionalized and all that is necessary is for people to "fit" the existing cooperative's expectations (Bonifacio 1989:9).

But in as much as cooperatives are people-based initiatives, the state should recognize them as autonomous bodies within civil society. This acquires special meaning among developing countries like the Philippines where the fullest development of productive capacity is a paramount concern. Encumbering cooperatives with restrictive laws and regulations dampen their entrepreneurial potentials especially where they must assert their viability against dominant economic actors. The imperatives of productive capacity enhancement may eventually require cooperatives and other popular enterprises or self-help groups to carve out a people's sector in the economy that would maximize inter-cooperative transactions as a counterpoint against the hegemonic tendencies of big business as

well as government. This is inevitable particularly in a primarily agricultural country like the Philippines where the marketing and distribution system in agriculture is oligopolized (Montes 1988: 13). In sum, cooperatives should assert their autonomy as civil society has its own logic and dynamic apart from that of the State.

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## COOPERATIVES AND THE STATE

*Prof.Samiuddin\**

Cooperatives are found in all parts of the world having different levels of economic development; scientific and technical advancement; cultural and social advancement and very different types of Governments.

In some countries like U.K. and Germany they were developed as popular organisations by the masses on the initiative of Rochdale Pioneers and Raiffeisen. In these countries, the cooperatives came into existence after a lot of discussions on the possibilities of developing some form of organisation for the mutual economic development of the members.

The socialist countries reorganised their Co-operative system in accordance with the philosophy of their State. Their cooperatives have become instruments for the implementation of the policies of the State.

In Arab countries, they had a chequered history and have taken an altogether different form. Either the movement is party sponsored as in Iraq or like cooperative stores of Kuwait sponsored by monarchs. They depict the peculiar character of these countries.

In African countries, this movement was developed by the rulers of the colonies in their own interest to exploit the resources and is undergoing rapid changes.

In India, the cooperatives were developed in 1904 as a strategy to provide a slice of consolation. After 1919 it became the State (Provincial) subject without any basic change. During this period the government allowed registration of societies on communal basis. Consequently, Societies of Jats, Societies of Ahirs, Societies of Khatries, Agarwals etc. came into existence. Even today we

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notice societies bearing certain names like Vaish Co-operative Store or Ram Wati Cooperative Been Bhandar.\*

Thus the principle of religious neutrality was crushed under the nose of the State.

With participation of money lenders in the co-operative credit societies spoiled its superfine fabric of being known as a movement of the poor for their economic uplift through mutual help.\*\* As a result of it, the membership has been divided between two classes at the cost of the principle of equality.

In fact, when the British Government sponsored this movement under Coop. Credit Societies Act of 1904, it involved rich Zamindars, influential (rich) persons of the locality in establishing these societies. Also the Government appointed rich and influential persons to look after the movement. With this foundation laid down by the Government in 1904, the movement has developed as a Government sponsored, government guided and government oriented movement for developing societies on the basis of caste, creed and religion.

After independence in 1947 the Britishers left India leaving behind the tradition of excessive control on the Co-operative Movement. Co-operatives provide a good platform for public contacts through appearance in public on auspicious occasion. Thus the politicians cashed the opportunity by involving themselves in co-operative ventures. Many became MLA's, MP's and Ministers while others got opportunities of becoming Directors of District or State level cooperative organisations.

In short, the co-operatives became the slaves of the giants instead of eradicating economic slavery and poverty for which they were born.

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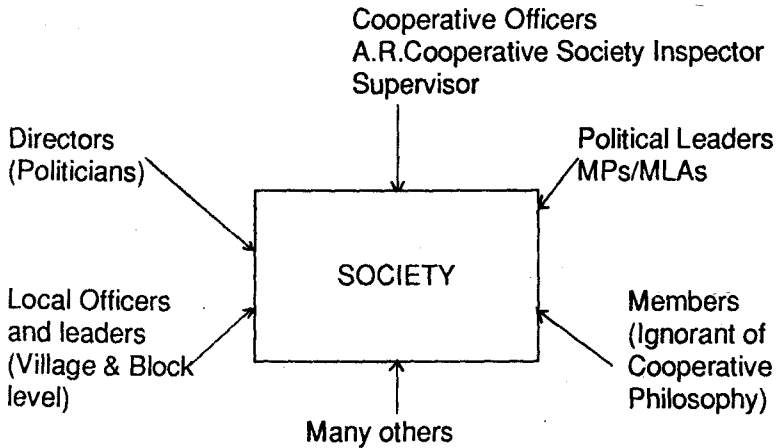
\* *The Cooperatives were functioning in a caste ridden society and these were organised also in many cases on communal basis with the recognition of the government, out of wrong notions about 'homogeneity of groups'. The money lender and the trader will continue to occupy an important place in the village economy (See G.S.Kamat,Coop.).*

\*\* *See report of the All India Rural Credit Survey Committee for further details on this aspect.*



Where do we stand today is a big question before us. Should we accept politicians who now and then come and go as our guide, guardian and guarantor or should we part with them and rely upon the strength of genuine membership and professional management. I understand that it is better to develop genuine cooperatives formed by genuine members. But the genuine cooperatives cannot survive against the wishes of these great pillars of democracy. Thus, the need of the hour is to educate and enlighten them and through them the Government, for strengthening the movement.

In India the Cooperatives are subject to a number of pressures and a variety of controls - administrative, legal, political, official and local. At the top is the Government with its political arms to catch it from the neck and support from below to let it survive. The expectations from a small society are too many which don't allow it to survive as is given in the diagram:




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\* See report of the All India Rural Credit Survey Committee for further details on this aspect

Not only this but these societies are expected to perform magic on the music of the Government. For example, the policy of encouraging consumer cooperatives in periods of crisis or emergency followed by some neglect after the return to normalcy. Objectives which could not be achieved by the government e.g. holding the prices during the periods of inflation or removing poverty are laid down for being achieved by and through the cooperatives. It is unfair to the Cooperative Movement, that their goals are set and decisions are made by the government, without reference to cost-benefit analysis. The policy of deputing government officers to manage the affairs of the societies has made them feeble and any disagreement or resistance on their part is out of question. Dependence on government logically means acceptance of government directives. Government patronage and independence in decision-making are two things not compatible with each other.\*

The cooperatives in India face a dilemma of retaining their autonomy and yet enjoying the state support and assistance for survival and growth. Generally the cooperatives have suffered due to political interference and administrative high handedness.

In spite of this, the cooperatives of developing countries cannot imagine about the possibilities of their survival without active support of the State. No doubt the relationship between the State and the cooperatives can be determined with reference to the philosophy of the State:\*\*

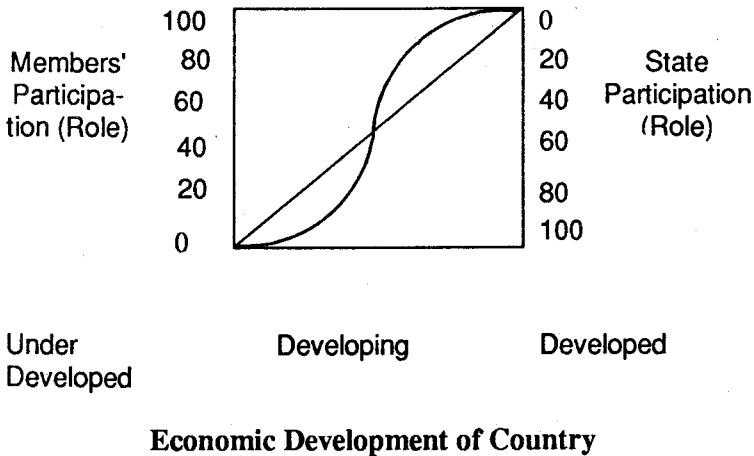
In a democratic country the relationship between the two will be different from that of a socialist and communist country. Likewise, the relationship may be different in a developed and a developing country. However, this relationship can never be a permanent feature. Cooperation is a developing science. The concept of State is also elastic. Thus their relationship may change

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\* G.S.Kamath, *New Dimensions of Cooperative Management* (Page 95).

\*\* Sometimes the term State and Government are used so interchangeably that it becomes difficult to understand the implications of these two words. Actually, the Government is of the essential one element of the State. It is through the bureaucratic branch of the Government that the ideals of the State are to be realised.

from time to time in the same country. Not only this but there are differences in the cooperatives too. We have to distinguish the primary cooperatives from the top ranking highly developed ones. The degree of urgency of an official care taker may be more in case of a primary society in comparison to a top ranking organisation. Thus, an Apex institution may not like the government assistance and technical advice which the primary organisation may desire. In the two different countries also the degree of assistance required may thus be different. Hence the argument put forth by Dr. Lazlo Valko has great significance. He says "The system of vertical development or the application of the theory of evolution for cooperatives is the most logical way to determine why we can accept more active intervention by the State or Government for cooperatives in newly developing areas than it is allowable in the group of highly developed self-supporting and individual cooperatives". This theory may be explained graphically to give a clear concept of relationship between the State and cooperatives.



### Government and Cooperatives in India

India is a developing country. Hence the State has to play an important role in the promotion of the Cooperative Movement. But this role should be without political pressure and strings. It is the

duty of the State to provide managerial personnel and arrange for dissemination of Cooperative Banking. It is also necessary to provide legal, financial and moral support for its development.

In the past the Government has taken lead in the development of this movement at the cost of some of its principles like political and religious neutrality and democratic functioning.

At present right from the top down to the village society, there is dearth of non-official cooperators because of the lack of enlightened membership. Consequently, the government is managing the important cooperative organisations and institutions. It is not a healthy sign. Hence it is suggested that the government should concentrate more on remedying the basic weaknesses of the structure by encouraging federal bodies and even research groups to take up the lead. Many big cooperatives like NCDC, IFFCO etc. have taken steps in this direction.

The cooperatives have been assigned a crucial role and the government has pronounced its commitment to develop the movement. As cooperatives are organisations of the relatively weak sections in the community, therefore, they should not be expected to go beyond their capabilities.

That the good of the individual and the good of the state are indistinguishable, calls for simultaneous state action in developing Public, Private and Cooperative Sectors. It is only natural to assign significant priority to the promotion of cooperatives as an agency to harness the individual initiative and corporate action and also as an agency for the dispersal of economic power, which alone imparts meaning to the concept of Socialistic Society.\*

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\* *Role of Cooperative Credit in Agriculture Development, Faculty of Commerce, Jodhpur University, Jodhpur, pages 119-120*

# CO-OPERATIVES AND THE GOVERNMENT - AN OVERVIEW OF ASIA\*

*Dr.R.C.Dwivedi\*\**

Governments in Asian countries have been playing an important role in the development of cooperatives and their working. This role has been varied and changing depending on the stage of cooperative development and socio-economic condition of people. This role could be direct, indirect, positive, neutral or negative. Direct in the sense, that government may formulate and design definite policies and programmes for the cooperatives and assist their development financially, technically and in other ways. It may become even partner in cooperatives. The government's indirect role may be by way of encouraging formation of cooperatives, without involving itself, through various policies favourable to cooperatives. The role may be positive i.e. encouraging peoples' initiative and building an environment for the growth of genuine cooperatives. It may be negative and inhibiting i.e. limiting peoples' role and discouraging organisation of cooperatives. The governments may also remain neutral leaving cooperatives to have their own course. What role a government would play depends upon the value it attaches to cooperatives and how it assesses its potentialities and appreciates its basic ingredients.

Government's influence over the cooperatives is as old as Co-operation itself. It is only the nature, extent and methods that differed from time to time and country to country. In the anxiety to accelerate the process of economic development, the government actively involved themselves in developing cooperatives. In some countries of Asia, the relationship between the government and the

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\* This paper is based on the Regional paper prepared for ICA ROAP Regional Consultation held at Singapore on 4-7 June, 1988.

\*\* Regional Consultant and formerly Chief Executive, National Cooperative Union of India, New Delhi.

cooperatives has become self-contradictory. It is both encouraging and irritating, essential and controversial, promising and obsessing. It is a relationship of carrot and-the stick, help and mistrust. Consequently, at times, a situation of confrontation between the government and cooperatives also arises.

### **Present Situation**

#### *Some Features of Asian Countries:*

The Asian region consists of both industrialised and developing countries. Australia and Japan come under the former category, while Bangladesh, China, Republic of Korea, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka and Thailand come under the latter. Singapore has its own feature as being a highly commercialised country having total urban economy. The obvious characteristic of the economies of the developing Asian countries is the predominance of agriculture, which provides employment to a large majority of the population and contributes substantially to the gross domestic product. The agricultural products also dominate the export trade of these countries. The agricultural holdings are small and fragmented with low productivity and prevalence of traditional methods of cultivation. With the increasing population, the pressure on land is very high. Modernisation of agriculture is being introduced. Most of these countries have increasing population, and problem of under-employment and unemployment. A sizeable section of their population lives below poverty line. There is lack of adequate infrastructure needed for rapid economic development. The situation of agriculture in the developed countries of the region is much different, and their economic problems are also different. The stages of economic development, peoples' cultural heritage, social customs and traditions differ from country to country. Though political patterns vary, the common feature is that all countries claim to have faith in democratic values.

#### *Introduction of Cooperation*

Cooperation was introduced by the governments in most countries of Asia during the first half of this century, through the

enactment of cooperative legislation, although in some countries, like India, Indonesia, people had taken initiative to organise self-help institutions without formally registering these under any law. Japan was the first to enact the law in the year 1900, when credit cooperatives, purchasing cooperatives, marketing cooperatives and utilisation cooperatives were established on sound legal foundation. In India, the first cooperative legislation was passed in the year 1904, in a situation of miseries of the peasantry. The situation was the same in Bangladesh and Pakistan. They also had the first legislation in 1904. In Philippines, the law was enacted in 1906, against the background of sufferings of agriculturists, In Sri Lanka, the first cooperative law was enacted in the year 1911 to alleviate the problem of rural indebtedness. In Indonesia, the first law was introduced in 1915 although efforts were initiated by the people themselves towards organising cooperatives with the purpose of providing credit to the farmers. In Thailand, the first law was enacted in 1916 to organize Raiffeisan model of cooperatives to provide credit facilities to the farmers and promote thrift among them. In Malaysia, the first law was passed in 1922, as a means of tackling the wide spread indebtedness of farmers and workers including civil servants. Singapore introduced the cooperatives by passing the first cooperative societies ordinance for the Straits Settlement in the year 1924. It was introduced at a time when money-lending was a roaring business. Wage-earners in the middle and lower income groups could hardly make the two ends meet because of poor wages and the high cost of living. These workers had none else to bank upon except the unscrupulous money-lenders who charged exorbitant interest rates. In Republic of Korea, the government enacted and promulgated the Agricultural Cooperative Law in 1961, the Fisheries Cooperative Law in 1962, the Credit Union Law in 1972 and the Livestock Cooperative Law in 1980.

### *Credit Cooperatives - Main Thrust*

In most Asian countries the colonial governments, had considered cooperatives as a suitable agency to provide credit to the farming community. Because of the common problem of agricultural indebtedness, and absence of institutional financing of agriculturist, agricultural credit cooperatives were pioneered by the governments in Asia, unlike the European countries where non-

credit activities became more prominent in the Cooperative Movement. There was growing unrest among the indebted farmers and landless labour. It was politically essential to take steps to convince the people that the governments were aware of the problem and were in search of its solution. The reasons for sponsoring credit cooperatives thus were both economic and political. The success of Cooperation in Europe in the field of agricultural and non-agricultural fields was well demonstrated, which could be adopted elsewhere. This was one of the factors which led to the introduction of cooperatives in the Asian countries.

### *Structure of Cooperatives in Asia*

The cooperatives in all the Asian countries have a federal structure. Japan and Korea have only vertical federations, whereas in other countries, along with the vertical federations, there have also been established horizontal federations at the national level, designated as national cooperative unions, councils, league etc. in order to coordinate the Cooperative Movement as a whole. The concept of horizontal organisation seems to have spread to other countries, through India, from the British Cooperative Movement which had set up the British Cooperative Union. At the village level, "one village one society" was the organisational pattern initially, for promoting thrift and providing credit.

The present trend in all the countries of the region is to set up multi-purpose cooperatives covering wider area so that different needs of villages may be met by one and the same organisation and the primary cooperatives could become viable. The viability norms differ from country to country. Japan has strongest multi-purpose cooperatives in the region. In most of the developing countries, primaries, in spite of their diversified activities, continue to be economically operationally and organisationally weak. In several countries of Asia cooperatives are entering new fields such as dairy, poultry, fishery, forestry, transport, electrification, production of agricultural inputs, distribution of consumer goods, industrial production etc. India has a most diversified cooperative sector. In addition to economic activities, cooperatives are also taking up social services like health, education and family planning. Greater emphasis is being placed on the role of cooperatives in improving



the socio-economic conditions of weaker sections in all the developing countries. In Philippines, there are private cooperatives which means that such cooperatives do not avail of any financial assistance from the government and, therefore, they are independent in their functioning; and government aided cooperatives in which the government may intervene. In Malaysia, there are farmers organisations, registered under Farmers Organisation Authority, which are akin to cooperatives, but not exactly cooperatives.

### *Governments' Faith in Cooperatives*

It may be observed that all governments in the region have faith in the potentialities of cooperatives as a means and instrument of socio-economic change and development and upliftment of the weaker sections of the community, which has been expressed and recorded variously in different documents, particularly in National Economic Development Plan documents.

### *Government Objectives of Development of Cooperatives*

There has been a marked difference in the government objectives of the development of cooperatives. To begin with, cooperatives were just a relief measure to provide at low rate of interest credit to the farmers, who were chronically indebted and were being exploited by the money-lenders and traders. With political awakening and welfare governments coming in, the concept of cooperatives took a different connotation and contents. It was visualised in a much wider perspective as instrument of planning, agent of socio-economic transformation, method of enlisting peoples' participation in the economic development, and so on. Good deal of evidence is available to establish this shift. The present government objectives of cooperative development have been identified in different countries as follows:

- development of a distinct sector of economy to balance the public and private sectors (Bangladesh, Korea, India, Indonesia).
- develop a self-reliant and decentralised economic system (Bangladesh, India, Indonesia, Japan, Malaysia)
- increase agricultural production and promote rural development (Bangladesh, India, Indonesia, Japan, Korea, Malaysia,

Philippines, Sri Lanka, Thailand)

- diversification of cooperatives to cover various economic activities and social services (Bangladesh, India, Indonesia, Malaysia, Thailand)
- ensure equitable distribution of essential/scarcce commodities (India, Indonesia, Sri Lanka)
- ensure equitable distribution of national income (Indonesia)
- generate self-employment (Bangladesh, India, Indonesia, Malaysia, Thailand)
- increase agricultural production efficiency and improve farm management (India, Japan)
- develop members resources (India, Indonesia)
- get better prices and non-price services (India and Indonesia)
- career planning for management (Indonesia)
- provide financial assistance (India, Malaysia)
- minimise the role of private middlemen (India, Malaysia)
- develop self-reliance among people (India, Japan, Malaysia, Thailand)
- bring about economic democracy and social justice (India, Thailand)
- promote quality of life, especially among the poor (Bangladesh, India, Thailand)
- encourage integration among various races and to promote racial harmony (Malaysia)
- establishment of cooperative commonwealth (India)
- build an instrument of economic planning (India, Malaysia, Philippines, Thailand)
- development of an organisational agency to implement government policies (India, Japan, Malaysia, Thailand)
- enlist people's participation (Bangladesh, India, Indonesia, Japan, Malaysia, Thailand)
- facilitate development of democratic government (India, Thailand)
- develop a self-reliant and independent Cooperative Movement

making it a united, strong and viable economic system; (Singapore)

- build a strong apex cooperative organisation, capable of providing centralised services to cooperative societies and assuming a greater role in cooperative promotion, development and supervision (Singapore).
- organise, on a large scale, cooperatives in all sectors of economy, to strengthen and develop them so as to strongly bring together the economic development of socialism and further successful acceleration of development of socialism and communism (Democratic People's Republic of Korea).

Thus there is a departure from conventional object of promoting the economic interests of members. The cooperatives also involve governments' interest as an agency to achieve certain government objectives which are not always necessarily in cooperatives' own interest.

The reason for the shift in the government object from simple credit relief to covering total socio-economic activities may be attributed mainly to political changes that occurred in the middle of this century, that is, transfer of power by the colonial rule to the national governments in most countries. The change over to independent governments per se changed the objects and outlook of the governments. The most urgent aim and task of the national governments was economic development and social transformation so as to meet peoples' aspirations, improve the living standards. No government, howsoever powerful and strong, can perform this task with a measure of success, without the involvement of people themselves and without mobilising people's initiative, efforts and resources. Cooperatives were visualised as potential institutions to meet this agency requirement of governments in all the countries. Cooperatives were to be built up as an alternate agency on which governments could rely in a situation of expediency and administrative exigencies. The other factors were exposure of political leaders and others to countries where cooperatives have gained noticeable success. Inflow of literature on cooperatives added to the knowledge about the potentialities of cooperatives. Positive and commendatory resolutions of U.N. General Assembly and other

U.N.bodies like ILO, on cooperative development, further drew the attention of the governments to support organisation and development of cooperatives.

### *Objectives of Cooperatives*

There has also been a change in the objectives of cooperatives. During the first half of the present century their main object was to promote thrift and disburse credit to farmer members. In the present context the cooperatives have much wider socio-economic goals. Their functions are not confined to members alone. They are Community-oriented. Precisely, the objectives of cooperatives have been visualised in different countries as:

- strengthening the structure and efficiency of cooperatives (India, Thailand)
- develop a strong cooperative sector in the economy (India, Thailand)
- increase income and well-being of members (Thailand)
- protect members interest (Japan)
- objectives that are set up by members (Philippines)
- serve better the needs and business activities of the members (Indonesia)
- giving profit optimal as need for capital accumulation and the welfare of the members (Indonesia)
- develop peoples' participation in the economic institutions for wider coverage and business power so as to effectuate the implementation of the economic democracy in the country (Indonesia)
- to increase the agricultural productivity and to enhance the economic and social status of member-farmers (Korea)
- instil sense of self-reliance and mutuality, equality and social justice (Thailand)
- promote quality of life of members (Thailand)
- improve socio-economic standard of living and comfortable living in society (Japan, Korea)
- upgrade the socio-economic status of the economically weaker sections of the society (Malaysia, India).

- reinforcement of economic ties between urban and rural areas and raising the standard of living of the members of the cooperatives by increasing commodity circulation (Democratic People's Republic of Korea).

Thus, theoretically, there is no conflict, direct or remote between the objects of Governments and those of cooperatives. Both have common goals. It is significant that all the Governments in the region are committed to establish welfare states which characteristically means, establishment of social and economic justice, equality of opportunity, freedom of earning livelihood by legitimate means, non-exploitation, a minimum standard of living of the people etc. The cooperatives also aim to achieve these very ideals. In India and some other countries, State policy aims at establishing socialism, democracy and secularism. Cooperatives are nearest to this State object. However, it is in the process of implementation that the objects of Government and cooperatives' objects may sometimes conflict.

### *Status of Cooperatives*

**Constitutional Status:** The association of government with the cooperatives has given a distinct status to them. In some countries they occupy a Constitutional position. For instance, in Bangladesh, cooperatives have been recognised in its Constitution as the third sector side by side with public and private sectors of the economy. The clause 67 of the Constitution of Thailand states that "The State shall encourage farmers to organize a cooperative or other form of organisations". The 1986 Constitution of Philippines recognizes cooperatives in various provisions thereof. The main provision is contained in Article 12 Section 15 which states "The Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development". The Constitution of Democratic People's Republic of Korea lays down: "18 The means of production in the Democratic People's Republic of Korea is the property of the state and cooperative organisations." "20.....The government legally protects the property of cooperative organisations." In some countries, the provisions in their Constitutions implicitly advocate for cooperatives. For instance, the Article 122 Clause 1 of the Constitution of

the Rep. of Korea lays down that "The Nation shall set up such plans needed for rural development based on self-reliance organisation with a guarantee to be neutral against any political affiliation". The article 33 of 1945 Constitution of Indonesia stipulate that "The economy shall be organized as a common endeavour based upon the democratic principles of familyhood". The Directive Principles enshrined in the Indian Constitution prefer promotion of village and cottage industries on "individual or cooperative basis".

The incorporation of cooperatives in the Constitution of a country has significant implications. This in itself becomes a political commitment of the government to encourage and promote cooperatives. It gives sanctity to the concept and thereby encourages the people to work for its development. It would be appropriate if all the governments in the region, supporting the development of cooperatives, provide specific place to cooperatives in the respective Constitutions. It will not be out of the place to mention that Constitutions of some Western countries also provide for the promotion of cooperatives as basic agency for socio-economic development.

**Administrative Status:** A significant consequence of governments assuming the responsibility of developing cooperatives is that the latter have acquired an administrative status in the government framework. In all the countries of the region, there is a Minister responsible for cooperatives. In most cases it is a part of Agricultural portfolio. In Japan consumer cooperatives are under the Minister of Welfare, whereas agricultural, fisheries and forest cooperatives are under Ministry of Agriculture and Forestry. Small and Medium Enterprises Cooperatives are under the Ministry of International Trade and Industry. At national level in India, subject of Cooperation is with the Minister of Agriculture, while consumer cooperatives are with the Minister of Food and Civil Supplies and other Cooperatives with the respective concerned Ministries. In States, in India, each state has a separate Minister in charge of cooperatives. In Republic of Korea the Minister of Agriculture and Fisheries and Livestock is responsible for supervising the agricultural and fisheries cooperatives as well as supporting the various activities. The Agricultural Cooperative Law of Republic of Korea declares that "The Cooperatives and Federation shall be supervised

by the Minister of Agriculture and Fisheries. Competent Minister for credit union is Minister of Finance. In Thailand, Minister of Agriculture and Cooperatives has the cooperative portfolio under which the cooperative promotion department and the department of cooperative auditing undertake the responsibility of promotion, supervision and control of cooperatives of all categories. In Malaysia, there is a Ministry of National and Rural development which is incharge of cooperative development. In Sri Lanka, a separate Ministry of Cooperation was created in 1986. Earlier its placement was with different Ministries at different times. In Indonesia, there is a Ministry of Cooperatives which is responsible for the development of cooperatives. In Bangladesh, subject of cooperatives is with the Minister of Local Government, Rural Development and Cooperatives. In Singapore cooperatives are under Ministry of Community Development. Since the economies of the Asian countries are agriculture-oriented placement of cooperatives with the Minister for Agriculture is considered more appropriate. Cooperation is a movement which is making inroads in all the fields of economic life of people. Hence administrative pattern also changes from country to country and according to political considerations and decisions as to what should be the placement of cooperatives.

**Sectoral Status in National Economies:** The Constitution of Bangladesh recognises cooperatives as third sector of economy. In India, cooperatives constitute the third important sector of economy, the other two being the public and the private sectors. The conceptual status to cooperative sector is laudable as it has been envisaged that the cooperative sector will be a vital balancing sector between the private and public sectors. Private sector is generally hostile to cooperatives, whereas public sector undertakings, set up in fields, where cooperative have been organised, compete with them. Cooperatives are treated in Republic of Korea, Japan, Philippines, Thailand, Indonesia as part of private sector.

The Private sector enjoys a better status, obviously because it is well established and is able to exert greater pressure on the Government for getting a better deal. Practically in all the countries, the private sector has much larger role and opportunities in the

economy than the cooperative sector. The Governments provide facilities to the private sector which are at times comparatively better than given to cooperatives. In Malaysia, incentives to private sectors include tariffs, pioneer status, etc. The fifth Malaysia plan envisaged a greater role for the private sector. A policy of privatisation has been adopted. The reason for this is that the Malaysian people become over dependent upon government assistance and support. Hence, to develop self-reliance among the rural people, private sector is expected to provide leading role in this direction. In Thailand, cooperatives are regarded as business organisations in private sector except where they are considered different for certain purposes. In Japan pressure from private business sector against cooperative movement is increasing. It is an urgent task for the movement how to protect and maintain organisation and how to make the general public understand the value of cooperative system to increase its influence.

The status of cooperatives is not at par with the public sector, although it is assumed that cooperatives are superior to public sector in terms of their ideology, organisational structure and peoples involvement.

Public sector enterprises in Thailand are considered both income generating and public utility organisations, hence they enjoy more support and privileges than the cooperatives. Apart from the taxation and licensing fee which are exempted to public enterprise, they enjoy privileges of making purchases and sales contracts with government departments without going through bidding. In Malaysia, the public sector is given subsidies and staff.

### *Government-Cooperative Interaction*

In order to formalise exchange of views on matters pertaining to cooperatives, governments in some countries have set up at their level bodies having representatives of government and movement. In Bangladesh, a National Council for Cooperatives has been set up headed by the country's President himself, with intellectuals, professionals, Members of Parliament, government officials' farmers representatives, cooperators etc as members. In India a similar body has been constituted under the Chairmanship of Minister of



Agriculture, who is also in-charge of Cooperation. However, their utility and effectiveness is yet to be established.

### **Government's Role**

In pursuance of the objectives of the government in developing cooperatives, the governments in the region have involved themselves deeply so as to accelerate the development and diversification of cooperatives. As an accepted policy, governments have assumed various roles and responsibilities towards cooperatives. Different strategies and methods have been evolved to support cooperative development. The following are, inter alia, the main areas in which the governments have committed their role and assistance in various countries of the region:

- enactment of legislation governing cooperatives,
- formulation of policies relating to cooperatives,
- planning for cooperatives, including determining priorities and fixing targets for achievement,
- financial support,
- providing incentives and concessions,
- promotion of education and training,
- setting up joint ventures,
- management and supervision,
- standing guarantee for and on behalf of cooperatives.

### *Enactment of Cooperative Laws*

Governments in all the countries of Asia have enacted exclusive laws to govern cooperatives. In India and Australia, cooperation is a State or Provincial subject. Therefore, each State/Province has its own cooperative law. However, the Government of India enacted Multi-State Cooperative Societies Act 1984 to govern the cooperatives, the area of operation of which is more than one State, repealing the Multi-Unit Cooperative Societies Act of 1942. The state laws in India, have common framework and similarities with some differences. In Sri Lanka, under the recent administrative changes giving more autonomy to provinces, it has been decided to

transfer Co-operation to the provincial administration. In other countries, namely, Bangladesh, Indonesia, Republic of Korea, Japan, Malaysia, Philippines, Singapore, Thailand, Cooperation is a national subject and, therefore, there are national cooperative laws. Singapore and Thailand have one national law for all kinds of cooperatives. In Bangladesh the Cooperative Societies Act 1940 has been replaced by Cooperative Societies Ordinance 1984. In Japan, Republic of Korea, Philippines, Pakistan, Indonesia there are more than one law. In Indonesia, the main law is "The Law on Basic Regulations for Cooperatives in Indonesia". To govern KUDS there is a separate Presidential Decree No. 4 of 1984, which regulates the government's support to the development of KUDS. In Pakistan, besides general cooperative law, there is another law to govern the farming cooperative societies in the country. In Japan, there are five cooperative laws namely, Agricultural Cooperative Law, Consumer Cooperative Law, Fisheries Cooperative Law, Forestry Cooperative Law and Small and Medium Enterprises Cooperative Law. In the Republic of Korea, there is Agricultural Cooperative Law, Fisheries Cooperative Law, Credit Unions Law and Livestock Cooperative Law. In Philippines, there are four Laws, Presidential Decree No. 175, Presidential Decree No. 269, Presidential Decree No. 775 and E.O. No. 898. In addition, there is provision in the Constitution.

The common contents in the cooperative laws of all the countries relate to registration, management of cooperatives, rights and duties of members, audit and inspection of cooperatives, settlement of disputes, winding or dissolution of cooperatives etc. However, the nature and approach of these laws can be said to be different. While the laws of Japan and Republic of Korea are more oriented towards strengthening autonomy of cooperatives, the laws in Bangladesh, India, Pakistan, Sri Lanka, are Registrar--based and they tend to give more powers to the government to restrict and regulate working of cooperatives. The laws of Indonesia, Singapore, Thailand, Philippines and Korea provide some role for the government in cooperatives, but refrain from clothing governments with wide and stringent powers. The cooperative laws of India and Sri Lanka are comprehensive to regulate and provide for much operational details.

## *Policy Support*

The governments in several countries of the region have come out with policy statements on cooperatives. In Bangladesh government declared a national policy on the organisation and management of cooperatives to develop Cooperative Movement in the country as one of the important means of social equalisation. In India, the National Development Council, the highest policy making body on planning matters, adopted a National Cooperative Policy Resolution in 1958. It comprehensively outlined the role of government, object and pattern of cooperative development, importance and essential role of non-officials etc. A working group was set up to recommend in detail how to implement the said Resolution. In India, the Five Year Plan documents and Industrial Policy Resolutions also incorporated the objectives and role of cooperatives. The Industrial Policy Resolution of 1956 of the Government of India emphasised that “the principle of cooperation should be applied wherever possible and a steadily increasing proportion of activities of the private sector developed along cooperative lines”. The third Five Year Plan defined the role of cooperatives as “In a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture....., rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and consumer becomes a vital force for social stability, for expansion of employment opportunities and for rapid economic development”. In 1977, the Janata Government reformulated a national Cooperative Policy Resolution and gave 42-Point Action Programme. There is no marked difference in the two policy resolutions. The latter in a way is only reaffirmation of the same approach to cooperatives as was outlined in the 1958 Resolution cited above.

In Malaysia, the national Policy in regard to cooperatives is laid down in the Five Year National Economic Plans. In Thailand, a policy statement was made by the government in the National Parliament on May 20th, 1983, stating that more “farmers’ institutions, particularly, cooperatives shall be supported in order that

they shall look after the interest of farmers more efficiently and effectively". In the Republic of Korea, Agricultural Cooperative Law of 1983 lays down the government policy on cooperatives as follows:

- "All the Ministers of government shall actively support business of the Cooperatives and the Federation, and shall provide preferential facilities of the government or public organisation for their use;
- "The government may grant subsidies necessary for the business operation of the Cooperatives and the Federation within the scope of its annual budget;
- "The President of the Federation may present to the Government his recommendations, regarding development of the Cooperatives and the Federation".

In Sri Lanka, there is no national cooperative policy as such. There used to be references to the cooperative movement in the "Throne Speech" at the opening of Parliament, during the sixties. Governments also formulate policies for specific groups of people or categories of cooperatives in order to ensure their development. In Malaysia, policies are formulated for selected cooperatives initiated by the Government such as District Development Cooperatives, Village Development Cooperatives, School Cooperatives etc. Similarly in Thailand, the policies are formulated for the processing of paddy and marketing of milled rice of the agricultural cooperatives, construction of infrastructure for the land settlement cooperatives, provision of soft loans to cooperatives for essential capital investment expenditure. In India, apart from National Cooperative Policy, specific policies are laid down in the Five Year Plans in regard to role and place of cooperatives in different fields, small and village industries, agricultural processing and marketing, dairy development, handloom development, assistance to weaker sections, tribal development, distribution of essential commodities, procurement of foodgrains etc.

It is essential that the long-term policy on cooperatives should be specific and be reflected clearly in the policies, formulated by different Ministries or departments and the provincial/local govern-

ments. It has been observed in some countries that declared policy is not actually followed by different departments of the government. It has also been observed in some of the countries that policies are formulated on adhoc basis and they are changed frequently which gives a setback, at times quite severe, to cooperatives.

Besides policies relating to cooperatives, there are other policies which directly or remotely affect the cooperatives such as licensing policy, price policy, fiscal policy, industrial policy, trade policy, labour policy etc. These policies go a long way in influencing the development, working and end results of cooperative performance. In Most cases these policies are formulated taking into account the cooperatives. However, these may not always be to the advantage of cooperative, due to certain factors.

#### *Planning for Cooperatives*

Each developing country in the region has adopted policy of planned economic development. With the commitment to support the expansion of cooperatives in diverse sectors of economy the governments lay down in their plan documents approaches to cooperatives, directions and priorities of development, physical targets, allocation of funds etc. Various schemes and programmes are also envisaged.

In Japan, cooperatives make their own national plans based on priority areas identified by member organisations of individual members. In the case of agricultural cooperatives, basic policy of the movement is decided at the triennial congress followed by annual national plan. The priority area taken up by agricultural cooperatives could happen to be the same as national priority. But this does not necessarily mean that the cooperatives always keep the national priority in view, whenever they make their own plan. In the Republic of Korea, also plans are formulated by the Federal Organisations. In Singapore, cooperatives formulated their policies and objects at Triennial General Assembly (TGA)

#### *Financial Support*

Governments financial assistance to the cooperatives has been most valuable supportive measure. It is extended by way of (i) loans

at low rate of interest, (ii) grants and subsidies, (iii) participation in the share capital of cooperatives. The pattern and extent of support differs from country to country. In Bangladesh the Ministry of Local Government, Rural Development and Cooperatives provides guarantee to the Central Bank of the country for providing funds to the National Cooperative Bank, which gives loans to the traditional cooperatives. Similarly Souali Bank provides loans to the Bangladesh Rural Development sponsored cooperatives through the patronage of government. In Japan, there are no contributions or grants to cooperatives. However, when cooperatives establish facilities for the purpose of helping farm production and marketing of members' produce, special funds are made available with low rate of interest, such as agricultural modernisation fund etc. In case of big projects, some portion of the costs is to be subsidised. Otherwise, the movement is self-reliant financially. In India, the governments have extended massive financial support to cooperatives in all the above three forms and to all types of cooperatives. The government's participation in the share capital of cooperatives in India is not found in any other country of the region to that extent and measure. Government participation in share capital is also provided in Bangladesh. This has its own impact on cooperatives. In Sri Lanka, Government does not give grants or subsidies to cooperatives. Although cooperatives have to borrow normally from the Peoples Bank, the Government lends money from other funds to cooperatives for the purpose of consumer distribution, in special circumstances.

In India, Thailand and Indonesia, government stood guarantor to loans advanced to cooperatives. In Thailand government grant is given to the Cooperative League of Thailand only for purposes of implementing its cooperative education and training projects. In DPRK government provides funds for infrastructure and remodelling. Constructing shops, public catering network, consumer services network by consumer cooperatives, construction of small and medium scale irrigation works, pump-houses, threshing floors, shed for domestic animals, store houses, rural power houses standard dwelling units for the peasants by agricultural cooperatives. Government gives short and long-term credit at low rate of interest to the cooperatives through the State Bank. In Republic of Korea, loans are provided by government for agriculture develop-

ment to cooperatives. In Philippines, the government provides grant and subsidies to cooperatives on a case to case basis e.g. managerial assistance, education and training grants for agricultural and electric cooperatives. This may be in cash or kind. Under the Rural Banks Act, the government contributes, by way of preferred shares, towards capitalization of Rural Banks including cooperatives. The normal contribution is at least one million Pesos. The government of Philippines has also contributed to the share capital of CISP an amount of Pesos 10 million. The government provides resources and guarantees to the financing and development/financing institutions for cooperatives as are given to other enterprises. In Indonesia, government subsidy and grants are given, for some time. In Malaysia, government provides assistance both in cash and kind.

Financial assistance by the governments was considered essential to build and strengthen cooperatives, because the constituents of cooperatives, specially at the village level, were unable to subscribe substantial finances for business transactions. In some countries governments had to provide loans to individuals to purchase minimum prescribed share of cooperatives to become members.

#### *Tax exemptions and benefits*

Besides the above, which in a way is direct financial assistance that flows to the cooperative, the governments also extend indirect assistance by way of exemption to cooperatives from certain taxes and fees. The mode and extent of exemptions differ from country to country. In China cooperatives are exempted from industrial and commercial tax for three years and 20% reduction in business tax. In Thailand, the cooperatives are exempted from Income Tax and registration fee. However, they have to pay business taxes except in the case of agricultural cooperatives for business transactions between cooperatives and their members. In Indonesia, the tax relief is to the extent of the business transactions between cooperatives and their members. The cooperatives are also exempted in Indonesia from licensing fee.

In Philippines the income tax exemption is given to all non-profit organization including the cooperatives, if they qualify as

such and to farmers cooperatives which merely act as sales agent to such farmers. There is also the tax exemption to electric cooperatives, except income tax, import duties and fees. The transport cooperatives are exempted from income tax for five years and carriers tax. Local governments (provinces, cities, municipalities, barrios) have no authority to impose tax on cooperatives. In Malaysia, the income of any cooperative society is exempted from income tax for a period of five years commencing from the date of registration of such cooperative society; there-after, where the member's funds of such cooperative society as at the first day of the basis period for the year of assessment is less than five hundred thousand Ringgit. Otherwise, income tax is charged upon the chargeable income of every cooperative society at the appropriate rates''.

In Japan, the Agricultural Cooperative Societies Law provides "The amount equivalent to the surplus dividend to be paid to cooperative members in proportion to the rate at which the cooperative members have made use of the business of a cooperative, shall, in accordance with the provision of the corporation tax law, be counted as the amount of loss on the income tax of the said cooperative". In Democratic People's Republic of Korea cooperatives pay to the government a definite sum from their profits, but fishery and industrial cooperatives are exempted from this obligation for 6 months or one year after their formation. There is no registration fee. The Agricultural Cooperative Law in Republic of Korea provides "The business and the property of the cooperatives and the federation shall be exempted from taxes and other public assessment of the state or local autonomous entities except in case of custom duties and commodity tax". Article 9 of the Fisheries Cooperative law contains similar provisions. With the promulgation of the Tax Exemption Regulation law on December 20, 1965 the cooperatives, were deprived of the tax privileges prescribed for them in the Cooperative Laws. In the process of the implementation of Five-Year Economic Development Plans, the government felt a need to enhance the efficiency of its tax policy through the readjustment and consolidation of diversified tax exemption articles of various laws and cooperatives, as did other groups, became subject to taxation. Thus during the period from 1966 to 1981



cooperatives had to pay all kinds of taxes except for the corporation tax. With the introduction of the Minimum Tax System in January, 1982 the cooperatives have been forced to pay even the corporation tax, but a preferential tax rate has been applied to them. For example, if the standard of assessment is less than 50 million won, the corporation tax rate is 20 percent for profit-making corporations, while it is only 5 percent for cooperatives.

In India exemption from Income Tax is given to (i) cooperatives engaged in business of banking or providing credit facilities to their members, cottage industries, agricultural marketing, purchase of agricultural inputs for supply to members, collective disposal of labour, agricultural processing without power, fishing, provided that voting rights in such cooperatives are restricted to individual members, cooperative credit societies which provide financial assistance to assessee society and the State governments; (ii) primary societies supplying milk, oil seeds, fruits and vegetables raised or grown by members to federal cooperatives, government and government company. Consumer cooperatives are exempted upto an annual income of Rs. 40,000. The exemption limit of other societies is Rs. 20,000. Cooperatives are also exempted from registration fee.

### *Support to Cooperative Education and Training*

A vital support which cooperatives have received from the government in the developing countries of Asia is for promotion of cooperative education and training. In all the countries of the region, cooperation has been practised in its traditional form as part of peoples' life pattern. In the modern sense, the concept is at times taken as alien. Cooperation is a complex phenomenon. It has an ideological base, economic objectives and social outlook, to be adopted in practice, in conformity with a code, called the Cooperative Principles, and also in accordance with the Cooperative Act of a country. In most of the countries of Asia, majority of people, especially in the rural areas, are unaware of these complexities. It is imperative that they should be thoroughly acquainted with the concept, principles and practices of Cooperation. The governments in all the countries in the region have recognized this need and extended their financial support for building arrangements for

cooperative education and training. In Bangladesh, the government provides administrative cost of two academies viz (i) Bangladesh Academy for Rural Development (BARD) and the Rural Development Academy (RDA), one cooperative college and eight zonal institutes which are engaged in cooperative education and training of cooperators and employees. In Malaysia, the government is to provide basic “learning inputs” for example establishment of the Cooperative Development Department and Cooperative College of Malaysia. In Indonesia, the objectives of cooperative education and training have been defined as follows:

- In the case of board of village units, to develop leadership and supervising capabilities and to improve their knowledge, skills and education, along with their awareness of their rights and duties.
- In the case of managers, to make them professionally competent in managing cooperative societies to enable them to provide services to the members and to the community, by imparting business management, knowledge and skills, developing leadership and supervising capabilities along with good knowledge of their rights and duties.
- In the case of government officials to make them professionally competent by imparting managerial knowledge and skills in the techniques of planning, implementing, supervision, guidance, monitoring and evaluation along with a spirit of loyalty and education. The aim of training is to enable them to guide the cooperatives in the development towards strength and self-reliance.

In DPRK, management staff and chief engineers are trained at the industrial, agricultural and commercial institutes. Each provincial union conducts special courses at their own institutes for section heads, agricultural and commercial cadres. In the Republic of Korea, cooperative education and training is designed and conducted by the federation of agricultural cooperatives and cooperatives. In Thailand, the government gives financial assistance to the Cooperative League of Thailand to implement education and training activities. Besides the government extends the following assistance:

- help formulate programme for cooperative education and training
- produce and provide teaching materials including manuals
- provide partly financial assistance
- run national as well as regional training centers with libraries and other facilities.
- provide trainers and educators and resource persons
- carry out follow-up or evaluation programmes in collaboration with Cooperative League of Thailand.

The management training of agricultural cooperatives is the responsibility of the National Agricultural Cooperative Institute (NACTI), a government and EEC, sponsored organisation. The Cooperative Promotion Department assists and supports the education and training programmes of cooperatives throughout the country. In Philippines, the government has assumed responsibility of research and development, education of general public about cooperatives, pre-membership education, training of officers, directors and committee members, management training, introducing cooperatives in the educational curricula. The government finances all these activities. In India, the government has assisted the National Cooperative Union of India to build institutionalised training facilities for all categories of employees of the cooperative department of the government and of the cooperative institutions, categorised as higher, intermediate and junior functionaries. There is one national level institution (Vaikunth Mehta National Institute of Cooperative Management, Pune), eighteen cooperative training colleges and eighty cooperative training centres. The government provides financial assistance for employing the personnel at these institutions and also to meet the training costs of the participants of various courses either in full or in part. In Sri Lanka, the government runs a School of Cooperation to train its cooperative inspectors and to give orientation courses to officers of other government departments concerned with cooperative societies. The National Cooperative Council provides at its district centres for the education and training of the employees of cooperative societies. In Japan, immediately after the World War II, the government was involved in education for the purpose of promulgation of the new

agricultural cooperative law since there was no proper organizations at that time. After the establishment of the societies and their prefectural and national bodies, particularly unions, the government has nothing to do with the cooperative education and training.

The government in some of the countries in the region have extended financial assistance and made arrangements for training of personnel from cooperatives from other countries in the region, such as the governments of Japan and India. In addition the movements also arrange training courses for cooperators of other Asian countries. For example, the Agricultural Cooperative Movement of Japan has established the IDACA. Consumer cooperatives in Japan arrange training courses/conferences for cooperatives in Asian countries.

The governments in various countries have also encouraged the training and education facilities offered by International Cooperative Alliance, ILO and other agencies like Swedish Cooperative Centre, Moscow Cooperative Institute, The International Cooperative Training Centre, Loughborough, etc.

The problem of education of members and training of employees is so huge in the Asian context that these efforts have not yet achieved the desired level. In India alone, there are nearly two hundred million individual members of cooperatives that need to be educated, besides about one million employees of cooperatives. There is lack of adequate member information, member awareness and member participation. Consequently cooperatives suffer from varied short-comings and ailments. What is needed is creation of intensive educational movement. This cannot be done by the government. It is basically the responsibility of the cooperative leaders and cooperatives themselves. Government can support their efforts. The object should be to make education an integral and essential activity of each cooperative on regular basis. In a larger context, cooperative education has not to confine itself to members of cooperatives only. It has to go beyond them, so as to cover the family of the members and the potential members. This is admitted by all concerned, but seldom realised that enlightened members will be a source of great strength to the cooperatives and their effectiveness.

## *Joint Ventures*

Governments in some countries have come out to set up joint enterprises collaborating with cooperatives, particularly highly capital intensive undertakings. In Philippines, Cooperative Insurance System of Philippines (CISP) is a joint-venture of cooperatives and the government, the latter contributing ten million Pesos. In India, Indian Farmers Fertilisers Cooperative Limited, Krishak Bharti Cooperative Limited which are the largest fertiliser producing enterprises in the country and Petrofils Cooperative Limited, an enterprise which manufactures synthetic yarn, have been set up as joint cooperative ventures. The Indian joint enterprises have gone a long way in assisting agricultural modernisation. The country has gained by way of saving foreign exchange which otherwise would have been required for importing fertilisers. In such huge enterprises, government participation may be essential at the initial stage. Subsequently, the government shares may be withdrawn making the joint venture purely cooperative.

## *Other Support*

Apart from extending direct financial support to cooperatives, the governments also support them indirectly in some countries of Asia. In Thailand, the government provides empty land for landless farmers through land settlement or land hire purchase cooperatives. It constructs and maintains reservoirs and other irrigational facilities for agricultural and land settlement cooperatives, constructs small hydro-electricity projects for the rural electricity cooperatives and installs electric water pumps for small irrigation cooperatives. In Philippines, government gives preference to cooperatives in administering price stabilisation programme, electricity and transportation. In Indonesia, rice procurement business has been given to cooperatives. In India, price support policy is implemented through cooperatives. Government gives price premium of 10% to cooperatives; reserves production of certain variety of handloom products for handloom sector; exempts labour cooperatives from depositing earnest money in certain cases; allows purchase of goods from cooperatives without calling for tenders; allots land to cooperative housing societies at lower price; provides accommodation

to departmental employees cooperatives free of charge or on nominal charge only; gives preference to cooperatives in licensing sugar and other agro-processing cooperatives, supply of raw materials to cooperative industries on priority basis etc.

Besides augmenting the business turnover and better returns, this kind of assistance gives a moral boost to cooperatives. In a way this is a better way of assistance.

### *International Assistance*

The governments in the Asian countries have also received or allowed the cooperatives to receive assistance from foreign governments and international agencies for the development of cooperatives. The sources of assistance include United Nations Development Programme (UNDP); Voluntary Fund for the United Nations Decade for Women; Asian Development Bank; Australian Development Assistance Bureau; Canadian International Development Agency (CIDA); Ministère des Affaires Etrangères, France; Bundesministerium für Wirtschaftliche Zusammenarbeit (BMZ), F.R. Germany; Dipartimento per la Cooperazione allo Sviluppo, Italy; Japan International Cooperation Agency (JICA); Saudi Fund for Development; Overseas Development Administration (ODA), United Kingdom; CARITAS INTERNATIONALIS (International Confederation of Catholic Organisations for Charitable & Social Action); International Planned Parenthood Federation (IPPF); Lutheran World Federation (LWF); World Council of Churches (WCC); Cooperative Development Foundation (CDF), Canada; DANCHURCHID, Denmark; Bread for the World, F.R. Germany; Konrad-Adenauer-Stiftung, F.R. Germany; Agency for Personal Service Overseas (APSO), Ireland; Centrale Voor Bemiddeling bij Medefinanciering van Ontwikkelingsprogramma (CEBEMO), Netherlands; Swedish Cooperative Centre (SCC); OXFAM, United Kingdom; American Friends Service Committee, USA; Catholic Relief Services (CRS), USA; Church World Service, USA; Lutheran Church in America-Division for World Mission and Encumenism (LCA/DWME), USA; Save the Children Federation Inc, USA; United States of America (USA), Agency for International Development; Volunteers in Asia, USA; Vaikunth

Mehta National Institute of Cooperative Management, India; International Institute for Development Cooperation and Labour Studies, Israel, World Bank, governments of Bulgaria, Canada, Britain, Switzerland, F.R.G., Japan, G.D.R., U.S.S.R., Friedrich-Ebert Stiftung, Federal Republic of Germany, Netherlands, UNDP and FAO, ILO, USAID, Cooperative League of USA, CIDA, Voluntary Agencies, Cuba, Asia Foundation (USA), Groscer Fathers, The Mari Knoll Sisters of St. Dominic etc. for different types of cooperatives. International Cooperative Alliance, Swedish International Development Authority, World Food Programme and Danish International Development Agency (DANIDA). European Economic Community; Canadian University Service, Overseas German Volunteer Service, US Volunteer Development Corpse, IDACA, World Population Programme, etc.

### *Government Involvement in Management of Cooperatives*

Management of cooperatives is the most important determinant of their success. It is the nature and pattern of management which distinguishes cooperatives from other forms of economic organisations. Characteristically, cooperative management means management of the affairs of a cooperative by a management body elected democratically on the basis of voluntary decisions of the members. It means no outside interference in the matter of management of cooperatives. It further implies that the government should not have any say direct or indirect in the management affairs of cooperatives. This principle has been observed in Japan where cooperatives have complete freedom of management by the members. Contrary to this, the governments in several developing countries of Asia have clothed themselves with the power to involve themselves in the management of the cooperatives in different ways, in the name of strengthening the cooperatives and on the plea of investment of government funds in them. The extent and manner of involvement in the management differs from country to country.

Nominations on the Board of Directors: In India, the Multi-State Cooperative Societies Act Section 41(1) provides for nominee of Central government or State government on the Board of Directors of multi-state cooperative societies, such number of persons as may be prescribed where the Central government or a

persons as may be prescribed where the Central government or a State government has subscribed to the share capital of a multi-State cooperative society or has guaranteed the repayment of principal and payment of interest on debentures by a multi-State cooperative society or has guaranteed the repayment of principal and payment of interest on loans and advances to a multi-State cooperative society. The State cooperative laws also have such provisions, to the extent of nominating 3 members, and the Chairman and majority of board of directors depending upon the amount of share capital contributed. In some cases, it is got incorporated in the bye-laws at the time of registration itself that the government would nominate the board of directors for a certain period (10 years or so). In the Republic of Korea also government nominates the President and members on the Board of NACF.

**Dissolution of Elected Board:** While the governments have no power to dissolve/supersede elected board of directors in Japan, DPRK, the Republic of Korea and the Philippines, the governments in Bangladesh, India, Indonesia, Pakistan, Sri Lanka, Malaysia have the power to supersede the board of directors, appoint administrators to manage cooperatives. This power is widely used by the governments. This is much against the principle of democratic control.

The nominated office-bearers and board draw their strength not from the constituent members, but from the government. They feel accountable to the government rather than to members and find it in their interest not to get the elections held. They do not have any stake in the organisation. They are in several cases financially much costlier than elected persons.

**Seconding of Government Servants to Cooperatives:** Another way of involvement of the governments in the management of cooperatives is seconding their officers to cooperative institutions in key positions. There is no such practice in Japan and Korea. In Indonesia, government officers are appointed to run cooperatives specially the KUDs with an understanding that they are to be replaced by KUDs own personnel in due course of time. In Philippines, government appoints managers of government-financed or



cooperatives has become a normal feature of Indian cooperatives at various levels. It has caused dissatisfaction and resentment among cooperatives' own employees, industrial unrest and promoted vested interest of government employees.

In India the government has adopted a policy of professionalising management of cooperatives, with a 'view' to improving their operational efficiency. This decision has been appreciated by all within and outside cooperatives. However, its implementation has been vitiated by appointing government officers as Chief Executives in most cases. This has become a rule rather than an exception. They are posted and transferred from one cooperative to another by the government orders, like government departmental postings, taking the institutions for granted. This has benefited only the government officers. At times, person deputed has neither the willingness nor interest in and competence for the assigned cooperative, but he is deputed. This can hardly be called professionalisation. With this practice of government officers working as heads, an institution would not build its own management personnel for top position. It is necessary that professionalisation of management should be introduced in its right spirit and perspective.

Recruitment of Cooperative Personnel: The governments in some of the Asian countries also involve themselves in the recruitment of employees of cooperatives. The Government of India has set up a "Panel Authority" at its level to recruit key personnel for the national level cooperatives as per the provision of the Multi-State Cooperative Societies Act. It has been recommended to the State governments to set up similar "recruitment authorities" at State level. In some States cooperative service commissions have been set up with senior officers from the cooperative department heading it, for recruiting employees of all categories of cooperatives including village cooperatives. The "Authority" in India brought in, in several cases, government officers in national cooperatives. Sri Lanka has also set up a Cooperative Employees Commission having power to lay down methods of recruitment, conditions of employment, conduct examinations, determine qualifications for various posts, fix scales of salaries etc. How far recruitments have been made as per the desired object is a matter for

recruitments have been made as per the desired object is a matter for study. It is necessary to evolve scientific methods and objective system of recruitment of employees for cooperatives. But such a system should be within the parameters of cooperative structure itself and not at the level of governments. In Japan, DPRK, the Rep. of Korea, Malaysia, Singapore, governments are not involved in the personnel matters including recruitment. These are dealt with by the concerned cooperatives, which is in conformity with the concept of autonomy of cooperatives.

**Government's Influence Over Cooperative Decisions:** Cooperatives are institutions to be managed democratically. It means the General Body of members and management bodies constituted or elected by members have the freedom to take decisions to manage or run the cooperative. This principle is being observed fully in Japan. In several developing countries of Asia, the governments also influence the decisions of General Bodies and Boards. In Malaysia, the government has the right to approve or rescind the decisions of General Body and the Board of Directors. The government can also exercise discretionary powers particularly for cooperatives which violated the Cooperative Societies Act of 1948. In Thailand, the government besides having the power to approve or rescind decision of the General Body and the Board of Directors, vests in its nominees veto power to annul the majority decisions of General body/Board of Directors. The government also influences the decisions of the cooperatives by nominating its representatives on the Board.

In Philippines, the government issues circulars, which although are merely "advisory" under Philippines legal system, are interpreted frequently as regulations or directions at the field level. The government also changes the decisions of the Board and General Assemblies, when there is public criticism of decision taken by the cooperatives. But this power of approving and rescinding the decisions of the Board and Assemblies is restricted to such cooperatives only as are financed by the government, as per the terms of financing and not in case of the societies where there is no financial involvement of the government. The government can also give directions to cooperatives in Philippines. Another

way of influencing the decision of the General Body is appointing managers and directors of government financed and subsidised cooperatives.

In India, several Acts empower the governments to rescind the decision of General Body/Board of Directors. Some laws also provide veto power to the government nominees on Boards. In Sri Lanka, two third of the members of Board of Directors are government nominees. Thus they influence the decisions to be taken by the elected members. As a matter of fact even the presence of one government nominee at the meeting of General Body and Board influenced the decisions of cooperative.

Working of government officers in the cooperatives on deputation also influences the decisions of cooperatives, as desired by the government or as per the needs of the government rather than the members, as they constitute a link between government and cooperative rather than cooperative and its members. They work mostly under the directions and ‘‘indications’’ of government. As government servants they cannot resist the government’s advice even if it may be informally communicated. They owe their accountability to government rather than to General Body. ‘‘Desires’’ of political high ups in authority also carry weight in decision making.

That the government should influence the decisions of General Body or Board of Directors of cooperatives is much against the concept of autonomy and self-management. Cooperatives are owned by the members and, therefore, they know their interest best while taking the policy decisions. The government at best may provide guidance and advice, if it is sought for and then leave it to the cooperative concerned to accept the advice or not to accept. To annul the decisions of General Body or Board of Directors makes the General Body and the Board of Directors subservient to the government, which takes the decision not from the point of view of members, but from administrative point of view.

**Scrutiny of Management Performance:** In all the countries, the governments have assumed the power to scrutinise the performance of management of cooperatives. The two vital instruments used in all the countries for this purpose are audit and inspection. The use of these instruments differs from country to country. While

inspection is power, duty and function of the government in all the countries, audit arrangement has variations. In some countries it is the responsibility of the governments while in others that of cooperatives themselves.

It may be noticed that the objectives of government audit and inspection are different in Japan and the Republic of Korea, on the one hand, and in other developing countries of the region, on the other. In Japan and the Republic of Korea, the main objective is to find out whether or not the cooperative laws have been followed. In the latter case, the objective is wider so as to cover scrutiny of business operations and management performance, lapses, compliance of government directives etc.

The governments also call for periodical reports, annual reports, balance sheets, profit and loss accounts in the developing countries to scrutinise the performance. In India, annual reports and financial statements of national cooperatives are also placed before the Parliament. In Singapore, monthly and annual returns are statutory. Scrutiny of management performance through audit and inspection exerted healthy effect on the working of cooperatives, when conducted regularly, timely and objectively. Delay in their conduct and politically motivated scrutiny defeats the very purpose of audit and inspection.

Performance scrutiny is the responsibility and function of each cooperative and that of cooperative federations. Government's concern, if at all, should be limited to ascertaining observance of cooperative laws by cooperatives. "Self scrutiny is part of self-rule".

### *Compulsory Restructuring*

Another area where governments have been playing decisive role is restructuring of cooperatives at various levels, in most countries of Asia. In India, the base level cooperatives had been restructured a number of times from "one village one society" to large-sized cooperatives; from the latter to multipurpose and service cooperatives with reduced area of coverage. Then again amalgamation. For serving the tribals special types of cooperative

called the LAMPS (Large Size Multipurpose Cooperatives Societies) have been organised in India. The government also enforced direct membership of such primary cooperatives as have prescribed volume of business turnover, in their National Federations. At one stage it was thought of to amalgamate the short and long-term credit structures to provide service to farmers through one window. It has been deferred for the present. Before a pattern of structure could prove its utility or otherwise, restructuring had been effected to search out a viable size. In this trial and error method members have no say. The restructuring is enforced from above, much against the resistance of cooperatives. Through the process of compulsory amalgamation, cooperatives have been reorganised by the governments.

In Sri Lanka, the government enforced compulsory amalgamation of nearly 5,000 multi-purpose cooperatives into nearly 300 in 1970 much against members' will. The Cooperative Federal Bank of Ceylon, which was set up in 1947, was absorbed by the "Peoples Bank" - a commercial bank - in 1961. Likewise in 1970, Cooperative Federation of Ceylon, having 8,000 cooperatives as member was amalgamated with a newly formed body "The National Cooperative Council". Examples of this nature may be cited from several other countries in the region.

Compulsory amalgamation is much against the essence of Cooperation. It gives no credence to mutuality, and contractual consent. At times, political factors play a vital role in the formation of amalgamated societies, which otherwise could be viable independently.

### **Impact of Governments' Role**

Broadly, the impact is both positive and negative. The following may be identified to give a glimpse of what the cooperatives have achieved and what they have lost as a result of State's involvement in cooperative development.

#### *Positive Impact*

Cooperatives in all the countries of the region are constantly progressing, adding to their number, membership, volume of

capital, business turnover, employees, coverage of population, diversification, services to members and to the community as a whole. Their share in the national economy has increased. However, there is lack of detailed information on cooperatives share in various sectors.

**Impact of cooperatives on agriculture:** Development of cooperatives had salutary effect on the overall national economy of all the countries in the region. However, their impact had been more in the field of agriculture in all the countries, except Singapore, which has a more urbanised economy. With larger coverage of farmers, supply of credit and agricultural inputs, development of agricultural land and irrigation, financing of modernisation of agricultural cooperatives have no doubt been instrumental in augmenting the productivity of agriculture and agricultural production, which, in turn, pushes up the entire economy.

**Mobilisation of rural savings for agro-industries:** Putting up of agro-industries with governments' involvement, like sugar, paddy, dairy, etc. has mobilised savings in the rural areas. While governments and financing institutions advance loan facility, initially farmers have to raise seed money. For instance to install a sugar cooperative in India, the ratio is 65:35 in the cost of the project i.e. 35% is to be raised by the farmers themselves.

**Economic Growth Centers:** Development of cooperative processing in the field of sugar, paddy, dairy, etc. have developed significant economic growth centers making a perceptible impact on poverty in their area of operation.

**Increased employment:** One of the most important gains of cooperative development with government support is that it has created employment opportunities both for self-employment and employment in cooperatives. No reliable figures are available for various countries to measure aggregate volume of employment in cooperatives.

**Impact of Cooperative Marketing:** Development of marketing cooperatives with State's encouragement and sponsorship played an important role in the implementation of price support policy of the governments in several countries and procurement of agricul-

tural surpluses obtained better prices for the agricultural producers. Examples are available where throw-away prices had been changed into remunerative prices to farmers due to cooperative marketing. Cooperatives' intervention in the market benefitted both the producers and consumers. Entry of marketing cooperatives in the export trade brought about equilibrium in the national markets of agricultural commodities. The farmers have also learnt the value of grading and quality produce.

**Effect on Supply of Consumer Goods:** Development of consumer cooperatives in some countries e.g. India and Sri Lanka has been mainly due to governmental initiative and support. Organisation of consumer cooperatives ensure supplies of consumers goods.

**Amelioration of Weaker Sections:** One of the objectives in developing countries' cooperatives was to help the weaker sections. It is a gigantic task, as a large number of people in developing countries of Asia live in poverty. Elimination of poverty is mainly the responsibility of the government in a welfare state. Cooperatives in several countries in the region had been used by the governments to implement various schemes designed to improve the socio-economic conditions of the weaker section of the community, for example, developing of dairy, fisheries, poultry, handloom and other artisanal or cottage industries, labour and forestry contracts, development of services like transport, etc. A large number of cooperatives have been organised with a sizeable membership from amongst the small and marginal farmers, landless labour, unskilled urban workers, etc. Loans on liberal terms have been advanced to them. Thus, cooperatives have been instrumental in providing assistance and relief to the weaker sections with the support of government. However, the role has not been commensurate with the size of the problem.

**Check of Inflation:** Development of cooperatives in the production and distribution fields have checked the effect of inflation by increasing production and streamlining distribution. Mobilisation of savings by cooperatives have reduced the money circulation to that extent.

**Social Programmes:** Apart from the economic activities, the cooperatives have also been assigned by the governments in the

execution of certain programmes which affect the living conditions of people. In a number of countries, housing facilities have been built by the cooperatives with the financial facilities from government and governmental organisations. Cooperatives have also been involved by the government in the implementation of family welfare programmes, social forestry, environmental improvement, adult education, etc.

**Impact on Money Lenders:** The greatest advantage of development of cooperatives in all the countries has been replacement of money-lenders in the villages, who had exploited the farmers in the past and were cause of their miseries.

**Side Impact:** There are other positive side impacts of cooperative growth which are of significance. The Cooperation has been introduced as a subject in several countries at the school and higher education level. With the development of cooperatives, a lot of literature has been produced on various aspects of cooperative movement in all the countries with governments' support. The development of cooperatives have also drawn the attention of mass media in all the countries of the region such as radio, television, newspapers, etc. People in general have been acquainted with cooperatives as they come in touch with them to avail of various services and facilities.

**Development of Human Resources:** It has been observed earlier that the governments have provided financial assistance for cooperative education and training purpose in various countries of Asia. This has greatly helped in enabling the cooperatives to develop human resource both in the government departments and in the cooperatives. There can be no substitute for an enlightened member and a well trained employee in the cooperative. There is increasing understanding about the nature of cooperative movement, as a result of cooperative education and training. This is evident from the fact that there is now an urge for better operational efficiency and demand for autonomy of cooperatives.

So far, it is the credit side of the balance sheet, the positive gains.



### *Negative Impact*

Development of cooperatives means development of such cooperatives, as have the following characteristics:

- created on the basis of felt needs and it meets them;
- operate on cooperative principles;
- exert and promote basic values in members;
- inspire people to join it;
- develop self-reliance;
- draw its strength from its members and from within the cooperative structure;
- perpetually generates dedicated leadership.

Judged from the above standpoint, a large number of cooperatives lack these features. Cooperative laws and government policies, among other factors, have also, many times, contributed to this situation. The following aspects stem directly from governments' role and policies which have often negated the development of cooperatives and their character.

**Adhoc Policies:** It has been observed in some countries that while long-term policies about the cooperatives remain unchanged, short-term policies e.g. relating to procurement of agricultural produce, price support policies, export policies etc. changed frequently which upset working of cooperatives, irrespective of whether the change was in favour of cooperatives or against. If change was in favour, it became difficult for the cooperatives to mobilise financial and manpower resources suddenly; if against, the cooperatives faced the dilemma of removing the personnel and curtailing their activities. The priority to cooperatives changed with the change in the placement of cooperatives in the governmental set-up. The conflicting departmental interest and the frequent changes in policy seriously affected the development of cooperative sector with stability.

**Pseudo Cooperatives:** Cooperatives have been organized by the government machinery in order to achieve the targets laid down in

the plan documents of governments, without assessing, in several cases, the needs of possible beneficiaries or arousing need in them for the cooperative through pre-cooperative education programme. This resulted in lack of proper leadership and popular enthusiasm. The cooperative is then viewed as government concern. Another result of this approach has been organisation of pseudo cooperatives by clever people just to take advantage of governmental facilities and resources.

**Neglect of moral aspect:** The performance of a cooperative, in general, is measured with the volume of profit it made out of its transactions during the year, which forms the basis of their adult classification in some of the countries. Consequently, commercial values overweigh the moral values which a cooperative is expected to exert on and promote in its members. The moral value aspect is also not adequately reflected in the contents of cooperative education and training programmes, emphasis being on improving business and operational efficiency of the cooperatives. The objective of a cooperative is not merely to achieve material gains for its members, but equally, perhaps more important is the development of moral values along with the material gains. As a consequence the relationship between members and cooperatives is not lasting and strong. There should be a synthesis of material and moral aspects.

**Distortion of Image:** Use of cooperatives by the government as their agency for implementing some of their economic and social policies, schemes and programmes, irrespective of their synchronisation with cooperative members' needs, compulsory amalgamation of cooperatives, enforcement of bye-laws on a cooperative by the Registrar, seconding of government officers in key positions in cooperatives, directions from the government for certain purposes, involvement of government in the recruitment of employees of cooperatives, essentiality of government's approval or annulment of the decisions of General Body/Board of Directors, supersession of Boards and placement of nominated Boards or administrators instead and several such other actions on the part of government, make the people believe that cooperatives are an adjunct of government rather than a people's movement. This distorted image does not inspire people to organise a cooperative society or retain its

membership. A government organisation by its very nature and functioning is not a source of inspiration to people. Cooperatives need to be correctly projected as people's own organisations.

**Dependence on Government:** The worst effect of governments financial assistance, by way of grants, subsidies, loans etc. is development of a strong psychology to depend on government finances for any activity which a cooperative may plan to undertake. This is negation of the Cooperation. Dependence upon government finances perpetually has crippled the cooperatives in several countries. Conceptually, the strength of a cooperative lies in its members and not in outside resources. Outside help may be taken, if necessary, for a short time as temporary measure. Dependence on the government for funds has entitled the governments to intervene in the working of cooperatives and to limit the democratic functioning.

**Loss of autonomy and democratic character:** Another impact is loss of autonomy and democratic character due to financial assistance. India is often quoted as an example. When the concept of State's participation in the share capital of cooperatives was recommended in India, it was stated clearly that it will in no way adversely affect or undermine the independence and autonomy of cooperatives. However, in practice, the result has been different and often the power acquired through State participation has been widely used as the most effective instrument to erode the autonomy of the institution, because governments have acquired the right to nominate a certain number of directors (normally 1/3rd or 3 whichever is less) and also Chairman depending upon the proportion of share capital contribution, by the government. What was as blessing proved to be a curse to destroy the autonomy and democratic functioning of cooperatives.

The laws of most of the developing Asian countries provide for supersession of the elected boards by the governments under certain conditions. This power has been used with discretion and not always in the best interest of the organisation in some countries. Elected managements are removed on one plea or the other and management is entrusted to appointed administrators or nominated board of directors. As stated earlier this arrangement continues for

a long time, though the law provides maximum period within which elections should be held. This has deprived the people of their democratic rights. The use of this power has badly politicised the cooperatives in several countries and eroded the democratic character. In case the supersession is inevitable or unavoidable, the best course is to entrust the management to the federal organisation with the specific direction to get fresh elections conducted within a year for the constitution of a new management committee.

**Lack of Member Participation:** Another adverse effect of the exercise of the power of supersession and appointment of administrators and nominated boards and not holding of elections is that the members of the cooperatives feel demoralised and they develop an attitude of apathy and indifference towards the cooperative. They lack a sense of belonging. It has been observed that the participation in the general meetings is so low that even the required quorum of the meeting is not met many times. This kind of attitude of the members allowed certain vested interests to develop and dominate over a cooperative. A peoples' institution without people's participation is a misnomer.

**Development of Malpractices:** As a result of non-participation of members in the affairs of the cooperatives and their neglectful attitude, several kinds of malpractices and financial irregularities are being committed. These are often highlighted through various methods and media. This has tarnished the image of cooperatives and in some countries, they are looked upon as dens of corruption and malpractices. Besides raising misgivings in people's minds about the cooperatives, the Government uses prevalence of malpractices as valid excuse to justify control and intervention. The antagonists of cooperatives highlight these lapses. It is essential to awaken the common member of cooperatives at the primary level.

**Aversion of Intellegentia:** The image of cooperatives has been so much tarnished in some countries that the intellegentia, in general, has developed a kind of aversion towards associating with the movement. This is a serious development to the disadvantage of cooperatives. There was a time when the movement was nursed and nurtured by the intellectuals from academic, legal, technical and various other fields. They had supported the ideological growth of

cooperatives, which is much needed at present in various countries. For strengthening intrinsic values of cooperatives, they are to be intellectually nursed.

**Isolated Working:** In the absence of strong working links and inter and intra-cooperative relationships, the whole cooperative structure has developed weaknesses. Instead of working as a well-knit operational system, each cooperative functions in isolation at its level, at times, competing with each other to the advantage of the private trade. Japan and the Republic of Korea are the examples where the national unions have succeeded in knitting the constituents and discipline them with a commercial working code. When cooperatives become unduly dependent on government for money and guidance, inter-cooperative links and relationships cannot be easily fostered.

**Legal Confrontation:** Incorporation of regulatory and restrictive provisions in the laws, interference of government in the management of cooperatives, etc. led to in several countries, legal confrontation between the government and cooperatives or individuals in the law courts. This further jeopardised the government-cooperative relationship and damaged the atmosphere of growth. In India alone, a large number of such confrontations have taken place from the lower courts to the higher and national courts. Besides involving heavy expenditure, it creates mis-givings in the public mind. Litigation is against the concept, spirit and approach of Co-operation. In a number of cases, courts gave verdicts against the governments on grounds of malafides and violation of constitutional provisions etc.

### **Impact of Cooperative Legislation**

Cooperative laws indicate the attitude, approach and policy of the governments towards cooperatives, relationship between the two, functions and responsibilities of federal cooperatives towards their constituents and vice-versa, rights and privileges of members, the likely future shape of cooperatives etc. They are also best instruments of education to people to comprehend cooperative concept, as what is given in the text of the law is taken to be true.

### *Conceptual Clarity*

There is no uniformity in cooperative laws of Asia-Pacific region in regard to definition of a cooperative and also about Cooperative Principles.

**Definition of a cooperative:** Most of the Indian laws define a cooperative as society “registered under this Act”. The law of Thailand defines it as “a group of persons who jointly conduct affairs for mutual assistance and are registered under this Act”. (Section 4). In the Republic of Korea, the law states agricultural cooperatives are primary agricultural cooperatives and special agricultural cooperatives through which the balanced development of the national economy is secured by increasing agricultural productivity and enhancing economic and social status of farmers (Article 1 and 2). Philippines P.D. No. 175 states (Section 2) that “Cooperatives shall mean only organisations composed primarily of small producers and of consumers, who voluntarily join together to form business enterprises which they themselves own, control and patronise.” P.D. No. 269 further states (Section 3)(B) “Cooperatives shall mean a Corporation organized under Republic Act No. 6038 or this decree a cooperative supplying or empowered to supply service which has thereto been organized under the Philippine Non-Agricultural Cooperatives Act whether covered under this Decree or not”. The Indonesian law on Basic Regulation for Cooperatives defines a cooperative (Article 3) as “The cooperative in Indonesia shall be an economic organisation of the people with a social content (character), having persons or legal cooperative societies as members, forming an economic entity as a collective endeavour based upon mutual help”. In Sri Lanka law, 4 types of societies that may be registered are defined. The first type is “a society which has as its object the promotion of the economic, social or cultural interests of its members in accordance with the cooperative principles”. (The other three categories are definitions of societies of societies). The Cooperative Societies Act of Singapore defines a society as follows:

- a. which has as its object the promotion of the economic interests of its members in accordance with cooperative principles;

- b. which, while having regard to the economic interests of its members in accordance with essential cooperative principles, has, as its object, the promotion of the economic interest of the public generally, or any section of the public; and
- c. which is a society established with the object of facilitating the operations of a society referred to in paragraphs (a) and (b).

There is marked deviation from the definition of a cooperative as given in the "ICA Rules and Standing Orders", which lay down "Any association of persons, or of societies, shall be recognized as a cooperative society provided that it has for its object the economic and social betterment of its members by means of the exploitation of an enterprise based upon mutual aid, and that it conforms to the Cooperative Principles, as established by the Rochdale Pioneers and as reformulated by the 23rd Congress of the ICA".

**Cooperative Principles:** A cooperative society gets its distinctive identity through its governing principles, known as Cooperative Principles which have been evolved out of practical experiences by the founders of the modern concept of Cooperation. Applicable universally, irrespective of socio-political variations among the countries, these Principles are both means and end in themselves. They are the means of establishing an ideal cooperative working system and an end in the sense that each cooperative should aspire to adopt and actualise these principles in practice. Originally, formalised in 1937 by the ICA, the Principles were reviewed by the ICA Commission headed by Professor D.G. Karve and comprising members from U.K., U.S.A., the Federal Republic of Germany and USSR. The reformulated Principles were adopted by the ICA's 23rd Congress in 1966 held at Vienna. Precisely these are:

1. Voluntary and open membership.
2. Democratic control.
3. Limited interest on share capital.
4. Equitable distribution of surplus.
5. Cooperative education, and
6. Cooperation among cooperatives.

A reference is made to Cooperative Principles in all the Acts of Asian countries, in the context of registration of cooperatives, providing "only such societies are to be registered" as are organized "in accordance with the Cooperative Principles". These Principles have been incorporated differently in the laws of different countries. In Indonesia, the law defines the Principles as follows:

1. Voluntary membership and open to all Indonesian citizens;
2. the supreme authority shall be general assembly of members;
3. the division of surpluses shall be executed in proportion of the social transactions and services by the members in the cooperatives;
4. the interest on capital shall be limited;
5. to develop the welfare of the members in particular community in general;
6. the conduct of business and management shall be open;
7. self-help, self-activity and self-support shall be the essential features of the cooperative spirit in the achievement of self-reliance and self-confidence.

Article 2 adds further that:

1. The ideological basis of the Cooperatives in Indonesia shall be "Panchshilla".
2. The structural basis of the Cooperatives in Indonesia shall be Constitution (1945) and the operational basis shall be Article 3 Sub (1) and its official elucidation concerned of the Constitution.
3. The mental basis of the Cooperative in Indonesia shall be "solidarity" and "individuality".

The Cooperative Law of Malaysia gives all the cooperative principles as laid down by ICA with the modification in the 7th principle namely "active cooperation among 'registered' societies. In Philippines, the General Cooperative Law, that is P.D.No. 175, incorporates the first four principles, while the other two do not. The cooperative legislation of Japan, the Republic of Korea and Thailand do not specifically incorporate these principles as a body, but their adoption is reflected in various provisions of the Acts. In



India, the Multi-State Cooperative Societies Act of 1984, defines, in the first schedule, the Cooperative Principles as follows:

1. Membership of a multi-State cooperative society should be voluntary and open, without any social, political or religious discrimination to all persons who can make use of its services.
2. In a society other than that with institutional membership, individual member should enjoy equal rights of voting: one member, one vote.
- 3.i. Surplus or savings, if any, arising out of the operations of the society belong to the society as a whole, and no individual member has a claim to the surplus.
- 3.ii. The surplus should be utilised for all or any of the following purposes, namely:-
  - a. providing for development of the business of the society,
  - b. providing services for the common enjoyment of members,
  - c. distribution among the members in proportion to their transactions with the society.
4. The society should undertake education of its members, office-bearers and employees and the general public regarding the principles and practice of cooperation.
5. The society should actively cooperate in every practical way with other cooperative societies at local, national or international levels.
6. The share capital of a society shall receive strictly limited rate of interests (that is to say dividend).
7. The affairs of a society should be administered by the management in accordance with democratically expressed will of the members.
8. The management of the society is accountable to its owner-members.

The State Cooperative Laws in India have different contents in regard to Cooperative Principles, for instance, the Uttar Pradesh (one of the States in India), Cooperative Societies Act (Section 4)

gives in the explanation clause as “Cooperative Principles shall include”:

- a. advance of economic interest of the members in accordance with public morals, decency and the relevant Directive Principles of State Policy enunciated in the Constitution of India;
- b. regulation and restriction on profit motive;
- c. promotion of thrift, mutual aid and self-help;
- d. voluntary membership;
- e. democratic constitution of the society”.

The Maharashtra State Cooperative Act (Section 4), as several other State Acts, makes a reference to “Cooperative Principles” as pre-condition for registration of a society, but remains silent, as to what constitute the “Cooperative Principles”. By implication, it is left to the will and pleasure of the Registrar to interpret these Principles. Some Acts in India, like that of Himachal Pradesh and Jammu & Kashmir also lay down that the Registrar is to satisfy that the proposed society is organized not only in accordance with the Cooperative Principles but also has to be satisfied that it is not inconsistent with the principle of social justice. The principle of social justice is again not defined and therefore, remains open for interpretation by the Registrar. The Cooperative Societies Act of Singapore also makes a reference to Cooperative Principles in the context of “societies which can be registered”, but it does not elucidate the contents of Cooperative Principles. Their adoption is reflected in different provisions of the Act.

It is necessary to have a clear concept of what is a cooperative society and which are the Cooperative Principles as formulated by the ICA and as adopted by the ICA Congress. In the matter of concept, the law should be specific and rigid, whereas in the matter of operational aspects, it may be flexible, so as to meet the aspirations of the local people. If law becomes flexible in the matter of conceptual interpretation, there is every likelihood of confusing, diluting or altering the concept. These Principles have obvious social and economic importance, and hence need to be clearly understood both by the authorities administering the cooperative law and cooperatives as well as people in general.

It may also be stressed that mere incorporation of the Principles is not enough, what is equally important is that the other provisions of cooperative legislation must also be in conformity with the spirit and message of these Principles; otherwise, the very purpose of incorporation would get defeated. It has been observed that the various provisions in the cooperative laws of Japan, Republic of Korea reflect the contents of Cooperative Principles, whereas a number of provisions in the Cooperative Societies Acts of India, Sri Lanka, Bangladesh contradict these Principles. All provisions in these Acts relating to subjective satisfaction of the Registrar, power of compulsory amalgamation and division, approval and annulment of the decisions of general body and boards, and enforcement of restrictions of various kinds on cooperatives and their management pattern, removal of boards and entrustment of management and interest of the cooperatives to the administrators or nominated boards, compulsory restructuring of cooperatives, enforcement of bye-laws etc., amount to non-observance of Cooperative Principles.

Another aspect relating to Cooperative Principles is adherence to them in practice. In addition to incorporation of the Cooperative Principles in laws and other provisions being in conformity with these Principles, still more important requirement is governments' adherence to these Principles in dealing with cooperatives. It has been observed in certain cases that these Principles are over-looked at times. For instance the membership of certain class of people is enforced through administrative directives, composition of board of directors is changed, directions to advance loans are given, scheme of amalgamation of cooperatives is enforced, the decision of general body and board of directors are required to be approved by the government or Registrar of cooperative societies. Thus, the provision in the Act to the effect that the general body is supreme in a cooperative becomes a myth and the sovereignty of members is reduced to nothing in practice. All the three aspects, namely incorporation of the Cooperative Principles, conformity of other provisions of the laws and adherence in practice by the government should have complete synthesis for the development and manifestation of basic character of cooperatives.

The Principle of "cooperation among cooperatives" has its own significance. Its objective is development of cooperatives as movement and a well integrated economic system. The very federal structure of cooperatives aims towards this end. However, with the exception of the cooperative laws of Japan and Republic of Korea, no law intends to achieve this objective. Whereas the powers, authority and functions of the government have been provided for in the laws, there is no mention of the role which the federal cooperatives have to play in building the cooperative system as such. This is an important omission in the laws of developing countries in the region.

### *Effect of Law on Leadership*

Cooperatives are designed and designated as movement. One of the basic constituents and requirement of a movement is leadership. Leadership determines the quality, effectiveness and future of a movement, whatever be its area of concern. Committed and dedicated leadership of the movement is promise of a growing and progressive movement. In a federal structure of the Cooperative Movement, the best leadership emerges from among the members at the base level, that is, the primary cooperatives through the process of elections, held by the society on time, and democratically.

The cooperative legislation in all the developing countries of Asia prescribe qualifications for persons who can contest election for membership of Board of Directors of a cooperative. The Malaysian Cooperative Law (Section 21) (2) prescribes only the national citizenship of Malaysia as the qualification to be a member of board of registered cooperative society. The Republic of Korea's Agricultural Cooperative Law prescribes disqualifications of a person, which include non-citizenship of Republic of Korea, minors, persons adjudged incompetent or quasi-incompetent by the court, bankruptcy, those deprived of civil rights, not to be auditor of the society, not to be employee of the society and officer or an employee of other cooperative engaged in any activity which is in competition with business of a cooperative. Likewise, most of the Indian cooperative laws prescribe disqualifications of a person for

the membership of Board of Directors. In India, the laws also prohibit a person to become President of cooperative after two consecutive terms. Some State laws prohibit even the membership of Board of Directors also after two terms. They could be re-elected after a lapse of one full term. Some State laws debar a person for ever if he has been Board member for consecutive nine years. This restriction has been incorporated on the assumption that a person shall not have perpetual hold over a cooperative and thereby vested interest will not be allowed to develop. It was further assumed that with this restriction new leadership may emerge in the cooperative field. No empirical evidence is available anywhere to support these assumptions. The Cooperative Law of Thailand does not lay down any specific qualifications for persons to be elected or re-appointed as officers or directors of cooperatives.

The cooperative laws, if at all to provide qualifications should lay down certain positive qualifications and conditions to promote and establish an individual's interest and risk in the cooperative of which he is a member or which he represents at the federation level.

Under the existing provisions, in some countries, a person may get himself elected without actually participating in the business of the cooperative. Through nomination, a person may hold highest office in a biggest cooperative without being a member of a cooperative anywhere. The concept of membership of a cooperative society is that "a person not only needs the services of a cooperative, but also actually makes use of them". In the absence of positive qualifications, it is found that pseudo and fake leadership takes over cooperatives. The provisions of the law should be such as would inspire the participation of individuals in the business of the cooperative.

It should be laid down that only such a person could be Director of the Board, who is a member of the society, has a prescribed minimum of business transaction with the society or have professionally contributed in strengthening the society during the year.

The provisions restricting the holding of office of a cooperative by an individual for more than two consecutive terms can be a hindrance in the growth of competent leadership. Other methods may be adopted to eliminate and weed out the leadership of vested

interests in the cooperatives. Otherwise the restrictive provision, even the most dedicated, committed and persons of proven integrity also have to go.

Election is a mechanism through which the leadership emerges. That is why it is necessary that elections in cooperatives must be held on time and conducted in a manner that they are free and fair. Elections and democracy are inseparable.

The responsibility of conducting the elections rests with the cooperatives themselves in Australia, Japan, Indonesia, Thailand, Republic of Korea, Malaysia, Philippines, Singapore, whereas in some countries, the responsibility of holding elections is of the government. The right course would be that the laws prescribe a built-in system, for conduct of the timely elections by cooperatives themselves. One of the rights and responsibilities of the federal organizations should be to ensure that the elections of the constituent members are held on time. In some countries of the region, non-holding of elections for a long time has become a practice. "No-elections" frustrate the members and leadership. The governments on their part should insist on holding of elections in cooperatives when due.

### **Role of Central Bank, Governmental & Parastatal Organisations**

The Central Bank in some of the countries play a significant role in cooperative development. The Reserve Bank of India has been deeply involved in this since its very inception. It provided refinancing facilities to the cooperative credit structure at low rate of interest, allowed Cooperative Central Banks (District Level Cooperative Bank) to pay 1/2% more interest on deposits with them and 1% on deposits in the Urban Cooperative Banks; conducted in-depth studies on various aspects and problems relating to cooperatives in order to advise the Central and State governments and cooperatives, exercised supervision and control through statutory inspections, disciplined credit policies of cooperatives; organized and conducted training programmes for cooperative personnel; reviewed periodically the performance and progress of coopera-

tives as a whole and published statistical statements pertaining to cooperatives. Perhaps there is no other country in the world where the Central Bank of the country contributed so much to cooperative development as in India. The Government of India has set up a National Bank for Agriculture and Rural Development (NABARD), which has taken over the above functions of the Reserve Bank so that more concentrated attention may be given. The Central Bank of Philippines licenses and supervises the operations of cooperative banks and Cooperative Rural Banks. It participates and helps in the implementation of agricultural credit programmes of the government which includes the cooperatives among its beneficiaries. In Democratic Peoples Republic of Korea (DPRK), the Central Bank of the country provides credit for cooperative development.

In Sri Lanka, the Central Bank makes occasional studies of the Movement with the help of foreign experts. Actually, the Central Bank has not been sufficiently concerned about the development of Sri Lankan Cooperative Movement. Recently it has shown interest to develop credit cooperatives to further the efforts of Housing Development Authority. The Central Bank has shown no concern to the changes effected in the credit structure of Sri Lanka. In short, the Central Bank in Sri Lanka plays no part in the development or functioning of cooperatives. In Republic of Korea, the relationship between the Central Bank and the agricultural cooperatives is limited to (a) adjust the defined rate of Reservation Fund for withdrawal from deposit at cooperatives (b) regulate the interest rate of deposits and loans (c) loans to federation of agricultural cooperatives.

The Central Bank of Thailand (The Bank of Thailand) provides soft loans to the Bank for Agriculture and Agricultural Cooperatives (BAAC), which, in turn, makes loans to agricultural cooperatives as well as farmers in general; provides re-discount facilities at specially low rate to agricultural cooperatives as well as non-cooperative farmers for holding stock of farm products. However, the cooperatives do not use re-discount facility. The Bank is represented in the Committee for Classification of Agricultural Cooperatives in accordance with their performance. In Malaysia, the Central Bank is said to have no direct role in cooperative devel-

opment except in areas where cooperatives are involved in banking and financing. In Japan, the Central Bank plays no role.

Besides the Central Bank, governmental organisations and parastatal institutions, have been set up which, inter alia, assist cooperative development. In Bangladesh, Bangladesh Rural Development Board - an autonomous organisation, is engaged inter alia, in the development of cooperatives. In India, the Government of India set up through an Act of Parliament National Cooperative Development Corporation (NCDC), which lends funds to State Governments to contribute towards the share capital of cooperatives and finances projects out of its own resources and getting World Bank assistance. NCDC has played an important role in the development of cooperative marketing and processing, storage facilities, and cooperatives for the weaker sections. The other institutions, which are involved in cooperatives are NABARD, the Khadi and Village Industries Commission, State Trading Corporation of India, Cotton Corporation of India, Jute Corporation of India, Coir Corporation of India, Handloom and Handicrafts Corporation, Housing and Urban Development Corporation, Life Insurance Corporation, Industrial Financing Institutions etc. These institutions implemented some of their activities and schemes through cooperatives.

In Malaysia, the organisations involved in cooperatives, besides the Cooperative College of Malaysia, are Federal Land Development Authority (FELDA); Federal Land Rehabilitation Authority (FELCRA), Rubber Institute Research Development Authority (RISDA) Fisheries Development Authority (LKIM), and Farmers Organisation Authority (FOA). In Sri Lanka, two such institutions are cooperative Wholesale Establishment and Peoples Bank. There are no such organisations in Japan, Korea and Thailand.

## **Conclusion**

It may be concluded from the foregoing description that governments have played major role in introducing cooperatives, building them from the scratch and integrating them with national policies in most Asian countries. The potentials of cooperatives



have been well demonstrated and established. However, the cooperatives at the same time lost heavily their ideological ground and operational autonomy. This happened because the governments' role changed from "friend, philosopher and guide" to that of "manager, controller and director" of cooperatives. In some countries in the region, it is said that the role of the Registrar of cooperative societies is that of "creator, preserver and destroyer" of cooperatives. Cooperatives have grown in size and number, but not in the cooperative spirit. Big cooperatives got birth through registration under cooperative legislation, they also became commercially successful but they lacked features of cooperative, since members were not involved in their working, management and decision-making. Establishment of so called cooperatives is not an end in itself, nor that was the object and intention of the governments. But somehow, distortions have crept into cooperatives.

The problem is to find out and evolve solutions and methods to bring about synthesis between basic cooperative values and economic objectives as also harmonious relationship between cooperatives and State without making former subservient to the latter. This is a crucial problem in this region.

ICA ROAP, New Delhi, organised a Regional Consultation of permanent Secretaries of Cooperation at Singapore in June, 1988 on "Role of Government in Promoting Cooperative Development in Asia". It has been planned by the ICA ROAP to convene a Conference of the Ministers of Cooperatives of Asia and Pacific countries on "Cooperation for 90s".

A new direction is likely to stem from the Ministers Conference, which may give greater weightage to values in cooperatives.



# **II**

## **THE CASE OF INDIA**



# STATE PARTNERSHIP VIS-A-VIS AUTONOMY OF COOPERATIVES - AN OVERVIEW OF SOME TRENDS IN COOPERATIVE SUGAR AND SPINNING MILLS IN TAMIL NADU

*N. Narayanasamy\**

## State Arrives on the Cooperative Scene

Cooperatives in India could not grow spontaneously. The reasons are many. Prominent among them are: high level of illiteracy among rural people, poor socio-economic background, unconscionable oppression from certain quarters like the local money lenders coupled with lack of avenues to combat them; in addition there were reasons like leaders' pre-occupation with freedom struggle, lack of proper leadership to emancipate the poor from the shackles of economic serfdom and so on. The cooperative movement prior to independence had obviously to be state-sponsored and state-guided. Political independence of the country did not change the situation significantly. On the contrary it has intensified the hold of the State on cooperatives. The All India Rural Credit Survey Committee (1954) which recommended State Partnership was of the view that the initial help to enable the cooperative organization to withstand the pressure of opposition of vested interest can come only from the State. This apart, the Committee visualized a bigger role for cooperatives in the rural development programmes of free India. Such a role could be effectively performed only if the State joined hands with cooperatives.

State Partnership was also justified in the context of the desired economic and social pattern as indicated in the Directive Principles of State Policy incorporated in the Constitution of India. New

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social order embodies the values of democracy and socialism. Cooperation with its principles of equality, equity and democracy as also its emphasis on decentralization of economic power subserves the basic concepts of new social order. This has made the government to recognize cooperation as an indispensable instrument of planned economic action in a democracy. Target fixation for cooperatives in the five year plans, while establishing a definite place for cooperatives in the national schemes of development also meant the government's intention to build the cooperative sector. All these led to the formulation of the principle of State Partnership in the cooperative movement in the form of contribution in share capital, margin money, management subsidy and reimbursement of loanable funds at concessional rate etc.

No doubt, State-aid and Partnership has helped the movement to grow by leaps and bounds. But then the growth is only quantitative and its quality remains far from satisfactory. It is like a banyan tree without mother root which in the case of a cooperative is its autonomy.

### **Autonomy of Cooperatives**

Autonomy implies independence from external control. External control may be from centralised agencies or from government or both. Excessive financial dependence on State Government and Centralised agencies largely leads to such control. In order to promote business part of cooperatives as well as cooperative part of business, a cooperative society needs to have more freedom from external control.

### **Abrogation of Autonomy**

State Partnership, it is widely accepted, kills the initiative and undermines basic characteristics of cooperation. Firstly, the concept of self-help thro' mutual help, "each for all and all for each" and self-reliance which constitute the core values of cooperative movement were sacrificed at the altar of the State assistance. Secondly, the government during the early days of planning era state that cooperative sector gives a sense of value, balance and direction to the whole planning process. This kind of recognition was soon relegated to the back-ground and cooperatives were mainly re-

garded as instruments of government policies and plans. Thirdly, while the State-aid provided financial strength to cooperatives, the really valuable aspects of cooperative movement namely the educated membership and its enlightened participation in the activities of cooperation assumed a back seat. Fourthly, State Partnership led to officialization of the cooperative movement and thence to the dearth of natural leaders. In Tamil Nadu, for instance, over 500 scheduled societies including State level apex bodies and district central cooperative banks have been under administrators' regime since 1976. Such a wholesale supersession suppressed the democratic values and has nearly eliminated the natural leadership. All these give an impression that cooperatives are nothing but State-sponsored, State-owned and State-run organizations.

Our foregoing discussion centred around the effect of State partnership on the autonomy of coepratives. We will now take up the specific cases of Cooperative Sugar and Spinning Mills\* in Tamil Nadu and see the extent of State Partnership in these cooperatives and how far it has impaired their autonomy.

### **The Case of Cooperative Sugar and Spinning Mills in Tamil Nadu - An Overview**

Cooperative Sugar and Spinning Mills are capital intensive in nature needing huge capital outlay. The project cost has also increased over the years. The establishment of a sugar mill with 800-1000 TCD (Tonnage crushing capacity a Day) required an amount of Rs.110 lakhs in middle 50's. But the mills commissioned in 60's, 70's and 80's had to incur very high project cost because of sharp escalation in the cost of machinery, building materials and land. For instance, the cost of establishing a sugar factory with a crushing capacity of 1250 TCD was only Rs.256.26 lakhs in 1971-72. This has increased to Rs.660 lakhs in 1976-77, and shot upto Rs.1020 lakhs in 1983-84. Thus there has been a four-fold increase in the cost of establishing a cooperative sugar factory in less than 15 years. Similarly the cost of establishing a cooperative spinning mill with a capacity of 12000 spindles has increased

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\* *The author of this paper has been rather deeply involved on researching into various dimensions of the functioning of the cooperative sugar and spinning over a period of more than 5 years.*

from Rs.66 lakhs in middle 60's to 265 lakhs in middle 80's recording around four-fold increase over a period of 20 years.

During the initial period it is difficult to meet such a huge capital expenditure out of meagre share capital from members who generally pay the minimum amount of share capital to fulfil the membership eligibility. Further in the absence of reserves these mills at the time of establishment have to rely heavily on debt. But then lending institution stipulate a definite debt equity ratio because provision of debt beyond a certain level leads to financial risk both to the lender and the borrower. Therefore, the equity in these mills had to be augmented by resorting to share capital contribution from government. Similarly expansion and modernization also require huge capital outlay. Here again, the mills had to rely on government for share capital contribution. But mills with surplus and sufficient reserves need not depend on government for share capital.

Let us now look at the share capital contribution by the government.

*Cooperative Sugar Mills - Looking up?;* In the case of cooperative sugar mills, the government contribution towards share capital was found to have increased from Rs.60 lakhs in 1961-62 to Rs.225 lakhs in 1972-73 and further to Rs.730.45 lakhs. This brings the average per mill of the increase in share capital by the government from Rs.20 lakhs in 1961-62 to 73.05 lakhs in 1983-84. However, the increase shown may be attributed to the establishment of new mills and modernization and expansion of the old mills.

The government contribution as percentage to the total share capital has declined over the years (See Table 1). This is not because of redemption of government share capital\*, but because of increase in share capital contribution from members over the years. The rise in share capital contribution from members can be mainly attributed to tie-up arrangement between share contribution and cane supply\*\* and conversion of dividend into share capital.

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\* Out of 10 cooperative sugar mills, only one was found to have partly redeemed the share capital from the government.

\*\* Each member has to contribute Rs.3.50 per tonne of sugarcane supplied by him towards non-refundable deposit which would ultimately be converted into share capital.



*Cooperative Spinning Mills - Looking upto ?*: In the case of cooperative spinning mills, the share capital contribution from the government escalated from Rs.38.78 lakhs in 1961-62 to Rs.202.46 lakhs in 1972-73 and to Rs.961.67 lakhs in 1984. The average amount per mill increased from Rs.12.92 lakhs in 1961-62 to Rs.80.09 lakhs in 1984. The proportion of government share capital in the total share capital witnessed an increasing trend in all the cooperative spinning mills (See Table 2). The industry average indicates that the government share in the total paid-up share capital increased from 42.70 per cent in 1961-62 to 54.98 per cent in 1972-73 and further went upto 86.19 per cent in 1984. This was mainly due to mills' failure to mobilize sufficient share capital from members and their poor profitability.

The analysis clearly reveals that the government is a major partner especially in cooperative spinning mills.

*Dependence Deepens*: The Government has also provided loans to both the cooperative sugar and spinning mills in a big way. All the mills have received long, medium and short term loans from the government. Ways and means advances from the government to meet working capital requirements are quite common among the mills. One mill, in fact, has financed its entire fixed assets out of the long-term loan from the government. (See Table 3 & 4). Further the government had guaranteed the repayment of principal and the payment of interest on the loans raised by these mills from term-lending institutions like Industrial Finance Corporation, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Life Insurance Corporation, State Finance Corporation and so on.

Thus the cooperative Sugar and Spinning Mills heavily depend upon the Government for funds and finance.

*From Dependence to Loss of Autonomy - A Straight Path*: This dependence has crippled the autonomy of these institutions. For instance as on 30.9.84, 9 out of 10 cooperative sugar mills were found to have been managed by the Special Officers appointed by the government. Only one mill was managed by the Board of Directors constituted as per the provisions of the bye-laws. Here

too, elected representatives contributed only 40 per cent of the total number of Directors (See Exhibit 1).

In the case of Cooperative Spinning Mills, all of them were under the management of the Board of Directors consisting of non-official members from the date of inception to 30.8.75. The Chief Executive Officer was deputed by the government of Tamil Nadu who was an ex-officio director in the Board. The non-official board was reconstituted on 1.9.75 with the District Collector as the Chairman. On 14.6.76 the board of all the Cooperative Spinning Mills were superseded and special officers were appointed by the State government. Again the government reconstituted the board under the Chairmanship of District Collector. The Special Officers were redesignated as Managing Directors and all the Directors in the Board were government officials (See Exhibit 2). These officials are mainly interested in seeing that policies and programmes of the government are strictly followed and thus help to reinforce State control over them.

Another serious malaise of State Partnership in these organizations is that it has developed a 'dependence syndrome' among the mills. No mill has bothered to retire the share capital from government. On the contrary majority of them have quite often resorted to ways and means advances from the government in order to meet the debt servicing cost. Such a practice has not only added to the debt burden of the mills but also seriously affected their liquidity. Some of them when found it difficult to repay the 'ways and means' advances have requested the State Government to convert such advances into share capital. This has given government a grip on cooperatives. Such cooperative mills, it may be said, are in the process of handing over themselves to government.

### **Concluding Remarks**

Thus the State-aid and help have crippled and curbed the democratic control and autonomy in these organizations. As of now, they are owned and run by government and not by members. Members, too, seem to look at them as government-owned organization. This, in turn, has seriously impaired the values like voluntarism and loyalty among the members of cooperatives.

In sum, it should be said that the State has certainly to pitch in even as a major partner to initiate a cooperative effort and even to sustain a cooperative through the early stages. But at a certain stage the State has to withdraw into minor partnership in order to allow the cooperative to grow by itself. The cooperatives, too, should curtail their dependence on government and try to be self-supporting, self-sustaining and self-sufficing.

#### **Agenda for Discussion**

1. What can a cooperative do to ensure autonomy for itself even in the face of dependence on external finance - especially the State ?
2. How can the State avoid taking over a cooperative in spite of heavy funding to sustain it ?
3. Can the basic representative nature of a cooperative in terms of certain minimum number of elected directors as also the Chairman of Board of Directors being an elected representative be ensured through legislation ?

Table 1

**Proportion of Government Contribution in the Share capital of  
Cooperative Sugar Mills in Tamil Nadu**

Name of Coop Sugar Mill	(In percentage)									
	1961-62	1964-65	1968-69	1972-73	1976-77	1980-81	1983-84			
1. Ambut Coop Sugar Mill	40.10	40.00	36.94	20.42	15.18	15.71	17.95			
2. Madhurantakam Sugar Mill	41.75	35.64	33.67	30.30	24.27	20.69	17.40			
3. Amaravathi Sugar Mill	47.78	45.36	33.67	30.40	23.31	21.52	21.17			
4. Salem Sugar Mill		46.85	35.86	23.18	24.08	15.48	16.27			
5. Kailakurichi Sugar Mill		50.75	50.75	40.13	40.21	22.06	18.91			
6. National Sugar Mill		51.54	51.54	40.14	31.98	28.79	21.17			
7. Dharmapuri Sugar Mill			56.29	56.29	42.60	25.59	25.32			
8. Thirupattur Sugar Mill					90.03	74.03	67.45			
9. Vellore Sugar Mill					87.17	70.89	67.32			
10. Chengalvarayan Sugar Mills						84.10	44.83			
Industry Average	42.97	41.55	38.94	32.47	46.77	41.46	35.16			

Table 2

Proportion of Government Contribution in the Share capital of  
Cooperative Spinning Mills in Tamil Nadu

Name of Coop Spinning Mill	(In percentage)							
	1961-62	1964-65	1968-69	1972-73	1976-77	1980-81	1983-84	
1. South India Coop Spg. Mill	33.67	33.80	43.86	44.60	75.37	78.74	79.64	
2. Thiruchendur Coop Spg.Mill	58.65	51.79	63.15	66.28	62.66	62.00	76.51	
3. Srivilliputtur Coop Spg.Mill	50.09	47.79	51.39	69.66	73.77	81.00	85.27	
4. Salem Distt. Coop Spg.Mill		50.21	50.58	51.11	78.85	62.13	N.A.	
5. Periyar Distt. Coop Spg.Mill			50.47	50.26	79.51	81.41	81.50	
6. Tanjore Distt. Coop Spg.Mill			57.59	57.84	82.72	87.64	89.98	
7. Madurai Distt. Coop Spg.Mill			50.85	49.53	81.40	85.00	89.14	
8. North Arcot Distt. Coop Spg. Mill			64.86	64.76	86.13	87.61	94.76	
9. Kanyakumar Distt. Coop Spg. Mill			55.91	55.49	83.33	84.17	84.15	
10. Kanchi Kamatchi Coop Spg. Mills			49.92	50.82	81.71	87.15	87.13	
11. Tiruchi Distt. Coop Spg. Mill			49.32	51.05	80.29	81.85	83.09	
12. South Arcot Distt. Coop Spg. Mill			49.88	49.29	61.67	89.60	89.72	
Industry Average	42.70	43.22	52.24	54.98	78.37	81.13	86.19	

**Table 3**

**GOVERNMENT LOAN TO THE COOPERATIVE  
SUGAR MILLS**

*(Rs. in lakhs)*

S.No.	Name of the Coop Sugar Mills	Amount in Rs.
1.	Ambur Cooperative Sugar Mill	N.A.
2.	Madurantakam Cooperative Sugar Mill	N.A.
3.	Amaravathi Cooperative Sugar Mill	270.50
4.	Salem Cooperative Sugar Mill	30.61
5.	Kallakurichi Cooperative Sugar Mill	191.80
6.	National Cooperative Sugar Mill	137.70
7.	Dharmapuri Cooperative Sugar Mill	10.00
8.	Thirupattur Cooperative Sugar Mill	110.00
9.	Vellore Cooperative Sugar Mill	126.00
10.	Chengalvarayan Coop. Sugar Mill	475.00

*Loan includes long, medium and short-term loans and ways and means advances.*

**Table 4****GOVERNMENT LOAN TO COOPERATIVE  
SPINNING MILLS***(Rs. in Lakhs)*

S.No.	Name of Coop Spinning Mills	Amount in Rs.
1.	South India Cooperative Spinning Mill	Nil
2.	Tiruchendur Cooperative Spinning Mill	35.00
3.	Sriviliputtur Cooperative Spinning Mill	22.10
4.	Salem District Cooperative Spinning Mill	Nil
5.	Periyar District cooperative Spinning Mill	24.30
6.	Tanjore District Cooperative Spinning Mill	15.10
7.	Madurai District Cooperative Spinning Mill	50.91
8.	North Arcot District Cooperative Spinning Mill	53.00
9.	Kanyakumari Distt. Coop. Spinning Mill	26.00
10.	Kanchi Kamatchi Coop. Spinning Mill	16.61
11.	Tiruchi District Cooperative Spinning Mill	26.43
12.	South Arcot Cooperative Spinning Mill	25.00

*Loan includes long, medium and short-term loans and ways and means advances from government.*

### ***Exhibit : 1***

#### **COMPOSITION OF THE BOARD OF MANAGEMENT\* IN COOPERATIVE SUGAR MILLS IN TAMILNADU**

1. Nominees of the Registrar of Coop. Societies	3
2. Nominees of term-lending Institution	3
3. Nominee of the Tamil Nadu State Co-op. Bank	1
4. Nominee of the Central Coop. Bank in which the mill is situated	1
5. Elected representative of the Cane growers	6
6. Managing Director (ex-officio)	1
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Total	15
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### **Exhibit 2**

#### **COMPOSITION OF THE BOARD OF MANAGEMENT\* OF COOPERATIVE SPINNING MILLS IN TAMIL NADU**

1. Collector of the District:	Chairman
2. Director of Handloom & Textiles or his nominee:	1
3. Special Officer of the Tamil Nadu State Cooperative Bank or his nominee:	1
4. Special Officer of the Tamil Nadu Apex Handloom Weavers Cooperative Society or his nominee:	1
5. The Special Officer of the District Central Cooperative Bank in which the Mill is situated:	1
6. The Managing Director of the Mill (ex-Officio)	1
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Total:	6
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\* *Pattern is uniform for all the mills in Tamil Nadu*



## PRESENT CRISIS IN INDIAN COOPERATIVE MOVEMENT

S.N. Singh\*

At the very outset I would like to mention that the Indian Cooperative Movement is probably the strongest and the oldest in the developing countries. The essence of Cooperation finds mention in early scriptures of India in one form or the other. The present day Cooperative Movement in India is structured around the Rochdale Principles and the Raiffeisen Model in wake of miseries of the peasantry in later part of last century in this country.

The Cooperatives have made great strides and influenced almost all spheres of economic activity in this country. However, there seem to have crept in several distortions on account of various influences after the independence. My paper, highlighting some of these distortions before this august gathering is with the intention to caution the other countries who believe in the relevance and effectiveness of the Cooperatives, against such tendencies.

Though the first Cooperative Society was established at Baroda in 1889 (Anyonya Sahayak Sahakari Mandali Limited), the formal Cooperative Movement in India began about 35 years ago, providing relief to the farmers from the usury of money-lenders. The advent of planning with its moorings in democracy and socialism, and the thrust on growth with social justice, have added a new significance and a positive role to cooperatives. The democratic character of the movement combined with its federal structure, gives the movement a scope for decentralised planning. Various economic activities are implemented by the people themselves.

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*The views expressed in this paper are the personal views of the author and do not necessarily reflect the views of the organisation where he is serving.*

Cooperatives act as a counter force to the exploiting tendencies that develop in the economy, and thus protect and promote the interest of the weaker sections.

Today we have about 315,000 cooperatives with a working capital of approx. Rs.380,000 millions and a total membership of about 150 millions. The movement is mainly rural based and is characterised by progressive expansion and diversification. In almost all the sectors, state and national level federations have emerged for providing guidance, finance, technical business and managerial support to the primary cooperatives. National level statutory organisations like NABARD, NCDC and NDDDB have also been set up to promote their existence and growth.

In the early days, because of colonial compulsions, the growth of the Cooperative Movement in India was not a people's vision or people's aspiration when it started, but a tool of the government to give some relief and earn goodwill, and at the same time constantly "watch" the activities of these cooperatives. However, after independence the situation changed. Our national leaders were firmly in favour of a strong cooperative movement as a people's movement to transform the rural economy. Cooperation was visualised as a way of life for the people, the foundation of an economic and political democracy.

Viewed in totality, today, the Indian Cooperative Movement is not impressive. In spite of the many successful cooperatives, particularly in the dairy sector, the sugar sector, the fertilizer industry etc. which are contributing effectively to the national economy, its overall image in the public eye is not what it ought to be. It does not command the respect and support it deserves. One of the major reasons for this situation is that the initiative for organising cooperatives came from the government(s), extension agencies and departments and not from the people. It thus lost its basic character. People considered cooperatives as government agencies rather than their own institutions. It became a means to get facilities without any commitment or obligations. It became a "Sarkari Movement" not a "Sahakar Movement". Vested interests, both within the government and the leaders, plagued it and committed and honest leaders/workers were either ousted or were

driven to frustration. Consequent to the recommendations of the Rural Credit Survey Committee for greater association of the State with the Movement financially and otherwise so as to vitalise it, government finances started flowing to the cooperatives on a large scale. If government money comes it is followed by government officials and other numerous restrictions. Smaller cooperatives are counselled that since they do not have enough resources or money or competent technical personnel; they should have large cooperatives which can be started and helped by the government and so on. Thus, several apex and federal cooperatives have been organised by the government(s). Several national and state level federations have been created, which have no grass roots. They are super-structures without infrastructures. Massive federal and apex level cooperatives have been formed which have merrily centralized authority and resources, all at the cost of the primaries. The rationale for creating a federal body -- a cooperative of cooperatives -- lies within the constituents who see the need for such cooperation. Just as the success of a cooperative lies in the members perceiving its importance, so a federation of cooperatives will succeed if its members create it to meet a need, and if they maintain control of that federation so that it does serve their needs. In several cases, the federal bodies have become means of exploitation of their own members. Overheads in these federations are too heavy and without any sensitivity to the aspirations of their members. They have become drags. Co-operation is a system. Every constituent unit of the system has to act in close collaboration with other units. There has been lack of inter cooperative relationship both vertically and horizontally. In such a situation it becomes very difficult for cooperative sector to project its unified strength in the economy. There is virtually total absence of institutional as well as sectoral planning in the cooperative sector. The federal organisations do not pay much attention to their constituent units. With the result various units in the organisational structure function in isolation rather than unison. Lack of institutional and sectoral planning makes cooperative organisations oblivious of their future perspective. The federal bodies have growing tendencies to control and issue directions to their members; thereby hurting the basic foundations of participation and hands-together in the federal structure.

It is well projected that cooperatives have made their presence felt in various aspects of economic development such as production, consumption and distribution and therefore government has accepted them as one of the instruments of economic development.

The Government adopted National Cooperative Policy Resolution in 1977 to develop cooperatives as self regulated institutions by adopting integrated approach. The said policy resolution has not yet been implemented in toto. Therefore, there is need for clear government policy on cooperatives. The absence of such a clear government policy on cooperatives, has become one of major limitations which is creating problems in the working of cooperatives. It is also necessary to incorporate the role and importance of cooperatives in the Constitution of India; so that a clear path for prosperity of the cooperatives could be defined and progressively adopted.

For the success of cooperatives, three elements are most important. They are -

1. Dedicated leadership
2. Professionally competent management and
3. Enlightened membership

Cooperatives like other democratically functioning organisations have to rely for not only their progress in desired direction, but for their basic survival on such leaders who can ensure the sound management and continuity of the organisation. It is necessary that these leaders are committed to the ideals and principles of Cooperation. Through commitment only, a leader can knit the right culture in the organisation. The culture and spirit of the organisation are reflected in the attitude, approach and demeanour of the cooperative leaders. Though their actions they create environment of honour, responsibility and trust all along various sections of the organisation. They must be tied to the cooperative values of equity, equality and mutual help.

Unfortunately, the situation instead of improving has considerably deteriorated today after 40 years of independence. The conventions laid down by the foreign regime in the beginning of the century are being followed on a much larger scale today. In fact,

during the days of the British, the government was extremely careful in identifying cooperative leaders and they were properly briefed about their responsibilities. It played the role behind the scenes. They never interfered openly in the working of the cooperatives because they were concerned about their image and did not get involved in the other affairs of the cooperatives. Today, it is not uncommon to see the elected leader being overthrown if he is not to the liking of the party in power even by statutory compulsions. The Registrar of Cooperative Societies who was supposed to be a watch-dog to ensure timely and fair elections every year has become a tool in ensuring that elections are not held for years to come. Even those cooperatives which are financially strong and have taken no financial assistance from the government are not free to elect their Chairman and Managing Committee.

To succeed, a cooperative needs an efficient, competent and professional management team. The cooperative must have the authority to select and appoint it. The professionals should have the freedom to operate and should be evaluated on the basis of their performance and competence.

A cooperative is owned by its members. It belongs to them and is meant to serve them. It should fulfil the aspirations of its members and the members should know what they can expect from their cooperatives. This feeling is lacking in cooperatives today. They treat cooperatives more as government organisations than their own organisations. Awareness amongst members regarding the objectives and roles of their cooperative is poor. There is lack of pre-membership educational programmes. The members as well as their elected leaders have no clarity about their roles. In absence of need-based educational programmes with the necessary thrust, the cooperatives are progressively losing their "life".

Ours being a developing economy, where more than 70% of the population is rural and bulk of whom are resource-poor in all aspects of life, the cooperatives have always been considered as catalysts for rural development. Since the owner-members of the cooperatives have been resource-poor, it has been the state policy to extend financial assistance from the state to the cooperatives in an effort to stabilize and give the "PUSH". Unfortunately, taking

the advantage of assistance-arm, the government(s) have considered as their right and not only right but most of the times as their responsibility to direct the cooperatives. Pandit Jawaharlal Nehru, that great Indian, as Prime Minister, took pains to make the important distinction between what is "government-assisted" and what is "government-directed". The government(s) has very conveniently made itself to forget that assistance does not imply "control" or "direction". Addressing a Conference of State Ministers of Cooperation in October 1961, Pandit Nehru said:

"I hope that I have made you appreciate my own rather strong feelings on the subject of cooperation. I think it is a basic thing for our agriculture, for our industry and, still more, for our whole attitude to life, national and international. It is not a Government-directed show, although it is Government-assisted, of course. There are to be no big bosses of the Government sitting in big offices with big chaprasis outside, directing and controlling the whole thing. That would be quite objectionable. In cooperation there is mutuality, a feeling of comradeship, fellowship, a feeling that any ordinary peasant can walk in, unafraid of the big boss".

The present day dilemma gets amply reflected in the statement made by Dr. B. Venkatappiah, while delivering the 4th IFFCO Jawaharlal Nehru Memorial Lecture on Cooperation, on 14th November 1986. I quote:

"The fact then, remains that the words 'cooperation' and 'co-operative' are far too loosely used - or abused - to denote what indeed may have been a cooperative in the past or may, hopefully, be a cooperative in future, but is today virtually a group of officials or a department of Government awaiting conversion into a legitimate cooperative. It is not my point that the word 'cooperative' should be reserved only for something strictly based on, say, the RAIFFEISEN model of 19th century Germany. But I am certainly suggesting that we do away with the pretence that something is cooperative which, in fact, is purely departmental and bureaucratic."

How the members' confidence can be restored is the biggest challenge facing everyone and government and cooperative leaders

need to give this a serious thought. As a first step, the government will have to loosen its control over the management and will have to be only a watch-dog at the most. They should let the members get what they want and what they deserve.

Notwithstanding the above aspirations, it is not uncommon to find that the cooperative leadership has not matched the institutions expectations. They lack role clarity and most of the time personal interests subordinate the cooperative interests. Besides, there is a growing tendency to use the cooperatives as political platform by cooperators. The cooperatives should not be dragged in party-based politics. Cooperatives must be kept free from active politics. Some politicians see cooperatives merely as ‘‘vote banks’’, while some treat them ‘‘real banks’’ with one way service - withdrawals only. The tendency to use cooperatives for private interests is on increase.

Cooperative societies are democratic organisation. Practice of democracy is the corner stone for the survival and healthy growth of the cooperatives. Unfortunately, the democratically elected governments themselves are tampering with this principle. There is a strong urge with the concerned governments to control the cooperatives for political gains. Year after year elections to the Boards are not held under one pretext or the other. Question is - who stops the elections? It is the government(s). Political nominees are being increasingly put on managements of innumerable cooperatives. Since, these nominees themselves have found berths through undemocratic channels, they have no belief in perpetuating democratic norms in the cooperatives. Members are increasingly losing faith in the cooperatives.

Since, cooperatives are commercial ventures in strictest sense, it is necessary to follow financial discipline strictly. The RCS has statutory obligations to audit the cooperatives. The Registrar’s auditing function was initially conceived of as a service to cooperatives that were not in a position to pay for audits by a chartered accounting firm. However, what began as a service was transformed into a requirement, one that is increasingly onerous. As you are well aware, audits are so far in arrears that in some states they could never be completed. The law and cooperative by-laws also stipulate that

you cannot hold an AGM without presenting audited accounts. Further, in the case of dairy and oilseed cooperative unions and federations, sugar cooperatives, and other large cooperative institutions, the registrar's auditing staff often simply lack the competence required to perform a professional audit. The discipline can be enforced only if the cooperatives are regularly audited and follow up action is taken sincerely. It is common knowledge that the office of the RCS is not geared up fully for these functions. Alternatively, the audit responsibility could be left to the cooperatives themselves by hiring a firm of Chartered Accountants. Urgent measures to strengthen the audit function of the RCS and insulate him from influence of vested interests specially in follow up actions, is absolutely necessary.

There cannot be any difference of opinion that the future of the cooperatives is to a great extent dependent on their own professional staff who have a stake in their jobs. Again unfortunately, the governments who swear by their commitment to support the growth of cooperatives are inventing new conduits besides the existing ones, to thrust government officials on the cooperatives at all levels. The underlying urge seems to be none other than controlling the cooperatives. The government(s) has insinuated itself into the cooperative movement, vitiating its vitality. The urge to control the cooperatives has forced the State government(s) to ignore the modernisation of the State Cooperative Societies Act(s) which in most cases are antiquated. The recommendations of the Chief Ministers' Conference of 1968 were accepted by the State and a few legislative changes were made. In the process, many State governments amended their Acts to give additional powers to the government as well as government nominees on the Boards of Directors of the Cooperative. These related to the power of veto of Board decisions, issue of directives to cooperatives by Government/Registrar, appointment of personnel in cooperatives, as also approval of the terms and conditions of their service. These provisions have led to progressive erosion of the autonomy of cooperatives, an essential concomitant to their democratic character. In March 1975 and May 1976, the Government of India issued guidelines to the State Governments advising that the provisions militating the democratic character of the movement should be modified. Despite



these guidelines, many State Acts still contain provisions such as veto for government nominees on the Board of Directors, power to the government to nominate the Chairman and the Managing Director even in fully elected cooperatives, the power to the government to withhold elections and appoint administrators/persons in charge in a large number of cooperatives. The Principles of Cooperation need be reflected in various provisions of the cooperative law and that the cooperative law should facilitate the operationalisation of the Cooperative Principles. Cooperative law should also facilitate promotion of the cooperative system.

When it comes to divorcing the vested interests unconvincing double standards are argued. Only few weeks back, during the Conference of State Secretaries of Cooperation, at Delhi (13th September 1989) while discussing the question of adopting the recommendations of the Ardhanareeswaran Committee, one of the Secretaries argued that last year when this agenda came for discussions before the Indian Cooperative Council, there was no unanimity. This argument sounds very impressive. It leads us to believe that the State government honours the opinion of cooperative leaders and do not want to force, something down the throat, which is not easily acceptable to the masses. But, then what happened in the same State is a very good illustration of - matter of convenience and arguments thereto. As per provisions of the State Cooperative Societies Act of this state, a State Cooperative Council is supposed to be as a statutory existing body. The State Cooperative Council is expected to be a body custodian of the well-being of the Cooperative Movement in the state and provides wide scope for consultations and interaction between the government and representatives of cooperative opinion. In 1982, the State government without consulting the Cooperative Council or any debate with the cooperative leaders brought drastic changes in the State Act. Even today the State government and the cooperative leadership are engaged in legal battle in Supreme Court on account of these changes.

What is required is a change in law. Given the fact that cooperation is a State subject, the Parliament can only play a role to the extent that the Multi-State Act is modified to bring it into harmony with the Principles of Cooperation - possibly by reformulating it as

enabling legislation rather than as regulatory legislation - and by creating incentives for the states to improve their cooperative legislation, and disincentives for those that do not. Such incentives might include tax relief for cooperatives registered under laws that meet certain criteria. Another possibility would be to offer cooperatives with a turnover greater than a specified amount the option of registering under the State or federal cooperative law. Credit Unions in the United States have such an option which permits them to decide which law is more favourable.

The first Act to register the cooperatives was introduced in India in 1904. This Act was mainly enacted to register the Agriculture Credit Cooperative Societies. The Act was subsequently revised on many occasions. Under the British rule the Act was framed mainly for control of credit functions and to keep the natives disciplined. It provided no autonomy and professionalisation. The powers under the Act, were concentrated in an ICS officer who was designated as RCS and were kept very high. Unfortunately, even after 4 decades of independence, this profile of the RCS has not been reduced. In fact, there seems to be no will on the part of the State governments to democratize the cooperatives and provide autonomy. Some of the State governments have taken it for granted that cooperatives could be tampered with as and when they wish. Most of the time, political considerations have weighed heavily in bringing amendments in the Acts. In most of the Acts, there is a provision giving the powers to the governments to issue an exemption from any of the provisions of the Act, which amounts to even bye-passing the State legislatures. Such powers have seldom been used to further the genuine interests of the cooperatives.

The issue of activation of the democratic process coupled with the promotion and professionalisation of management in the cooperatives came up for discussion in the meeting of the Registrars of Cooperative Societies held on 26.8.1985. The meeting, inter-alia, recommended constitution of a committee by the Government to examine the Cooperative Societies' Acts/Rules in the States and to make suitable recommendations. In pursuance of the above recommendations of the meeting of the Registrars of Cooperative Societies, the Government of India, in the Ministry of Agriculture,

Deptt. of Agriculture & Cooperation set up a Committee on Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives (Ardhanareeswaran Committee). The Committee has already submitted its recommendations in April 1987. Simultaneously the Prime Minister wrote to all the State Governments in March 1987, suggesting to adopt these recommendations.

There have been mixed reactions to these recommendations. Even some of the cooperators, have not liked certain recommendations which are attempting to restrain the tendency to abuse the democratic rights in the cooperatives. However, it is high time that we address ourselves seriously to cleanse the movement of all the vested interests. We strongly believe that all the recommendations of the Ardhanareeswaran Committee (April 1987) need to be urgently adopted by the concerned state governments and the cooperatives must support adoption of these recommendations expeditiously. One or two of the recommendations might ultimately prove difficult or undesirable in certain situations. The Cooperative Movement in India will further get eroded if adoption of these recommendations is delayed, the people will further lose faith in the cooperatives and the cooperatives will continue to be exploited at the hands of over-ambitious vested interests.

The Cooperative Movement in India, as a whole, is suffering on account of following reasons:

- Lack of clear national policy on cooperatives.
- Antiquated Cooperative Societies Acts.
- Excessive government control.
- Government treat cooperatives as instruments to carry their own economic development policies.
- "Back seat driving" by people in authority thereby treating cooperatives as subservient to them.
- No regard for self-reliance.
- Lack of effective Cooperative Education Programmes.
- Lack of dedicated leadership.
- Lack of professionalism.
- Enemies within the movement.
- Too much of adhocism.
- Use of cooperatives as tools for exploitation and cornering benefit.

The cooperatives can succeed when they are instruments for their members' goals; success is less certain when they become the instruments or vehicles for someone else's goals and objectives.

Indian cooperatives and their leaders ought to develop a legislative agenda and bring pressure to bear on both the Parliament and the State legislatures to bring legislation into conformity with Cooperative Principles and the growth of a strong Cooperative Movement.

These are some of the experiences we have accumulated and would like to share with you all in the global interest of the Cooperative Movement.

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# THE ECONOMICS AND GROWTH OF CO-OPERATIVE ORGANISATIONS IN INDIA

*Dr. Ganesh P. Gupta\**

The emergence of co-operative organizations is the result of individual's inability to operate his economic activity independently. In an individual functioning there are several operations which an individual is required to perform. But, his limited knowledge, limited finance, limited ability restrict him to perform these operations in a befitting manner beneficial to him in an economic way. Troubled with this the individual organized himself into an organization called "Co-operative Organization" (CO). This CO has many many improvements over an individual's ability, finance, knowledge. These factors are joined in a CO and pooled together for joint action. The result of joint action fetch benefits to the CO which are distributed to the members of the CO.

By the passage of time the CO increased manifold according to the needs of the people. Now-a-days there are COs in different field of economic activity for promoting well-being of the members in particular and the society in general. The term "Well-being" is an uneconomic activity. The operations of a CO are backed with economic activity which necessitate functioning for profit.

Functioning for "profit" and "well-being" are two extremes. The areas of well being are very large while the area of profit is very limited. The profit can be earned only when there is commercial operation. But, the "well-being" has to be done whether there is a profit or not. Both the extremes - the profit as well as well-being - are to be maximised to meet the objectives of a CO. The resources flowed in "well-being" cannot be utilized for "profit" while the resources flowed for "profit" can be utilised for well-being, as these will generate additional resources.

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To meet the expenses of "well-being" the profit has to be much enough. But, experience has shown that it is not so. In relation to wellbeing the profits are less. Well-being is open for all, whether the beneficiaries are poor, rich or the affluent ones. All the sectors of society need well-being. The ability of a CO to meet the well-being is very very less. The profit it earns is, generally, insufficient to maintain the business of the CO, and what to think for well-being. To meet the well-being needs of the members the CO have to depend on some other organization from where they can get the support for this. The organization for the aid of CO can only be the State, the Government, which has its aim of well-being of the people. The State/the government function for "well-being" and not for profit.

Now-a-days the "well-being" activity of people is large, they have to be provided with increased employment, training for employment, education and other infrastructural facilities. To increase the ability of people expenditure on these are to be met with. One programme cannot be effective for well-being of the people. Depending upon the needs and time different types of programmes are to be framed. For all these programmes again the support is needed which is available through State/government only. No one wants to drain out his money for well-being of others (except in rare case, and that too with limited objectives). The State/government is the only source to approach for implementation of the well-being programme.

The support derived from, and provided by the State/government has to be regulated with the objectives of the government. These objectives are promotion of socio-economic benefits. When the funds are not generated within the CO, but brought in from outside the attitudes of the people (the management) in the organization change, and they do not strict towards the disciplines of management of the resource which are scarce. Since the resources which are coming from government, nay being given, are not scarce, rather are in abundance. When there is abundance of any resource the attitude of managing the affairs/operations, activities get changed and the relaxed situation of management creeps in. The people responsible for managing the affairs are relaxed and the operations take place in an uncontrolled manner.



## **Yields of uncontrolled management**

In the situation of uncontrolled management affairs become charity and this results in draining out the funds. Ability of the CO to raise funds from its own operations gets reduced, and finally vanished. This situation is true with majority of the Co-operative Organizations (COs), whether they are in developed countries or in developing countries, whether the people (in and out of the co-operatives) are rich or poor. In such a situation when the money is coming from external sources the "well-being" activity operates in full swing, making the CO fully dependent on the State/the government.

The dependence of CO on the State/government has made the CO uneconomic. When the CO is not economically efficient, it is unable to improve upon the income situation of its members. Just they come and take the benefit - the money - and go away. They join the CO only to get the benefits and not to get the responsibility. The responsibility part of their activity will not generate because there is abundance of finance. Since the people have nothing to do with their ability their ability washes away, making them day-by-day inactive, lethargic, corrupt, and finally defunct. This is the economics of Co-operative Organization (CO) which is unbeneficial for the CO, its people, the society and the Nation too.

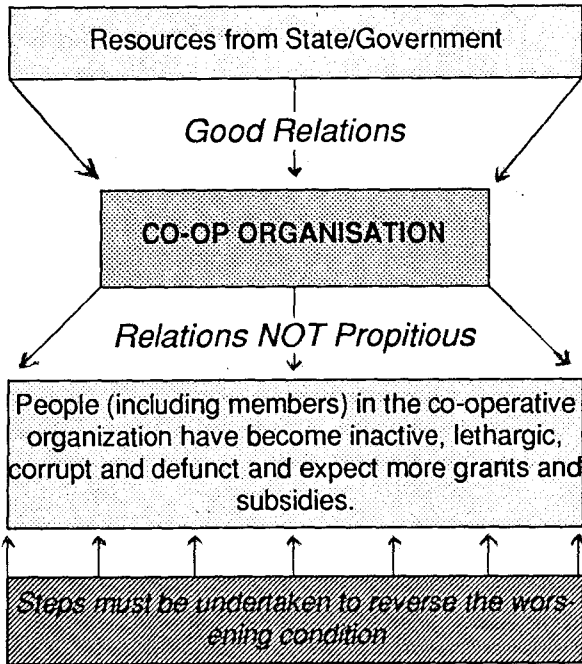
## **Improving the situation**

This situation, sprouted and germinated out of financial abundance, activity-inaction needs to be averted. To avert this situation there is need to change the mentality of the people in and out of the CO, so that their ideology is transferred. The transformation of ideology is a Very Very Hard Nut to Crack. This demands to tell the people how to fish the fish, which will go a long way in making them dependent on their own. To change the attitude of the people for a better positive result it is utmost essential that they are provided with adequate exposure of their activity and traits making them economically active.

The support from State/government is to make the people economically, nay sociologically too, bold and strong. But, in implementing these the yield has reversed, and it has become a

“curse” instead of “boon”. The relation of CO and the State/government are good as long as support is considered. The need is boldness of the people, their responsibility-oriented attitude, sticking to positive activity.

We have to undertake the steps to make the people self-dependent out of dependence, professionally competent, economically strong, and contended.



# THE RELATIONS BETWEEN THE CO-OPERATIVES AND THE STATE GOVERNMENT\*

*N.D. Karmarkar\*\**

## 1. Introduction

1.1 The State Government has played a very important role in the overall development of the Cooperative Movement in India. From the very inception of the movement in the beginning of the century, official sponsorship, regulation and administration of cooperative organisations was adopted as a deliberate policy. This close relationship between cooperatives and the State has undergone qualitative change and has become more intimate following the All India Rural Credit Survey Committee's Report in 1954. The need for a more purposeful role of the State in the organisation and development of cooperatives was emphasised by the Committee and in pursuance of its recommendations, the State partnership in the equity of cooperative organisations of various levels became an important plank of integrated scheme of rural credit. With the acceptance and implementation of various other recommendations of the Survey Committee, the State's role did not remain confined to mere establishment, administration and supervision of cooperative organisations. As share holders, the State came to have financial stake in the working of these institutions. Since the Indian Constitution envisaged Cooperation as a State subject, the responsibility of organising, developing and administering cooperatives became the responsibility of the State Governments.

1.2 The role of State in relation to cooperative organisations can be broadly classified into 3 areas; viz., (a) Administrative, (b) financial and (c) promotional. The specific role and performance

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\* *State government in India means provincial government.*

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of the State under each of the above 3 categories is briefly discussed in this paper.

## **2. Administrative Role**

2.1 All cooperative institutions are administered by the State Governments under the respective Cooperative Societies Act and Rules framed thereunder. Till the early fifties, the provisions of the Cooperative Societies Acts largely covered aspects such as registration, amalgamation, winding up, etc. of cooperative institutions. These Acts also vested in the Registrars of Cooperative Societies, powers to supervise cooperatives and conduct inspection and audit. These powers were mainly designed to safeguard the interests of members of cooperative societies by ensuring that cooperative institutions functioned generally within the framework of the Cooperative Acts and preventing financial mismanagement. The position in this regard, however, altered significantly with the introduction of the policy of State partnership following the All India Rural Survey Committee's recommendations. Although this Survey Committee had not favoured Government interference in the day-to-day working of the cooperative institutions, over a period of time and the manner in which the policy got implemented, the State Governments came to assume considerably greater role in the functioning of cooperatives including DCCBs. Consequently, there was extension of control in increasing measure by State Governments over the cooperatives. In the process, Cooperative Societies Acts were amended to confer wide powers on the Registrars of Cooperative Societies. So far as the DCCBs were concerned these powers include powers to: (a) supersede the elected managing committees of DCCBs, (b) issue of directives to the banks, (c) annul any proceedings of the managing committee or sub-committee of the bank, (d) appoint administrators, (e) nominate Chairman or Managing Directors of the banks.

2.2 The State government nominees on the managing committees of the banks were also empowered to veto any decisions of the managing committees.

2.3 It is true that many of these powers were incorporated in the Cooperative Acts because of the genuine concern of State govern-

ment, and sometimes, at the instance of the Comptroller and Auditor General, in regard to safeguarding the government's substantial investments in the share capital of cooperative institutions coupled with the indifferent performance of many of these institutions. But the manner in which these extra-ordinary powers have actively been used has played a havoc with the democratic character and autonomy of cooperative institutions. These powers have been often used indiscriminately and in a manner prejudicial to the interests of the cooperative institutions. There are several instances where boards of directors have been superseded and elections have not been conducted for years. There are number of instances in various States where elected boards have been superseded largely on political considerations and the institutions continue to be administered by government officials for years together.

2.4 Side by side with arbitrary supersessions of the boards, there is also an increasing trend towards officialisation of the management of cooperative organisations. State governments have been deputing officials to hold key positions in these institutions. This large scale deputation of government officials has affected the effective functioning of cooperative organisations. The tasks to be performed by these institutions have become more and more complex involving resource mobilisation, management of funds, compliance of statutory obligations under the Banking Regulations Act, handling of labour etc. For performing these tasks satisfactorily, the cooperative organisations need well-trained, qualified and experienced personnel. Government officials, with a very few exceptions, do not possess either the qualities or the expertise needed for handling these complex tasks. Moreover, government officials are subject to frequent transfers resulting in their lack of involvement in the development of the institutions. The imposition of government officials to hold top posts in the cooperative organisations has also affected the morale of their own staff, creating in the qualified and experienced employees a sense of frustration. Large-scale deputation of government officials to these institutions has thus adversely affected the working of these organisations.

2.5 While on the one hand, there are large scale supersessions of the boards, and imposition of government officials to hold key posts, the essential tasks required to be performed by the State

Government under the Cooperative Acts seem to be neglected. Thus, audit of cooperative organisations to be conducted by the Cooperative Department under the Act is very often inordinately delayed because of staff constraints and the quality of audit also leaves much to be desired in view of untrained, unqualified personnel employed for this work. Similarly, inspections of cooperative organisations by officers of cooperative departments are not conducted at all, and where conducted, are at best superficial.

### **3. Financial Role**

3.1 The funds of cooperative organisations come from three main sources viz., share capital, deposits and other outside borrowings. The State Governments play an important role in assisting directly or indirectly, in mobilising funds from all these three sources.

3.2 As mentioned earlier, following the Survey Committee's recommendations, the State governments started contributing to the share capital of cooperative institutions. So far as DCCBs are concerned, government contribution is generally to the extent of 50% of the total share capital of these banks. In some cases, particularly in banks which are financially weak, government contribution is substantially higher. The funds for such purchase of shares in cooperative banks are provided out of the Long-term Operations Fund earlier maintained by the Reserve Bank and now by the National Bank. All the DCCBs in the country have now received share capital contribution from their respective State Governments. Government contribution to the share capital is in the nature of seed capital and is expected to impart considerable financial strength to these institutions. These funds, which are available to the banks, free of cost, are of considerable help in improving their liquidity, enhancing their maximum borrowing power and also for covering their overdues.

3.3 To a limited extent, State governments also assist DCCBs by advancing them loans on soft terms. For instance some of the State Governments have advanced term loans to DCCBs for enabling them to provide for assistance to weaker sectors under specific

schemes formulated by these governments. Long-term loans repayable in easy instalments are also advanced by State governments to weak DCCBs under the rehabilitation programme. Some of the State governments also keep with DCCBs as loan-cum-deposit amounts available from the funds meant for "taccavi". Further, under Central Sector Scheme which was in force till a couple of years back, State Governments and Government of India were providing long-term loans to weak DCCBs on a 50:50 basis to help them maintain non-overdue cover against their borrowings from the National Bank. In view, however, of the financial constraints which are being experienced by almost all the State governments, such direct financial assistance to cooperative banks is very limited.

3.4 However, the State Governments can and do help the cooperative organisations in mobilising resources from outside sources indirectly. Thus, by providing the necessary guarantees, the State Governments facilitate borrowings from higher financing agencies by DCCBs which, because of their weak financial position, are not eligible to borrow on their own strength. For instance, a DCCB classified as 'C' in audit can borrow from the National Bank only if such loans are guaranteed by the State government. Similarly, banks classified as 'B' in audit can avail of higher refinance from the National Bank for seasonal agricultural operations, if the State government guarantee is available. The State governments can also assist DCCBs in mobilising deposits by permitting local bodies and quasi-government institutions to deposit their surplus funds with these banks as recommended by the Committee on Cooperative Credit (1960). although in pursuance of this recommendation, Government of India had suggested to the State Governments that DCCBs placed under 'A' and 'B' class in audit should be placed on par with the State Bank of India for the purpose of receiving deposits of local bodies and statutory authorities, it has not been implemented in most of the States. Even in States, where this suggestion has been accepted by the government, very little headway has been made by DCCBs in obtaining such deposits.

#### **4. Promotional Role**

4.1 More than the administrative and the financial role, it is the promotional or developmental role of the State Governments which

is of crucial importance for the proper growth and development not only of the District Central Cooperative Banks, but also of the entire cooperative credit structure.

4.2 The first and the most important task which all State governments need to undertake is that of strengthening and developing the primary cooperative credit structure and increasing their coverage. The volume of loan operations of quite a few DCCBs has been stagnating at uneconomic levels for several years. The main reason for this is the weak and ineffective primary structure. Unless, therefore, the primary societies become strong and vibrant, there can be no hope for the DCCBs. Hence, the State governments will have to take urgent measures for revitalising the primary credit societies. Government machinery can also play an active part in increasing cooperative coverage by launching membership drives and releasing cooperatives from the domination of vested interests which prevent certain sections of the rural population from availing of the services of village societies.

4.3 Secondly, in most states, land records are not being maintained on an accurate and up-to-date basis, which gives rise to uncertainties in regard to identification of cultivators' title in land. This poses serious problems and delays in provision of credit. The State governments can, therefore, make a significant contribution towards facilitating the operations of DCCBs by rectifying the position in this regard.

4.4 Thirdly, the State governments can help in speeding up the process of recovery of cooperative dues by ensuring prompt action against wilful defaulters. Therefore, at present long delays in obtaining and executing decrees against defaulters. As a result cooperative dues have reached alarming levels, practically choking the flow of fresh credit in several areas. The State governments can also help by assisting the recovery of cooperative dues from the sale proceeds of grain and other agricultural produce procured under government schemes. However, State governments are usually reluctant to effect such deductions. While State governments do very little to help cooperatives improve their recoveries, actions of some of the governments have actually stultified the recovery climate such as declaration of annawary in a facile manner, grant of



arbitrary extnsions with a view to postponement of due dates, issue of stay orders on coercive action etc. A phenomenon observed of late is that close to the general elections, State governments show not only total indifference to effecting recoveries of cooperative dues through coercive measures, but also positively instigate people from political platforms not to pay their dues. There have been instances where election manifestos of political parties contained promises to write off cooperative dues as a bait for vote catching. Under more or less similar circumstances, some other State governments had written off cooperative dues for substantial amounts about a decade ago, with disastrous consequences to the cooperative credit movement in these states.

4.5 Lastly, one of the spheres in which the State governments will have to play a vital and dynamic role is the rehabilitation of weak Central Cooperative Banks. Today, a large number of DCCBs are not in a position to cater adequately to credit demand in their areas of operations, because heavy accumulated overdues have practically choked off their lines of credit. Many DCCBs have been running at losses continuously for the past several years. The accumulated losses in quite a few cases have not only wiped off their owned funds, but have also eroded of their deposits. Nearly two decades back, the Reserve Bank of India had prepared a programme for rehabilitation of weak DCCBs. The programme involved a variety of measures to bring back these banks to a state of effective functioning such as investigation of overdues, rescheduling of overdue loans, expediting recovery of wilful defaults by coercive action, writing off bad debts, toning up of management of the banks, etc. The State governments were expected to play an active role in implementing this programme. In addition to providing administrative support for recovery of overdues, the State Governments were required to extend financial assistance to the banks for writing off bad debts and provide long-term loans or additional share capital to improve their liquidity or enable them to maintain non-overdue cover. Unfortunately, due to the lukewarm attitude of the State governments in drawing up and implementing the rehabilitation programme, banks identified as weak continue to be on sick list year after year. At the same time, new banks are being added to the list of sick banks prepared earlier by the Reserve

Bank and now by the National Bank. Consequently, the number of 'weak' banks has gone up from 84 in 1973 when the programme was first introduced to 176 in 1987. Of the 176 banks on the sick list today, as many as 81 are under rehabilitation for more than 10 years.

4.6 Recently, in 1987, the National Bank has launched a special 12 point time bound and action oriented programme aiming at dealing with the problems of such of the DCCBs as were ineligible to borrow from the National Bank because of their high levels of overdues. The programme envisages revitalisation of primary credit societies, rescheduling and blocking of overdues, strengthening the resources of banks and toning up their managements. The programme envisages liberal assistance from the National Bank to the eligible banks and relaxation of some of the terms and conditions for providing refinance. The implementation of this 12 Point Programme is made conditional by the National Bank on the respective State governments agreeing in principle to meet the financial and other commitments required on their part. Considering that only a few State governments have so far come forward and agreed to meet these commitments, speaks volumes for the interest they have in restoring the weak DCCBs back to health. For all practical purposes, therefore, National Bank's 12 Point Programme has been still-born. The State governments seem to be blissfully unaware that time is running out for DCCBs as their overdues get piled-up year after year. The legitimate business is getting diverted to the Commercial Banks and Regional Rural Banks reducing further the already slender volume of their operations. Unless, therefore, the State governments take quick measures to fight the rot by implementing the rehabilitation programme quickly and effectively, the entire cooperative credit structure might be damaged irreparably.

# CO-OPERATIVE HUMAN RESOURCE DEVELOPMENT - AN INDIAN EXPERIENCE

*Dr. D. Vir\**

Human Resource Development (HRD) is the process of increasing knowledge, skills and capacities of all the people in a society. It is development process with an organisational base. Within the framework of organisational development (OD), HRD embraces all facets of the system. In cooperatives, as people's enterprise, the process comprises:

- organisational aims and objectives,
- job requirements and manpower audit,
- a well designed election/selection system,
- a well organised education/training scheme,
- leadership promotion programme,
- scientific assessment and allocation of jobs/roles,
- job/role fulfilment aspects, personnel management and welfare,
- job/role appraisal system,
- methodology of inter-personal and industrial relations,
- perception on value system, towards better quality of life and above all,
- congenial environment through social, ecological, an physical norms.

There is an urgent need for scientific job/role assessment and job descriptions of employees like Secretary/Managers of agricultural cooperatives; board members and other members of the elected team. There is also need of laying down qualifications required and criteria for selection or procedures for election of the

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cooperative personnel concerned. A team of well trained and cooperatively educated personnel, both selected for or elected to posts, will go a long way in developing the cooperative organisation at any level. This has been successfully done by farmers' cooperative organisations in major parts of India, with thoughtful help from the National Dairy Development Board (NDDB), under the inspiring leadership of Dr. V. Kurien.

### **National Dairy Development Board**

The National Dairy Development Board (NDDB) is an unique example of organisational development, human resource and cooperative sectoral development in India. NDDB, based in western part of India, has managed to refrain from empire building, although it administered projects worth crores of rupees to develop an integrated cooperative dairy industry, with the assistance of thousands of technicians and farmers, well chosen and trained. Its total assets, mostly in buildings for the Anand campus and its Head Office, hardly exceeded eight crores of Indian rupees. NDDB's staff members often deputed to project implementation agencies created by the Board in such a way that, even though the scale of Operation Flood was more than doubled in the recent past, NDDB permanent staff remained stable during the past decade.

With 'Anand Pattern' of dairy development in Gujarat as the base, NDDB is a highly experienced organisation. Its Farmers Organisation Division has promoted the organisation of thousands of village-level cooperative societies in dairy sector throughout India, with farmer-participants in NDDB programmes numbering several lakhs. Its Information Operation Division works with some of the most modern computers available in India, maintaining a nationwide data collection system which measures project performance indicators on a monthly basis.

### **HRD**

NDDB staff is highly motivated. The organisation recruits most of its technicians and extension staff directly out of high school or college graduates, before they are 'spoilt' by work experience in the public sector or in the private industry. All are required

to serve, for at least six months, with the spearhead teams operating at the village level. NDDB's induction approach for new recruits is simple viz. to know and respect the villagers and their leaders; they are the people for whom you employees work. With such a focus, the skills acquired through on-the-job training in village promotion activities are not easily transferable to ones in other institutions. It shows up in the NDDB's very low rate of personnel turnover. Initially, the wage rates at NDDB were comparable with similar employers, but they gradually lost ground thereafter. Even then, personnel stayed on with NDDB due to their getting considerable job satisfaction. They could also achieve position of higher responsibility at very young age. For instance, the average age of NDDB staff is only 27 years and the Deputy Director of its Oilseeds and Vegetable Oil Wing (OVOW) is only 35 years.

For visiting teams the NDDB staff as well as personnel of the Gujarat State Cooperative Oilseeds Growers Federation were found to be quite open, willing to answer any question, very patient, always cooperative, and rarely defensive about problems or deficiencies identified. There has been feeling of security blended with humility. These field staff saw themselves as pioneers in their new fields. But they sounded and acted like winners, and as a matter of record NDDB had not failed in any of its important endeavour in spite of many troubles created by unscrupulous competitors, slow moving bureaucracy and apathy of farmers.

Late in the 1970s, the NDDB took an unusual step to turning its attention to organising cooperatives in the oilseeds sector. Since its inception, it has been concerned with the malfunctioning of the oilseeds and vegetable oil sector and its adverse effect on prices of balanced cattle-feed concentrates, using oil-cakes. It was not merely a question of safeguarding the interest of the cooperative dairy industry struggling to stand on its own feet, the NDDB had come to the conclusion that by disciplining oilseeds and vegetable oil industry, the average consumer of edible oils would also be benefitted.

In 1977, the NDDB established OVOW to provide core staff for implementation of its Project on Restructuring Edible Oil and Oilseeds Production and Marketing. True to its philosophy the

NDDDB aimed at setting up cooperatives from the village level upwards. Its experience with Anand Pattern had already shown the way in dairy sector. The Gujarat Cooperative Oilseeds Growers Federation Limited (GCOGF) known as Growers' Federation (GROFED) was registered with its Head Office at Bhavnagar in 1979. In spite of several problems in the field, GROFED managed to get 978 societies registered in five districts of Gujarat with a total membership of about 70,000 farmers by May, 1983. These farmers covered 2.29 lakh hectares out of 3.16 lakh hectares of land under oilseed cultivation in the State. The GROFED was providing all the necessary inputs, to help the village-level cooperatives. For that it set up four districts offices and 30 "area" offices manned by agriculture graduates, extension and procurement staff and supported by the facilities for soil testing, water analysis and plant protection. A well organised programme of agricultural extension was carried out with collaboration of the Department of Agriculture and District Panchayats concerned. The delay in accepting the new concept of organising single commodity (oilseeds) by the farmers was overcome by persuasion and education.

The Anand Pattern of dairy development, as applied to oilseeds was promising for several reasons. First, it was non-paternalistic. It did not require direct participation, subsidies or protection from the State. Second, it created leadership structures for member representation that effectively made project staff the employees of farmer members and accountable to them. Third, the model was self-financing. Last but not the least it was dealing in single commodity and was made attractive through integrated services to members through their own cooperatives. The NDDDB model of cooperative intervention can also be studied from the angle of utilizing outside assistance through effective cooperative management and integrated development approach.

The Oilseed Growers Cooperative Project (OCCP) has attracted international attention and assistance. It linked five lakh farmers and more than 3000 oilseeds growers cooperatives in Gujarat, Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Orissa, Maharashtra and Karnataka. Recently NDDDB has decided to launch a Rs.500 crore cooperative power project, to tide over power cuts faced by its units, in Gujarat.

## **Conclusion**

Human resource development is a process mainly aimed at performance improvements in an organisation. Cooperative organisations need HRD approach at all levels, beginning with primary agricultural cooperatives. Planning in cooperative human resource development (CHRD) can give optimum results when it is done as an integral part of organisational development (OD) and sectoral planning initiatives in the cooperative movement. The foregoing case study from the rural sector in India helps in deriving lessons in HRD and OD as a part of total development efforts of agricultural cooperative movement. These lessons can be applied to other sectors, as well as to other developing countries.

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**INDIAN FARMERS FERTILISER  
COOPERATIVE LIMITED**

*G.N. Saxena*

**IFFCO Farm Forestry Project**

1. Indian Farmers Fertiliser Cooperative Limited (IFFCO) is one of the biggest fertiliser organisations in India, manufacturing and marketing Urea and NPK complex fertilisers. IFFCO, being a farmers cooperative, has been endeavouring in economic development of the farming community. It has taken-up several extension programmes for the benefit of the farmers. IFFCO Farm Forestry Project is one such activity being actively promoted by IFFCO.
2. The primary aim of the project is to create or regenerate the asset base from which the rural poor get sustained employment and income. The objectives of the project are (a) to develop farm forestry on wastelands and thus helping in the national effort to bring back ecological balance, (b) to establish linkages among different agencies which are involved in afforestation of wastelands for generation of rural employment and (c) to promote the project on the lines of integrated farming system and (d) to make the programme a people's movement by promoting farm forestry cooperatives.
3. The project envisages to afforest 50,000 ha. of wastelands in 10 States of the country over a period of about 7 years. 30,000 to 35,000 farm families belonging to 800 to 1000 villages which are organised into 300 to 350 village level primary farm forestry cooperatives will be involved in the project. The members of the cooperatives will be small and marginal farmers.
4. The land for afforestation under the project may belong to the individual farmers or to the State government or village community which is available for allocation or leasing-out to the eligible beneficiaries or to primary farm forestry cooperatives.

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\* *Manager, IFFCO*

5. The farmers will be motivated to form into a 'Farm Forestry Primary Cooperative Society' exclusively for the purpose of developing wastelands by afforestation and to promote forestry associated small scale enterprises like dairy, poultry, piggery, pisciculture, apiary etc.

The society will own capital items and irrigation facilities and provide services which are common to all the member farmers. In order to purchase these items and to run the Cooperative Society, the Society will use the donations, subsidies, grants, share capital contribution etc. which are given to the Society for the purpose of tree growing.

The Society will make necessary arrangements for marketing the main produce and for recovery and repayment of the loans. Since a village level Farm Forestry Cooperative may not be in a position to take up marketing of the produce, a higher level cooperative at National level will be formed and the village level cooperatives will promote this apex institution. The apex institution will create the marketing and processing facilities in the States.

6. It is estimated that an investment of Rs.1050 millions is required for afforesting 50,000 ha. and for creating cooperative and infrastructural base over a period of 7 years. Major portion, about 65% of this investment is to be met from long-term loans to the farmers or to the primary cooperative society. The subsidies, grants-in-aid from State and Central governments and other organisations will cover about 20% of the costs and the remaining 15% will be contributed by IFFCO and other cooperatives. The return estimates have shown that the project will generate an Internal Rate of Return (IRR) of about 17% and Benefit Cost Ratio of 1.9:1.

7. The project was launched in the monsoon season of the year 1987 in 3 States viz. Rajasthan (Udaipur District), U.P. (Sultanpur, Rai Bareli, Pratapgarh and Allahabad Districts) and M.P. (Sagar District). An area of 5,000 ha. in each of the States has to be covered. These lands have been identified and they were selected in such a way that they fall into contiguous patches in each State. Part of these lands are village community lands which are left barren and are in degraded condition. They need much care and attention

for their development. The project in these 3 States form first phase and the remaining seven States will be covered in the second phase.

8. Considerable progress has been made in these States during the years 1987 and 1988. 19 village level primary Farm Forestry Cooperatives have been registered in these 3 States. Plantation of various species was done in about 1700 ha. of land. The survival rate is more than 70%. Several tubewells were dug for creating irrigation facilities. About 10 centralised nurseries and several kisan nurseries were promoted which have become supply bases for the villages around them. The growth of the plants in these lands is significant.

9. The project will cover about 2300 ha. during the year 1989. All the required ground work has been done. It is expected to take much faster pace in the coming years. The success achieved by this project so far has been appreciated by the villagers of the districts, and officials and scientists of the respective State. It has got potential to become a national model for afforestation in wastelands involving the people.

## PROJECT AT A GLANCE

1. Name: IFFCO Farm Forestry Project

	<i>Per State</i>	<i>Total for 10 States</i>
2. Size Total Area	5,000 ha.	50,000 ha.
3. Coverage:		
(a) No. of villages	80 to 100	800 to 1,000
(b) No. of Coops.	30 to 35	300 to 350
(c) No. of families benefitted	3000 to 3500	30000 to 35000
4. Plant types		
Fuelwood	40% of the total area	
Timber	40% of the total area	
Horticultural & other crops	20% of the total area	

5. Financial Estimates *(Rs. in crores)*

Total Outlay (unadjusted to inflation)	10.52	105.20
(a) Subsidies from Govt. (20%)	02.11	21.10
(b) Contributions/Equity by IFFCO and others (15%)	01.66	16.60
(c) Longterm loans (65%)	06.75	67.50

(Ratio of Debt: Subsidies + contributions = 2:1)

6. Financial indicators

(a) Cost of capital	:	7.5%
(b) Internal Rate of Return (IRR)	:	17%
(c) Net Present Values (NPV)	:	Rs. 637 lakhs/State
(d) Benefit Cost Ratio (BCR)	:	1.9:1
(e) Pay back period	:	By 10th year

# **III**

## **CASES OF SOME OTHER COUNTRIES**



# CONSUMER POLICY IN CO-OP DENMARK AS PERCEIVED BY THE MEMBER REPRESENTATIVES

*H.R. Jensen*

For many years, one of the fundamental problems of research on consumer cooperatives has been to uncover the so-called distinctive consumer cooperative character. According to Nilsson (1986) this problem has been attacked within an ideal type paradigm by means of deductive theories and within a real type paradigm by means of inductive theories. In addition several studies have been published which deal with the methodological problems involved in the search for the distinctive consumer cooperative character. Among these are Gronmo, Rose, and Sto (1984), and in this journal Blomqvist (1984), Hall (1985), Nilsson (1985), Sommer (1985), and Blomqvist (1986). A central theme in the articles published in JCP seems to be the problems and possibilities of building bridges between consumer researchers and the cooperative movement.

It is hardly a coincidence that the uncovering of the distinctive consumer cooperative character has occupied many social science researchers. Within the ideal type paradigm which was the prevailing approach to cooperative research especially in Germany after the Second World War, it was sufficient to describe a pure consumer cooperative organization which did not have to adapt to market conditions. The most extreme ideal type theory depicts a consumer welfare organization which has never existed and will never come into being. Within the real type paradigm which in many countries has been a prevailing approach to cooperative research during the last fifteen years, the description of the cooperative organization has been different. A competitive environment is considered to be an important restriction to consumer welfare. The most extreme real type theory depicts a weak member organisation, where the professional attention to customer interests has a more fundamental impact on business activity than has consumer welfare. The physical and psychological distance between members,

including the consumer representatives, and the professional management is great, and the situation of members and customers almost alike. The goals of consumer cooperative action are very complicated, intransparent, and ambiguous. If this description of consumer cooperatives within the real type paradigm reflects a current degeneration (*Entartung*), a loss of original consumer cooperative characteristics, as some social science researchers seem to believe (Nilsson, 1986), the search for some pure distinctive characteristics biased by a more ideal perception of reality is in fact a logical consequence.

It seems to be taken as a matter of fact by most participants in the recent discussion in JCP that one of these original, distinctive characteristics is that cooperatives are or may play an important role as consumer welfare organizations (Blomqvist, 1984; Nilsson, 1985), even if according to Hall (1985) the struggle to survive in a competitive environment usually results in attaining ideological purity at the expense of business success. One of the prerequisites for this role must be that member representatives perceive themselves as central partners trying to direct the whole cooperative organization towards consumer welfare by means of an active consumer policy.

In Denmark no studies have previously been carried out, which throw light on the realism of this assumption. This article is based on Jensen (1988) which is the first part of a large empirical study of the strategic position of consumers with respect to consumer policy in Co-op Denmark. This part - consumer policy in Co-op Denmark as perceived by the member representatives - has been sponsored by The Danish Social Research Council. After a short description of the theoretical framework specifying in further detail the main criteria for consumer policy as a parameter of action in a consumer welfare organization, consumer policy in Co-op Denmark is characterized as it is reflected by the present consumer programme and the works leading up to this. The main results are then given of an interview study carried out in order to test the extent to which member representatives in Co-op Denmark wish to direct the whole organization towards consumer welfare through an active consumer policy. Finally, the whole study is summarized, the empirical results are interpreted, and future research is outlined.



## **A Social Systems Approach to Analyzing Cooperative Consumer Policy**

As emphasized by Duelfer (1986) and Juhasz (1986), a cooperative is not just an enterprise, but a complex made up by members in interaction with a business enterprise. This consumer cooperative complex can be characterized as an open social system, where the member organization and the business enterprise are interactive subsystems. According to Juhasz (1986) cooperative activity is goal-oriented. The institutional system including a well-defined pattern of interrelations between subsystems, an expedient structure of activities, and a system of incentives for members, is reflecting cooperative goals.

According to Nilsson (1983), the consumer cooperative complex is composed of different actors who do not always have coinciding interests. All actors have exchange relations with the consumer cooperative complex, as they all deliver an input and receive an output for their contributions to cooperative activity. According to Nilsson, all actors try to maximize the output of their exchange relations, but it is not possible for them all to achieve this goal to the same degree. The so-called central partner is in such a position of power that he can decide which goal function should be used as the final standard for resource allocation. In the consumer cooperative complex the consumer is the central partner. This means that primarily the goals of consumers have to be maximized. If a consumer cooperative can be characterized as a consumer welfare organization, this implies that the ultimate goal for cooperative action and the final criterion for evaluating results achieved must be consumer welfare.

As emphasized by Nilsson, consumer wants and perceived consumer satisfaction cannot be the main criteria of consumer welfare: firstly, because consumer wants can be in conflict with more fundamental needs, and secondly, because perceived satisfaction does not always coincide with consumer welfare indicated by more objective measures. This does not mean, of course, that the consumer cooperative firm should not to some extent orient its activities towards consumer wants and perceived consumer satis-

faction. Otherwise it would hardly survive in a competitive environment where refined marketing techniques are used in order to make profits primarily by satisfying consumer wants. But the level of aspiration of the consumer cooperative firm must be so high that the consumer can perceive that it really tries to pay attention also to fundamental consumer needs.

Consumer welfare orientation does not mean, of course, that profits are unimportant. Without profits, it will in the longer run not be possible to finance consumer welfare promoting activities. Profits can, however, be earned in many different ways. If profits are earned by satisfying consumer wants only, the consumer cooperative firm cannot possibly distinguish itself from private firms trying to implement the marketing concept. Cooperative consumer policy would in this case be just another designation for marketing action. However, if profits are earned by stimulating and satisfying consumer needs also which do not always coincide with consumer wants, cooperative consumer policy would have its own identity in contrast to marketing activity.

If the consumer cooperative firm is or has the capacity for being a consumer welfare organization, then in order to reach the welfare goals it must have a consumer policy which is designed by its members in collaboration with the professional management. Cooperative consumer policy can be considered as one of the most distinctive consumer cooperative characteristics if it specifies the exact aims of organized consumer action, the exact measures to be accomplished, the time period during which it applies, and the consequences of achieved consumer welfare results.

Part of a given consumer policy programme coincides with the plans for marketing action. As this part can normally be accomplished in the short run, given a certain competitive environment and a certain structure of the cooperative complex, it can be said to include functional consumer policy measures (Jensen, 1986). These measures are integrated into the so-called *four p's*: *price, product, place, and promotion*.

However, market conditions, including existing patterns of competition, can make it impossible for the consumer cooperative firm to reach consumer welfare goals in the short run, even if this

is considered to be both necessary and desirable by the most powerful actors within the firm. The behaviour of these actors - especially the consumer representatives and the managers - can also be influenced by the cooperative complex in such a way that goals are achieved which actually are in conflict with consumer welfare. Part of a given consumer policy programme can therefore, in fact, be counteracted by the existing framework of cooperative activity including current marketing action programmes and current wants and attitudes of consumer representatives. As in this case consumer welfare can be obtained only by long-term changes in the competitive environment and/or the existing patterns of cooperative behaviour, this part can be said to include structural consumer policy measures (Jensen, 1986).

As functional measures are always affected by a given context, structural measures can be considered as the most important tools of cooperative action. All these strategic measures must be geared towards the goal of consumer welfare. Lest it be in doubt who is the central partner, consumer policy programmes can, therefore, not always be just an input to the dialogue among different cooperative actors that Blomqvist (1984) has stressed. Dialogue can, however, be an expedient way of arriving at a more detailed consumer welfare framework.

As to their form, structural policy measures should express the fact that the members want to specify exact consumer welfare goals for the planning and decision making processes of the organization's management. If consumer policy programmes are not precise about their aims, the members have no possibilities of control. There will not be any fixed criteria for assessing plans of action and the achieved results. Further more, structural policy measures should specify how the members intend to carry out its consumer welfare control functions. This implies relating the realized goals to the consumer welfare criteria specified in the consumer policy programme. It also implies a follow-up so that achieved results have clear consequences for the planning of goals and measures in succeeding consumer policy programmes.

As to their contents, structural policy measures should specify what the cooperative is trying to achieve in the long run in relation

to consumers, the cooperative management, the competitive environment, and the societal framework at large.

In relation to consumers they must specify how members and consumer representatives could be trained in order for fundamental and long-term consumer needs to be reflected to a larger extent in their decisions. It must also specify how the organizational structure should be used by the members as a tool for increasing consumer welfare.

In relation to the cooperative management, they must specify how functional measures could be integrated into marketing action programmes in order to guide the four p's towards a higher level of consumer welfare. Furthermore, they must specify how employees could be trained so that their decisions would satisfy consumer welfare criteria to a larger extent.

In relation to the competitive environment, structural policy measures could specify the strategy to be used in order to create more consideration for fundamental and long-term consumer needs in the behaviour of competitors. Such a strategy could include measures whereby adverse conditions of competition could be changed. Such adverse conditions are, e.g., the use of artificial colours and admixtures, the selling of nutritionally poor goods, or intransparent pricing. If the consumer cooperative firm is in a weak market position, this might imply action by Co-ops in conjunction with other consumer organizations in order to change competitive behaviour by legislation or negotiation.

In relation to the societal framework at large structural measures must specify how the consumer cooperative complex wishes to promote consumer influence generally. It is hardly sufficient just to ask consumers to join the existing consumer cooperative organization. Structural measures could specify suitable models of man and society so that society at large can be guided towards a higher level of consumer welfare.

The most essential prerequisite of cooperative consumer policy as described above is undoubtedly that the consumer representatives either perceive a need for getting qualified information and policy inputs into their decision processes, or actually receive such

inputs from the professional management. Without this it would seem impossible to counteract what some social scientists call a degeneration of the distinctive consumer cooperative character (Nilsson, 1986). Such a degeneration might be reflected by the fact that functional policy measures are given a higher priority than the structural ones or - what is worse- that structural policy measures are completely neglected while at the same time the functional measures become only an insignificant element of cooperative marketing action.

### **Consumer Policy in Co-op Denmark as Reflected by the Present Consumer Programme**

Co-op Denmark is with a turnover in 1988 of approximately four billion US-dollars one of Denmark's largest firms. Its owners are 1.024.551 personal members and 854 cooperative societies. Within the organization 18 firms are collaborating in supplying 1400 shops with products and services. These shops are hypermarkets, supermarkets, and smaller retail outlets. A board of 15 persons has the responsibility of controlling professional managers employed to take care of the interests of the members. The chairman is elected directly by the congress. Eight persons are elected by different regions, five persons are elected by the employees, and one person is at the same time chairman of a council representing different local boards. The ultimate goal of Co-op Denmark is according to its rules to organize consumers and to promote their common interests. This is done by producing goods in its own factories, by buying goods from other firms, by marketing, distributing and retailing goods, by informing consumers, and by representing member interests in different public and semi-public organizations.

The present consumer programme of Co-op Denmark has the sub-title "The consumer policy of Co-op Denmark." It has therefore been considered to be legitimate to regard and analyze this programme and the works leading upto it as a reflection of cooperative consumer policy. This analysis is based on all published material as well as other documents made available by Co-op Denmark.

The present consumer programme was agreed upon by the membership organization in 1985. In contrast to the preceding two programmes of 1978 and 1981, the present programme is not valid just for a limited time period. It is a modest document compared to the very ambitious programme of 1978 which included a series of goals and remedies for many different consumer problems. Also in comparison with the less ambitious programme of 1981, the present one gives a more simplified picture of the social and political reality surrounding the consumer. Goals set for cultural policy, consumer influence, international cooperative collaboration, interaction with research institutions, and consumer policy in society at large have either disappeared completely, or are at most regarded as less important aims than those now emphasized in the areas of health and nutrition, home economics, and cooperative supply of goods and services. The reason for this is not clear. It cannot be excluded that the consumer representatives have been of the opinion that the goals in the earlier programmes have in fact been achieved, or that they should give way to more important issues irrespective of whether the previous ones have been achieved. Yet, no analyses have been carried out to demonstrate the achievement of certain goals or to indicate the causes of possible lack of goal achievement. Nor have the consumer representatives received material from the professional management arguing that the new goals might in fact be just as important elements of consumer welfare as, e.g., the goals previously focussed upon.

Yet, the concentration of certain topics and the general simplification of the present consumer programme compared to the preceding ones have - for the most part - not resulted in a greater precision and unambiguousness in the outlined consumer policy measures. As emphasized in the preface "the origin of the consumer programme is the consumer democracy of Co-op Denmark, and the general purpose is to develop an instrument for attending to the interest of the consumers in the best possible way." It is not specified, however, what should be understood by "instrument," "consumer interests," and "the best possible way," even if in the work leading up to the programme the chairman on several occasions characterized the consumer programme as "a realistic instrument of control that should be evaluated primarily in the light

of accomplished actions.” More exact goals and suggestions for action are specified under the four headlines of the programme by “setting the spotlight on the idea of consumer service and explaining what Co-op Denmark means by this.”

The most prominent part of the present consumer programme is the concept of nutritional policy based on the food pyramid and the so-called “six pieces of good advice on nutrition.” In this respect Co-op Denmark quite clearly demonstrates an intention to change market demand towards greater harmony with current nutritional needs. In addition, the consumer programme includes concrete proposals for improved consumer information regarding diets, the composition of meals, home economics, and money management. There are, however, no specified aims and measures for directing product development and marketing action towards improved nutritional standards. In contrast, it is emphasized that “it is not the purpose of the nutritional policy that all goods supplied by Co-op Denmark should live up to these demands.” Nor is there any specified goal or policy for changing the competitive environment, even in situations where currently, competition has apparently forced the cooperative assortment of products to deviate from the desired nutritional policy. The programme states only that “concentration of power and centralization of decision-making in economic life force Co-op Denmark to counteract monopolies and developments harmful to the consumers.” As to the consumer education of members and consumer representatives only general statements are adduced. As to consumer welfare measures in society at large and consumer education of the management nothing is mentioned at all.

Thus, the present consumer programme as well as previous drafts indicate that cooperative consumer policy primarily builds on functional measures. Several times it is implied that the consumer programme should be further integrated into marketing in order to make consumers aware of the consumer welfare goals, and to obtain more positive attitudes towards buying cooperative goods and being a member. True, it is also emphasized that functional policy measures do not necessarily guarantee consumers a supply of goods and services which is better and cheaper than that

from competing firms. Still, no attempt is made to specify the structural policy measures that will be needed to supplement the functional ones.

Even if it is stated in the preface of the present consumer programme that the “general purpose is to develop an instrument for attending to the interests of the consumers in the best possible way,” there are few signs indicating that this instrument is in fact a parameter of consumer action and a tool for control. It is evident that the member representatives have not used the consumer programme to set a framework for the further development of a consumer policy dialogue within the organization. The programme in itself is not a standard for assessing plans and results of consumer action. The consumer representatives have not ensured that the consumer programme can meet its purpose, partly because the purpose is very ambiguous, and partly because it is not recognized that analysis of goal achievement is needed. Nor does the programme include explicit criteria for approval or rejection of actions which are to implement the consumer programme, and the consumer policy reports presented by the chairman at the yearly congresses. This is in stark contrast to the declarations made on several occasions by the chairman himself that the consumer programme should be “precise, concrete, and oriented towards action.”

The lack of a precise goal definition in the consumer programme is problematic for the consumer representatives, if they really see themselves as central partners in the organization. If they actually want to direct the consumer cooperative complex towards consumer welfare by means of an active consumer policy, then they have not been given adequate means for doing so in the consumer programme.

### **The Interviews**

The analysis of the present consumer programme and the documents leading up to it thus leaves some crucial questions unanswered: (1) Do the member representatives in fact perceive the consumer programme as a parameter of consumer action? (2) Do



they really want to direct Co-op Denmark towards a higher level of consumer welfare by means of an active consumer policy? (3) Do they in fact perceive themselves as central partners in the organization, or are they satisfied by just participating, being heard, and making consumer policy declarations which primarily are used by management for directing the cooperative organization towards business goals?

Quasi-structured interviews were used as the method to obtain data relevant to these questions. In an earlier study of organized consumer action in Denmark it had proven to be a very useful procedure (Jensen, 1986). Compared to other methods, quasi-structured interviewing makes it easier for the researcher to observe how the respondent perceives the phenomenon being investigated. Such perceptions reflect what Hudson and Ozanne (1988) call the specific context of the respondent, a context which does not necessarily coincide with the theoretical framework used by the researcher in order to specify the variables, concepts, hypotheses, and questions to be used in the study. Consequently, the interviews should be set up in such a way that a real dialogue with the respondents is created. This dialogue should, of course, be based on questions planned by the researcher in order to test his hypotheses. It should, however, also be based on interpretations of the specific context of the respondent as revealed by what Hudson and Ozanne (1988) call empathy and respondent observation. Important elements in such an interpretive dialogue are respondent motivation, specification of questions and concepts by the researcher, listening and continuous interpretation of the specific context, repetition of key questions in different ways, and asking prepared questions by using those concepts that are especially relevant in the specific context at the appropriate moment. This approach to interviewing has been inspired by what Peter and Olson (1989) call the relativistic or constructionist perspective on scientific knowledge and consumer research.

As to the selection of respondents it was not possible to work with a fully representative sample of all members, nor of all member representatives, within the given time and budget limits. In this study, it was found appropriate to interview a selected group of member representatives, representatives who according to the

chairman could be considered as legitimate spokesmen for the present consumer policy. This way of selecting respondents will of course not necessarily provide a complete picture of the perceptions and attitudes towards cooperative consumer policy within the member organization. However, it should ensure access to the views of consumer policy as formed and articulated by the representative democracy of the organization. If the results of the procedure were biased they would probably indicate a positive attitude towards an active cooperative consumer policy than would be found within the member organization at large. The chairman has on several occasions demonstrated a more distinct consumer policy profile than his predecessors.

The chairman was asked to list 20 member representatives who, from his point of view, could be seen as spokesmen for the present consumer policy of Co-op Denmark. The interviews for which these spokesmen were subjected in the Spring of 1987, were based on an interview guide consisting of 16 questions. The most central question of all - whether the member representatives really want to steer Co-op Denmark in a definite direction by means of the consumer programme - was asked rather late in the interview, i.e., after a more open dialogue intended to reveal the specific context of the respondent. Nine questions were asked on various formal aspects, and six questions on various content aspects of structural policy measures, but the questions all overlapped. Each interview lasted close to one hour. The interview guide was followed rather closely, even if in several cases it proved necessary to change the interview strategy because of the specific context of the respondent. The interviews were taped and the transcripts published in Jensen (1988).

### **Consumer Policy in Co-op Denmark as Perceived by the Member Representatives**

According to the interviewed member representatives the present consumer programme is primarily intended to function as an essential part of the marketing of Co-op Denmark. It is seen as a very important instrument for reaching the so-called ordinary consumer not only in order to develop a more engaged and positive

attitude towards the cooperative idea and the organization's nutritional and consumer policies, but also to stimulate a greater demand for the goods sold by the Co-op. The respondents are certainly prepared to make the present consumer programme a more essential part of cooperative marketing action. On the other hand the study revealed quite some doubt as to whether the consumer programme has in fact fulfilled this function.

Several respondents emphasized that among consumers there seems to be a high degree of low involvement with regard to consumer policy, and that many customers and members have still not realized that Co-op Denmark is special and different from competing retailers. However, this doubt has not resulted in a recognition of the necessity to look closer at the situation. The member representatives are obviously satisfied by the fact that there are some persons in the organization who are engaged in consumer policy, and that this activity is congruent with "the fundamental idea of the consumer programme."

The main purpose of the consumer programme has undoubtedly been to describe the consumer policy ambitions of Co-op Denmark in such a simple way that the so-called ordinary consumer would take an interest in it. Several of the superior goals in the former, more ambitious consumer programmes have disappeared, because the organization has found them to be too far from the interests of the typical customer. On the other hand, the simplified message in the consumer programme in force has become so inexact that according to most interviewed representatives, the results that have been achieved cannot be demonstrated in a clear-cut fashion. However, this does not cause much concern among the respondents in whose opinion the consumer programme should primarily be a manifesto indicating superior goals and general attitudes. Thus, the member representatives have not requested that the consumer programme should be so operational that definite plans of action could be derived from it. In particular, this applies to decisions concerning cooperative production and marketing. Managers should only be restricted by "moral" obligations which are not explained in further detail by the respondents. The present consumer programme should not reduce the managers' freedom of making decisions which must be characterized as reasonable on the

basis of economic criteria. Most of the interviewed member representatives were fully confident that the professional management does in fact implement the consumer programme according to what they call "the fundamental cooperative idea." They do not realize that the aims of the consumer programme are so ambiguous that many different plans of action are in fact possible. Hence, control measures are not perceived as necessary elements of cooperative consumer action. As it is difficult to demonstrate the results of the policy that has been followed, the member representatives remain content with their own spontaneous judgments. Among the respondents there is no *raison d'être* for analyzing the results of consumer action in more depth. One of the respondents said that he would not mind if the chairman were to initiate such analyses, but he would certainly not believe the results.

Even if some of the respondents do see the present consumer programme as a parameter of consumer action, the majority does not. Most respondents fully realize that it is impossible to manage and control by means of such general statements as, e.g., "an honest price policy characterized by good offers" or "marketing the best possible goods at the lowest possible price." Therefore, in their opinion the consumer programme is not a tool of strategic management intended to direct Co-op Denmark towards a higher level of consumer welfare. According to these respondents it would hardly be possible at the yearly congresses to find a majority in favour of resolutions which attempt to move Co-op Denmark towards specific consumer policy goals. On the contrary, several of the interviewed member representatives indicated that the consumer policy of co-op Denmark is still predominantly perceived as a supplement to "a more fundamental cooperative policy." According to one of the respondents the general attitude in Co-op Denmark is that "women who try to promote cooperative consumer policy should plant their feet on that side of the Berlin Wall where they can't cause any financial damage". Only one of the interviewed member representatives emphasized that in her opinion the only *raison d'être* for the consumer programme is its ability to direct Co-op Denmark towards specific criteria of consumer welfare. She added, however, that at present the organization is hardly capable of using the consumer programme in this way, because of existing

perceptions and attitudes within the organization, and because Co-op Denmark does far too little to change this situation.

Therefore, according to the majority of the respondents the consumer programme should not limit cooperative business activity, even though several of them admit that consumer representatives and management do not necessarily have congruent interests. According to the majority "management is after all the fuel of this engine," and "the organization would be in a bad situation if it were impossible to draw on the expertise of its managers." Several member representatives clearly expressed a great admiration for the professional managers within Co-op Denmark. According to several statements managers are more interested in organized consumer action than the members themselves. Therefore, managers should have a large degree of freedom of choice, and the consumer programme should not curtail this privilege. Apparently this attitude is also prominent outside the group of respondents chosen for this study. Bager and Johansen (1987) in their study found that it is a general attitude among member representatives that the elected board should be very inactive in business matters and let the cooperative store manager "run matters." If according to the respondents anybody's freedom of choice should be curtailed, it should probably be that of the consumer representatives themselves. According to all respondents the member representatives do not have sufficient knowledge of business administration, and according to all but one of the respondents there would hardly be any co-operative organization at all, if Co-op Denmark did not have its management.

Consequently, even if all respondents were to appreciate the greater use of the present consumer programme in the training of employees, the member organization should respect the right of managers to set prices in relation to costs, store structure, demand, and competitive conditions. Of course, Co-op Denmark has to develop healthier and safer products, but the consumer programme must not set any specific limits to product policy and marketing action. Even if a somewhat critical attitude towards cooperative advertising is to be found among the respondents, it does not mean that the consumer programme should define the absolute framework for consumer cooperative market communication. The

respondents would be satisfied if advertising revealed a bit more about "the general idea of Co-op Denmark" and drew the customers' attention to the pamphlets and materials produced by Coop's consumer service. As summarized by one of the respondents "there is probably some truth in the fact that a fairly autonomous management sets the bounds for what members can accomplish through an active consumer policy." The given financial situation is accepted by the respondents as an indisputable limitation to organized consumer action, and it is not especially in their role as consumers that they want to influence this limitation, if they want to influence it at all. For the majority of the respondents, consumer policy in Co-op Denmark is not conceived as the basis for a fundamental dialogue within the organization which could direct the whole cooperative complex towards a higher level of consumer welfare.

### Summary and Conclusion

For consumer cooperatives to play an important role as consumer welfare organizations, it is important that members wish to direct the organization towards consumer welfare by means of an active consumer policy. In their role as consumers, member representatives must see themselves as central partners, and they must use consumer programmes as an instrument for consumer action.

As such an instrument, consumer programmes must first of all specify functional policy measures which can be accomplished within a given competitive environment and a given internal organizational structure. These measures must form an integral part of marketing action. In addition, however, consumer programmes must specify structural policy measures which are based on the maintenance or establishment of consumer welfare as the ultimate goal for cooperative action. As to their form structural policy measures must be precise, operational, and controllable. As to their contents they must cover all areas of cooperative interest, decision making, and action.

The most essential prerequisite of an active consumer policy is that members are provided with those informational inputs from the professional management which are needed in planning and imple-

menting functional and structural policy measures, or - as a minimum - that they are aware of the necessity of such inputs. This must be a fundamental precondition for counter-acting what some social scientists call a degeneration of the distinctive consumer cooperative character.

The 1985 consumer programme of Co-op Denmark comprises a number of functional measures. It is acknowledged that such measures do not guarantee consumer products that are better and cheaper than those of competing firms. Still, the consumer programme does not define any precise, operational, and controllable goals and measures for changing this situation, and there is not much to indicate that the object of the present consumer programme has been to do so. Nor have members been provided with information and other input from the professional management which would enable them to specify more far-reaching structural policy measures.

The main purpose of interviewing selected member representatives of Co-op Denmark was therefore to determine the extent to which they in fact perceive the present consumer programme as a parameter of consumer action. Do they wish to direct Co-op Denmark towards a higher level of consumer welfare by means of an active consumer policy?

If the interview study reflects the predominant consumer policy attitudes among member representatives in Co-op Denmark, it can hardly be maintained that the present democratic member organization is constituted primarily by individuals who perceive themselves as central partners in their role as consumers. The object of the present consumer programme has not been to maintain or establish consumer welfare as the absolute goal for cooperative action. Rather, it has been to inform members and customers that Co-op Denmark has a distinctive consumer cooperative character. It has been the purpose to provide Co-op's management with some general ideas and values that could be used as elements in the organization's market communication. The consumer programme has probably been meant as a contribution from the member organization to autonomous managers who are trying to change Co-op Denmark's present, serious economic situation. Cooperative consumer policy should by no means hamper management in these

endeavours, even if they might result in measures that could be counterproductive in relation to consumer welfare.

This state of affairs reflects the Danish social and political context at present. The mere concept of consumer policy as well as its general acceptance as an important political tool can be linked historically to a period in which the public sector did in fact interfere in the market mechanism to a large extent. Given the liberal/conservative approach to the regulation of markets prominent in Denmark today, consumer policy is doomed to be perceived as less important than earlier, irrespective of the real conditions to which consumers are exposed. This development has undoubtedly to some extent influenced the general attitude to an active consumer policy within Co-op Denmark, too.

According to Bager (1988), it is also a matter of fact that 27% of the newly elected member representatives would prefer not to be elected, and many of them are not motivated for cooperative action at all, thereby creating a state of apathy within the member organization. This indicates not only that reality is far removed from "ideal" cooperative behaviour, but also that the arguments often heard in Denmark for maintenance of the structure of the existing cooperative movement as a real alternative to, e.g., limited liability companies, are extremely contentious.

Thus, at this moment, members seem to do little to influence Co-op Denmark. Hopefully it will be more encouraging to analyze what the professional management does or can do in order to enable consumers to be central partners in the organization. Some of the interviews have indicated that the level of consumer welfare ambitions may in fact be higher within management, even if this has not yet resulted in the organization of consumer action - especially not with respect to structural policy measures. Whether this presumption is correct or not, will be studied in the next step of my investigation of the strategic position of consumers in Co-op Denmark in relation to cooperative consumer policy.



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## CO-OPERATIVE ORGANISATIONS AND POLITICAL SYSTEMS - A PORTUGUESE VIEW

*J.S. Leite\**

In Portugal, at this moment, several questions face those who try to foresee the future of cooperation and of the cooperative movement.

The ponderation is universal, shown by the discussion within the International Cooperative Alliance on the question of cooperative ethics, the Basic Cooperative Values, and by the necessity or unnecessity of facing soonly the re-examination of the Cooperative Principles. This ponderation is specially urgent in the European countries and those of the northern hemisphere, where the Market caused an Identity problem to be faced by the cooperatives.

Are the frontiers between the cooperatives and the stock companies diluting? World un-ideologization, with aparent failure of marxist ideals and pure capitalistic ones, generated a cooperative un-ideologization, with some principles puted aside, in the greed of economic success, of economic survival? Is the cooperative way still one of future, a solution or way we can continue to propose to all social groups as an ideal formula of uniting economic and social progress? Cooperative's equality rule endures, no matter which the individual participation in the cooperative joint stock, the aparent individual greed, the strong desire of social promotion without looking sometimes at means is?

Answers to these and other questions that face us all who live and feel cooperation must be, first of all, portuguese answers. Of course we can't ignore identical discussions that are taking place in other latitudes, in other cooperative movements, in university or associative thinking centers. But the answer to our problems, must be faced by our own cooperative movement, as a way to reinforce it.

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Changed at last the Portuguese Constitution, with the elimination of marxist influenced rules, introduced after the 1974 revolution, and with the progressive adaptation of Portuguese economy to the EEC rules and regulations, Portuguese cooperatives face new challenges in the coming years.

Our cooperatives were used to a special constitutional (a Co-operative Sector) and legal (a Co-operative Code) treatment, a special but not a privileged one, and now they are submitted to an identical treatment to the one facing the competition, to a normal treatment. Unfortunately we may say, the lethargy in which they mostly lived, has not carried them to face those changes. But we can also find some examples of cooperatives that tried to near their bylaws with those of private enterprises, fighting for the perpetuation of directors in power, the reduction of the minimum number of individuals needed to create a cooperative, for the introduction of outside financial products into the cooperative world. On the other hand, rightfully, others fought for the elimination of existing obstacles to cooperative activities in some economical subsectors such as insurance, international goods route transportation, ship loading and unloading, credit outside the agricultural field. This fight was directed by the two National Confederations, who have still a short life and are not still very effective in lobbying activities.

In his turn, private enterprises don't have our days only economic objectives, they don't aim profit for profit in exclusive benefit of their owners. They begin to have social preoccupations, due to pressures from their workers and the environment. There we must say that our law imposes that they publish each year, when they reach a certain dimension, a social balance, a kind of document that should be naturally and legally requested to all cooperatives and isn't.

Until now cooperatives had tax exemptions and special credit lines for maintenance and creation of working posts. Now, seen the picture superficially designed, that we think it can't be polemized in terms of the situation diagnosis, a question emerges, why one chooses the cooperative juridical figure.

Apparently there is no decrease in the monthly average of cooperative creation in our country. Being the cooperative creation more difficult than the one of a private enterprise, and being the decision process slower in a cooperative, that regards Cooperative Principles and bylaws, than the one in a private enterprise, one can simplistically think, that cooperatives are created attending only to their ideological dimension.

Such an interpretation can't be generalized if one knows well the Portuguese cooperative reality.

We have cooperatives whose members totally ignore either the ideology, the principles and ethics, either their rights and duties in the organization. We have cooperatives where a person or a group acts like the boss of any other enterprise. We have cooperatives created for specific economical objectives using loopholes in the legal regulations. We have many true and some false cooperatives.

So we give another explanation. Cooperatives are created because the cooperative model is recognised as personal; something that individuals don't say as strange, one could say they see it as something almost inborned. Individuals recognise in the basic cooperative values, even in some cases unconsciously, values that are precious to them, that can give them an equilibrium in their social and economic life. Democracy, independence, responsibility, collective action, equality are values that men and women in Portugal recognise in the cooperative model and want to practise. But we must add to this theory a second element. Cooperatives are created because the social capital is lower than the needed to build a private enterprise and jobs are generated more easily, jobs that give to the individual a double quality of owner/worker or because services are more easily obtained than in current types of enterprises. And we must recognize that a push is given by EEC support policies, mainly in producers cooperatives, either agricultural, fishery, industrial, services, cultural or educational, in what concerns this second element of our explanation.

So we continue to have at the same time a crisis and a movement that incorporates each day new affiliates. We have a dynamic movement that regenerates itself, working on mistakes made and successes achieved. A movement that constitutionally embodies a

sector of ownership of the production means, along with the public and private ones. A sector that is, in our country, a component of the political system. A political system that is similar to those of our EEC partners.

We must so overcome the cooperative identity crisis in developed countries, promoting the discussion between Portuguese cooperators, bringing their conclusions to the government to generate a new legal frame, a simpler one, less constricted, evolutionist, more opened. And at the same time we must not forget the European dimension of the problem. Verify if there is a need of an European cooperative unified statute, seen the Mihr, Foschi, Avgerinos and Trivelli's reports.

Participation has different understandings as a basic cooperative value. We will not accept an imposition from the outside in this unified statute matter. To overcome the specificities of each country in what regards cooperatives, needs a long discussion. An economic discussion, like the ones we are used to have in the EEC, but also an ideological and political one. The cooperative existing EEC pressure groups must include these preoccupations in their work or they will not be the instruments or vehicles of this future discussion we must have.

Political parties are an obvious component of each political system.

We have not a single party system since 1974. So each existing party could look differently at our cooperative sector. It's not the case. Cooperative independence is unanimously recognized. And also observed is the rule that, no matter what political option each cooperator has, as a citizen, they shouldn't bring them to the cooperative's internal life. This golden rule of the perfect cooperative social functioning, imposes on the other side, the non-discrimination that must be observed when an individual demands to join the cooperative.

So we can say we are lucky. But to continue with this situation where there is a single vision of what the development of the cooperative movement should be, a special role must belong to the movement itself. The cooperative movement ought to transmit to

the political parties that its development strategy is self-emanated and its activity is staunch to pressures or influences. It should have a single strategy. One of complete union, and not like in the other Latin countries, a multiple strategy, politically coloured.

We don't want a cooperative party, but we want a consensual cooperative policy, one where each political party fits in. We want one Confederation, one single voice, one image. An image of independence, progress, unity, responsibility; an image of future.

With the work of all, individual cooperators, cooperatives, national confederations, government and political parties we can develop the cooperative sector, solve the identity crisis internally and help to solve it internationally, fight for a better world, with increased cooperative presence and influence.

We understand each other no matter from what part of the world we come. We have hope and a long experience of over a century. We have also a strategy for the Serd Millenium. And most of all we are lucky to live in a time with signs of change towards universal understanding and lasting peace. Basic cooperative values must be spread because they are the values more adequate to the future world. That's our task as researchers, writers and cooperators.





# **IV**

## **CO-OPERATIVE VALUES**



# SYSTEM OF VALUES AND ECONOMIC PRACTICE OF CONSUMER CO-OPERATIVES

*J. Laurinkari\**

## 1. Scope

This study aims to investigate changes in the system of values attached to consumer co-operatives. The current difficulties in consumer co-operatives are the starting point here. Next, this paper discusses the general character of the co-operative movement as economic and social activities, and reviews transformations which have affected the co-operatives. The essential problem of this paper lies in whether a co-operative should be viewed, according to the theory of dual nature of the co-operative movement, as a group, or an enterprise, or both. This is connected with research in the system of values attached to co-operatives against the backdrop of an analysis of concepts about human nature. This study is also a critical discussion of relations between the history of the idea and the practice of the co-operative movement. In the conclusion, the author reviews relations between economy and nature and prospects for progress of co-operatives.

## 2. Current Situation of Consumer Co-operatives in Various Countries

Hugo Kyleback (1987) scrutinized ideological transformations in the co-operative movement in their historical aspect. He arrived at the conclusion that after World War I the whole society departed from the original goals of the movement, the utopian principles of Rochdale. His study shows that the concept of co-operative community actually never came true. The co-operative movement

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usually gained most significance when the private sector was dispersed into small inefficient units.(1)

As regards the development and character of the co-operative movement, a study by Jerker Nilsson is interesting in its emphasis on the unique character of the co-operative movement in relation to decisions on the assortment of commodities offered to consumers by the retail business. (2) Nilsson is right to ask whether any more significant influence on the development of a co-operative enterprise is possible if mechanism controlling the development remain unknown.(3)

Japan is one of the few countries where the co-operative movement has recently gained a considerable momentum. Japanese co-operatives specialise in product testing with their additional goal being to block from sales any commodities which might have contacted substances polluting the natural environment. The unique social character of the co-operative movement in Japan is expressed by the increasingly intensifying over recent years activities retail sales networks, or the so-called "HAN-Groups". This social activity has entailed economic successes. Kaj Embre views the success of the co-operative movement in Japan to have stemmed from three essential factors: the efficient distribution network, the clear part played by the co-operative movement in shaping the public opinion on environmental protection and peace, and the wide-range social activities encompassing both cultural and research (testing) centers.(4)

The current situation of the co-operative movement was defined on the basis of not only theoretical studies, but monitoring concrete cases as well. (5) A team of Austrian researchers carried out a series of studies on ten countries to show their most important current problems and weaknesses in the co-operative movement. (6) However, such comparative studies are dubious - cultural bases in the studied countries largely differ. Their political developments and social policies set certain limitations. These problems were signalled also by the Institute for Research in co-operatives of the University of Vienna.

Also a Canadian team studied these problems. (7) Their research was chiefly based on recorded interviews with experts in co-

operative movements in various countries. Results of this research are not yet available.

A comparison between co-operatives of consumers and manufacturers shows that relations among members of co-operatives of manufacturers are clearly stronger than in consumer co-operatives.(8) This difference may be explained by the fact that joint production and sales require a more intense involvement in joint activities than the "sole" purchase of consumer goods. According to Laidlaw (9), man as a manufacturer shows more willingness to co-operation than the same man in the role of a consumer. Work, profession, or craft perhaps create closer bonds between people than in the case of consumers of goods and services.

### **3. General Character of Co-operation as Social and Economic Activity**

The co-operative movement is a means towards better solutions of problems of production or consumption by members of co-operatives. In their economic activities, co-operatives are based on co-operation (acting in communes). It is a form of a "social-economic" activity.

A co-operative is based on a group of persons whose number or their capital are not predetermined. These persons set up an enterprise with the aim of joint economic activity. The membership principle makes the co-operative an "enterprise of members", with the chosen form of association as its characteristic feature.

The concept of a co-operative as a "social enterprise" is evidenced in that the co-operative movement today is often a means to organize production and consumption by less wealthy persons - however, not the poorest ones - and the middle class. Members of a co-operative prove to its social character as an association. On the other hand, the features of a co-operative as an enterprise express its economic significance.

The "dual nature" of co-operatives (10) stems from, on the one hand, their social and, on the other hand, economic character. In this respect, some refer to it as to ideological (social) and material (economic) sides of co-operation. (11) If, similarly to Laidlaw, joint

activities are viewed as representative for an ideal, the co-operative movement reveals a certain decrease of values, or at least their far-reaching transformations. From the critical viewpoint, the co-operative movement may be regarded as totally "commercialized", or subordinated to interests of non-social character.

From the viewpoint of the idea, however, the co-operative movement is a non-commercial and non-competitive movement. Attention should be called to some analyses of values of co-operation as compared to competitiveness. Blomqvist (12) for example finds that superior efficiency of competitiveness is not so obvious.

#### **4. Co-operation Under Social Transformations**

Transformations in the social sphere have affected also the co-operative movement. The economic sector has changed, too. Striving for effectiveness and rationalization under-mined the general character of co-operation which was a strategy of survival for many co-operatives. The emergence of more open markets affected the co-operative movement which originally aimed at a more closed economy. Forcing the ideology of economic growth caused difficulties in less progressive forms of activities, including co-operation, at least in its original form. General and multifarious social transformations caused a crisis in ideology of the co-operative movement, similarly to some other ideologies. Former systems of values and principles were no longer efficient, new ones were lacking or yet underdeveloped. Under this transitory situation, co-operative enterprises attempted at fusions through associations and corporations into integrated or centralized co-operatives. (13) The emphasis on economic realities - striving for profitability - entailed parallel references to other factors of functioning of economy. This may be partly evidenced by rigoristic sanitation of numerous co-operatives.

#### **5. Co-operative - Association and/or Enterprise**

The principal question about the character of co-operation is whether a co-operative is a community-like association and what is the significance of open membership? Some maintain that the

corporative character of a co-operative - its social essence - includes the principle of open membership. Joining and quitting a co-operative is voluntary. However, we should ask whether the modern co-operative is a true community?(14)

The development of co-operatives, characterized by gradual departure from its character as a community, is substantiated by the pressure exerted by competition. Co-operatives find themselves in a way "forced" to acquire the form of a profit-oriented enterprise.

The problem of a co-operative as a community refers to the first principle of co-operation. The principle of "open door" was often viewed as the "essential" principle of a community of persons. Nevertheless, we should ask a critical question: What sort of a co-operative may become a true community if joining it is obligatory (for example in Japan)? Is the open membership a dynamic principle of a mass enterprise?(15)

In the case of consumer co-operatives, the matter lies in co-operation of large portions of society - people of towns and villages, blue and white collar workers - as consumers of goods and/or services. In the case of co-operatives of manufacturers, the matter is in co-operation of family-run enterprises, small manufacturers.

The fact that associating is often discussed only with the view of economic profits confirms the image of a co-operative as a mass enterprise. The association aims to obtain economic profits. Thus, a co-operative is an instrument serving to achieve this goal. It is not a body aiming at accomplishment of an immanent goal. (16) Historically, co-operatives served entirely different political directions for accomplishment of their goals.

A critical stance on consumer co-operatives should be adopted especially in respect to their function as a community. I regard associating by economic entities with the only view to obtain goods and/or services in a most favorable way as an absolutely insufficient reason to consider such an organization a "true" community. Moreover, we should take into account many more questions (consumer protection, information society). The association alone is not a sufficient condition of belonging to a community.

Social transformation strip the consumer co-operatives of their last attributes of community-like character. In some cases, co-

operatives in their present forms even no longer assist their members. (17)The growth of co-operatives and the resulting red tape have become a burden for their activities. The co-operative democracy faces similar phenomena of transformation.

The delegacy of decision-making competencies by members and trusted or managing personnel to a board employed on a permanent basis is one of the gravest current problems of consumer co-operatives. The members and their representatives are no longer able to solve complex economic problems. Thus, the necessary competencies are transferred on to an employed board. However, the boards easily isolate themselves from the essential values of the co-operative movement and manage the organizations above their members, which is contradictory to essential values of co-operation.

With an attempt to reveal the original values of co-operation, its value as a community is of utmost importance. Such a view was represented by Tonnies. (19)This value was interpreted as an expression of both its social nature, solidarity, and mutual assistance.

If a co-operative was to be understood only as an institution of mutual assistance (association), the above critical interpretation could be softened. The philosophy of mutual assistance originally starts from the idea of a joint undertaking rather than the idea of community. Also, the philosophy of mutual assistance approaches in a way the principle of the so-called "egoistic solidarity". (20) Man supports others because he himself needs help; there may be even a group egoism. People are solidary because they expect solidarity from others. In such a case, a co-operative is permeated by the spirit of belonging, a certain spirit of the group. In this context, a reference to community would be inappropriate, referring to it as an association is more accurate here.

## **6. Co-operation - Humanistic or Behaviouristic Vision of Man**

In discussions of spiritual and psychological assumptions of the co-operative movement, the image of man active in an enterprise prevails. In their utopian visions, pioneers of the co-operative



movement particularly emphasized the humanitarian component of co-operation. One might even say that the pioneers of co-operation focused their considerations on man. The co-operative movement was organized for man, as an aid to reach the goal. The human being underlaid the economic activity as an assumption of a self-sufficient value. This interpretation helps to understand that the co-operative movement emerged as an association of persons rather than an association of capital.

Was the emphasis by pioneers of co-operation on the humanistic principle in economy unrealistic, or idealized, from the beginning? This question is of any significance as long as co-operation as a form of enterprise would not match the image of man in the background of real, "miserable" conditions; this principle simply would not match the normal economic principles. The question is difficult, but the answer to it is of considerable significance. It would be parallel to a response to the transformations, even the collapse of the co-operative movement inclined towards purely commercial activity.

The economic vision of man, expressed in the concept of "homo oeconomicus" (24) is behaviouristically oriented to a considerable extent. First of all, man is viewed in opposition to his environment, as a user, as a measure of rationality. The behaviouristic image of man does not respect humanism as the essential value. The value of man is not a value itself. The values and their hierarchy are viewed first of all from the viewpoint of effects of a behaviour. The value of man lies in his achievements, the success of his undertaking. At the same time, the merits (decorations) are indicators of the value. This kind of behaviour is regarded as optimum in overcoming poverty

In social sciences, in Finland especially in respect of social policy, there goes on a discussion on to what degree man is a constant creature of predefined features, and to what extent his behaviour is only learned. (25) The humanistic vision of man emphasizes the universal character, the "nature" of man. It is regarded as basic to all ideologies of equality. Because all the people have the same, genetically-conditioned nature, everybody should have the same rights. The behaviouristic image of man underscores the

diversity of people and the changeability of human being conditioned by the culture. This sort of a vision of man does not advocate the ideology of equality. In the humanistic vision of man, people are viewed as beings of equal needs. The theory of needs also refers to belonging and self-realization. (20) The fact that the theories start from needs leads to the sources of the co-operation. Belonging is viewed solely as an organizational means of fulfilling the basic needs, not as value itself.

If the starting point of activities of a co-operative enterprise is to meet the needs and fulfil desires of its members (rather than yielding profits), the co-operation may be defined as a humanistic values in respect to goals and ideas. However, the question whether the discussed principle provides sufficient assumptions while other enterprises are based on different principles, especially competitiveness, is quite another matter.

Does the essential dilemma of co-operation boil down “only” to the fact that there is no room for idealism in the world of economy? The ideology of competitiveness seemingly flooded the co-operative movement, too. The idealistic humanism of this movement is increasingly overshadowed by problems of profitability related to the contemporary situation.

## **7. Co-operation - Profits - Nature**

The above-discussed issue may be viewed in another way: co-operation - if it starts from man and his constant nature - realizes the so-called “economic principle” in a specific way. (24) One can refer here to an “aimed” economic method necessary in a consumer co-operative. This principle stems from defining the necessary degree of meeting human needs in relation to a limited number of existing means. Only the principle of the necessity of meeting the essential needs legitimates the economy in the co-operative form, or from the viewpoint of the consumer co-operative movement.

In the ordinary capitalist activity, the legitimacy of an enterprise is its profitability, or the yielded profits. The ordinary economic activity is thus aimed at profit and its growth. The

economic principle of surviving is insufficient here. The co-operation in its ideal form is satisfied with providing its members with means of existence as the principle of economic activity. In the current practice, the co-operation, especially the consumer co-operation, faces challenges of the same sort as any other economic undertaking.

The above discussion leads to a deeper problem connected with the question about the nature of economy. One may represent the opinion that the ordinary economic activity in capitalism is overtly contradictory to the "good of nature". Many problems of the natural environment result from the economy aimed at maximum efficiency and its effects.

The co-operation - in its ideal form - is based on a more harmonious relation to nature and household because the idea of co-operation is providing its members with means of existence rather than economic growth itself. Thus, the co-operative movement, according with its ideas, comes closer to the economy which respects nature to a greater extent than any other economic activities. This view is confirmed by new trends. For example, so-called "ecological banks" are being set up in Europe, some of them already operating. Even though these institutions are not comparable with the hitherto co-operative banks, both the forms share many goals. The ecological movement, however, has more clearly defined goals of environmental protection, though rather limited financial means.(25)

The beginnings of "modern", or industrialized co-operation date back to the times when economic activities became consolidated under conditions of the growing influx of capital. In a sense, the cooperative movement may be viewed as a form of economic activity respecting nature to a greater degree than ordinary economic enterprises. Undoubtedly, it originally declined to be identified with the entrepreneurship dictated by the capital. Its idea was already for Robert Owen "a purposeful and convergent with laws of nature care for the household of its members". In this way, the co-operation represented the ideas of the ecological movement still before the emergence of proper environmental movements.(26)

One could ask whether the renaissance of the co-operative movement is now evoked by ecological problems. This is evidenced, for example, by the already mentioned system of ecological banks which aims at economy more suitable to environmental needs. The shortage of capital is, however, a certain obstacle for the co-operative movement because it has to compete with ordinary forms of economic activities in the open economy.(27) The problem is most probably connected with its character because the co-operative movement was usually created on the bases of households of people short of capitals.

Is there any future for the “philosophy of simple economy”? In my opinion the answer to this should be positive, also because the future requirements for households emphasize first of all many problems of the environmental protection. This was pointed out also in the so-called Gro-Harlem-Brundtland-Bericht report on “Our Common Future” (1987). The essential message of the report is the statement that ecological problems are now so huge that they threaten the foundations of the whole economy. Taking these prospects into consideration may open new opportunities for the co-operative economy.

## 8. Conclusions

This study threw a critical light on transformations underway in the co-operative movement, especially consumer co-operatives. It was found purposeless to discuss here the values related to the consumer co-operatives as entirely isolated from values attached to other forms of co-operation. For these reasons, the scope of this study was broadened.

The co-operative movement has clearly passed from values connected with the community to values ascribed to enterprises. The formerly prevailing community-oriented character of the co-operative movement has been thus almost completely reduced - if it originally was clearly defined at all. The co-operatives turned increasingly overtly into enterprises, operating with the same means as any other enterprises. Now, also co-operatives focus their interests on economic efficiency and productivity - or “profitability” and benefits.

The profitability of organizations is often quoted as a prerequisite of existence of co-operatives. Thus, the transformations resulted in the conviction that co-operatives must earn profits. However, this was not the original goal of the co-operative movement guided by ideals when the most significant task of the co-operative movement was to support the households of its members.

Summing up, it should be stressed that the values attached to the co-operative movement have clearly changed allowing for open declaration of crisis in the co-operation. This crisis may be overcome only by new forms in the co-operative movement and renaissance of the tested, former values. In this context, ecological banks and striving for economy following the laws of nature may be the guidelines towards renewal.

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# BASIC VALUES OF CO-OPERATION

*K.K. Taimni\**

Modern cooperative movement had started as a prescription to remedy an exploitative situation that was created in the wake of Industrial Revolution. The essence of the prescription was the replacement of the then prevailing set of dominant values among people, especially those who were in the vanguard of exploitive process of industrialisation, by another set of values, whose essence was to eliminate exploitation of all sorts. This was sought to be done by democratising the decision making processes, setting limits on return on capital, upholding the dignity of individual and ensuring his full participation in institutional processes designed to meet social and economic needs. It was also prescribed that the process of replacement of values was to be achieved through continuous education, persuasion and awareness of the cruel character of a society based on the values of supremacy of capital and perhaps technology.

## **Values and Their Acceptances**

Gradually, however, as dominant values in the wider social system tended to converge with those which also characterised the cooperative activity, the utility of the cooperative as a form of organisation, rather than as a set of values, came to be increasingly recognised and encouraged. People who were not particularly sold to the ideals of non-exploitation, also began to see a great merit in cooperation as a form of business organisation.

The encouragement given by colonial regimes, in what are now called developing countries, in the face of major upheavals in the countryside, resulted in the organisation of officially sponsored

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cooperative societies. These were, however, not characterised by the values which had inspired the pioneers. The subsequent period witnessed a massive proliferation of cooperative activity, but under the benign tutelage of Registrars of Cooperative Societies.

The end of colonial era hardly made any difference. Cooperation did receive particular attention, aid and advice but none ever attempted to put the soul in the body. Consequently, the success stories of cooperatives as in India, are of successful enterprises which employ sophisticated technology, provide extensive services and give higher return to members but which hardly promote and practise the values of non-exploitation. Are these really cooperatives?

Values, as fundamental beliefs and basic postulates shape human and institutional behaviour, delineate the range and focus of their activities, provide basis for setting operational objectives and policies and are useful as standards to measure the success and effectiveness of results achieved on the application of efforts and resources.

In the case of cooperatives, values provide the basis for the enunciation of principles, since principles, as guidelines for operationalisation of activities, can and do change with times. These can change due to community's expectation, but also due to the cardinal imperatives of keeping cooperatives socially relevant and economically efficient.

W.P. Watkins lists following as the basic values of cooperation:

- Association and Unity
- Economy
- Democracy
- Equity
- Liberty
- Responsibility and
- Education

Sven Ake Book gives the following values, "which now and in the future should be included in the cooperative process to make a contribution to cooperation in practice". His "view of the matter

has been formed chiefly through the interpretation of cooperative visionaries, ideologists, my conversation with cooperators and readings of reports and biographies, documentation underlying essential divisions and policies, research analysis etc.”.

- 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 goal, “not profiting from others’ work”).
- Democratic values (equality, participation, “equity”).
- Educational and training values (humanism, independence, constructiveness).
- Voluntary-efforts values (commitment, creative power, independence, pluralism).
- Universality values and values of cooperation (global perspectives, open-ness).
- Purposeful values (economic benefit to members).

Lars Marcus, President, International Cooperative Alliance has identified the following as the basic values in his Report to the International Cooperative Alliance Congress Stockholm, 1988:

- Member participation
- Democracy
- Honesty, Trust and Openness
- Caring for others.

He elaborates these values: “The ultimate aim for a cooperative membership might be a richer life, safer life, worthier life, peace and human rights, defence of democracy and solidarity with the unfortunate”. And again “confidence has no better foundation than the degree of a cooperative caring for its membership.” Elsewhere, he writes, “caring for others is a basic value that stems from our nature as self-help organisation and is not something calculated to bring in customers. That is what makes the difference between us and purely profit oriented activities.”

In a seminar on Cooperative Leadership and Development organised by the Vaikunth Mehta National Institute of Cooperative Management, in Srinagar, in June, 1988, the following were identified as the basic values of cooperation:

- Equity and equality
- Active member involvement and participation
- Supermacy of the individual over capital
- Self-help and mutual support
- Subordination of individual interest to the wider social interest
- Ensuring distributive justice through removal of disparities and elimination of exploitation
- Broad based and diffused leadership
- Education as built-in process of development
- Self-reliance for development of cooperative autonomy

The seminar had also identified the following steps for instilling basic values in cooperatives:

1. Cooperative education should be made an integral part of the general education system, right from the primary level;
2. Appropriate culture, which rewards actions consistent with the basic values, should be created within the cooperatives;
3. Existing cooperative societies Acts, Rules and Bye-laws should be reviewed, and if necessary, reformulated, so as to underscore these basic values and not the cooperative principles which these do, at present; and
4. Decentralised decision making processes should be developed at all levels of cooperatives.

Let me conclude this section by a quote from the paper: "Cooperation and Basic Values by Lars Marcus, presented to the ICA Congress, Stockholm 1988 - "where basic values are not found, the ICA principles will slowly turn to ashes and our future as cooperatives will be at stake."

The above enunciation of basic values of cooperation, obviously, reflects the Western value system, and appears heavily influenced by the experiences and perceptions of those who have

primarily worked in the affluent societies. This can have only a limited validity to a social system, characterised by wide-spread poverty, exploitation, un-employment, disparities and deprivation. To this system, the message of cooperation and the values that underpin this message, has to be somewhat different. The essence of this message has to be elimination of exploitation of any sort and of any section of the society in particular and combating poverty in general. Cooperation must represent a set of values, which ensure cessation of exploitation at all levels and of all people and social and economic uplift, especially of the poor.

A cooperative society is merely a manifestation, an instrument to promote some basic values. It is a form of organisation designed to meet the needs of the community in a given situation but without exploitation. Its success, therefore, would depend not so much on its efficiency or the return that it may ensure to its members, but to the extent it eliminates exploitation within the community. Economic success or viability of a cooperative society is no guarantee that it up-holds and applies the values which ought to underpin its working and its major concern.

### Essence

What are the values that ought to inform a cooperative society? What should be its major concern? While the essence of cooperation is non-exploitation, in operational terms, the values underlying cooperation have been perceived as under:

1. Right of the individual to determine and shape, as a member of a group, his own destiny;
2. Right to participate in institutional structures, processes and decision making in areas of concern to him;
3. Universality of opportunity for development and growth to all individuals irrespective of age, sex, caste or religion;
4. Continuous consolidation of these values through education and training;
5. Widening the scope and coverage of cooperative activity so that exploitation is eliminated everywhere.

In our quest to delineate the values of cooperation in the future, two essential aspects of cooperatives will have to be kept in mind. These are:

- a.. Self-preservation and
- b. continued social relevance of cooperatives.

### **Two Aspects**

These two aspects are in a way closely inter-related. These will determine the objectives of cooperation, and concomitant ideals, values, tasks, activities, organisational designs and thrust of cooperatives.

It is necessary to note that self-preservation here does not refer to the preservation of a cooperative society. Rather it implies the preservation of basic fundamentals of cooperation i.e. elimination of exploitation. In an affluent society, where alienation is the growing malady, or where capital determines the human relationships or the institutional structures, tend to make human participation remote, non-exploitation would have different undertones and different underpinning values, than in a society characterised by acute poverty, under-development and lack of opportunities. The questions that need to be asked, therefore, are what will ensure preservation of cooperation in, say 2001 A.D. in India? Will the sacred principles of cooperation as enshrined in the report of the ICA Commission be of any great help?

### **Peeping into Future**

The answers to these questions would seem to depend on preservation of what and on what scale. The isolated cases of successful cooperative societies can be easily envisioned even in the year 2001 A.D. But then how far will these be relevant to the wider society? What we are really discussing here is preservation of spinal cord of cooperation, - its very fundamental -- pervading as it must, an entire social system and not in isolated pockets in some communities.

It is expected that India will have a population of 960-1000 million people with almost 50 per cent living below the poverty line by the year 2001 A.D. Cooperation has to survive and relate itself

in this huge social system of gigantic dimensions. Can non-exploitation, which is the essence of cooperation have any other meaning than 'social justice' - ensuring dignity of the human being - by directly attacking the stark poverty of people through all possible means? Nothing else, not even the pet desire of some to search a universal meaning, or evolve a universal list of principles of cooperation can ever lend enough weight to the meaning of cooperation to preserve itself or to relate itself adequately to the wider social system.

### **Poverty and Cooperation**

Alleviating poverty in India has to be the predominant concern of all, in the future. Cooperation can have a meaning and a relevance only when it identifies itself with this basic concern before the society. Alleviating poverty will have to be the objective of cooperation. What then, are the values that will help a cooperative activity to achieve this objective?

It is almost certain that alleviation of poverty will need extensive application of sophisticated and advanced technology in environments characterised by depleting resources. The set of values that cooperation must promote and apply will have to reckon with these two essential features. Extensive application of technology may require large institutional structures, rapid capital formation and skilled specialist and technical personnel. Application of modern technology and large institutional structures, however, also tend to increase alienation, environmental pollution and cultural decay and social disintegration.

To conclude, it is suggested that the existing set of values which underpin 'cooperation' need to be examined, keeping in view the demands which the large human system in the future is likely to make on institutions including cooperatives. To preserve and relate itself in a huge society, characterised by poverty and underdevelopment, non-exploitation, which is the essence of cooperation, can have only one meaning for this society, namely, eliminating poverty and securing social justice for all. This may be attempted, in the initial stages, with particular occupational or other

types of loyal groups; but ultimately cooperatives must aim of universal development.

This would call for replacement of the existing set of values, as discussed earlier by a new set of values. The new set of values may include democracy, members participation and sensitivity towards the community adherence and commitment to moral ethics; thrift and capital accumulation, improved quality of life; resort to and use of modern technology; and alertness and responsiveness to changing demands of the community.

These alone seem to provide the minimum conditions for ensuring continued relevance of cooperatives to the wider social system in the future.



## JAWAHARLAL NEHRU ON COOPERATIVE VALUES

*Dr. R.C. Dwivedi\**

Nehru himself was a great idealist. This characteristic of his personality is reflected in all his thoughts - political, economic, social and other. He was the most ardent advocate and supporter of cooperatives. He had declared:

“My outlook at present is not the outlook of speeding the Cooperative Movement, gradually, progressively, as it has done. My outlook is to convulse India with the Cooperative Movement or rather with Cooperation, to make it broadly speaking, the basic activity of India, in every village as else where, and finally, indeed, to make the cooperative approach the common thinking of India”.

Nehru had envisaged to build a new value-based and value-oriented society, where there would be no exploitation of one by another person or group, decentralisation of economic power, active participation and involvement of people in the process of socio-economic development with consent, strengthening of democratic character of nation. His outlook was to establish socialism with democratic means.

Cooperative method was nearest to his ideal, as it met all that he wanted.

The merit of the above statements; viz, “convulsing India with Cooperative Movement” is that Nehru had conceptualised the scope of Cooperation. This phrase did not mean to Nehru mere co-operativisation of means of production, distribution, trade and commerce, transportation, professional services, infrastructural

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facilities etc. That was important to him just for economic objectives; but it was not the end. What more significant he had visualised was the cooperative method becoming a normal and spontaneous way of behaviour of individuals in day-to-day dealings with one another. It means the vision was to effect a great psychological change in the peoples' mind or creating a mental revolution for a better social order. Thus, he had visualised Cooperation as a behavioral philosophy. To him the merit of Cooperation was that it encompassed the life in its entirety. It was not something absolutely impersonal either. It touched one's emotions and feelings for the fellow-beings. The more it was adopted and practised, the more one felt happy and satisfied. It would become a 'way of life', as Nehru put it. In this context Nehru's statement at the Conference of State Ministers of Cooperation held at New Delhi on the 30th October 1961, is very significant. He had said:

“The idea of Cooperation is something much more than merely an efficient and economic way of doing things. It is economic, it is fair, it equalises and prevents the disparities from growing. But it is something even deeper than that. It is really a way of life and a way of life which is certainly not a capitalist way of life and which is not a hundred percent socialist, though it is much nearer socialism than capitalism. Anyhow, it is a way of life”.

Thus, according to Nehru's conception when Cooperation becomes the 'way of life' of the entire nation, the goal of 'convulsion of India with Cooperation' would be achieved.

### **Basic Values**

Nehru had visualised certain values on the basis of which cooperatives were to be organised and their functioning to be carried out. These may be identified as voluntariness, autonomy, social cohesion or mutuality, flexibility and financial self-reliance. They are briefly described below:

*Voluntariness:* Nehru was against any kind of compulsion or coercion in Cooperation. To him it must come from within of an

individual and not forced upon him from outside. It should be voluntary decision of an individual to join or not to join a cooperative. If it was voluntary, i.e., decision taken out of his own will, the individual in that case would also be willing to participate in the activities of the cooperative he joined and his interest will be sustained for a longer time. Otherwise, if he was forced to join for any reason, either he would have no interest or little for the time being. Nehru had repeatedly emphasised on the voluntary character of cooperatives on different occasions. The following statements may be cited:

In his detailed message to the Conference of the State Ministers of Cooperation held at Mysore on the 28th July, 1959, Nehru had conveyed:

“It must be remembered that the essence of Cooperation is its voluntary character. There can be no imposed Cooperation.”

In his Lok Sabha speech on the 19th February, 1959, he said:

“Cooperation must, in the very nature of things, be voluntary”

“As the very name implies, cooperation is a voluntary effort. Introduction of compulsion takes away the real cooperative character of it.”

In his inaugural address to the Conference of State Ministers of Cooperation held at New Delhi on the 30th October 1961, Nehru had re-emphasised that

“All cooperation must be voluntary.”

Inaugurating the ICA Seminar on ‘Cooperative Leadership in South-East Asia’ at New Delhi on the 14th November, 1960, he restated:

“As the basic principle of a Cooperative is a voluntary principle and the principle of voluntary cohesion, this cannot be done by a stroke of the pen or by some forceful methods, because you knock the bottom out of it, if you do that. This cooperative principle is not just a way of credit or marketing. That, of course, it is. But if I may say so, it is also a way of life.....”

“Whatever we have to do in the sphere of Cooperation must come from the willing assent of the people concerned, otherwise, it is not Cooperation, it is something else.”

In his Lok Sabha speech on the 28th March, 1959, he stated on the point of voluntariness:

“The question of voluntary acceptance has been raised in some quarters. That, too, is an odd question. As long as our Constitution, as it is today, remains in force, it can only be by voluntary acceptance. If the Constitution breaks down and is changed, I do not know what will happen. But so long as our democratic Constitution lasts, these fears and apprehensions are unfounded. I would go further than that. It is difficult, I would say almost impossible, in Indian conditions to bring about this kind of change-over in a vast country by methods of compulsion. You cannot. You can pass a law but you have to get people to work that law, get people in hundreds and millions to work that law. Otherwise you do not succeed, even if you are prepared to have a measure of compulsion.”

He had made a similar statement expressing the consequences if Cooperation was imposed on people. He said:

“Whatever steps we take in regard to Cooperation have to be in the democratic context, that is, it has to get the goodwill of the people. We cannot force them. Our Government will go the next day. Unless the whole regime is changed, unless whole system of Government is changed, it cannot be done and certainly we have no idea and the desire to change the regime or system of Government. therefore, whatever is done has to be done with the goodwill of the people, with their willing consent.”

The principle of voluntariness, it may be mentioned, is in conformity with the universally accepted ICA Principles of Cooperation. The very first principle is voluntary nature of membership of cooperatives, among the six principles. (The ICA Principles are (i) Open and voluntary membership, (ii) Democratic control, (iii) Limited interest on share capital, (iv) Equitable distribution of dividend, (v) Education of members and (vi) Cooperation among

cooperatives). In the case of Nehru, this principle stemmed from his deep-rooted conviction in democratic values and his democratic attitude in dealing with matters relating to and effecting people.

*Autonomy:* The other principle, which Nehru emphatically and consistently enunciated was autonomy to cooperatives in managing their affairs. He felt that it was necessary to develop a sense of self-confidence in the people. In case they had no decision-making power and cooperatives were managed by outside people Government officers or someone else the people will lose initiative. A few references may be cited:

At his press conference at New Delhi on the 7th November 1958, he made the statement:

“All our thinking now is based on the panchayat and the village cooperative and giving them power and authority to take decisions, and also to make mistakes, as they might. We take the risk. It is better to do that than to hedge their authority and make them feel helpless. Speaking for myself, I have a good deal of faith in the innate good sense of the village people. They will no doubt make mistakes. It does not matter. All of us make mistakes. But if you give them that feeling, they gain self-confidence; they gain initiative and they do things and not wait for officials to do them.”

This principle of autonomy, like the principle of voluntariness also conforms to the principle of democratic control adopted by the ICA. Nehru had fought for power to the people against the British Rule in the country. It was natural, therefore, for him to plead for autonomy to cooperatives so that members exercised their right of decision-making rather than making them passive receivers of decisions taken by someone else. Stress on autonomous character is the reflection of his democratic sensitisation of people's organisations.

*Social Cohesion:* Organisation of village cooperatives on the principle of social cohesion was his basic approach. Nehru believed that social cohesion will ensure better chances of success of coop-

eratives. He had greatly stressed this in his statements. To refer to a few:

“We talk about Cooperative Movement. We talk about village cooperatives or larger cooperatives. But I would like this matter to be considered from an even broader point of view of reorganising our vast rural areas, of building a new social structure. The essential characteristic of a cooperative is close contact, social cohesion and mutual obligation. This is vital for building up gradually a new structure for our rural society. That is an enormous undertaking.....”.

“Cooperation is a kind of mutuality, a way of mutuality.....”.

“The cooperative should encourage cohesion and the coming together of village people. The village should be like a big family.....”.

To Nehru promotion of social cohesion in and by cooperatives was a test valid of its genuine character. Speaking in the Lok Sabha on the 12th April 1959 he made the following important statement:

“The essence of Cooperative Movement is in its non-official, self-dependent and self-reliant character, making for close contact and mutual obligation among the members.....A true cooperative is one in which you can make the people grow and where people make contacts and where there is mutual obligation and social cohesion.....”

*Self-reliance:* Nehru had visualised that for autonomy self-reliance was essential. He had made it abundantly clear from time to time that with Government money, Government officials will come in also. He had emphasised that Cooperation was self-help. Outside help should be, if at all necessary, temporary and not as permanent arrangement. Otherwise people will not make efforts to build the internal strength of their cooperative. A cooperative may not be able to survive in the long run, if it does not build its own internal resources supported by the members. References to this aspect has also been made occasionally in many of his speeches.

*Flexibility:* Another matter of principle was that, while fundamentals being followed, the concept of Cooperation should not be adopted and applied rigidly, just for the sake of uniform adoption

all over the country. While adopting, the local conditions ought to be taken into account. In making this point Nehru was conscious of the variations which the people had in regard to culture, economic strata, local economic development, geographical conditions, occupational structure etc. Cooperatives must suit to the local needs and environment. Nehru had elucidated this approach in his following statements:

In his speech in the Lok Sabha on 28th March, 1959, he emphasised on this point when he said:

“.....The approach should not be too rigid. The broad outlook should be clear enough, but in its application it should not be rigid. In a huge country like India I do not like any rigid approach which must apply to every bit of India. Sometimes the approach you may make to a wheat growing area may not be the same as the approach to a rice growing area. Conditions are different and the approach will have to be adopted to these conditions. The approach should be flexible and, inevitable, there will have to be stages.”

Inaugurating the twelfth meeting of the National Development Council on the 3rd April 1959 he had made a statement saying:

“.....We had to separate the tribal areas. That is to say, we could not force some uniform and rigid rules on the tribal areas. We have to deal with them differently. The cooperatives there have to be flexible, although certain basic things which have been accepted will naturally apply.”

He again made it clear from the following statement which he had given in the Lok Sabha on April 12, 1959:

No doubt as we go ahead we shall consider this matter of cooperation again and again, vary it, change it, and adapt it to changing conditions. In a problem like this, it is essential to be flexible. No strict doctrinaire approach or academic approach is desirable for two reasons. First in a country like India with its great variety it is never wise to be very doctrinaire and rigid; secondly, because in the very nature of things a vast movement like this (cooperative), affecting 360 million people in India, cannot be rigid. You have to see from time to time what is necessary.”

But flexibility has a meaning and limit, it cannot be to infinity, as further stated by Nehru continuing the above statement:

“While being flexible we should not allow flexibility to go so far as to become just a vague generalisation. That is not good enough. Therefore, one should have fairly clear notions as to the nature of the cooperative movement as we envisage it in our rural areas.”

Making the point further he said:

“We do not wish to introduce rigidly something which may suit the rest of India but not the tribal areas. Therefore in the tribal areas, we shall have the cooperatives in conformity with conditions there, because they have strong communal feelings and organisations, and our cooperatives must suit them.

“Just like tribal areas, there are other backward areas in India, and the problem was whether we should relax the principles there....It is not a question to be argued theoretically. It has to be decided from case to case.”

Inaugurating the ICA Seminar on Cooperative Leadership in South-East Asia, referred to earlier, Nehru emphasised the need of a flexible approach or an approach of trial and error. He said:

“Now many of you will immediately say that this kind of geographical description of a Cooperative is not how Cooperatives have grown. They have grown out of occupations. We are having, and we will have, occupational Cooperatives - whether they are weavers or tailors or whatever they may be. Nevertheless, as the occupation of a village is largely agricultural they could at present hold together. The approach here is different slightly from the normal approach of the Cooperative Movement elsewhere. But it is not a rigid approach. It is very much a trial and error approach. We are prepared to change anything with varied experience. But we just cannot wait for this movement, good as it is to creep along slowly. the problems we have to face are too big, and there is an element of urgency in them. So here we are today aiming at something which is in the nature of a basic revolution in our rural areas, both on the administrative and the economic side.”



Two important issues emerged from the above postulates; that is question of autonomy, which was a matter for cooperative laws as they provided for the power structure. The second question related to social cohesion which was related to the size of the primary cooperative unit at the village level. Keeping in view the principles that he had laid down, Nehru had also given thought to both these issues, so that cooperatives may grow as people's organisation. He had the following vision about them.

### **Cooperative Legislation**

Nehru had felt much before the independence of the country that cooperative laws were great hindrance in the growth of cooperatives as a movement, being restrictive in nature and keeping the objective of exercising maximum control over the cooperatives by the Government. Nehru believed that in the changed context of self-rule in the country cooperative laws needed changes of fundamental nature to strengthen cooperative character, providing greater role to the non-officials. His following statements may be cited in this connection:

At his press conference in New Delhi on the 12th February, 1959 he said:

“The existing laws should be broadened to make it easy for cooperative to be formed. Of course, all obstructions and restrictions in the way of cooperation should be removed. For instance, at present only those having some property or resources are taken in cooperatives. It is wrong. We want to include every villager in the cooperative, whether he has resources or not. Unless we do so, only those who have can function; others, who have not will not have a chance to go ahead.”

Again speaking in Lok Sabha debate on the Demands for Grants of the Ministry of Community Development and Cooperation on the 12th April, 1959, he observed:

“It has been raised many times before that the cooperative law has to be simplified. It is being simplified. We have found that, while the law has to be simplified, what really requires simpli-

fiction is the working of the law. We are quite convinced that the official character of cooperatives should cease and the cooperatives should be free to make mistakes, if they want to.''

Thus, Nehru had visualised two changes in the existing laws. One in the direction of enabling those who have nothing to offer by way of security to become member of cooperatives, so that they could avail of the facilities provided by cooperatives. The second change visualised was in the direction of removing the official character of cooperatives. Both were vitally needed to achieve the objective of convulsing India with Cooperation.

### **Size of Village Cooperatives**

In the view of Nehru, in concept and in practice, all members of a cooperative should know each other, so as to understand and appreciate each other's needs and condition, have knowledge of each others character, attitude towards moral or ethical values, which constitute the very foundation of cooperatives. A cooperative can promote social unity and integrity better if members knew each other. He felt that this could be achieved in a small size unit organised on the basis of village community. A large sized cooperative, covering several villages and large population (membership) would find it difficult to achieve this kind of personal contact among the members and personal knowledge, especially in the existing rural situation in India.

Nehru had greatly and repeatedly emphasized on the small size of a village cooperative, foreseeing its merits and advantages. This was also in conformity with his view that each village should have a panchayat, a cooperative and a school, to strengthen political, economic and social democracy at the grass-roots level.

When, on the recommendation of the Rural Credit Survey Committee large-sized cooperatives were organised, he felt that it was a wrong step. He was alarmed and had the apprehension that the basic principle of village cooperatives, viz, social cohesion, mutual knowledge and understanding would be destroyed. He immediately reacted against the formation of large-sized cooperatives. Inaugurating the Indian Cooperative Congress, in New

Delhi, on April 12, 1958, Nehru made a bold and vital statement, saying:

“Now I want to make a confession to you: I think our Government was not quite right in accepting some of the decisions of the Rural Credit Survey Committee. I am sorry for it. I am responsible for it as much as anyone else. The more I have thought about it, the more I have realised that the approach of the Rural Credit Survey Committee in some respects was not a sound one and it tended to push the cooperative movement in this country in wrong direction.”

“What was this wrong direction? There was a tendency on the part of that Committee to distrust our people, to think that they were not competent enough, that they could not do a job themselves; therefore Government officials must come to help. Government money should push them up.....Because the small cooperative has not enough resources in money or competent technical personnel, there should be large cooperatives, which can be started and helped by the Government. Now I believe that the approach - it may be argued that there is some reason behind it - was a wrong one and it has given a wrong turn to our cooperative movement. Ever since I realised this, I have been trying to point this out and here, on this occasion, I should like to say that the approach, even though might bring some results locally and temporarily, pushed the cooperative movement in a direction which is not cooperative at all and which offends against the philosophy which has grown round this movement.....”

“There is a tendency, which, I believe, received encouragement from the reasoning of the Rural Credit Survey Committee’s report to put an end to the small cooperatives and establish bigger ones. The argument is that big cooperatives with larger resources can employ trained personnel and can, therefore, do much better work. Again, I agree that there is something in that argument, but in achieving these temporary results, perhaps permanent harm will be done. Such an approach comes in the way of the very development of that spirit of self-dependence, self-reliance, of cooperating with one another and will encourage something which, I believe is completely wrong and which

is so prevalent in this country: looking up to the Government for everything.....”

Nehru had vivid understanding of reasons behind his advocacy for the small cooperatives. He said at that very Congress:

“Why a small cooperative? Well, for many reasons. The bigger it becomes, the lesser people know one another in it. Eventually, it ceases to be an organisation where people know one another intimately and can cooperate with one another. Of course, at higher levels it matters little if people do not know one another, but at village level it is far easier to trust one another and to work together. Therefore, I believe in small cooperatives, more or less village cooperative. It may even cover two or three nearby villages. To have advantage of bigger associations they can be linked up over a larger area. You can have that too, but the basic unit should be the small one.”

At a press conference on November 7, 1958 at New Delhi, Nehru again said:

“When I talk about a cooperative, I mean a village cooperative and nothing bigger; at the most two or three villages if they are nearby.....I repeat that the cooperative we conceive of is a small one so that there is intimacy among its members, knowledge of one another. It is not an impersonal thing. If the members of a cooperative know who is bad and who is good in their village there is probably a greater chance of its success than through some complicated processes of the law or some superior officers who know nothing about local conditions.....”

“Some people argue that a small cooperative has meager resources. This is true, and the only way is to join up a number of small cooperatives into bigger federations or call them what you will and give expert advice and assistance...any problem involving human beings is difficult. When large numbers of human beings are involved, it becomes even more difficult.”

Making another point in favour of small cooperatives, Nehru said, while speaking in the Lok Sabha on March 28, 1959:

“Cooperation does not function successfully if the unit is too big. I do not want that to go beyond a village or two villages,

because, otherwise, the personal touch goes. Strangers come in whom people do not know. Then two things may happen. One is that the official may come in there and I want, as far as possible not to have official intrusion. Secondly, few clever people in that group of big villages may become bosses and exploit others. But in a small village where people know one another, there is almost a sense of family kinship. Therefore, they know who the knaves are and who the good people are. They can more or less pull together, even quarrel and still carry on. This is the idea. That is, a village, or may be two villages will form a cooperative unit and ten to twelve of these units will become a union of cooperatives for economic purposes. A small unit may not be capable of producing results or may not be wholly viable. But the union will be viable.”

Then, Nehru had firmly believed in the small-sized village cooperative to achieve and strengthen the principle and objective of social cohesion.

#### **Pre-conditions and Cautions**

Nehru’s vision was not limited to expansion of cooperative method only. He could also foresee the preconditions for the effectiveness and success of cooperatives. Ensuring of managerial efficiency and safeguard against influence of political parties and misuse of facilities available to cooperatives from the government and the financing institutions were greatly emphasised by him. The following references are particularly significant;

*Education and Training:* Inaugurating the annual session of the Federation of Indian Chambers of Commerce and Industry, at New Delhi, on March 7, 1959, he said:

“One important point about cooperatives is that if the cooperative movement is to succeed in India, and it must, then it must be preceded by careful training and education. It is no good saying “From a cooperative and allow village people to function”. That is not good enough. And I confess that we have not given enough attention to training. We have to train people carefully. It is a task we all have to face, and it is in the measure

that we train people that the cooperative movement will succeed.”

Speaking in the Lok Sabha during debate on Demand for Grants of the Ministry of Community Development and Cooperation on April 12, 1959, Nehru said:

“.....The working of cooperatives requires training and skill. Of course the organiser requires a great deal of training and a great deal of skill. Even a secretary of a village cooperative requires some training, some skill at keeping simple accounts. That is a difficult problem. Sometimes a village does not have a single person who can do it. We hope to train them in large numbers by stages. The right thing, I imagine, should be to have two persons who should be used for this purpose. One is the Gram Sewak and the other is the village teacher. The Gram Sewak, at the present moment serves ten villages, and it will be a bit too much for him to be asked to look after 15 or 10 or even a smaller number of societies. The idea of the Gram Sewak has grown out of the Community Development Movement. He is a part of the movement and he has been trained for it. I think about 30,000 to 40,000 have been trained. Perhaps his charge is a big one and may be we might reduce the charge. Then there is the village school teacher. I feel he should be responsible for the clerical work of the cooperative. But all these things will have to be worked out.”

Speaking at an AICC meeting at New Delhi, on May 10, 1959, Nehru again said:

“It is essential for the State Governments and the Central Government to undertake training schemes. The Congress should also take up training from its own point of view. Unless we take it up and train our workers, their minds will not fit into the scheme and they will be left high and dry. We should encourage Mandal people to go to official training camps.”

In his message to the conference of State Ministers of Cooperation held at Mysore on the 28th July, 1959, Nehru again said:

“I have been laying stress on the basic necessity of training for cooperatives. All the enthusiasms in the world will not be

enough unless we have trained personnel to run our cooperative societies. That training has not only to be high-level training but should include some kind of limited training even for the panches and Sarpanches.”

Speaking on the Third Plan in Rajya Sabha on August 29, 1961, he said:

“The people must first learn how to do it. That is the most important thing. Cooperatives have failed where there has been no training behind them. Even service cooperatives require a lot of learning and training. That is the first step, and if you do that successfully, the next step comes easily.”

*Cooperative Education in Schools:* Nehru had visualised that it was necessary and important that younger generation should be acquainted with the cooperative philosophy and concept at the earliest possible stage. If an idea is received at the impressionable age, it influences an individual’s attitude at the latter stage in life. Nehru had suggested at the AICC session on May 10, 1959 at New Delhi:

“It is important to introduce cooperation as a subject in our high schools in a simple form so that it forms a part of basic training.”

Nehru had, thus, visualised that success of cooperatives would depend on efficient management, which heavily depended on training of cooperative officials and non-officials.

*Apolitical Character:* Nehru had visualised cooperatives as non-political institutions, for they were organised to meet the common economic needs of people. He wanted them to be maintained as such by keeping the party politics away from them. Nehru made a statement to the effect at his press conference at New Delhi on the 7th November, 1958 as follows:

“Normally speaking, there is not much party politics in village Panchayats or cooperatives and I do not think it should be encouraged. They stand on a different footing”.

At another press conference at New Delhi on the 6th March, 1959, he said:

“What are the organisations that function in the village? There is the Panchayat. There is or should be the village cooperative. There is the community development block...We do not want any parties to function in any of these organisations as parties. There the door is open for the fullest cooperation and, of course, higher up too.”

Nehru had a completely different approach to cooperatives not expecting anyone to make capital out of them.

*Caution Against Exploitation:* Nehru’s vision could also see the other side of the coin, that is, the possibility of some people developing vested interests in the cooperatives for their personal gains or organising bogus cooperatives. He cautioned against it. In his message to the conference of State Ministers of Cooperation held at Mysore on the 28th July, 1959, Nehru said:

“There has been a tendency, and no doubt this tendency will be repeated, for bogus cooperatives to grow up or for bogus individuals to exploit the name of cooperative. This will have to be guarded against.”

Still in another message to the nation on the occasion of the Co-operative Week celebrations he said:

“The development of cooperatives in India has become one of our problems to which we are giving first priority...In this matter, it is not merely numbers that count, but the quality of the cooperatives that are established. This is to say, they should be real cooperatives and not cooperatives in name only”.

Nehru had, thus believed that with strong training base for managerial efficiency and safeguards against vested interests, it would be possible for the cooperatives to serve the community effectively.

### *Government-Cooperative Relationship*

Nehru’s vision of Government and cooperatives relationship was that Government’s association with the cooperatives was an “embrace of death”, a phrase which had become so very popular to understand him. He wanted no Government interference in the



cooperatives. In his views Government was to provide assistance to cooperatives and not to rule over them.

Nehru disclosed his views about Government-Cooperative relationship on several occasions as follows:

Inaugurating the Tenth session of the International Conference of Agricultural Economists held at Mysore, on 24th August, 1958, Nehru had said “that the Indian peasants’ holdings being very small only cooperative could function effectively. However, he did not want those cooperatives to be State-run, though the State ought to help assist them in every way. But he did not want State officials to reduce the initiative of the peasants.

Addressing a public meeting at Cuttuck (Orissa) Nehru again said:

“Cooperatives should not be run by Government officials, but it should be the responsibility of the people themselves.”

In his article in ‘Kurukshestra’ of November 1958, Nehru had written:

“I do not want State officials. I have too much to do with officials (who) want to see them cover the whole land with State apparatus and thus reduce the initiative of the peasants”.

At another public meeting at Gangad (Ahmedabad District in Gujarat), where Nehru had gone to meet Acharya Vinoba Bhave, on the 17th December 1958, he said that he did not favour “official interference in working of the cooperatives, which should run on the sole initiative of the entire population of the village.” He had said further:

“I do not desire that officials should be associated with cooperatives. They should not interfere, though their assistance and cooperation may be taken. I know the difficulties in working of such cooperatives, but I do not mind mistakes being committed. After all people learn from their own experiences and stand on their own”.

Addressing a public meeting at Lucknow on March 1, 1959, he said:

“The Government should not interfere in these (Cooperative) organisations in any way.”

Inaugurating the ICA Seminar on Cooperative leadership in South-East Asia on 14th November 1960, at New Delhi, Nehru said:

“I see in your agenda papers considerable talk about producing leaders. Of course, I do not like the word “leader”. But I like the conception behind it. It requires trained persons who can give a lead, although they are not leaders, I hope, in the sense of bosses; and it does require training. All the goodwill in the world, without adequate training, will not produce results. It is not merely a quantitative extension of this work, but it is qualitatively different, I may say so, because we want to make it an essential basic fabric of the State - not part of the State government; but certainly closely associated with the whole structure of the State. We do believe completely in the voluntary principle of cooperation. That is true. But however, voluntary it may be, it will come up against the State all the time, and it will have to be adjusted to the needs of the State and the State to it. That is why we do not want, as in the past, the District Official, or other official, to throw his weight about too much. Again, he is the adviser and friend but not the boss”.

*Embrace of death:* At 1961 Conference of State Cooperation Ministers he said:

“Only about six days ago I was in Bombay and was invited to address the golden jubilee celebration of the Maharashtra Cooperative Bank. I was much struck there by a number of facts. Firstly, by the history of the development and growth of this Bank. Secondly, by the fact that throughout its career, it had been associated not so much with Governmental personalities but big public men. I do not remember all the names.....This work was taken up as a definite non-governmental activity no doubt helped by the Government to some extent, although the old British Government did not help it often enough or try to control it. I want to emphasise that nothing can be more fatal than governmental control, which is the embrace of death.

“Cooperation is not governmental control. If there is any governmental control, good or bad, it is not cooperation at all whatever else it may be. Let us be quite clear about it. If you examine the state of affairs in India to-day, you will find this demonstrated where non-governmental people have taken the lead, and devoted themselves to it, the movement has flourished and grown. Where it has been a kind of nursing by Government, it has not grown. It is not normally a good thing to compare and contrast the work done in states, but I think on the present occasion it is worthwhile to see how various states have progressed....It is not a sudden thing, but represents real work in the past, the building up of the movement by the public men not by Government. I will repeat and I will go on repeating that I dislike the association of Government in cooperation except as an agency helping with funds and so on”.

This statement clearly revealed Nehru’s mind on the relationship of Government with the cooperatives. The phrase “Nothing can be more fatal than Governmental control, which is embrace of death” has become almost proverbial internationally to explain the consequence of Government control over cooperatives. Whenever discussions were held on this subject viz., Government -Cooperative relationship, this statement of Nehru was invariably quoted. At a recent Regional Consultation on the Role of Government in Promoting Cooperative Development in Asia, organised by the International Cooperative Alliance, Regional Office for Asia at Singapore, 4-7 June, 1988, the paper presented by the ILO representative cited Nehru’s this very statement.

What does the above statement imply? What does it convey? This reflects what Nehru had seen in the country before and after the Independence. It was not a mere hypothesis or imaginary assumption. It conveyed the real field situation and the true feelings of the people working in the cooperatives as non-officials. Nehru had seen the condition of cooperatives under the British Rule and had conveyed as early as 1929 what he felt about the Government control over the cooperatives in a letter.

If an objective in-depth study of the situation within India is made from the historical point of view or the present condition the findings and outcome would confirm what Nehru had said.

When a cooperative is controlled by the Government, its soul, its character, spirit behind it, democratic values, the members' supremacy, and all that distinguishes a cooperative would be lost. In that case it would have only a legal form, having been registered under the Cooperative Societies Act concerned. It would have all concomitance of Government establishment. A cooperative even if best managed administratively, giving excellent economic results with huge turnover, making record profits and all that under Government control and management-run through its officers, or with 'subject to its approval', would not be a cooperative in the real sense of the term. It would be a misnomer to call it a cooperative. It would be a fake cooperative being projected as genuine. Paradoxically, it would be a peoples' organisation without the involvement of people. The owners of the organisation would have no ownership rights of decision-making. There would be no sense of belonging in those to whom the organisation belonged. Decisions were to be taken for them and not by them. Government controlled or managed cooperative would mean a distorted presentation of the concept. The basic element of cooperation would vanish, just as vanishes the soul from the body. This is the sense and essence of Nehru's statement that Government control is an embrace of death.

Inaugurating the International Cooperative Day at New Delhi, on 6th July 1963, Nehru had said:

“Cooperative movement in India began with support of State Governments. Though departmental influence had become less, there was still a tendency on the part of the States to interfere more than it was necessary. They should be given freedom to work”.

Inaugurating the Conference of State Ministers of Community Development held at Delhi in August 1963, Nehru had made a significant observation, when he said:

“There is no half way house between trusting the people and not trusting them. If we want cooperatives to grow and prosper the 'fraud and farce' of official interference and tutelage in the affairs of the cooperatives will have to go”. “It was, indeed surprising”, he added, “how remarkably slow was the speed at which such influence was tending to disappear”.

Thus, as Nehru said, “I repeat and I will go on repeating”, so he really did that. He expressed his indignation and dislike against Government control and interference every now and then from various platforms to emphasise his point of view.

### **Government Assistance to Cooperatives**

With such a deep interest in the development of cooperatives, Nehru advocated for Governments assistance to cooperatives. But he had given stern caution that Government assistance should not lead to Government interference and control. He felt that Government assistance should be only for the time being.

The above values, if promoted, will ensure the genuine character of cooperatives. However, in a multi-parties democracy, the party in power attempts to “capture” cooperatives for political gains, which erodes these values a great deal. There is need to sensitise the Government to promote Nehru’s vision of cooperatives and their value based character.

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# CO-OPERATIVE VALUES, PRINCIPLES AND IDENTITY BEFORE THE TURN OF THE CENTURY\*

: A DISCUSSION OF A PROJECT APPROACH

*Sven Ake Book\*\**

The subject "Basic Co-operative Values and Principles" was discussed at the ICA Congress in Stockholm 1988 as the main theme of the agenda. The congress carried out a resolution in which it:

**Entrusts** the ICA Executive Committee to set up an independent International Committee of Experts to analyze these principles in the light of the new challenges facing co-operators and co-operative institutions today and in years to come;

**Requests** that the ICA Executive Committee regularly inform the ICA Central Committee on the progress being made in implementing the provisions of this resolution and draw appropriate conclusions and recommendations as to the future policy of the ICA to be presented at the ICA Congress in 1992.

In that context I am responsible for a project about "Basic Co-operative Values" to be used as basis of decisions. This paper introduces the project and discusses some aspects on it. In this early stage of the project, I am particularly considering meaningful ways of how to approach this quite big subject.\*

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## 1. The Task

The leading issue of the project can briefly be worded like this: What are the basic co-operative values for the future and what are the basic co-operative principles against the background? The perspective must be global, as it is a main role for the ICA to make its recommendations in this perspective. To be relevant, this perspective must reflect the perspectives of important parts of the world co-operative movement.

This is not a true research project in the academic sense. The leading character of the project will be normative and it will result in a main report of estimations and judgments. On the other hand these will, as far as possible, be built on findings and empirical observations from co-operators, co-operative organizations and co-operative research.

In fact, in order to emphasize the normative character, the final issue of the project should more correctly be worded like this: What should be the basic values for the future and what should be the basic co-operative principles against that background?

### *1.1 Why this follow up task?*

*What are then the motives for such a project?*

I definitely consider it as important to-day to pay attention to these kind of issues because I do believe that a consciousness about the basic co-operative values and principles, and an agreement on them, belong to the prerequisites for a good co-operative performance. I also think, that it is high time for that: New generations of co-operators and co-operatives have joined the movement, the

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\* Earlier versions of this paper have been discussed in many contexts of which the seminar of the ICA Working Party in New Delhi was an important one with fruitful comments. Since then I have revised it many times. The main changes are about Chapter 2, mom 2.2 (added) and mom 2.4 (added) and about chapter 8 (new). I have also strongly emphasized the need of an universal basic core of values (experienced from my hearings and interviews) and I have more clearly discussed the character of the principles (mom 2.5) and their relations to the values. I surely still appreciate all comments from the readers of the paper about how to approach the task etc. This version is from February/March, 1990.



world has changed and so the pattern of the world co-operative movement. And the main part of the movement (measured as members) is not any longer to be found in Western Europe.

Nevertheless, as a research oriented person, I must stop for a while and consider the motives a little more. Because they tell something about the expected results. Why has the international co-operative movement decided to "search for its soul", at the threshold of the new century?

A first look at the world around during the last decade, at least in the western world, might make this interest appear somewhat paradoxical. Because the dominating trends of values during this decade can hardly be characterized as co-operative values. They have instead become more and more capitalistic, with the Friedman-Reagan-Thatcher values as the leading ones: the market mechanism as the God, the individualistic "take-care-of - yourself - egoism", the negative attitudes to collective action and the restrictions on public services. And this has also, more or less, influenced the co-operative organizations in their adoption to the environments.

So, is there a wish to get away from or weaken the original values and to replace them with more suitable ones? Or, on the contrary, is there an increasing counter-reaction from a co-operative value point of view with the aims to strengthen the spirit of the original co-operative values?

I consider the latter view as the point of departure for this project. For the time being I have encountered the following motives in this starting up phase of the project:

*Firstly*, the co-operative principles have more or less remained the same since the beginning. They are mainly connected to consumer co-operatives and credit co-operatives based on the Rochdale and the Reifeissen values. Today the pattern of the world co-operative movement has changed, particularly since the 60's. Are these principles, and the values behind, still valid?

*Secondly*, there are the increasing problems of co-operative identity, partly within the co-operative movement itself, partly

in relation to the environment. What do we basically represent as co-operative organizations? How could we explain the true character of co-operative organizations e.g. to the State, in order to get proper respect in conditions for development, in legislation, taxation and in measures of economic policy?

*Thirdly*, in adapting to the changing environment, the co-operative organizations have experienced increasing difficulty in expressing and to maintaining co-operative values and principles. The co-operative values and principles might even to some extent be regarded as too old in the contemporary society and as such even as undue restrictions and obstacles to an efficient performance.

*Fourthly*, the co-operative organizations have felt and experienced, that they have to express themselves more clearly in order to engage more people, particularly young people, for the co-operative contribution to the future society. What are then the most important and relevant values for the co-operative organizations to stress and to develop towards the year 2000?

These are important motives, and as I said, I consider it as crucial to pay attention to the value issues. In some years I will know if there also might be some other as well.

## ***1.2 Two purposes***

Against this background the project has two main purposes:

1. To serve as a basis for discussion and review at the ICA Congress in Tokyo 1992 of co-operative values and of the need to change the co-operative principles. If the congress decides there is such a need, the ICA Executive will make a further study on such changes for a presentation to the congress in London 1995.
2. To initiate and encourage a process of consideration and development among the co-operative organizations on how to apply co-operative values and principles in order to improve co-operative performance and co-operative (economic) efficiency.

I will be assisted by an advisory committee that will serve as a reference group to the project. The members are the following:

- Philip Chilomo, Zambia
- Andre Chomel, France
- Dante Cracogna, Argentina
- Morley Fletcher, Italy
- Teruka Ishikura, Japan
- Raija Itkonen, Finland
- Janos Juhasz, Hungary
- Alexander Krashenninikov, Sovjet
- Hans Munkner, W Germany
- Ian Mc Pherson, Canada
- Lloyd Wilkinsson, UK
- R.C. Dwivedi, India
- Dionysos Mavrogiannis, ILO

In my work I will rely substantially on seminars, conferences, hearings and interviews in order to get a relevant and practical point of departure. And in this part of the work I hope to get help from the advisory committee, the ICA special committees and working parties and the ICA regional offices. Of course, I also hope for assistance from co-operative organizations, interested co-operators, co-operative researchers and from co-operative research institutions.

I plan to publish currently ‘‘working papers’’ and supplementary reports from the project. Particularly with these I look forward for help from co-operative research friends. The main report will, as I said, not be a true research report. But the working papers and the supplementary reports, on the other hand, will more have the character of research and/or summaries of main findings from research work.

## **2. Points of Departure**

Since this will be a study with much judgments and estimations, what are my points of departure? I will in this chapter of the paper discuss some aspects of that.

## **2.1 *Co-operation - just a form of organization?***

What are the basic values?

Before going on, I must stop for a while and consider an answer to that question, that I have heard now and then in the discussions: that is something for the members to decide. In other words, with this approach the issue of values is reduced to a question of the conditions for member democracy, member participation, member involvement, etc. The co-operative organizations are looked upon as forms, structures and processes, in which co-operators in each time of the history decide about the values, the principles, etc.

Of course, this is a crucial aspect of the issue of values. It can also be supported by philosophical discussions about the meaning of values. Are they more or less eternal, or more or less situation determined? Anyway, the whole project might be devoted to that and I know from the discussions before the Stockholm congress, that the subject of "democracy, participation and involvement" was treated almost as the same as "basic co-operative values".

However, I look upon that approach as too restricted and too simple, if I dare to use the word simple in this context. Because the co-operative movement was born long before yesterday, it has a history joined with traditions and ideas. It has a message and is based on some principles. All this constitute the co-operative concept. So, the approach must be a broader one, than only confined to democracy, even if that concept of value is crucial and reflects the main part of the co-operative values and principles (compare mom. 2.5).

## **2.2 *The basic ideas (the basic premises)***

When using this broader approach one can observe, that there is a large amount of literature about co-operative ideas, co-operative doctrines, co-operative ideology and about co-operative theory, expressing and analyzing co-operative values. There are also lots of reports etc. dealing with the more applied aspects of the values, e.g. many ICA-reports since the beginning. And there are many lists of basic co-operative values, basic co-operative value premises and essential co-operative principles.

In the starting up phase of the project, I have read and recapitulated much of this literature etc., and I understand that there are some differing opinions within the world co-operative movement of what the basic values actually are, should be, and how they ought to be interpreted in the contemporary society. There are also various views on the role the values can, should and actually play in current co-operative performance and on the role, the relevance and the functions of the principles against that background. Part of the project will describe, analyze and explain these views in order to look for some kind of basic agreement in the world co-operative movement for the future.

But I can also observe that there is a broad and deep basis of universal agreeance, when I am approaching the value basis from this, let me say, perspective of co-operative ideology perspective. Co-operatives are voluntary associations of persons for the promotion of their common interests and needs as producers and consumers. They are also movements of people with the aim to improve the economic, social and cultural conditions for the major and the poorer part of the population, seen from both global and regional/national perspectives. And the co-operatives are guided by the vision and the ideal of a community with social justice, equity, liberty and democracy.

These basic ideas have been expressed in many ways, more or less total in their perspectives. There are also as I said lists of values, deduced from those basic ideas, where the following values are the common ones:

- \* self-help (autonomy, mobilization)
- \* mutual help (solidarity)
- \* democracy (equality)
- \* liberty (voluntariness)
- \* equity (fair distribution)
- \* non discrimination (openness, altruism)
- \* human resource deliberation (education)
- \* universality (internationality)
- \* social responsibility (non profit orientation)

To me and to many others these belong to the original basis of values behind the co-operative movement. Or, more correctly, they

belong to the most important perspectives on the co-operative basis of values. I know from co-operative history, on the other hand, that not all parts of the movement will agree on that. And I also know that there are various hierarchies of values.

### ***2.3 Action oriented basic values***

One can express the nature of the co-operative movement in many ways, e.g. compare with the values of other kind of associations or put them into more or less utopian visions about future societies. I will also do that in the background aspects of project, but for the future I prefer to try to express them more as overall action oriented co-operative values within some conceptional contexts, in a short outline something like this:

#### ***i. Resource mobilization***

Co-operative organizations will encourage a development with conditions for people to be active, to participate and to take responsibility together with other people. Co-operative organizations will encourage a combination of individualism and collectivism, in such a way, that the collective way will be regarded as means to strengthen and to promote individual development and liberation. These are the original values of self help and mutual help, in a modern way expressed as mobilization, participation, autonomy, independence, solidarity and social dynamism.

#### ***ii. Economic democracy***

Co-operative organizations believe fundamentally in democracy and will encourage a development with equal rights and abilities for people to join decision-making in smaller or larger contexts of societies. Co-operative organizations then make no distinction between political and economical spheres, but believe in the possibility for people to conduct economic activities in democratic ways. These are the original values of democracy, equality and equity.

#### ***iii. Social responsibility***

Co-operative organizations will encourage a development, in which people can raise their standards of living without exploiting

others. The economic activity must be manifested in the interest of the whole society, or the majority of the people, and not as means for minority of owners to secure profits for themselves. These values are usually expressed as non-profit orientation of activity.

#### 4. *Human resource deliberation*

Co-operative organizations regard education in its broad sense as basic for social advancement and to increase social consciousness and social/cultural liberation of people. Education is also regarded as a necessary precondition for the people to effectively take “the economy in their own hands” according to co-operative ideas. This is the basic value of education.

#### v. *Liberty*

Co-operative organizations believe that a development of economies in the hands of people will contribute to a process of human deliberation. This must, however, be encouraged in a spirit of a free will and not be forced on people. Such a development must also as much as possible be open to anyone who wants to join the co-operative. These are values often expressed as voluntariness and openness.

#### vi. *Cooperation*

Co-operative organizations imply basically cooperation between people for common ends and will encourage the development of cooperative approaches to economic and social issues of importance to the majority of the people. These kind of values belong to the original basis of co-operation and are implicit in the other value aspects.

#### vii. *Universality*

Co-operative organizations regard it as fundamental to encourage and work for the universal applications in order to gradually cover all the important needs of the people. The international aspect of this is becoming more important as more of the crucial needs for mankind tie people together in all parts of the world. These values are often expressed as co-operativisation.

As I said, this is only an outline of my attempt to express the basic values within the framework of some important programmatic contexts, when considering the co-operative future from a global perspective. I do think that the values must be put into contexts, otherwise they sooner or later will lose their relevance as living values. To me the relevance of the values is above all related to their ability to function as inspiring points of departure, when you look at the world around you, when you decide the long term tasks for co-operative activities and when you organize the basic structures of co-operative action.

So, the report of the project will include one part in which I describe the various views on co-operative basic values and a list of what they are or might be. Another part of the report (probably the later part of it) will express the values within some basic contexts, that are important for co-operative action in global perspectives.

#### ***2.4 Purposeful values and objectives***

The above-mentioned ideas and values can be considered as “concept-determined”: they apply to all kinds of co-operatives and they are so to speak embodied in the concept of co-operation. And in the hearts of many co-operators, I might add. In addition to those values there are, what I prefer to call them, “purposeful values”, which are directly linked with the special purpose of the co-operative organization. E.g., to the purpose of various kinds of consumer co-operatives and producer co-operatives.

The relations between these concept - determined values and the purposeful values are crucial for the co-operative development. The latter values have always been the important ones for the current co-operative development, since they constitute and express the material needs round which the co-operatives are built up. In consumer co-operatives these have often been expressed as products of “good quality with low prices”.

The tendency, according to my observations, is that more and more resources and energy have been used to develop these purposeful values in relation to the services rendered to the members and to the customers. This is especially true for the consumer co-operatives. There are often special action programmes carrying



out these values and objectives, particularly in countries with a competitive market economy. The concept determined values might be reflected in these action programmes, but there is a tendency to put them into a sleeping background, forced to it by the competitive strength of the market system. So, in this way co-operative organizations tend to become similar to other organizations, at least from a superficial point of view.

These relations inside the co-operative values are essential to discuss in a report for the future.

### *2.5 The principles*

What about the co-operative principles in this context? The project will serve as a basis for decisions about changes in the principles, that is part of the task. When we go back to history we can see, that co-operative societies have been established in order to satisfy very concrete needs of the members. But at the same time many of the co-operatives wanted to be projections of a future society and community based on the type of values I mentioned before. The co-operatives were to some extent looked upon, at least by the committed co-operators, as means for approaching this future society at large, even if the current activities were concentrated on very material needs.

I am using past tense, because I am thinking of the history of co-operation. But of course, this is present tense for many parts of the world to-day, even for countries with old and established co-operative organizations.

So, what about the principles? Yes, they have the important and crucial function, implicitly or explicitly, to be a bridge between values and the overall co-operative performance. The principles should basically induce a process of development for both the effective satisfaction of the material needs of the members and the overall performance according to the basic values. In this way you can say, that the principles are long-term guidelines for co-operative practice and performance. They must reflect the values, but at the same time they must be practically relevant for an effective development in the contemporary society.

With this view, the principles should be open for changes in order to be efficient long-term guidelines of practical action. The values should be more eternal, but of course the interpretations of them, the way to emphasize them etc, might change and so the principles. However, also the principles in reality have been considered as almost eternal, particularly at the ICA-level. Moreover, the principles in fact have a mixture of functions to-day. They are partly basic guidelines, partly some kind of basic symbols and ethical norms for the world co-operative movement and partly criterias to distinguish true co-operatives from false co-operatives.

This mixture of functions is not good, as many has pointed out before me. But it is not easy to take a position here. On one hand I have the opinion, or the working hypothesis, that the principles must be revised quite often, if they will get any importance as basic operating guidelines for inducing the basic values. At the same time, however, I cannot neglect the importance of the principles as symbols and as some kind of ritual parts of the co-operative culture. This is more important than one can believe, and one has to be careful about that aspect.

May be we must have some new concepts, e.g. basic co-operative principles and operating co-operative principles. But this is by no means a new discussion. We have had the distinction between basic principles and other principles before. There have also been suggestions to distinguish more clear between "goal oriented principles", "structural principles" and "functional principles". Perhaps the first type of principles could be replaced by co-operative values, while the second type could be regarded as more basic principles. The third type, on the other hand, could be more detailed and open for changes. This last aspect might also be preferable from another point of view; the basic co-operative principles might be valid for all co-operatives, while the functional principles might be supplements that are proper for the different types of co-operatives.

In other words it might be good to distinguish between:

- basic co-operative principles of long-term durability, valid for all co-operatives

- functional co-operative principles of short-term durability, adopted to different co-operative types and branches.

But this I need to consider more. At least at the ICA-level, however, this seems to be rational, bearing in mind that the ICA principles are basic recommendations for co-operative development.

## 2.6 *The process approach*

In reading books about co-operative values and in discussions with committed co-operators about them, I have been struck by the very idealistic approach, emphasizing the co-operative values as eternal and absolute. They are so to speak embodied in the theoretical concept of co-operation. And the basic development task is to realize more of those values through co-operative practice. Almost like Plato.

I will not enter this kind of discussion now, of course I to a large extent agree on this kind of approaches. But at the same time I can see the risk, as a consequence of this kind of approach, to consider co-operative values as something static, as something “once for all”. This would really be a danger, because the main thing is that the values must be interpreted in the existing contexts by the committed co-operators and the potential co-operators. The values must be created and made living in each period of history in an interplay between:

- \* co-operatively committed persons inside and outside the co-operatives
- \* inherited co-operative values, expressed in books, programmes, education material, etc
- \* inherited co-operative applications, co-operative historical experience, co-operative investments, etc.
- \* the environment of co-operatives, e.g. the government, the planned economy, the market economy.

So, the process is important, it is crucial (compare mom. 2.1). The co-operative movement should be considered as a very long-term process, as a social project shared by generations. The basic

task is to transform more and more of its values to the society at large, by expanding the co-operative activity and by improving the co-operative methods of activity. Surely I very much agree with the view of the old co-operator W P Watkins, once director of the ICA, when he stated:

“The true problem is not the preservation of co-operative institutions, as they have been or as they are, but the application of essential co-operative principles in appropriate forms for contemporary circumstances. The challenge is not only material, but intellectual. The history of movements, as of nations and civilizations, is the story of their success or failure to rise to the challenges which confront them as the generations and centuries roll by.”

That implies that the co-operative values must be created and recreated, again and again, in confrontations with the surrounding society. But it is not an “empty box” of values, that must be filled up in each period of the history. There is a basic content of ideas, inherited from earlier periods. These ideas must be confronted with reality in a so to speak “dialectic process”. Only in this way the co-operative values can become a societal relevant part of co-operative performance, otherwise they will be reduced to something for grand and ceremonious speeches, survivals and ghosts of the past and not become the inspiring light to detect and to examine the new possibilities for co-operative activities.

In this context the co-operative principles, and the various action programmes based on them, have a crucial role. Because the co-operative principles should be the basic rules for the organizing of co-operatives and for the allocation of the co-operative resources in such a way, that they encourage and induce a process of development by which the values are currently considered, examined, improved and expressed in and by the co-operative performance.

## *2.7 Critical views*

The preceding emphasize of the process approach leads me to the critical views and assessments, mainly from researchers about values, principles and co-operative performance. Are these values

and principles at all relevant for or expressed by the actual co-operative performance and behaviour? Have they any importance for or influence on co-operative behaviour? And if not - why?

Studies of the transformation of co-operative values from later decades have often come to the conclusions, that the co-operatives in fact, and more and more, are expressing other values and are governed by other principles than the co-operative. They are instead more and more expressing the values of the dominant types of enterprises and organizations in the society. In other words, the co-operatives tend to adopt also their values to the values of the environment. Some researchers even have used the term "degeneration of co-operative values" and some regard this as a trend of development in some parts of the world.

This gives basis for the serious questions about the possibilities, the conditions and the limits for the co-operatives to actually implement their own values in environments, that are dominated by other values.

I have up to now discussed the project from an ideological, also perhaps idealistic, approach. And of course, that must be my dominant approach. But at the same time I am seriously aware of, that this approach cannot be too far from reality. The values cannot too much have the character of a remote utopia, because then the values, and the recommendations about them, will loose their practical relevance and develop into fairy stories. Moreover, I will run the risk of not making any contributions at all to approach the crucial problem, as it seems from research and other observations, of the co-operative development to-day: The increasing cleft between co-operative ideas and co-operative practice!

This is a difficult balancing aspect of the project. I also, indeed, need the co-operative practice approaches to and perspectives on the value basis. I return to that in chapters 4-6 of the paper.

### **3. Recent Interpretations**

In later years I have seen many interpretations of co-operative values in various parts of the world co-operative movement. Partly they are expressed in preambles to programmes of action and

annual reports, partly they have been expressed in separate documents. In some parts of the world co-operative movement, there have been extensive member activities about basic values. There are also current interpretations at the ICA level, e.g. in reports and resolutions from later decades.

A survey of these kinds of recent interpretations is going on within the project. In this paper I will turn to the interpretation of the values made by Lars Marcus, President of the ICA, at the congress 1988.

### *3.1 The Congress 1988*

At the ICA Congress 1988 Lars Marcus recommended 4 values or more correctly, perspectives on the basis of values, as particularly important for the next decades. Those were:

- \* democracy
- \* participation
- \* honesty
- \* caring

The discussion at the Congress strongly supported these recommendations and the resolution declared this priority of values as a starting point for the follow up considerations. As I see it LM he has selected these values from his personal experience, his observations and his discussions from his outlook as active in the ICA since the 1970's and as a co-operator since the early 1940's. I also understand, that LM wanted to express his priorities in a simple and straightforward way.

#### **Democracy and participation**

The first two are values of a mainly structural character. They are connected to the organizing and the performance of co-operatives. The distinction between democracy and participation might be surprising, another way is to regard participation as a dimension of democracy. On the other hand participation is not always an expression of democracy. I regard these LM's values as a way to emphasize for the future, that democracy must be considered both in its more formal dimensions (a method of decision making) and

in its mobilizing dimensions (to encourage involvement and engagement). And to remind the co-operative movement of the fact, that this second dimension is more important in the years to come.

These are well-known parts of the co-operative discussions of values and principles. There is also a general agreement about them, at least in principle. As I said before, I could very well use all the project to explain and to analyze these values, because they reflect much of the whole value basis.

### **Honesty and caring**

The second two values have another character and are, as I have seen, more debated after the congress. These values have mainly a morale character and are connected to the persons working for and inside the co-operative movement.

There are various types of observations behind them. As I understand LM he has behind "honesty" observed, among other things, tendencies in the management and the administration of co-operative organizations to hide the true facts in the information to primary members and to members of the federations. He has also observed tendencies to create vested interests of various kinds and, even worse, to use bribing methods. These are bad tendencies and dangerous threats to an efficient co-operative development, no doubts about that.

There are also other aspects of "honesty", e.g. regarding the contents of the products produced and distributed by the co-operative organizations. Sound and genuine products etc. was one part of the Rochdale programme and this, of course, is of crucial importance today and for the future in a world with limited natural resources, air pollution, various types of environment destruction, dangerous food additions, etc.

Turning to "caring" the observations and the motives behind are connected to the relations between the (members of) co-operative organisation and the society at large. There are tendencies to restrict the benefit of co-operative activity to the existing member collectivity, without proper bothering about those who are outside. This is a bad tendency for the future, when considering all the

potential possibilities of co-operative activity to make contributions to the surrounding society. This has particular relevance from global perspectives: the relations between rich and poor parts of the world co-operative movement and the basic aim to spread out the co-operative methods to larger part of the world. A strategy to “co-operativise” larger part of the world needs co-operateurs and co-operative organizations, who are capable to look outside their own circles.

### *3.2 Transformation to principles*

So, these are, as I understand LM, some of the problems and observations behind his priorities on “honesty and caring”. From the discussion after the Stockholm Congress, I have seen that these values have been confused with the old concepts of Lutheran religion and of conservative paternalistic charity. I think that these kinds of interpretations try to give deeper meaning in these priorities than intended. I have also seen some objections saying, that these values already are reflected in the more traditional basis of values, particularly in democracy, mutual help, openness, non-profit activity and co-operation between co-operatives. Perhaps there is some truth in that; on the other hand LM has succeeded to stress some values perspectives of urgent importance today in a comprehensive and pedagogic way. The unanimous resolution at the congress is an evidence of that.

The true difficulty will emerge in the transformation of these values into principles. In my opinion, compare above, the principles should be regarded as long term basic rules of co-operative organizing above all, and in that meaning have the capacity to induce and to encourage a process of co-operative development, by which the most important values are expressed in the co-operative performance.

So, what are the proper principles to induce a process to express “honesty and caring”? It cannot be meaningful to have principles saying, that co-operators have to be honest and caring, or can it? Anyway, in a few countries you can find co-operative by-laws with this kind of contents.



#### 4. Crucial Contexts of Practice

As I said in the end of chapter 2 (mom 2.6) I cannot approach the basic values from only ideological/idealistic perspectives.

So, in order to make the project relevant, I also will approach the values from practical perspectives; I will particularly try to connect to problematic aspects of the co-operative practice for the time being. From my earlier experience and from my discussions with co-operators I have selected some contexts, within which I plan:

- to highlight the values and the principles, particularly the problems of application;
- to collect and to express the good (and bad) examples for the future.

I also want to select some parts of the co-operative movement with good resp. bad economic results (according to the definition in annual reports) and discuss the relations to co-operative values and principles. E.g.: could good economic results be explained by high adaptation to co-operative values and principles or, on the contrary, are they good because co-operative values and principles more or less have been abandoned? Etc. In this I need much help.

For the time being I have planned to cover, more or less, the following contexts.

##### 4.1 *Types of co-operatives*

To some extent the basis of values, and the interpretations of them, are connected to the types of co-operatives, among other things due to traditional ideological backgrounds and to their special aims. There are also different socio/economic bases behind types of co-operatives, so e.g. differ agriculture co-operatives in many parts of the world from consumer co-operatives in this respect. I also have the hypothesis, that different types of co-operatives emphasize the values in different ways.

I will not wake up any old ideological “slumbering ghosts”, but a report on co-operative values and principles cannot shut the eyes to these facts in the search for agreements of common basic

values. We also know that the co-operative principles are developed mostly to suit consumer co-operative organizations. There are some problems, I have seen, in relation to other types of co-operatives.

However, there are some interesting implications of types of co-operatives, when considering the issues of how to expand the co-operative to larger parts of the society. In that context I do think that it is important to realize, that the human needs will be more differentiated in larger parts of the world and that the world co-operative movement, in order to meet these different needs, must develop more of its potential assortment of possible types of co-operation. There are many potential co-operative ways of organizing, suitable for different needs, and the various types of co-operatives surely have different conditions to induce and to express co-operative values.

In consequence with that it will be as important as ever, that the various co-operatives are able to develop ways of “co-operation between co-operatives” and the “co-operative sector” approach in order to carry out the whole of the co-operative contributions.

#### *4.2 Co-operative environments*

Co-operative organizations have developed and still develop in very different social, economical and political environments. That influence the interpretation of co-operative ideas and the views on co-operative values and principles. The usual way to structure ICA-reports with global perspectives is in the three categories “western market economies and countries”, “eastern planned economies and countries” and “developing economies and countries”.

However, we have experienced during later decades, that these categories not are very clear cut any longer. And now there are the on-going tendencies in Eastern European countries to introduce more of market economies etc, that will create new environments for co-operative performance and probably also for co-operative values.

So, these categories are not suitable for this project. Instead I will try to use “regions” with similar characteristics, e.g. agricul-

tural, low industrialized, industrialized and post industrial economies. But I have not decided that in detail.

These differences of environments, together with the many types of co-operatives, raise the difficult issue from a global perspective about the possibility to develop universal values and principles. To what extent, and how, are these values and principles valid and effective in all environments and for all types of co-operatives? I will discuss that some more in chapter 5.

#### *4.3 Capital formation*

I consider ways and methods for capital formation as one of the most crucial contexts for the implementation of co-operative values and principles, particularly when confronting them with the increasing importance of the stock exchange markets and of the money and capital markets in many countries. These markets are not, in principle and by tradition, a concern for co-operative movements. They are so to speak outside these markets and rely more on member oriented ways to raise also so called risky capital and do not normally invest their capital in stocks.

For the time being these growing stock exchange markets create problems for co-operative organizations, even more emphasized by the governments wish in many countries to encourage both individuals and collectives to save in stocks and to transact with the stock exchange markets. It becomes close to impossible to be outside. The crucial issue: how to adopt to this situation, without abandon the basic co-operative values?

I have now and then heard the argument, that it is not at all dangerous for co-operative values to use the stock company organizational form also in the co-operative movement. Because this is only a form, a structure. Partly I can agree. But at the same time I know, that different structures are inducing different values. And the danger is, that the stock company model of organizing step by step, and in the long-term, will induce an organizational culture, in which the members are looked upon stockholders with the main interest in controlling the profits and not as members with the interest in participating in a democratic movement.

On the other hand: What are the good alternatives?

#### *4.4 Conditions for democracy, participation and mobilization*

The concept of member democracy belongs to the true core of the values and the principles. The changing conditions for an effective application are, however, not easy to grasp. Probably the conditions have become worse for some types of old and established co-operative organizations, particularly in countries in the so-called post industrial stage. What are the motives and the incentives to participate in various types of co-operatives and in various environments? And what are the measures and the methods to encourage and to induce participation?

This must be explained, even if it is enough for a report in itself. What are the obstacles to an efficient member democracy, inside and outside the co-operatives? What is the optional size and how can decentralisation for participation be combined with centralization for large scaling advantage? What are the new opportunities, e.g. in the form of new communication technique?

Particularly it is important to consider ways to combine member participation with employee participation. Here one can observe challenging tendencies for the time being among private capitalist enterprises, partly connected to share ownership and to the growing importance of the stock exchange markets. What are the co-operative answers to these private schemes of employee profit sharing?

Another important aspect on participation in co-operatives concerns women. Still the co-operative movement is far from a situation with fair participation for women, compared with the share of women in co-operative membership.

#### *4.5 Co-operatives and the State*

In several countries the state and the government have crucial impacts on the co-operative values in various ways. In some countries, especially in the developing regions of the world, the governments look upon co-operatives as good methods to increase the standard of living and thus support co-operative development in many ways. Sometimes methods are used that can destroy the co-operative development by "embraces to death" (J Nehru) instead

of assistance to co-operative development in accordance to values and principles.

On the other hand, and in other countries, governments have undertaken methods of economic policy and/or legislation that have favoured other organizations and enterprises more than, or even at the expense of, co-operative organizations and enterprises. So, in order to survive the co-operatives in some contexts have to adopt themselves to rules and conditions, that have been developed for other organizations and enterprises. Surely, this will force the co-operatives to partly abandon their values and principles.

So, what are the proper relations between the co-operatives and the state in these kind of contexts, in order to encourage a co-operative development in accordance with the co-operative values and principles?

#### *4.6 Economic efficiency*

The relations between economic efficiency and co-operative values belong to the crucial contexts. Can it be so bad, that co-operative values and principles might be looked upon, and also in fact function, as undue obstacles to an economically efficient co-operative performance? Sometimes one can get that impression from "the co-operative discourse". I will comment upon this context a little more in chapter 6.

This is not an easy context to deal with, partly it reflects that "dualism" between "ideology and economy", "theory and practice" etc, that has been discussed so much in co-operative development. Probably also the professional co-operative management has different opinions than the more educational oriented parts of the movement, so there is an important need to analyze and to highlight eventual conflicts inside the movement. In what sense, if any, are there conflicts between co-operative values and principles, on one hand, and economic efficiency on the other hand?

In this context we also face the meaning of the traditional basic value "non profit activity", that has been more questioned and debated in later decades than ever. "No harm with profits in co-operatives, on the contrary". Perhaps effectivity of efficiency could be considered as a basic value in itself? I have met this type

of standpoint. This is difficult, I need help from researchers - particularly with case studies and theoretical analyses.

#### *4.7 International co-operation*

Against the background of the growing international integration of national economies and of the increasing international mobility of enterprises we can notice, that the co-operative movement is seriously lagging behind private organizations. The principle "co-operation among co-operatives" seems to face problems, when it comes to the practical application of international economic links and relations.

This is even more important as e.g. the Eastern European countries and more of the developing countries have the possibility to, and want to, increase their international trade relations. For co-operative development assistance, of course, increasing co-operative trade could be a crucial and effective way.

Since universality and internationality belong to basic co-operative values by tradition, it is important to highlight the reasons for this relatively slow development. What are the obstacles? Are these in some way connected to other co-operative values and principles?

#### *4.8 Benefits for members and benefits for the society at large*

The non profit orientation of activity implies among other things, that co-operative organizations should serve their members, but not at the expense of the society at large. By increasing the membership, the benefits from the co-operative activity will be spread to larger parts of the society.

But there are also other ways, more or less direct and indirect ways and more or less usual in various parts of the world, to contribute to the society at large. These kind of contributions will probably become even more important in the future and have been discussed quite a lot by ICA congresses and central committees during the last decades. Particularly I look upon the need for environment protection as a crucial area of these kind of contributions. The application of methods for this will, to quite a large extent imply, that the direct benefits to the existing members will

not grow as fast as otherwise. Eventually the direct benefits will decrease, instead you will have the indirect benefits of better environment conditions for the society at large.

Of course, this must imply co-operatives that have the capacity to look outside themselves, and to include in their results also the contributions to the society as large. What are the good examples?

#### *4.9 New areas of activity*

In many countries and during the last decades we have seen new co-operatives emerging, many of them in new areas in relation to traditional areas of co-operative activity. And in the discussions, also in many countries, there are lots of “potential areas” for co-operative activity as well, e.g. about how to satisfy the increasing need of what we are used to look upon as public services. Can the co-operative way be an alternative?

In these contexts also so called “pre-co-operatives” are usual, which raise questions about their relations to more established co-operatives. So, we are back again to the preceding mom. 4.1 and the importance of a co-operative development strategy with many types of co-operatives to take care of a more differentiated pattern of needs.

#### *4.10 Value changes in society*

Many research studies lately have analyzed patterns of value changes in the modern industrialized societies on their way to some kind of post industrial societies with higher income levels, higher education, changing working life conditions, higher living standards, new techniques of communications, etc. What will happen with the values of new generations who are born into these situations, totally different from the situations of older generations? How will this influence their ideas, views, values and disposition to cooperate in co-operative forms?

In these contexts research studies even quite often use the concept of “shifts of paradigms” to emphasize large and comprehensive changes of values and valuations. I regard it as necessary to survey the findings of these kind of studies in order to at least discuss the relevance of co-operative values. Is it true, e.g. as some

research studies say, that people will put values like “individual activity together with others”, “social contacts” and “concern about the environment” higher on their lists of value priorities? Etc.

#### 4.11 A structure

I will try to highlight co-operative values and principles within these contexts. I will try to find out the crucial problems from a “value and principle perspective” and I will look for the good and the bad examples and try to find out what contribute them. And I will estimate the needs to change, or at least to reinterpretate the values, and to revise the principles. a main part of the project will consequently try to cover the “squares” in following figure:

*Figure 1: Crucial contexts*

<i>Crucial context</i>	<i>Types of cooperatives</i>	<i>ypes of environment</i>
Capital formation		
Conditions for democracy, etc		
Co-operatives & the State		
Economic efficiency		
International collaboration		
Benefits		
New area of activity		
Changing values		



This is quite a lot. It is impossible to cover them all in a detailed way. It is not my aim either. I will try to identify the “squares” with the largest problems, possibilities and potentialities for the future from the perspective of values and principles and then concentrate the project and report to these areas.

## 5. Universal Co-operative Values?

Is it then meaningful to look for and to try to develop universal co-operative values and principles for the future? Or perhaps more correctly, to what extent is that meaningful? I put forward that question in mom. 4.2, against the background of many different types of co-operatives and co-operative environments.

As many others I am used to the idea, that there must be some universal values or some universal aspects on the basic core of values, that constitute the basic co-operative identity all over the world. There must be something that makes out a true co-operative organization, all over the world. There must be a basic agreement on some basic aspects. That is my point of departure or hypothesis. Otherwise, “everything is possible”.

Personally I also have the impression from various meeting with co-operators all over the world during the last 20 years, that we have had quite easy to communicate and to understand each other from various co-operative contexts. We have so to say similar “co-operative discourses”, we are like a world church community, if I am permitted to use such a metaphor in this context. This belongs to the international co-operative organizational culture and this is an important precondition for the ICA. Otherwise the international co-operative collaboration will come into trouble.

### 5.1 *Many cores of identity?*

On the other hand I have met the standpoint, more or less stressed, that it is meaningless and impossible to encourage such an universal basic core of co-operative identity. Because the identity is, and must be, a product of the contexts (e.g. political and economical system, historical background, socio/cultural conditions). Co-operatives are so to speak developed in symbiosis with their contexts and so instead there are, and must be, many basic core

of co-operative identity. There may be some universal values and principles, but they are just symbols and have nothing to do with the factual principles governing the co-operative performance in various contexts. And if one tries to apply, or even force, values and principles from other contexts, one will fail. The co-operative performance will not succeed.

I have isolated that standpoint, of course it is a matter of degree. I do think, however, that it is important for the co-operative movement to consider these views after about 150 years of development and after that much changes in its patterns of growth and in its contexts. It is in many aspects quite another world now, compared with 100 years ago. There are co-operatives in many more contexts, and different contexts, than before and still more are emerging. Old co-operatives have changed, as their environments, and new co-operatives are emerging. Partly the latter are characterized by old co-operative values and principles, partly by new ones suitable for their needs and conditions.

## *5.2 General definitions*

The answers to these questions must finally be normative and estimated in some perspective of development: Is it good for the co-operative performance in local, national and regional contexts to consider some part of the value basis, and consequently some of the principles, as core parts of universally necessary conditions for true co-operatives?

Yes, I do think so. It is, as I said above, indispensable for an efficient co-operation between co-operatives in the global perspective. And it is necessary in order to be able to effectively use the collective strength as an international movement to e.g. convince governments in various countries, directly or indirectly, of the importance to respect certain qualities in co-operatives in legislation, etc.

On the other hand this universal core of values and principles must be expressed in a general way, almost as symbols. They must be inspiring guidelines. More detailed values and principles will create conflicts at the international level and probably result in a break down. This has been possible to avoid, at least in modern

times, and I do regard that as a strength, even if that must be achieved at the cost of quite precise values and principles.

Instead it is all the more important to understand and to collect knowledge about the fact, that a universal core of values and principles must be interpreted, expressed and developed in different ways, suitable to the particular context. Only in this way is it possible to take charge of the more differentiated needs of co-operative action for the future. There are many co-operative ways to do that, and one of the important tasks for the ICA ought to be to increase the knowledge about that and to provide the good examples.

So I do think that the way to express and define basic values and principles at the ICA level must go on to be quite general, serving as basic guidelines for the development in various contexts.

## **6. Efficiency and values**

Closely connected to the foregoing question about universal values and principles is the one about the relations to economic efficiency. Particularly in co-operative business circles and among professional managers in later decades I have noticed a reasoning like this:

“The values and principles are important for the very long run, but in the shorter run the management of our enterprises and organizations must be subordinated the demands of the environment. Then we have to use methods which are the most effective ones in the contemporary society in order to serve the members. Then we cannot allow the values and the principles to be obstacles and restrictions on our methods. That will happen if they are old and not relevant in time.”

### *6.1 The pragmatic compromise*

I can understand this pragmatic way of reasoning and to some extent I can also agree on it for the short run management. But in the longer run the co-operative way (the co-operative method) must always be developed as a combination between aims and means, so

that the aims are reflected in the means. The aims must be embodied in the means, so to speak. This is a crucial aspect on co-operative development. In other words a development, when the aims are more and more expressed in, reflected by, and embodied in, the means:

The pragmatic way, however, can be dangerous for the co-operative identity if it is used for longer periods and if the consciousness within the co-operative society is lagging behind. As long as the members, the employees and the leaders are conscious of this "pragmatic compromise", then the problems are not so alarming. I understand that this was the situation in the earlier phases of co-operative development, when the co-operative values were built in the hearts of the committed members and the leaders and when the surrounding society currently and clearly demonstrated the need of Co-operation.

There are, surely, committed co-operators also in later phases of co-operative development. But I do think, that the educational and participative aspects on the co-operative process then become even more crucial in order to maintain the concern about the values and the principles and to consider their relevance and application in the contemporary society. Otherwise the values and the principles will become words on a paper and will disappear in the minds of the active co-operators and of the management. At best they will land up in a sleeping back-ground. Many committed co-operators have warned for this development, I choose to quote M Bonow:

"With an enlightened and active membership we can face the future with confidence; this will enable us to bring about, through a gradual development of the co-operative movement, an economic democratisation of the community and to make our contribution to the work towards a higher economic and cultural standard for the entire population.

If member interest wanes, if the members' ability to take initiatives and their capacity for self-help within our organizations disappear, then we will be in imminent danger of losing our character of popular movement. That would mean an erosion of the very foundation upon which all our

activities are built. In that case, the co-operative movement would perhaps be an efficient business organisation, a type of enterprise among others, but no longer a self-help movement, an applied economic democracy in vital areas of commerce and industry. It would no longer be an instrument 'of the people - for the people - through the people'".

Democracy, participation and education are as important as always in the co-operative process of development. In the name of economic efficiency, however, they could be, and in fact are, neglected. The implementation of these values raises the level of cost in the co-operatives, may delay the decision making, etc. This is something that other economic organization need not bother about. "We cannot carry an extra rucksack" goes the argument with respect to economic efficiency.

And so, by neglecting the application of democracy, participation and education, a situation is gradually created where the pragmatic compromise becomes an end in itself. What the co-operatives are doing, are in fact what the co-operatives should do. The aims are revised to suit the actual performance.

This is particularly problematic for co-operatives in market economics, above all for consumer co-operatives, where one also can observe such tendencies to revise the "traditional" co-operative way to look at aims and means. That goes back to the fact, that the market competition has become harder during later decades. And what counts in the markets are the final results, e.g. low prices, high qualities and good service. The way the organizations and the enterprises are built up, etc, does not matter for the market mechanism. so, finally, the organizations and the enterprises are judged by their so to speak visible behaviour in the market.

Co-operative organizations might be expected to be in a better situation. But the more the members are removed from their organizations and the more they are looked upon as common customers, the more the co-operatives also will be judged only in this "market way". In its turn this forces the co-operatives to pay more attention to their market aims and to use the effective means to arrive at them - and the means will formally be co-operative, but in fact more and more like the means of other type of organizations.

And people begin to say, even members without co-operative education, that there is no difference between the co-ops and other shops.

This leads to a vicious circle, in which the aims become more market oriented and the means more like those of other enterprises. And finally one can hear co-operative leaders saying, that there is nothing special with the co-operative means. It is the aims (= market aims) that matter. Then the step is not far to use, and even to approve, profit oriented means.

I am not using this example in order to criticize, I know that this is not easy. But it puts one's finger to a problematic issue concerning the values: In relation to the original co-operative values, this is without doubt a bad co-operative development. But are the original values the proper norm of comparison? Are they possible to achieve in these kind of contexts? I return to it in mom.

6.3

## *6.2 Value Transformation*

These kind of stories are quite usual in co-operative research, when values and principles have been abandoned, partly or totally, with reference to the demands of economic efficiency in a changing environment. During the last decade and in many of the industrialized economies we have e.g. seen the rapidly increased importance of the stock exchange markets and the governmental measures to encourage the use of these markets. Co-operatives have always disassociated themselves from such markets, but recently more co-operative organizations have approached and even entered these kind of markets. In some cases this has had bad consequences for co-operative performance.

There are also various ways to abandon the values and the principles. In some cases this could be made deliberately after long and conscious discussions in co-operative assemblies etc., e.g. when the Swedish KF and the consumer societies decided to accept credit cards in co-operative shops. "Buy and pay" cash has traditionally been a very basic value in the Swedish consumer co-operative context, based on bad experience from earlier periods. But now the majority of the members decided to abandon that value

with reference to the fact, that almost all other shops used credit cards. This is a co-operatively correct way to change values, according to my opinion. The decision had been prepared by extensive discussions etc. among the members.

In other cases, however, the values can be abandoned gradually by a long-term process without any conscious decision making, at least not in such a way that one can identify a decision made by the co-operative assemblies. It just happens. The weakening of member democracy in many co-operatives is an example of this kind of value transformation. The increasing use of outside capital is another example. This is a long story and the project will deal more with it. Surely, we all have read research reports about the value transformation of co-operatives, or even worse, about the “value degeneration” of co-operatives. For various reasons the co-operatives tend to abandon more of their value basis and principles, often with respect to economic efficiency in a changing environment. But are the researchers using the proper norms of comparison? Are they too “idealistic”?

### *6.3 Old fashioned values and principles?*

So, this process of value transformation raises a lot of questions for the discussions of values and principles. To put it straightforwardly: Are the co-operative principles and the values behind them in fact relevant and properly developed in the current societal situation? Or are they too old, too undeveloped and too little revised and still so to speak “products of quite another society” than the one the co-operatives are working within now and for the future? Are they in this way functioning as undue obstacles for and restrictions to co-operative economic efficiency? Are they old fashioned?

In other words: Are these changes that we call “value transformation and value degeneration” instead expressions of necessary changes of basic values in order to suit better in the contemporary society? Or: Are the values wrong or are the practices wrong?

Terrible questions to put forward! But I have to do it, both as a committed co-operator and as a researcher. On one hand I do think that we can agree on that there are quite a lot of changes in later

decades that might be considered as degeneration of co-operative values in relation to the way we traditionally define co-operative values. But on the other hand, as I have said, is that the proper norm of comparison? Then you are confronted with the quite usual standpoint: This is not at all degenerating co-operative values and principles! This is an (re)interpretation of them in a new way according to the demands of the changing environment. In other words it is a necessary change in the co-operative identity in order to fit better in these new contexts.

#### *6.4 Limits for co-operative change?*

Yes, of course. Every organization has to change in order to be effective in a changing environment. Is it, however, possible for a co-operative organization to change in any way and still claim that it is a co-operative organization? Just with reference to the fact, that these changes have been made by a co-operative organisation? I think we would answer these questions with “no”.

But then you must turn to the next question. What are the limits within which you can say: Yes, this is really a co-operative change of the co-operative organization? And what are the limits beyond which you can say: No, this is not any longer a co-operative organization! These questions also have relevance for discussing new co-operatives. Can they be established in any way? Or what are the restrictions if they can be regarded as co-operative organizations? Then last but not least the crucial question: Who can or should decide if an organization is a co-operative organization or not?

To discuss, to analyse and to recommend criterias for co-operative identity in various contexts and for different types of co-operatives is the core issue of the project I am working with. As you understand I feel humble before the task and I need all help.

### **7. The Role in the Society**

Finally I will draw your attention to one overriding aspect of interpretation of basic values, that concerning the role of co-operation in society. Here, one may encounter at least three types of approaches:



- \* Co-operation is an enterprise with certain characteristics designed to satisfy the material needs of members and others who wish to avail themselves of its services.
- \* Co-operation is a movement in which people, collaborating with others, seek to satisfy their needs and push society in a co-operative direction.
- \* Co-operation is an economic/social system in which people, collaborating with others, develop resource conservation and a “co-operative life”.

These different approaches to the future of the co-operative social project currently co-exist. And it is clear that the first-mentioned is more restricted than the others with respect to interest in basic co-operative values and the methods for realising them.

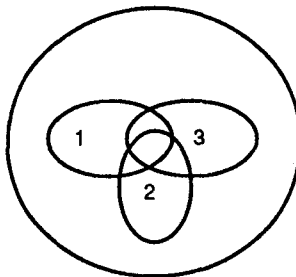
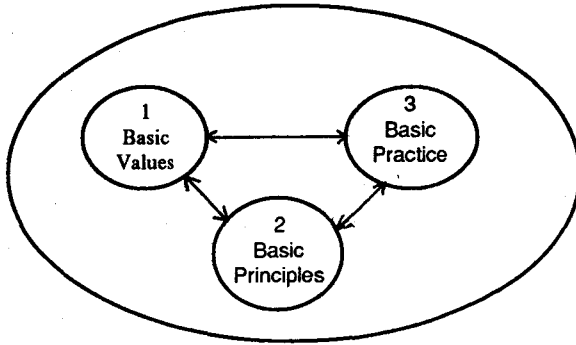
Personally, I consider that a limited approach of this kind would be devastating to co-operative development now and in the run-up to the year 2000 when more countries are entering a stage in which the more qualitative aspects of development assume importance. It is then truly a question of values and an awareness of the significance of various lines of development in people's social living situation.

This presupposes a form of co-operation which utilizes its entire value base in examining society and developing its co-operative applications. This, too, is the kind of co-operation society needs.

## 8. Summary

The structure of my approach might be illustrated by figure 2 on the next page.

***Figure 2: Values, principles and practice***



***Comments:***

By "Basic Practice" I mean the more long-term and structural practice. In fact, the figure ought to be more like the one below, but for practical reasons I have separated the circles.

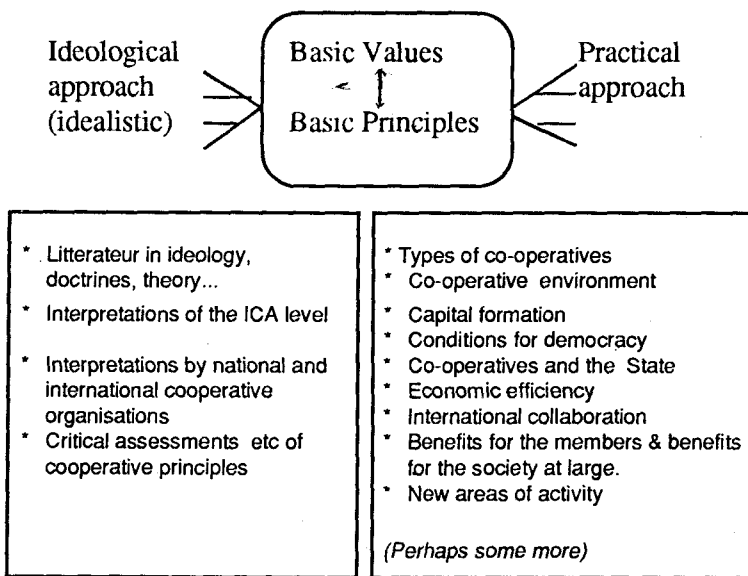
The main task of the project is to describe, analyze, systemize etc circle 1) in the figure and to discuss and recommend the need of revisions and changes in circle 2). But this cannot be done in a meaningful way without bringing circle 3) into the context. Because all three circles constitute a co-operative whole, they are inter-related. It is not possible to treat them separated from each other - to use a partial approach - particularly not when you are

expected to present a basis of decision for the future co-operative development.

Moreover, the main problems of to-day are not connected to the relations between circle 1) and circle 2). The main problems are connected to the relations between circle 1) and circle 3) and between circle 2) and circle 3).

This implies quite a lot of work, impossible for one person in some years, even with good assistance. Anyway, to carry out the project with due respect to the co-operative whole I will use a method, consisting of the following:

**Figure 3:**



By these two main approaches,\* and from perspectives within them, I intend to describe, analyze, etc, the co-operative basic values and their relations to co-operative principles and to co-operative practice. I will also try to relate to some environmental contexts and trends of development within them.

\* Ofcourse they are inter-related

The practical way to do it has been briefly described in chapter 1. It is not possible to penetrate all this. But I hope to present some supplementary reports (or summaries of relevant research) with more thorough stuff, while the main report will be more summarizing, arguing and recommending in a straightforward way.

The last part of the main report will include a programmatic future oriented view on co-operative development in the global perspective, based on the good examples I hope to collect during the work. Of course I already by now have got some ideas about that, briefly:

1. I do not believe that there is a need to change the original basic co-operative values. On the other hand I do believe that there is a crucial need to explain them, to reinterpret them, to make them available, to develop them in various contexts, to emphasize some perspectives on them and to demonstrate the good practical implementations.
2. Neither do I believe that there is a need to more radically change or revise the co-operative principles. Instead I think that it would be rational to regard some of them as more basic and close to the values, while the other principles could be more functional and adopted to various types of co-operatives and maybe to various environments. Otherwise compare (1) above.

To end up this introductory paper: A successful co-operative development according to its values is dependent on the consciousness among members, employees, leaders and the general public about the co-operative character, the co-operative identity and of the co-operative potentials. In other words I am emphasizing the old and traditional co-operative value education in its broad meaning as a value perspective of crucial importance also for the future. It is a prerequisite for the other value perspectives.

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# V CONCLUSIONS





## **REPORT TO THE CENTRAL COMMITTEE - A SUMMARY OF MAIN CONCLUSIONS AND TASKS FOR FURTHER RESEARCH**

*Sven Ake Book\**

1. The Research Working Party is for the time being trying to implement its programme for the next 4 year period, that has been worked out by a special committee of the party and that has been accepted by the party. Among other things we will:
  - Encourage research according to that programme.
  - Arrange some seminars every year; one smaller and more academic in character in springtime, and one broader in conjunction with the ICA Central Committee meetings. 1990 we plan to have a seminar of the first type on the theme "Internal dynamics in Co-operatives" in May. A seminar of the second type is planned to be held in Madrid on the theme "Capital formation and Co-operative values" in October 1990.
  - Publish a Research Year Book.
  - Develop an international research net-work.
2. In New Delhi we had our annual meeting and seminar during 4 days on the theme "Relations between Co-operatives and the State" and we discussed it from the perspective of co-operative basic values. It was quite natural to choose such a theme for a seminar in New Delhi, since we knew from before-hand, that there are experience, thinking and research about it in Asian countries, particularly in India. That was also confirmed in our seminar. We had a good and straightforward exchange of knowledge and opinions.

The seminar was organized with the very good help of our research friends from the ICA Regional Office. We discussed

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about 12 papers and introductions on various aspects of the theme and we had a more practical introduction into the Indian Co-operative Movement by a visit to the Fertilizer Marketing and Developing Institute and to some village co-operative service centers.

3. Most of our discussions were about the Indian co-operative movement. So, drawing your attention to our main conclusions, I also implicitly comment upon some parts of the discussion (October 6) in this Central Committee about the Asian Co-operative Movement. Generally and briefly:

Firstly we established the evident fact, again I will say, that the relations between co-operatives and the state are crucial, when analyzing and estimating the conditions to develop co-operative values, principles and identity. In India there has been, and still is, something like a symbiosis between co-operatives and the state - as in more Asian countries.

We discussed the comparison with western market economies to some extent. In these contexts instead the relations between the co-operatives and the private capitalist economy have a similar crucial role for the understanding of the situation. The co-operatives have more and more left their close connections with the civic society and become more connected to the capitalist economy and the capitalist influenced state.

- Secondly we concluded that there are various types of impacts from the state on co-operative development, good and bad. In the Indian society the intentions and the ambitions from the state to encourage and to support co-operative development have been good and high (see e.g. the book by Dr. R.C. Dwivedi about J Nehru and his vision on co-operatives). But in some or many cases this long run symbiosis between co-operatives and the state has lead to serious problems concerning the basic co-operative values, e.g. loss of co-operative autonomy and identity, lack of member involvement and activity and a weakening co-operative spirit.

In other words we confirmed the observations, that have been expressed in e.g. the articles in the latest issue of the ICA International Review and in the discussion (October 6) at this Central Committee Meeting.

- Thirdly we clearly stated that the co-operatives have important contributions to make to the future for the Indian community at large as well as in other Asian communities. We stressed, from research based experience, the necessary preconditions that the state will give and develop conditions for co-operative performance, that respect their basic character and basic core of identity in legislation and in implementation. Otherwise these good potential contributions will run the risk to be realized only partly or at worst not at all.
4. From these, here briefly introduced, conclusions we decided to examine some aspects more closely by research oriented studies. We outlined a research programme based on our discussions in New Delhi in order to develop this perspective of the values and the principles in the following way. Briefly:
- i. We need to identify the core of values and principles for a good co-operative performance. We discussed that quite a lot and put forward lists of basic values constituting that core. However, we need some more studies.
  - ii. We need some more analyses of the relations between the co-operatives and the state, particularly of the socio-economic conditions behind that relationship. We need, as far as possible, to distinguish the general from the special.
  - iii. We need to express and to analyze the good and the bad examples in this context. What constitutes them?
  - iv. We regard state partnership in co-operatives as particularly problematic. How to establish this partnership without destroying the co-operative identity? What constitute the good and the bad examples? In what way is it possible to transform a state partnership co-operative into a genuine co-operative?
  - v. We need to study the role of co-operative education and training in developing the co-operative character. What kind of methods?

- vi. We also to quite an extent discussed the need of some kind of "watch dog" mechanism in order to judge and to estimate the co-operative performance with respect to values and principles. What kind of mechanism and how to organize it? We need to consider that more by special studies.
5. By the research working party and in collaboration with researchers at or in connection with ICA Regional offices we intend to encourage research oriented activities on these subjects in order to contribute, among other things, to the project of basic values and principles. We will make a proceeding report from the seminar. so, if you are interested, you can by copies of it; please contact me or the ICA office in Geneva.

**VI**  
**APPENDICES**



# PROGRAMME OF THE SEMINAR

## ICA Research Working Party

Place: New Delhi, India

### Tuesday, 3rd October

- 1430 : Welcome to India - R.C. Dwivedi
- . Introduction - Sven Ake Book
- . Presentation of the participants
- . The programme - Sven Ake Book

#### *Session 1 (Chairman Sven Ake Book)*

- 1600 : The Indian Cooperative Movement: Past, Present and Future - M.M.K. Wali

Discussion

### Wednesday, 4th October

#### *Session 2 (Chairman Kaj Ilmonen)*

- 1430 : The Project "Values and Principles" - Sven Ake Book

Discussion

#### *Session 3 (Chairman Sven Ake Book)*

- 1600 : Cooperatives and the State - Kaj Ilmonen

- . Relations between Co-operative Organization and the State - The Philippines in Focus - Romualdo B Gaffud

- . Present Crisis in Indian Cooperative Movement - S.N. Singh

Discussion

**Thursday, 5th October**

*Session 4*

- 1000 : The fertilizer marketing - G.N. Saxena  
Development Institute - R.V. Subbarao  
- G.C. Shrotriya

Discussion

*Session 5 (Chairman Romualdo Gaffud)*

- 1300 : State partnership vis-a-vis Autonomy of Co-operatives;  
an overview of some cases - Narayanasamy

Discussion

*Session 6 (Chairman Sven Ake Book)*

- 1500 : Study visits to village co-operative information centers

**Friday, 6th October**

*Session 7 (Chairman Kaj Ilmonen)*

- 1400 : The Role of Government vis-a-vis Co-operative Values  
- R.C. Dwivedi

Discussion

*Session 8 (Chairman Kaj Ilmonen)*

- 1500 : The Economics and Growth of Co-operative organiza-  
tions in India - G.P. Gupta

Relations between Co-operatives and the State govern-  
ment - N.D. Karmarkar

Discussion

Co-operative Organizations and Political System - a  
Portugeese view - J.S. Leite

Consumer Policy in Denmark - H.R.Jensen

Discussion



*Session 9 (Chairman Kaj Ilmonen)*

1700 : Some conclusions, report to the ICA Central  
Committee - Sven Ake Book

Discussion

Finale - Kaj Ilmonen



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