

SPEECHES
ON
COOPERATION

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**The Aims
and
Principles
of
Cooperatives
and their
Application
in the
Developing
Countries**

P. E. WEERAMAN

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Introductory Note

This is the text of a paper presented to an ILO/DANIDA Regional Seminar on "Trade Unions and Cooperatives in Workers' Education" held by the ILO and Danish International Development Agency at Ankara, Turkey, from 12 to 24 March, 1973. The report on the seminar issued by ILO says as follows:—

"16. On 14 March, at the morning session of the Seminar, Mr. P. E. Weeraman, Director, Regional Office and Education Centre of the International Cooperative Alliance (ICA) Asia, New Delhi, spoke on "Principles of Cooperatives and Their

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the Developing Countries.” His lecture was based on a comprehensive and illuminating paper which embraced wide-ranging aspects of the working of the cooperative movement in the developing countries. The paper is appended to this report.

“17. As a background to the application of cooperative principles in the developing countries, Mr. Weeraman pointed out that the legal provisions on the basis of which cooperatives have been, and still are, developed in some of the South-East Asian countries such as India, Sri Lanka and other British Commonwealth countries were a heritage of colonial rule. Under this system the government assumed the position of an omnipresent controller and manager of cooperatives instead of taking the proper role of promoter, guide and protector of the movement. He argued that this situation was apt to destroy initiative and responsibility, and the discipline and morale of its members. Therefore, in his view, it was highly essential that appropriate amendments in the law were made so that the voluntary and autonomous character of these institutions was fully maintained to make them an effective collaborator with the government in its own great tasks of national development.

“18. Mr. Weeraman dwelt quite extensively on the different aspects of organisation and working of cooperatives such as democratic control, leadership training, educational projects and cooperatives with different functional objectives like credit, marketing, agricultural, industrial and consumer cooperatives. For most of his suggestions to reform the working of the cooperatives in the developing countries, he had relied greatly on the findings of the Inter-

national Cooperative Alliance (ICA), and his evidence and illustrations were taken from actual cases of the developing countries in South-East Asia, with which he had a fairly long and close familiarity.

“19. Towards the end of his lecture Mr. Weeraman proposed that extensive educational programmes in cooperation should be undertaken in these countries, not only at the level of the universities and other academic bodies, but also at all possible levels of society, including trade unions and the illiterate masses, through audio-visual techniques and adult education courses. He stated that cooperation was a revolution without the “R” because cooperation could truly develop only by the natural process in accordance with cooperative principles embedded on the will of the individual to exercise his freedom rightly.”

The Aims and Principles of Cooperatives and their Application in the Developing Countries

Introduction

The Cooperative Movement was introduced into most of the developing countries in Asia by the colonial powers who ruled them. They only offered a sop to Cerberus'. While there was so much to be done through the cooperative method they started only credit cooperatives leaving the producer yet in the hands of the trader to a large extent. Even in this regard they did not introduce a truly autonomous movement. The British for instance had passed in 1852 the earliest law for cooperatives ; the Industrial and Provident Societies Act, for the benefit of the cooperative and allied

movements of their own Kingdom. This law kept the Registrar a neutral. But when they introduced Cooperation into India and their other subject countries such as Sri Lanka (Ceylon) and Malaysia, more than fifty years afterwards, they gave them a different law, one whereby the control of the state over the cooperative movement was assured and little scope was left to the elected leaders for independent action.

The Cooperative Laws we have today in India, Ceylon and most of the other countries within the British Commonwealth are a heritage of colonial rule. The British knew what they were doing in introducing Cooperation to these countries. They had seen the power and influence that an independent Cooperative Movement could acquire vis-a-vis the State. The Cooperative Movement of Denmark had done yeoman service to the movement for the establishment of a constitutional monarchy in that country. The Cooperative Movement in Great Britain was a force to reckon with and the International Cooperative Alliance had been formed in 1895. Signs of national awakening and revolt against foreign domination were becoming apparent in India. So the British Government offered cooperation but it was only a palliative for they were careful to ensure that the cooperative movement should go thus far and no further, for it could have become a source of great strength to the movement for liberation.

Therefore, the law was devised to make the Registrar the leader of the Movement whilst in the

United Kingdom, the Registrar was a neutral. Calvert called him "the foundation of the Movement." Cooperative societies had to obtain the prior approval of the Registrar for almost every important act. They could not and still cannot borrow, lend or even write-off dues without the Registrar's approval. So how could leadership grow? If the ultimate responsibility for a matter is someone else's the Committee of a society would naturally be somewhat indifferent in its approach to such matter. So it is the Registrar who really manages. But this managership is veiled, and so the blame for failure is laid at the door of the cooperators. Indifference must inevitably follow when the management is subject to final decisions made by officials without responsibility therefor, this being placed *de jure* on the cooperative society concerned. All this indifference stems from undue power being vested in the State to control cooperatives through laws ostensibly made for their guidance and protection. The law must be reformed to give both power and responsibility to the cooperators. Until then no government can blame the Cooperative Movements of these recently liberated countries for lack of leadership. But far from realising that the cooperative laws imposed by alien rulers must be removed and the cooperative movement given the climate and the conditions in which it can grow to full stature, the tendency in some countries of the South-East Asian region has been to make the restrictions on cooperatives and their control by the State more stringent than the British would ever have dreamt of. Today in these countries the real management of the cooperatives

is in the hands of government officials more than ever before. Powers of supersession and removal introduced into the law originally for the purpose of having machinery to correct particular situations which are not so bad as to warrant the liquidation of the society concerned have been often used for political ends so that the remedy has proved worse than the disease. I am of course speaking generally and not with reference to any particular country.

Another development of great concern to the Movement is the attempt now being made at regimentation of cooperators through the law. Disciplines voluntarily accepted by the membership and imposed on themselves by themselves through their own bye-laws is one thing. For a government to lay down internal disciplines from above is another. Responsibility will not grow with dictation from the top. Self-discipline will result in both material and moral benefit. Regimentation from outside will demoralise its subject and lead it to failure. Often a government says that it will withdraw when the movement has the necessary leadership. But the fact is that the movement will never have this leadership until government withdraws from its position of control and hands over the reins to the cooperators and leaves them to fend for themselves. Naturally this handing over cannot be done by a stroke of the pen. A period of, say, twenty years should be fixed for a gradual withdrawal and effective steps should be taken to this end. There will be ample leadership forthcoming when there is scope for real leadership. Until there is a demand there will be no supply.

In my view, it is wrong to wait until the people ask for this withdrawal. Registrar's rule was imposed by the government from above without any request from the people. Therefore there is no need to wait for a popular demand to withdraw this rule. Registrar's rule has *ipso facto* prevented the growth of a strong public opinion among the cooperators. Most of today's cooperators both professional and voluntary do not give their minds to the question of having the genuine article, a voluntary and autonomous cooperative movement, because the present situation has the sanction of law, and what is in the law is taken to be correct. Most if not all understand the character of the movement from the legal provisions made in its behalf. Therefore, the reform of the law is the first step indicated in the withdrawal of the government from its present position of controller and manager to its proper role of promoter, guide and protector. Until the law is amended, most of the voluntary cooperators will not realise that it is their movement and that its proper development is their own responsibility. They now think much of even the crumbs that fall from the government table.

As long as the pitch remains queered for the voluntary cooperators, no amount of training and cooperative education will be of avail in the great task that lies ahead of us of developing a true cooperative movement that can be an effective collaborator with the government in its own great tasks of national development and nation-building.

This is the background to the application of cooperative principles in the developing countries.

Definition of a Cooperative

“Cooperation” means in its ordinary sense “working together” from the Latin word “Cooperare”. In its special sense it means the system of people voluntarily associated working together on terms of equality to eliminate their economic exploitation by middlemen in respect of any economic need common to them, simultaneously themselves eschewing the economic exploitation of others, a method so succinctly expressed by a nineteenth century advocate of Cooperation in the words “I shall have my hand in no man’s pocket and no man shall have his hand in mine”. The object of cooperating in this way is the economic and social betterment of persons who so cooperate. To avoid their being exploited by middlemen these cooperators exploit their own economic need by means of an enterprise undertaken by them on the basis of mutual aid. This basis naturally precludes any member of the joint undertaking, the cooperative society, from gaining at the expense of any other person. For if the members do that they would be contravening their own principle that economic exploitation of another’s need is inequitable, and they would be doing unto others what they would not have others do unto them.

As defined by the ICA, Cooperation is “a non-profit system of production and trade based upon

voluntary and mutual self-help and organised in the interests of the whole community”.

A cooperative society is an association of persons, or of societies of persons, for the satisfaction of their common economic needs, on the bases of mutual aid and elimination of profit in accordance with the Cooperative Principles. There are six Principles of cooperation. The first four set out the working methods of the cooperatives and the other two state what is essential for the continued progress of the movement. All the six principles are equally important. “They form a system and are inseparable. They support and reinforce one another. They can and should be observed in their entirety by all cooperatives if they claim to belong to the Cooperative Movement” (ICA Principles Commission). The principles are as follows :—

- (i) Membership of a cooperative society shall be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who need and can make use of the society's services and are willing to accept the responsibilities of membership;
- (ii) The affairs of a cooperative society shall be administered, in accordance with the democratically expressed will of the members, by persons elected or appointed in a manner agreed upon by the members and accountable to them; and in primary cooperative societies (i.e. cooperative societies whose membership is open only to indivi-

dual persons) members shall enjoy equal rights of voting and participation in decisions affecting their societies, each member having only one vote, and in cooperative societies, other than primary, rights of voting and participation in these decisions shall be exercised on a democratic basis in a suitable form;

- (iii) Share capital in a cooperative society shall only receive interest, if any, at a strictly limited rate;
- (iv) The economic results of a cooperative society's operations belong to the members of that society and any surplus arising out of the society's business shall be so distributed that no member shall gain at the expense of any other person and this may be done by provision for development of the business, by provision for common services and/or by distribution among the members in proportion to their transactions with the society but not exceeding the proportion of the total divisible surplus to the total transactions of the society;
- (v) A cooperative society shall make provision for the education of its members, officers and employees, and of the general public, in the principles and techniques of cooperation;
- (vi) A cooperative society shall actively cooperate in every practical way with other cooperatives.

Character of a Cooperative

A cooperative institution at the primary level is an association of persons who have similar economic needs which they seek to satisfy better through a common undertaking than they could by individual means. The cooperative has a two-fold character—it is an association of persons as well as a common undertaking. The society's rules of organisation and operation lay down the special relations of the members among themselves and those between themselves and their society as well as the economic relations of each of the members with the common undertaking.

A cooperative society has a nature *sui generis*. It is a special form of business organisation which differs considerably from any other form of business organisation. It is neither a public nor a profit-seeking organisation. Its principle action is that it eliminates economic exploitation and its essence is that it is democratically controlled by its members and members only. A normal business organisation is one where shareholders associate as contributors of capital and the organisation's purpose is to make profit which could be divided among the shareholders on the basis of their shares. The result is the exploitation of an economic need of the public by the shareholders.

A cooperative society is a business organisation wherein persons associate not as contributors of capital but as persons having the same economic need. The share is allotted only if the person

seeking membership is qualified to be admitted to the society by virtue of his having the common need. Thus the members of a cooperative associate as human beings having the common need and not as persons who have provided capital.

The common need is either that of a producer or a consumer. "producer" and "consumer" are stated here in the broadest sense of these terms.

Anyone engaged in the production of goods or articles of consumption or utilisation either as owner or as worker is a "producer" and any one who consumes or needs such goods or articles is a "consumer".

A farmer, an artisan, and a labourer are a few examples of "producers". A consumer of goods, a user of transport, an occupant of a house or a patient in a hospital are a few examples of "consumers".

These terms, in short, exclude middlemen—those who serve the needs of either the producers or the consumers and make a profit out of such services.

The same person could be both a middleman and a consumer e.g., a trader who uses credit. As a user of credit he is entitled to be a member of a cooperative credit society, although e.g., an organisation of retail traders to obtain goods wholesale for retailing would not be a cooperative undertaking.

Voluntary Membership

All who join the society must be loyal to it "as the success of the enterprise depends upon the loyalty which each one of the members works for the achievement of its objects" (Calvert). This loyalty can come only if the member has joined the society of his own free will. Hence the first principle of Cooperation is that the act of association must be voluntary. One should join the society of his own free will and be free to withdraw from it. Likewise the society shall be free "to choose with whom they will associate and to correct the choice". Thus the application for membership must be made voluntarily and the enrolment of the applicant must be done of the society's own free will. It is open to a member to withdraw from the society and likewise it is open to the society to withdraw the membership of a member, both subject to the society's rules.

The existence of cooperatives depends on the legal recognition of the autonomy of the individual and of the family. The cooperative institution "presupposes free and responsible persons who, in full exercise of their autonomy, have voluntarily joined together". Individual autonomy and independence are thus the preconditions of common action through Cooperation. It is also the aim of this common action to preserve this individual freedom both social and economic.

The common action of Cooperation is reaction against the consequences of individualism but it

does not suppress the individual effort. On the contrary it evokes and encourages individual effort in the right direction "from competition in individualism to individuality in cooperation", in the words of Thomas Carlyle. The common action that results is based on "the free accord of individual wills". Cooperation requires "both the individual effort of the cooperators and the union of their efforts, and it must bring these two factors and into simultaneous and complementary action."

The principle of voluntary membership enjoins not only that a person who joins a cooperative should do so voluntarily in the full exercise of his autonomy, but also that having joined the cooperative, the association of each member with the cooperative continues to be of his free will and the individual autonomy of the member remains unimpaired, except to the extent to which it has been restricted by certain internal disciplines "freely accepted by him in the interests of himself and all his fellow-members" (Fauquet). "It is a corollary of the principle of voluntary membership that the member should feel that he has a real responsibility for his society's good administration and achievements" (ICA Principles Commission).

The principles of voluntary membership has been violated to some extent in the developing country. In the modern context, joining a cooperative has been made a *sine qua non* in the agricultural sectors of most developing countries. The state gives certain assistance only to cooperatives. Similarly land is allotted to peasants under land

reform scheme only if they will join a cooperative set up for agricultural supply and marketing, or for joint farming. The initial decision to obtain this assistance coupled with the decision to join a cooperative are not compulsory. But in the context of a peasant's helplessness to fend for himself otherwise, these conditions are compulsory and therefore, to this extent voluntary membership is impaired.

Voluntary membership implies that a person's decision to apply for membership should be "the result of his unfettered appreciation of cooperative values and consideration of his economic advantage". But as accepted by the Principles Commission, this freedom can rarely be absolute. "It can be modified or overridden by other considerations of wider application and greater essential validity". A government may insist on a farmer becoming a member of a cooperative in his own interest. It would be tantamount to compulsory education. Then again, the government may insist on all agricultural produce in a given area being sold to the local cooperative when at least 75% of the producers of the area have joined that cooperative or voted in favour of such measure. This would be necessary to prevent any group of producers from staying outside the fold and so giving a foothold to opposing interests and thereby sabotaging the efforts of a voluntary cooperative to improve the marketing position and incomes of producers. The management of an irrigation scheme, the spraying of pesticides, or the adoption of a new system of cropping with the prospect of much higher yields,

are other examples of situations which justify the imposition of cooperation upon persons who are clearly anti-social elements. But this should be done only when such action is justifiable in the interests of the whole community. The aim of both the state and the cooperative movement, as said by Fauquet, is to render an organised service in the interest of the whole community in place of the struggle for profit and domination". Necessary safeguards should be "adopted against the abuse of power through the extension of compulsion in circumstances where it is necessary or inappropriate".

As stated earlier, the cooperative is free to choose its members and free to correct the choice. Although it is the society concerned which should decide against the admission of persons whose interests are contrary to the interests of the society, there is legislation in most of the Developing Countries to prevent such persons from obtaining membership of the societies or their committees. Money-lenders cannot be elected to the membership of credit cooperatives and traders of produce to the membership of marketing cooperatives. In consumer cooperatives traders of consumer goods cannot be elected to the committees.

Although these are beneficial laws, they still are an encroachment on the principle of voluntary membership as well as that of democratic control, both of which enjoin that it is the society which should decide on all matters relating to membership and election. Therefore these matters should

be embodied in the by-laws of the societies concerned and not in the law of the land. Proper cooperative education will ensure that this type of provision is included in the bye-laws of the societies, so that these internal matters are not regulated from above, resulting in regimentation. As bye-laws they would be self-disciplines freely imposed by the members themselves.

There has been a violation of voluntary membership that deserves serious notice. In all the states of India any person refused membership by a cooperative can appeal to the Registrar against such refusal. This stems from the notion that the state has a right to interfere in cooperatives in the public interest. But this undermines the character of the cooperative as a voluntary and autonomous body. It would be proper for the state to close down a cooperative which acts contrary to cooperative principles. By the same token, the state should not itself disregard the cooperative principles.

A recent survey conducted by the National Cooperative Union of India has revealed that the Registrars of the various States have all upheld every refusal of membership against which there was an appeal. This shows that the power of the Registrar in this respect is unnecessary. No doubt the law is well-meant mainly to prevent cooperatives from becoming family concerns or vested interests of certain people. But the state itself should not legislate or act in violation of cooperative principles which is clearly the case here. There is the surer and more desirable course of

action open to the state, viz. to close down all bogus cooperatives. This will be a great service to the movement as a whole in all the developing countries.

There is also a better and more cooperative way of solving this problem. That would be to make it possible for any person refused membership by a cooperative to appeal to the federal body of that same cooperative. This would preserve cooperative autonomy and also make the movement responsible for solving its own administrative problems. The Committee of the federal body as representatives of a large unit would be as competent, as the Registrar, if not more, to decide such issue, especially today when Registrars are not always recruited from among trained official cooperators. There is a tendency for persons, who come from outside the movement direct to the post of the Registrar, to overlook the need of observing cooperative principles. This tendency is not confined to any one country among the developing countries.

Open Membership

As the qualification of a person for membership in a cooperative society is that he has the need which that society seeks to satisfy, all who have this need should be entitled to join that society, subject to practical limitations. The common bond of the members is the common need and the object of the society is the common good. Therefore "they must be prepared to admit all who have the same need and who are ready to subscribe to the common contract" (Calvert). "The great force which drew

the faithful to come past many brilliant shops to a humble store was the faith that competition should give way to cooperation...It means that a newcomer to the cooperative was to be welcomed because he wanted help; and not, according to the joint-stock company rule, in proportion to the capital which he contributed". (Marshall).

There would be practical limitations however to enrolling everyone who has the common need. For example, a housing cooperative would be limited by the extent of land available to it. That would be a natural restriction. There can be no artificial restriction such as an arbitrary limit to the number of members. Also, as the association is one of human beings there can be no discrimination between them by reason of social, political, racial or religious difference. Cooperation, in the words of the ICA, is "neutral ground on which people holding the most varied opinions and professing the most diverse creeds may meet and act in common".

"Open membership" is often misinterpreted to mean that cooperatives are obliged to enroll all persons who may apply for membership. But as said by the ICA Principles Commission "open membership has never meant that". Those who do not have the common need cannot be enrolled even though they may be prepared to buy shares in the society. The purchase of shares is a person's overt expression of his involvement in the society and this can exist only when a person is in need of the society's services. Therefore membership in a cooperative should be "open" i.e. available without

artificial restriction or any social, political, racial or religious discrimination to all persons who need and can make use of the society's services and are willing to accept the responsibilities of membership.

The proper observance of the principle of "open membership" is essential for the observance of the principle of democratic control. If anybody could join a cooperative irrespective of whether he needs its services or not, it would be very simple for anti-cooperative elements to come in by the "open" door and exercise the right of democratic control to vote the cooperative itself out of existence. I have been personally made aware of the likelihood of this situation developing in some cooperatives of a certain country due to the indiscriminate admission of persons into their fold, in ignorance of the true meaning of the principle of open membership. A similar aberration from the principle of "open membership" is the selling of shares of cooperatives to the state, making it *ipso facto* a member of the cooperative concerned. The state does not have the same needs as those of individual members. Thus such enrolment of the state as a member of a cooperative is a violation of the principle of "open membership". Nor is the state in its capacity as a member prepared to submit to the internal discipline of the cooperative as laid down by its administrative organs. Moreover, as a member, the state has no right of its own to nominate any person to be a director of the cooperative even if it be to protect the interests of the state in respect of its shares in the cooperative for all members have only the same right in respect of directors, namely to

elect them by majority vote. As a member the state must bow to the principle of democratic control under which the status of all members is equal, a principle ensured "by giving each member one vote and one only." This violation of the principle of open membership by certain cooperatives, no doubt misled by the laws passed in disregard of or in ignorance of the cooperative principle, has changed the very character of such cooperatives. By enrolling the state as its member, a cooperative ceases to be in the cooperative sector. It becomes a part of the public sector, or of the "joint-sector", a new term used for the sphere of business undertaken jointly by the state and private organisations.

The proper observance of "open membership" will ensure that the membership is constituted of only those who are entitled to be members. This is of prime importance again because the principle of "democratic control" rests on the axiom that "what the members' interests are in any given situation only they can finally determine". This justification would not be valid if the membership includes persons who are not entitled to be members as they do not have the common need which the society seeks to satisfy and so would not be motivated by the same reasons as those by which the members who have the common need would be.

Thus the principle of democratic control which makes a cooperative a democratic organisation is dependent for its validity and effectiveness on the proper observance of the principle of voluntary and open membership.

The practice of selling shares to the state obtains only in India. This has sometimes become a political tool, for in the wake of state participation in share capital comes the "right" of the state to nominate persons to be directors of those cooperatives. Thus not only the principle of open membership but also the principle of democratic control is violated.

There is sometimes the case of "sympathising member". He is not in need of the services of the society but he has been brought in by the society, often at the behest of the state, to provide the managerial talent or leadership that is often lacking in cooperatives. This practice is fast becoming obsolete.

Democratic Control

Since the members associate as human beings having a common need and not as contributors of capital they are equal. As said by Calvert in his monumental "Law and Principles of Cooperation" it is only logical that as it is a common need that forms the union, this need should determine the status of each member within the society. Hence the rule of "one man, one vote" adopted by the Rochdale Pioneers. This is in accordance with the concept that all human beings are equal. Therefore the rule that the members meet on a basis of equality is the fundamental rule in respect of all the social relations of the members within the association. It follows from this that the will of the majority shall prevail i.e. the society shall be under

the democratic control of its members. Each co-operative society is therefore a democracy.

The aim of the common undertaking is to satisfy the needs of the members. It follows that the source and exercise of power in respect of the common undertaking must be with those whose needs gave birth to the undertaking. Thus Cooperation establishes the sovereignty of the individual person by locating "the origin and exercise of power at the very origin of needs: man then remains his own master, and the organisation is his servant", (Fauquet). The members must therefore remain in ultimate control of their undertaking. Hence the unequivocal acceptance by the 24th ICA Congress (Hamburg 1969) of the submission, made by Messrs Kerinec (France) and Thedin (Sweden), in their joint paper, that "democracy is the very essence of Cooperation". This was echoed by Mr Klimov of the USSR in the words "if this essence ceases to exist cooperation dies or is degenerated" and re-echoed by Prof. Lambert of Belgium. He said "it is not many years, I think, since the majority of practising cooperators and theoreticians of cooperation would have affirmed that the dividend was the essence of cooperation. Here we see a most welcome change of perspective since it is obvious that democracy is the principle which best distinguishes us from any other economic and social system and that at the same time this principle offers the greatest hope for the future".

As said by Messrs Kerinec and Thedin, "Cooperation is not merely a means of attaining limited

economic goals, it is not merely a type of economic undertaking or democratic organisation soundly rooted in everyday life and the common needs of its members. It is also a vision of the future. We refer to it because this vision of the future is intimately bound up with the vitality of cooperative democracy."

Cooperative democracies are homogeneous. They are "homogeneous not absolutely, but in relation to the function or functions assumed by the common undertaking". A direct relationship subsists between the objects of the common undertaking and the common needs of the members which the common undertaking has to satisfy. There may be differences among the members but they arise "only in the search for the solutions best adapted to the ends pursued". Thus cooperative democracies are different from political democracies.

The democratic control of the cooperative by its members would be effective only if those who enjoy the right of democratic control are individually autonomous, as stated above. Otherwise the real control would vest in those who have control over the members as regards their social and economic relations with their society. This would vitiate the principle of democratic control, the justification of which "rests on the proposition that it is the members who know what their interests are". Therefore the principle of individual autonomy embodied in the voluntary principle is a corollary of the principle of democratic control.

As cooperatives are voluntary associations of human beings, on a basis of equality for the solution of common economic problems rendering an organised service in the interests of the whole community, it follows that the democratic control exercised by the members would be valid and acceptable to the outside world in proportion to the degree to which it represents the will of those who have the common economic problems which the society seeks to solve. The greater the number of such persons within the society the greater the sanction there would be from the public in general for the decisions made by the general body of the cooperative. Therefore the principle of "open membership" is as much a corollary of the principle of "democratic control" as is the principle of "voluntary membership".

Democracy is the very essence of Cooperation for the reason that the cooperative would be failing in its purpose if the principle of democratic control were not observed. As said by the ICA Principles Commission, "the primary and dominant purpose of a cooperative society is to promote the interest of the membership". And what constitutes the interest of the membership is best determined by the members themselves. Thus it is essential that the cooperative society functions according to the will of the members if the cooperative is to fulfil its primary and dominant purpose of promoting the interest of its membership.

If the administrative organs of the cooperative are to embody the democratic principle, their deve-

lopment "must remain anchored to certain fundamental rules and assumptions which the Cooperative Movement has accepted from its very beginnings". "The cooperative society" says the ICA Principles Commission, "being primarily an association of human beings the status of all its members should be equal and all should have equal opportunities of participating in decisions and expressing views on policy. There is no way of ensuring this save by giving each member one vote and only one. Further since the Cooperative Movement exists in order to place the common people in effective control of the mechanism of modern economic life, it must give the individual (only too often reduced to the role of a cog in that mechanism) a chance to express himself, a voice in the affairs and destinies of his cooperative and scope to exercise his judgement". His sense of responsibility for his society's good administration would not be real if his voice in its affairs is not equal to that of every other member. Accordingly there can be no exception to the rule of one member one vote in primary cooperative societies.

As regards representation at the secondary and higher levels of cooperative organisation, the ICA Rule quoted above makes it clear that "in other than primary societies the administration shall be conducted on a democratic basis in a suitable form" ... As stated by the ICA Principles Commission the secondary and tertiary organisations which are created by the cooperation of cooperative societies are themselves undoubtedly cooperative organisations, with the same obligation as the

primary societies of conforming to the essential cooperative rules. The members of secondary organisations have equal rights. This equality gives them the proper basis for democratic management. It is therefore consistent to apply the rule of one member, one vote to secondary organisations, including some of national dimensions. It would appear to work satisfactorily in organisations where there is no great disparity in size between their affiliated societies."

"Another method which unquestionably pays proper respect to the human factor, is to base voting power upon the individual membership of (affiliated) societies". "A variant of this system is found where voting power may be based on capital contributions which are themselves based on membership". Another method is "to take account of the different degrees of interest displayed by the affiliated societies in their common organisation as indicated, for example, by their volume of purchases from it or of produce marketed through it". The Commission concludes "it does not appear, however, that these departures from the strict rule of equality of persons have yet led anywhere to a distribution of voting power radically different from that which would have been made on a membership basis, and from a practical angle and in the light of experience, they may represent a necessary or desirable concession for the sake of unity, equality or efficiency or any combination of these".

To my mind there is no doubt that "the strict rule of equality of persons" referred to in the fore-

going paragraph is best adhered to, not by giving each affiliated society the same voting power at the secondary level, but by giving each affiliated society votes in proportion to its own individual membership. The purposes of democracy would be served best by this arrangement for the voting power at the secondary level will reflect the strength of the human membership at the primary level. Democracy at the base enjoins one man, one vote and so the larger the number of men the larger the number of votes. It would in fact be a negation of this basic right of human beings if at the secondary level a society representing even a membership of one million persons has only one vote, the same as what a society of ten would have. The secondary organisation should have votes in the tertiary in proportion to the total membership of its affiliated primary societies. Thus only will the basic cooperative rule of "one member one vote" be truly observed for at the primary level "one member one vote" means "one man, one vote" and in fact the rule is more often quoted as "one man one vote".

This certainly is the best arrangement for the representation of primary societies in their ideological and parliamentary bodies. What is of primary importance is the expression of the will of the cooperators themselves, the free and responsible human beings who have voluntarily joined together. Their representation in proportion to their number is the only equitable arrangement if the basic idea of cooperation as "the voluntary association of human beings on a basis of equality" is to be preserved at the parliamentary level of the movement.

The only exception that can be taken to the above argument is that there may be members at the primary level who are not really involved in their societies. Should they also be taken into account in assessing the proportional representation that is due to their societies at the higher level? This question can be replied with a forthright "no". But the remedy here lies with the primary society itself. As pointed out earlier, no person should be kept in membership who is not in need of the services of the society. Generally, it is not in the interests of the society to keep such person in membership. There may be an exception in the case of one who having joined the society when he was in need of its services has so improved his economic position through his participation in the society that he is not in need of the society's services now (as often happens in cooperative credit societies) but is so ideologically involved that he may be a great asset to the society.

Any other method of representation at the higher levels would have the same flaw, if the primary societies do not weed out the members who are not really involved for the latter would still have a say in this representation.

The different degrees of interest displayed by the affiliated societies in their common organisation may not be assessable by their volume of purchases from it or of produce marketed through it. These volumes may represent the transactions of a few rich consumers or large producers. The grant of recognition in proportion to purchases or sales from or

through the secondary level organisations would indirectly give a better position to societies of richer communities whose purchases and sales could be higher, in spite of the number of people involved in them being less than that in the societies of poorer communities. However these methods do not appear so objectionable in the case of business federations. The fact remains that proportional representation at the secondary level, be it on the basis of the membership of primary societies or of the purchases or sales made by them, is far more equitable than each member-society of a federation enjoying equal voting power, irrespective of its own membership or its involvement in the federation.

In a fully developed cooperative unit, management must rest in the members themselves and there should be no external interference. "Autonomy is therefore a corollary of democracy" as said by the Principles Commission.

Governments often seek to lay down rules on matters that should be dealt with by the members themselves. To legislate to ensure the observance of cooperative principles is one thing but to lay down internal disciplines by law is another. Even provisions which are *per se* healthy for a cooperative society's internal management become regimentation when they are laid down from above. When they are adopted by the members of their own free will, as their byelaws or working rules, they become internal disciplines of great moral value. Such internal disciplines result in material benefit as well, and so "by a single motion cooperation raises the people's standard materially as well as morally. If

it failed in its moral task, it would also fail in its economic one" (Fauquet). When internal disciplines are laid down by the law of the land or any outside authority, they offend against the autonomy of the members and of the society. As has been pointed out, this autonomy is a corollary of cooperative democracy.

It is often averred that government control would be removed when the cooperatives become competent to manage their own affairs. It is a contradiction in terms to say this, because competence to manage their own affairs could be proved only when the government has withdrawn its control. As long as there is government control, the members cannot develop fully into their own and become competent to manage their own affairs. The very fact that there is close government supervision makes the members less vigilant and so this governmental supervision itself becomes a cause of a society's downfall. And, as said by Sir Malcolm Darling, "it is never easy to persuade those in authority that the time has come for withdrawal, still less easy to get employees to train others to take their place". Far from this one wonders whether a government, which has bought shares in a cooperative will ever surrender its shares and recall its directorial nominees who followed in the wake of this participation in share capital.

As said by Dr Bonow, President of the ICA, "it is absolutely essential that the long-term objective of making the cooperative movement an independent and autonomous one is kept constantly in mind. We would have mistaken the casket for the

gem if we were to perpetuate an arrangement whereby the initiative and the democratic character of the cooperative movement would be impaired". He added "in the ultimate analysis, it is the vitality of the people of a country which determines progress. Legislation, especially cooperative legislation, should provide the framework within which people's capacity to bring about the desired change is enhanced. If the net result of legislation is to thwart this tendency, I am afraid, we would have done more harm than good".

As noted by the ICA Congress at Zurich in 1946, the State cannot do without the collaboration of cooperative institutions. As pointed out by Dr. Fauquet, cooperatives "draw their strength precisely from the quarters where state authority is reduced and attenuates by the time it reaches them". "And cooperation", he continues "even though it may at first have been oppressed or misunderstood, can respond to the appeal of the State which makes a reasonably moderate estimate of what it can effectively achieve by its own means. Cooperative organisations by virtue of their federal structure with its hierarchic arrangements of their elementary units, offer the state—if it cares to avail itself of them—a chain of relay station of between the centres which direct the economy and the depths of social life". The liaison so established would be a flexible one permitting any errors in the directive from above to be corrected and reduced to suit local conditions. Cooperation, thanks to its own virtues, "can thus be associated with a partially centralised economy of a reasonable kind".

The most authoritative guidance in regard to the role of government in cooperative development came from the ILO at its General Conference in 1966, from its Recommendation No. 127 under the title "Cooperatives (Developing Countries) Recommendation 1966". The gist of this recommendation is that "governments should formulate and carry out a policy under which cooperatives receive aid and encouragement . . . without effect on their independence" and "such aid should not entail any obligations contrary to the independence or interests of cooperatives and should be designed to encourage rather than replace the initiative and effort of the members". This recommendation has great relevance to the functioning of cooperative democracy in developing countries. The inroads into cooperative democracy referred to earlier in this paper would have been terminated if the recommendation had been taken seriously by the governments concerned.

In India the great question still remains to be answered, whether the cooperatives should function as agents of the state. As said by the late Dr. Gadgil, then Vice-Chairman of the Planning Commission of India and the acknowledged doyen of the Indian Movement, "the basic objection was quite clear. It was that you gave up your voluntary character if you became, with whatever safeguards, an instrument of governmental policy. In a number of respects the purely voluntary character of the cooperative movement was necessarily lost."

Once the position of agent was accepted, the increase of the Registrar's powers was an unavoidable corollary. The powers to nominate

office-bearers and directors, to supersede committees, and even to impose byelaws followed slowly but surely. The obligation now imposed on the cooperative societies which became agents of the government was that of functioning as good agents of the government. The cooperative element was limited to saving for the cooperative the little margin of profit left from the commission received from the government for discharging the functions of the agency. The people who formed themselves into a cooperative to be stronger collectively than they were individually vis-a-vis the trader, the money-lender and the government were now once again reverted to their original position of having to fend for themselves. When they dealt with their society they were now dealing with the government's agent, and no longer with their own agent. Under these circumstances there is little wonder that the people have not been really involved in the cooperatives. The cooperative is now to them only a facility to be availed of when necessary, similar to a train being used only when a journey has to be made. The society, like the train, is the concern of the State.

Cooperation is a *sine qua non* for the social and economic betterment of the people, especially those of the developing countries. Therefore, the cooperative movement of a country has a key role to play in the task of national development. The cooperative movement is strongest at the very place where any government is weakest viz. the village. The support of a true Cooperative Movement at the village level will therefore be of inestimable value to the government in the implementation of schemes of

national development, where popular participation is necessary.

Cooperatives have to be more than mere agents of the government if the support of the cooperatives is to be real and meaningful to the government. In fact if the cooperatives function only as agents of the government they get identified with the government with the result that the people lose sight of the need of being involved in the work of their cooperatives if the cooperatives are to render them satisfactory service. Without a sense of real involvement the people will not exercise that eternal vigilance which alone will ensure a high standard of service from the cooperatives. This real involvement will come about only when the cooperatives are truly voluntary and autonomous bodies acting as free and willing partners of the state in the great task of national development. To bring about this real involvement of the people in the cooperative movement much re-thinking has to be done by cooperative leaders as well as governmental authorities especially on their respective roles.

The question of agency therefore calls for a satisfactory solution if cooperatives are to be free and autonomous bodies solving the economic problems of their members. The solution of the economic problems of the members is a service which benefits not only the members but also the public in general, for any headway made by the cooperative movement benefits the entire community. Therefore this question is one of public importance.

Dr. Gadgil thought that there are some states in India which can prove that the decisions taken by them "since 15 or 20 years ago to accept government assistance and to accept the character of a government agency were not wrong. Equally there are other States which seem to prove that has not helped".

It is mainly the government's need of having cooperatives as its agents that has motivated un-cooperative legislation such as the nomination of directors and the imposition of byelaws by the Registrar. All this legislation stems from the desire to have even a nominal cooperative functioning, so that it can operate as the government's agent. The reason is not far to seek. The traders cannot be expected to function satisfactorily as agents. Purchasing directly through its own purchasing centres will entail much additional costs to the government not to speak of the positive inability to get better service than from the cooperatives. The cooperative society is the most satisfactory and the most manageable organisation for doing this task. Hence the desire to have a cooperative functioning as the agent of the government even if the voluntary and autonomous character of the cooperative has to be impaired for the purpose. Whether the agent be truly cooperative or not does not affect his usefulness as an agent. Lack of efficiency on the part of the agent will affect his usefulness. So there is legal power given to the Registrar to nominate officers and committees and even impose byelaws on the cooperatives for the purpose of ensuring the

due performance of the agency functions. So instead of liquidating cooperatives which cannot function satisfactorily, the Registrar gives the necessary oxygen to keep them alive for the purpose of functioning as agents of the government. Instead of taking an unroadworthy car off the road, driver and petrol are put in and the car is run in the name of the owner by the nominees of the Registrar. Sometimes adding insult to injury, as it were, these nominations and supersession, as the reports go, are made for political reasons. The report may be wrong but the general impression on the public mind remains that nominations made by a government are politically motivated.

If societies managed by the state are all that is desired at this stage, by all means let it be so but I would plead that everything good should not be called "cooperative". It is enough if everything cooperative is good. The danger in having agencies of the government masquerading as cooperatives is that the true cooperative concept will be lost, in course of time. It was only the other day that the manager of a big cooperative federation enunciated the principle that the function of a cooperative is to be a good agent of the state and no more—and this he did to an international audience. This way lies the end of the movement. Therefore I would submit that only cooperatives which can run on their own should be allowed to function and that the expediency of having cooperatives as agents of the state should not be a bar to liquidating cooperatives which have lost the capacity to run on their own. The Registrar's powers to nominate directors,

supersede committees and impose byelaws should be revoked. If those powers are required for the purpose of applying temporary remedies which are indicated for societies which have potential for doing well if only a particular situation were resolved, then the powers should be exercisable only on the request of the society concerned. The law should give the Registrar power to nominate directors only on the request of the society concerned, and the byelaws should provide a corresponding power to the society to request the Registrar accordingly. Any absolute power vested in the Registrar to nominate directors nullifies the principle of democratic control.

Often, the nomination of directors is made on the ground that the government has lent money to a society. Then, the law should provide for such nomination only when a loan has been obtained on the condition that the government would be entitled to nominate directors. There should be a voluntary acceptance of this condition. Supersession of a committee without the consent of the general body is indefensible. If the society does not want it, it would be better to liquidate a bad society than to impose an unwanted committee on it.

All these powers of the Registrar militate against the growth of leadership in cooperatives. As long as the Registrar is vested with these powers of controlling, directing and managing the cooperatives, directly or indirectly, the Registrar remains the *de facto* leader. Real leadership will not develop when there is no scope for such. It is

only the second rate leadership that will emerge, the leadership that is satisfied with allowing the Registrar to do the thinking. That is why very few national leaders have held office in co-operatives. If they did they would have felt frustrated.

On the other hand let us see what good this *de facto* leadership of the Registrar has done to the movement. The Registrars are foremost in decrying the very movements which they have managed, directed and controlled these sixty odd years. If in spite of these powers the Registrars have not been able to develop a better movement and better leadership, is it not correct to infer that these powers have been of no avail for developing the Movement? I speak as one who has exercised the powers of the Registrar, first under delegated authority and then directly, for twenty five years, in Ceylon. It is these very powers that have lulled the members of cooperatives into complacency, quite sure as they are that the Registrar would do the needful. Why should they take on the task of correction, risking private friendship and even courting revenge, when the Registrar is there to exercise his powers? If these powers of the Registrar did not exist the members would have been more vigilant and assertive. Today it is not their headache, for there is a government officer to pull the chestnuts out of the fire. So we have to conclude that the main cause of the lack of leadership is the *de facto* leadership vested in the Registrar by the law, paradoxical as it may seem.

I say that we should plan for the gradual

removal of these powers for they cannot be removed all of a sudden. On the one hand there is the government's need of cooperative agencies and on the other hand the cooperators themselves must have a long enough period within which they could equip themselves to take full charge of their cooperatives. All these years the elected leaders have looked up to the Registrar for guidance. They must gradually take over the entire responsibility. Even now the responsibility for failure is laid at their door although much of it should really be laid at the door of the Registrar. This responsibility will surely be theirs when the elected leaders are fully responsible for decision-making. There is no need to fear failure, for when the Registrar has no hand in decision-making and the societies have the full power to fix their borrowing and lending limits, to waive dues etc. the sense of responsibility of the cooperative leaders will grow. So there should be a plan of withdrawal by government from its present position of manager and controller to that of only promoter and adviser and still later to that of a neutral. The societies could be classified and the societies which have done good work could be exempted from having to obtain the Registrar's approval for borrowing etc. At the same time, the Registrar should not exercise his powers of nominating directors or imposing byelaws in respect of these societies. I am not attempting to give a plan of withdrawal here but only giving examples of what might be done by way of government's withdrawing from its present position slowly but surely, so that within about 25 years at the most each movement would be truly voluntary and autonomous.

There is another line in which the government should withdraw if there is to be real cooperative development. I refer to the present practice of deputing government officials to man the higher posts of the cooperatives, as executives of the cooperatives—Managing Directors, General Managers and even in lesser capacities. By the time an officer has begun to be really useful he is due for transfer back to his service. Then another comes on deputation and the same thing happens. In this way, the cooperatives will never have top executives of their own, from whose experience the cooperatives will profit in course of time. The cooperatives continue to be the training ground of government administrators whilst the cooperatives themselves remain where they were, dependent as ever on the government for the supply of the managerial personnel required by them. The deputation of government officers to cooperatives decreases their values as people's organisations. What is more, the members regard these officers as representatives of the government and in turn regard their cooperatives as government concerns. They also leave decision making to the government officer and so lose control over their organisation.

On this question I can do no better than quote again from the inaugural address of the Union Minister of Agriculture in the Government of India at an ICA Seminar.

He said : "I must however frankly admit that the cooperative movement to succeed must build on its own resources and ability to train up its own

persons. The policy of deputation which has been frowned at in other public sector undertakings is still less worthy and reasonable in the cooperative sector. Firstly such people in many cases are not likely to be imbued with the cooperative ideal. They would be able to play the government machinery against the cooperative and, with no personal stakes in the movement, they are likely to distort its functioning and image."

If there is no way out of it due to the inability of the cooperatives to offer high enough salaries to attract men of calibre from outside the public service, then the government officials who are deputed to serve in cooperatives should be formed into a special service so that the experience and expertise they acquire by serving in cooperatives is not lost to the Movement. This should not however be a permanent solution for the Movement must have its own employees serving in the top-most posts when it can afford the high salaries that are demanded.

I have given this detailed analysis of how the principle of democratic control is applied in India, Sri Lanka, and other developing countries because it is of vital importance to the growth of a true cooperative movement among the peoples who need it most, those of the developing countries. The Registrar's powers of control and the position of cooperatives as agents of the State are more the rule than the exception in Sri Lanka, India and Pakistan. Bangladesh has done away with nominations of directors—a silver lining in the dark

cloud. The Registrar has large powers in Thailand, Malaysia, and Singapore. There are various laws in the Philippines relating to various types of cooperatives. Generally speaking the laws themselves respect the cooperative principles except in one strange instance viz. the Cooperative Marketing Law which gives a member of a primary agricultural society votes "in proportion to the volume or quantity of agricultural products he shall have delivered to the association". This is a violation of the principle of "one member, one vote" at the primary level. A new law is being enacted in the Philippines about this time (March 1973) by Presidential Decree, (under conditions of Martial Law). The Law will replace all existing laws and so bring about a better climate for general cooperative development. The cooperative law in Indonesia is more appreciative of cooperative principles than most laws of developing countries. This law does not violate the principle of democratic control.

Elimination of Profit

Whilst democracy is the very essence of Cooperation, its principle action is that it eliminates economic exploitation, as already stated above.

A commercial undertaking employs its capital to exploit the economic needs of others, and divides the profits among the shareholders in proportion to shares held by them. The Rochdale Pioneers recognised that capital was indispensable and also that it gave labour an added productivity. So they

admitted the need to remunerate those who supplied the capital. But their idea was "labour working with capital, not labour working for capital or its possessor". They therefore rejected the claim of the owners of capital to any part of the trading surplus and admitted only their claim to interest at fair rates. As said by Prof. Gide, one time President of the ICA, "by making capital, instead of the profit taker, a mere wage (interest) earner, the cooperative system is neither more nor less than a social revolution."

It should be clear that there is no cooperative principle which obliges interest to be paid. The principle is that, if interest is paid on share capital, the rate should be limited and fixed, on the ground that the supplier of capital is not equitably entitled to share in savings, surplus or profit, whatever the term employed to denote what remains of the value of the society's output of goods and services, after its costs, including the remuneration of labour, land and capital, have been met". (Principles Commission). As to the method of fixing the rate of interest what is required by this principle is that the rate of interest should be a legitimate rate and nothing more.

The Principles Commission had said in this regard: "Cooperative rules regarding interest and the division and use of surplus are the twofold result of a firm resolve to establish and extend a more equitable division of the product of economic organisation than is commonly found in the profit-dominated business world". Hence the principle

that share capital shall receive no more than a strictly limited rate of interest and that the surplus should be distributed in proportion to the participation of each member in producing that surplus reckoned by the volume of each member's transactions with the society.

The method of dividing the surplus is often misunderstood. As invariably happens in cooperatives of the modern world, a certain amount of trading is done with non-members. It is the sum-total of transactions that have produced the surplus. Therefore equitably the non-members too should get back what they have overpaid. There are instances of societies assigning such surplus to non-members and giving them an opportunity of using such surplus to buy shares in the society. Only shareholders are given a share of the surplus, but this does not mean that they can divide among themselves the surplus which has been derived from non-members. If members receive any part of the surplus derived from non-members the members would be making profit to that extent. But the principle feature of cooperative business is profit elimination. Therefore only the share of the surplus that is proportionate to the members transactions should be divided among the members. Thus the rate of rebate due to the members should be no more than the proportion that the entire divisible surplus is of the entire volume of transactions.

The trading surplus is "an overcharge which belongs to those from whom it has been derived

and to whom it should be returned" (Calvert). However it is open to the members to decide on its disposal in one or all of the following ways :

- i) provision for the development of the society's business including its transfer to the reserve funds of the society;
- ii) provision of common services, the most important of which would be the education of the members, officers, employees etc. of the society and of the general public in the principles and techniques of cooperation;
- iii) distribution among the members in proportion to their transactions with the society within the limits explained above.

The ICA Principles Commission has pointed out that because members undertake the risks of the undertaking "it is members and no one else who are fairly entitled to share in the savings which a Co-operative makes, but only in so far as these savings result from their own transactions with it. The society must itself be scrupulous in dealing with any revenue which accrues from dealings with non-members using its regular services. If it is not reserved for individual non-members as an inducement to them to apply for membership, then it should be devoted to some purpose of common benefit, preferably for the wider community beyond the society's membership. In no case should it be added to the savings distributed to members. Otherwise they would participate in profits in a manner that Cooperation expressly abjures".

The principle of limited interest on share capital is observed almost faithfully in the developing countries of Asia. In certain countries such as Malaysia, Singapore, Sri Lanka and India, urban credit cooperatives have built up large reserves partly as a result of observing this principle. The proper observance of this principle is enjoined in most countries by a legal provision fixing the upper limit of interest payable on shares.

The principle of the equitable division of the surplus is enjoined in the cooperative laws of most countries. Usually 25% of the net surplus has to be transferred to the reserve fund of the society. There are common good funds, dividend equalisation funds, bad debt redemption funds, building depreciation funds, etc. to which a part of the profits is allotted. The members get a rebate which is generally low due to the turnover being low and the size of societies being small.

The principle of eliminating profit is violated by certain movements in accepting monopolies from the state of the distribution of certain consumer goods or the procurement of agricultural produce. Such monopolies are not on a par with the monopoly given to a marketing society which has the support of at least 75% of the producers of an area and is therefore made the channel of sale for the rest of the producers whether they like it or not—a matter I have referred to earlier under voluntary membership. The latter arrangement is a recognition of sound achievement and is based on the need to prevent that achievement being sabotaged. The

former on the contrary is not based on any proven cooperative merit. Such monopolies are granted when it suits the state to do so. The cooperative movement may ostensibly gain by way of higher profits but these profits are to a large extent middleman profits and the making of them is a violation of the cooperative principle in this regard. What is more, such monopolies breed inefficiency and complacency in the cooperatives and ultimately result in the degeneration of the movement. The only monopoly which cooperatives can enjoy true to their principles is that born of membership loyalty.

Education

The ICA Principles Commission placed great importance on the principle of cooperative education—the educational responsibility which the cooperative movement “alone can discharge of educating people in the ideals of cooperation and the proper methods of applying its principles in given circumstances.” The Commission called the principle of education “the principle, in fact, which makes possible the effective observance and application of the rest”. “For” said the Commission, the principles of Cooperation are more than mere verbal formulae, more than articles in the rule book, to be literally interpreted. In the last analysis the principle embody the spirit of Cooperation which has to be awakened and renewed in every fresh generation that takes over the work of the Movement from its predecessors. That awakening and renewal depend, more than anything, upon the care and assiduity with which each generation keeps the torch of education aflame”.

As pointed out by the ICA Principles Commission "all persons engaged in cooperation need to participate in this process of education and re-education". They could be divided into three groups—viz., the members, the office-holders and the general public. The members are the ultimate controllers of their societies' affairs and the officers, both the elected as well as the professional, have to carry out the society's policy laid down by the members and their committee of management as well as guide the members. The members and the officers therefore require knowledge, technical skill and training in cooperative conduct and behaviour. They must know not only the special form of cooperation in which they are engaged, but also the economic and social environment in which their societies operate. The general public must be regarded as potential members, persons who must be won over by the cooperatives to their fold. Any headway which the cooperatives make brings benefit to the entire community. So it is in the interest of the movement to keep the public informed of the benefits they derive indirectly and of what they could derive directly by joining the cooperative movement.

It is the duty of the secondary and tertiary cooperatives to give priority to this matter of education, for it is they and not the small primaries that can find the money for this.

The various unions, federations and leagues at the national level of the cooperative movements of the developing countries have their programmes of

education. But as these national unions are only promotional bodies dependent on their member-societies for funds, and as the business federations do not give adequate support to the national unions in respect of education, sufficient efforts have not been made for the education of the cooperators, not to speak of the education of the general public.

The governments of most of the countries however do much work in this regard. In India there is a National Institute of Cooperative Education, 14 cooperative colleges and 66 training centres. These are run by the National Union but with funds made available by the government. In Sri Lanka there is a School of Cooperation run by the government and over 20 district Centres. In Malaysia there is a Cooperative College run by the government in association with the movement. Iran, Pakistan, Indonesia, Nepal and the Republic of Korea, all have national training centres for cooperative workers. In the Philippines there is a Cooperative Education Board financed by the government. In Thailand, the government sponsored Cooperative League conducts cooperative training programmes.

It is mainly the employees of the Cooperative Departments who are trained in these centres. This is because supervision, audit and development are done by the government. The movements themselves have not made much headway in taking over the task of cooperative education.

There is legislation in India, Sri Lanka and Malaysia enabling the Registrar to collect a certain

percentage of the profits into a special fund for financing cooperative education and propaganda. It is usually five per cent of the net profits of cooperative societies. This money is allocated to the unions for their educational and propaganda work. This arrangement however is not the best possible. It is paradoxical that this levy should be made on behalf of an autonomous movement by the government. This situation is perhaps the index of the extent to which the cooperatives are really involved in their movement. But there are instances of societies making their own collections in addition to the government levy for educational work. This way lies the road to the movement's independence of government assistance and control.

The movements served by the ICA's Regional Office for South-East Asia—14 countries in all ranging from Iran to Australia—are examining a proposal to create Development Funds of their own, mainly for education and training. The money is available from the rank and file, and large sums at that, if only the necessary organisation can be set up to collect it. For instance, even if only one rupee were to be collected from each member of a cooperative society, as much as fifty million rupees could be collected i.e. six million dollars in India. Even if this payment is made by a member only once in his life-time, it would be enough to enable the National Union to carry out a fair programme of education from the interest alone, whilst keeping the money collected as a permanent fund. I am explaining this proposal in detail as I feel that the cooperative movements of all developing countries

can become independent of their governments in regard to cooperative education and training and so pave the way for an autonomous movement.

When cooperative education is imparted by the movements with government money there is a certain reluctance to criticise the governments in regard to their policies towards the movement and their methods of development. For instance, I have yet not met any cooperative teacher who has questioned the cooperative validity of allotting shares of cooperatives to the State. Even the teaching of cooperative principles cannot be done effectively and ideologically because the actual policies of the governments do not tally with the precepts and the teacher is afraid to criticize these policies, as the money he is paid comes ultimately from the government. This attitude obtains even when the teachers are not themselves directly appointed by the government. But where teaching is yet done by government officials, such as cooperative inspectors, the position is worse—for they dare not question the policies of their governments. So even the educated members, not to speak of the illiterate masses of the membership and the public, are not educated fully in cooperative ideology and so they naturally lack “the deeply democratic spirit of cooperation”. This handicap of the teachers, their inability to teach cooperation in a forthright fashion will disappear when they are employed by unions which are not dependent on government funds for cooperative education.

In a small education project conducted by

the ICA Regional Office with the collaboration of the National Cooperative Union of India, we are giving special attention to the education of fifteen villages. We have already in the space of two years seen the difference it makes to the villagers when intensive education is imparted to them by independent teachers. They have become aware of the cooperative method and the cooperative ideology as they never were before.

It is my firm conviction that if the cooperative movements of the developing countries are to become really autonomous, then cooperative education must be imparted by their unions and federations, in complete independence of governmental assistance for this purpose. The measure of success in cooperative education and training is the availability of trained managerial staff and a sound public opinion within the movement. The training of managerial staff has been done only at the lower levels and truly there is no "public opinion" among the cooperators in any of these countries, to judge from the indifference they have shown to the various laws and acts of governments, which are clearly inroads on cooperative democracy.

Cooperative education in these countries has many hurdles to cross over other than the lack of finance from the movement itself, viz., the illiteracy of the large mass of the membership in certain countries which makes communication very slow. They lack sufficient audio-visual equipment to overcome this barrier, Conversely in countries where literacy is very high, the wide gap between precept and policy on the part of the government

in respect of cooperative development, a policy sometimes neither more nor less than the utilisation of cooperative institutions for political ends, has contributed to indifference on the part of the public who naturally have come to regard the cooperatives as adjuncts of the state.

One sure way of correcting this public apathy is to educate the younger generation and get them involved. Events such as Inter-University Debates on cooperative subjects, as obtain, for instance, in India, will go a long way to make the younger generation aware of the drawbacks of the present way of developing the cooperative movement. There would then be some hope that when the younger generation in the universities takes over the management of political affairs they will bring a different attitude to bear on matters cooperative. This would be more so, if the younger generation are induced to take up office in cooperatives. Cooperatives should be regarded as the training ground for shouldering the higher responsibilities of political life. Then cooperators would become political leaders in due course rather than, as now, have politicians becoming cooperative leaders. But even for motivating the younger generation, cooperative education must be imparted by unions in complete independence of government. Even if there be government assistance by way of funds, the quantum of that assistance should not be more than the amount the movement itself could generate for cooperative education.

It is only true cooperative education that will

transform the present cooperative systems obtaining in the developing countries into real movements, movements of the people, by the people, for the people.

Cooperation among Cooperatives

The cooperative movement in every developing country has a bad press and a bad word from many a politician. These are surer signs to know that cooperative lamps have begun to glow. Formerly the cooperative movements were not worth their attention. But now the capitalist press sees the potentiality of the cooperative movement to upset the capitalist apple-cart. And the politicians see that cooperative leaders can give fight to them by reason of the cooperatives being the best medium of reaching the masses. So the press tries to kill the movement whilst the politician seeks to collar the movement for his own purposes, both for removing his would be rivals, the cooperative leaders, and for getting to the grass-roots of the people, the *hoi polloi* who can turn the scales at elections.

Besides these two sections, there is the real competition offered by big business. The cooperative movement could be the biggest of them all; if the movement were united, and internationally greater than any free trade area or economic community if the national cooperatives join with each other internationally. We already have good examples of the latter in the Scandinavian Wholesale Society, the International Cooperative Petroleum Association and the International Cooperative Alliance.

It is therefore essential for cooperatives to cooperate with one another both for the preservation of their movement and for increasing their business strength. The ideological agreement is already there. For whilst private business can gain materially by competing with each other, cooperatives have no reason to compete, if they are true to their ideology of eschewing economic exploitation.

In the developing countries there is considerable cooperation among cooperatives. Sometimes, here and there, one finds a quarrel for operating in the same area but generally speaking the cooperatives have clearly demarcated areas of operation at the primary and the secondary and higher levels of the cooperative pyramid.

Even the basic clash of interests between agricultural marketing and consumer distribution is rapidly disappearing at the primary level through the operation of multi-purpose societies which handle both the sale of produce and the supply of consumer goods. There are instances of cooperative thrift and credit societies assisting cooperative housing societies with long-term funds, as in Malaysia. Most countries have national unions which have as their members more than half the number of cooperative societies in their respective countries. This affiliation has been voluntary except in Thailand where the law requires every cooperative society to be a member of the national cooperative league. The position will, hopefully, be corrected in due course as the cooperative movement comes into its own in that country.

Aims

Cooperators have a lofty ideal, namely, "a better and more fully human society than mankind in the mass has yet achieved", as said by the ICA Principles Commission. The Commission goes on to say : "The world will judge the success of cooperation by its contribution to raising the level of human well-being as quickly as possible. Humanity at large is seeking, however blindly, for a major transformation from a system dominated by capital to one based on human dignity and equality. The Cooperative Movement, when true to its principles and armed with the courage of its convictions, can prove by practical demonstration that a world society is possible in which man is no longer the slave but master of economic forces. Its mission is to teach the common people by demonstration how the principles which express their neighbourly and brotherly relations in their cooperative can also inspire the mutual relations of nations". The objectives and ideals of the movement as a whole "are no less than the attainment of a stage at which conflict, monopoly and unearned profit cease to exist", and this can be realised only by "the unstinted and united efforts of all cooperators and cooperative institutions, large and small, national and international".

The Commission goes on : "Cooperators the world over should profoundly appreciate that the most important aim of the cooperative movement is the promotion of the social and economic rights of the people and that the pursuit and achievement

of this high aim requires active and concerted efforts towards the realisation of world peace.”

Cooperation does not aim at mere material benefit. It aims at material and moral benefit simultaneously to achieve both the economic and the social betterment of its members. Every good cooperative society insists on honest trading and honest living. When, for example, the members of a dairy cooperative decide to reject adulterated milk, they impose upon themselves voluntarily an internal discipline. Such self-imposition of disciplines has great moral value and the adherence to such discipline also improves the material benefit obtained from the enterprise. So as said by Fauquet, “by a single motion, cooperation improves man’s standards, both materially and morally”.

In the developing countries, the development of the movement has been, and is yet dependent, on the initiative of the governments. Do they really believe in cooperation or are they merely using it as a convenient method of reaching the people at the grass-roots level and of getting government’s work done through cooperative agents? If they are really interested in true cooperative development they will not do anything to encourage the growth of an uncooperative system, far from passing laws which contravene cooperative principles. They should not aim at quantitative results but qualitative results. A strict watch over uncooperative activities will be their greatest contribution to the movement’s development.

If state-managed people's organisations are deemed necessary for the implementation of state schemes such as those of procurement and distribution, then by all means have them. But why disguise them as cooperatives to pass muster? Why not have the courage to give them another name? For everything good need not be called cooperative. It is enough if everything cooperative is good. The aim of all who seek to develop the cooperative movement should be to achieve this. Good cooperation for its own sake. Principles have value only to the extent to which they are respected where they are applied and that too only to the extent to which they are accepted and understood by the men who apply them.

The proper application of Cooperative Principles is essential for the success of the movement, for Cooperative Principles "are those which are essential, that is absolutely indispensable, to the achievement of the Cooperative Movement's purpose" which at the least is the creation of "a cooperative sector complementary to, but exercising an influence upon, the public and private sectors of the economy".

Cooperation is in short a social revolution of a fundamental nature. By cooperating men cease to exploit one another's needs and instead join hands to solve their common economic problems for their own social and economic betterment. It is a joint effort at self-help which is of mutual benefit to the whole community as any headway made by the Cooperative Movement has a direct effect on production and trade in the public and private sectors as

well as brings to the general public served by these sectors certain benefits which cannot be withheld any longer. The movement seeks to establish economic democracy "without which political democracy will not be meaningful".

Cooperation, however, is a revolution without the "R"—the trials and tribulations associated with normal revolutions because the revolution that Cooperation brings about develops by natural process when action is taken in accordance with Cooperative Principles.

The ingredients of this revolution are : (i) men desist from exploiting one another's needs and instead cooperate for the benefit of themselves and the whole community; (ii) men associate on a basis of equality as human beings having the same economic needs and not as owners of capital with rights in proportion to the capital contributed by them and therefore they exercise power and control over their undertaking democratically; (iii) control over the economy by capitalists and middlemen is substituted by the control of the economy by producers and consumers; (iv) capital ceases to earn profits and is reduced to the position of a wage-earner—an earner of interest limited to a rate that is deemed fair and reasonable; and (v) profit is eliminated by the arrangement that the customers as members have the right to take back the trading surplus in proportion to their participation in the transactions of the society.

As said by the Principles Commission, Cooperation aims at something beyond the promotion of

the interests of the individual members who compose a cooperative. Its object is rather to promote the progress and welfare of humanity. "It is this aim" says the Principles Commission "that makes a cooperative society something different from an ordinary economic enterprise and justifies its being tested, not simply from the standpoint of its business efficiency, but also from the standpoint of its contribution to the moral and social values which elevate human life above the merely material and animal."

And, I would add, every effort made to help the cooperative movement to make this contribution to the economic and social betterment of man, especially in the developing countries, brings with it a reward which money cannot buy—a sense of spiritual happiness.

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