

Chapter IV

Cooperative Societies Act: Historical Development And the Present Situation.

4.1 Definition and explanation of Cooperation

Cooperation is a common phenomenon as every one of us cooperates with others every now and then to accomplish tasks otherwise unmanageable single-handedly. Sociologists talk of 'cooperation' as one of the most basic processes of social interaction. For the purpose of our discussion on cooperative societies and their role in rural development, it is essential to take into consideration here, what is understood by the term cooperative society.

In the preamble to The Cooperative Societies Act: "Cooperation is the sense of working together for a common result...in its general sense the word usually is reserved for a designed common effort". (Gupte; 1986: 01)

"While cooperation means voluntary association, it definitely implies that there can be no society without discipline and subservience to the will of the majority... Cooperation is a form of organization wherein members voluntarily associate together on a basis of equality and work together for a common end...It is the voluntary association of persons for pursuit of common objective and the satisfaction of a common need, viz. the economic improvement of themselves.

In all its manifestations, cooperation is the application to social and economic life on the principles of equality, sharing and unity as its strength...These principles have made it possible for a society composed of comparatively poor and weak men to give its members some of the advantages ordinarily obtainable only by the rich and the strong...It is a movement for the weak; mutual help is its keynote; desire to serve is its

animating spirit.” (Gupte, 1986: 02)

There are, however, characteristic distinctions that differentiate the cooperative organizations from ordinary, profit-oriented, commercial or joint stock companies. George J. Holyoke has stated that, “A cooperative society is not defined in the Act. A credit society is a sort of a bank, which raises capital by shares, deposits, debentures or loans and gives financial accommodation with this capital. It is cooperative, if financial accommodation is given only to the persons composing the society. What is important is that a cooperative society is a business organization with a special mode of doing business or running public affairs. It is not a charitable institution doling out relief to the weak and poor. It is an organization for doing business in a strictly business-like manner tempered by a high moral purpose of encouraging in its members, habits of honesty, industry, thrift, prudence, punctuality and mutual help...” There are many more explications on the concept of cooperation from different perspectives but the essence is more or less succinctly expressed by Holyoke. (cited in Gupte, 1986: 6)

Elaborating the distinction between a cooperative society and a joint stock company Joydeb Banerjee has pointed out:

(i) A Cooperative Society is different from a joint stock company, in that in a joint stock company, it is the capital, which comes together from different individuals while in the coop it is the human beings who come together along with some investment. Capital is thus pushed to background and contribution as a human resource, human ideas is given primacy over capital inputs.

Secondly, because even the dividend is limited, the investor has to look into the functioning of a cooperative society so as to assure income on one’s investment if nothing else. This has double impact. In the first place, individuals take interest in the day to day activities of the society, thus contributing to smooth functioning of the society and another overall advantage (because of working together) is that profit making in terms of money does not remain as the sole motto of business for most of the members; eventually, all of them realize that collective need fulfillment gets

precedence over profit. Thus, giving service is the motto of a cooperative venture and not profit. This helps to stick to healthy practices of making money by only legitimate means. This is on a larger level, advantage to the society. In fact, profit to a cooperative is a byproduct of giving satisfactory and reliable service to members and non-members. The real profit is not measured in terms of money but in terms of adherence to certain principles and methods of doing business without cross cutting anybody's interest.

(ii) Voluntary membership or dissociating oneself from membership on his own will. There are a very few institutions in the society where this facility is available even in the 21st century. Most of the economic activities are carried out through compulsory membership such as family, kinship or traditional business of the family etc. Cooperative society allows and even encourages voluntarism.

(iii) The principle of equality has many meanings in a cooperative. It is not simply one member one vote. It means that any member's opposition to each other outside the cooperative society does not carry any weightage in the transactions as members of the society. This is also something different from the traditional mentality of the public and customs of the most of societies, which allowed position in one social sphere to be carried to other spheres of social activities. Members join more often to satisfy their economic needs rather than any other type of needs and thus concentrate more on that aspect irrespective of other individual liking, disliking or other matters.

(iv) A person who makes maximum purchases profits more. The economics of a cooperative is organized in such a way that one who contributes more by way of not the capital but by way of taking maximum service from the cooperative venture, gains more.

(v) Universality of membership is another important factor. In practice, the cooperative society makes a profit at the cost of non-members but open access to membership nullifies this ill effect. Anybody that is prepared to follow rules and regulations of the society can become and retain membership of the society. In case one is not happy with

the functioning of the society, he is free to leave it, provided that he has no liability towards the society.

(vi) Thrift is another important principle. Since there are limitations on ways of making profit, a cooperative society has to be thrifty, otherwise it will be economically a non-viable proposition. In fact, since the formation of the society itself is for the benefit of members, it is unreasonable to expect outsiders to provide capital, therefore right from its inception, prospective members have to save and invest to ensure smooth functioning of the society for which promoting thrift rather than expensive spending is a precondition. (Banerjee, 1961: 5-7)

4.2 Cooperatives in a historical outline:

It will not be out of place here to have a glimpse of history of cooperative movement in its modern form, which is in a way, a short span of not even two centuries considering its beginning in Europe as the starting point. Local level cooperative no doubt, was everywhere in the world, but it did not develop into a movement.

4.2.1 BEGINNING OF COOPERATIVES IN EUROPE

Expected to work at different levels, at mundane level a cooperative society has to achieve some primary goal of economic uplift of its members and perhaps of some other sections of society also. At a higher level it is expected to spread the spirit of cooperation amongst non-members also as amongst the members. At a third level, which is subtle, slow and perhaps visible over a longer period of time, cooperatives ought to make it a life style of masses not just a habit of a few individuals. The probability of success usually declines as one goes from lower to higher levels.

The history of cooperative movement in Britain spells out all these features of cooperation: -

“In and around the township of Rochdale, near Manchester, in Great Britain, by 1830, about 400 groups, mostly of mill workers had been formed for a specific

purpose. Each group pooled some amount to purchase certain items which most of the members needed, from the wholesaler. The members purchased from this pooled material according to individual needs. But unfortunately, none of them could run this work for a sufficiently long time. In 1843, a group of 28 weavers was formed who had studied the earlier phenomenon properly and had decided to overcome difficulties faced by those earlier ventures. (Banerjee, 1961: 01)

Learning from experience, they came out with three important suggestions to be implemented if 'the society' was to make a success. First, they decided that though the members had contributed for purchase of material for the store, they should not expect credit facility for purchasing from the store but buy only by paying cash. Secondly, they must purchase from their store only, whether costly or whether the store was far away from residence etc. Thirdly, the profit i. e. dividend shall be distributed on the basis of purchase made by members and not by how much capital each member has invested originally. The capital required for this venture was not borrowed but raised out of members' savings. Thus, thrift, loyalty, cash purchase and dividend on the basis of purchase (not investment) became the cardinal principles of their "Rochdale Equitable Pioneer Society".

They formulated the following principles as their guidelines for conducting business of the society they established:

- Democratic control, i. e., all members should have equal voice in the management – one man, one vote,
- Open membership - Anyone could join the society on equal terms with the original members,
- Fixed or limited interest on capital, which would eschew the profit motive,
- Distribution of surplus income in proportion to purchases done by each member from the store than in proportion to investment.
- Cash trading - No credit sale of goods should be permitted,
- Selling pure and unadulterated goods,
- Providing for education of members in cooperative principles as for mutual trading

amongst cooperatives

-- Political and religious neutrality.

The success of this effort was visible to others in one year i. e. before the Christmas of 1845, when the families of 28 members were wearing new clothes purchased out of dividend from the society they had established in 1844. Many more now came forward to apply for membership. By 1851, membership rose to 74 and profits quadrupled. People from far away places saw the society as a model. In 1852, The Industrial and Provident Act passed by the British Parliament, allowed such cooperative stores to sell goods to non-members also.

Many more societies soon formed over wider areas started competing with each other just like any other capitalist ventures. But soon it was realized by some members in those societies that cooperation amongst societies would prove more fruitful than competing. As a result and after a lot of deliberations in a conference at Manchester in 1863, "Cooperative Wholesale Society" was formed and within five years from this historical incidence, "Scottish Wholesale Society" was established covering wider area. Another important step was taken that a professional was employed to look after purchases for the society, who was better versed than members with the market. The Cooperative Wholesale Society entered areas of manufacturing in 1873, i. e., within 10 years of its establishment. In a century the society had 200 manufacturing units and the Scottish Wholesale Society grew so much that it employed nearly 900 persons." (Banerjee, 1961: 1- 4)

Other European nationals were not far behind. In fact, once the concept of cooperation was accepted by common person, the Rochdale experiment spread widely because it had a lot of room for experimentation to suit the local needs of even semi-literate people even in the commonwealth countries. "During the last two hundred years or so the British Commonwealth as a form of economic organization has developed which in some measure is an extension of the same principle of cooperation. It has assumed diverse forms and activities spread all over the Commonwealth

countries -- diverse in race, in social structure, levels of education and economic development as well as needs." Comments Digby. (1956: 1)

ORIGIN OF COOPERATIVES IN GERMANY

The origin of Co-operation in Germany dates back to the middle of the 19th century. Famine conditions swept over some parts of the country during 1846-47. The peasants of West Germany, living in great poverty, were deeply in debt to village traders. The peasants had to go to traders for seed, fodder and fertilizer, to purchase a new plough or a cow. They bought these on credit. At the time of sowing, the debt increased and at the time of harvesting the peasant was obliged to sell the produce to the traders at prices lower than market prices to wipe out the debt. In this way the peasants never wholly escaped from debt. At that time a District Officer of Rhineland villages, named Friederich Raiffeisen (1818-1880), came as a savior of these peasants. At first, he tried various charitable activities but found that those offered only temporary benefit. He then hit upon a form of co-operation - the village loan and savings bank based upon the principle of unlimited liability. (Banerjee, 1961: 29)

"Thenceforth, there was a fruitful duality in Commonwealth cooperation. The movement, which took credit as its point of departure, was addressed primarily to those who were penniless, inexperienced and often illiterate. It educated them in the use of money, in the understanding of simple economic problems. It inculcated a social sense, tolerance, neighborly solidarity, a desire for education and the elements of democratic responsibility. Cooperative marketing was looked upon as the farmers' answer to the world of big business and his determination himself to break into that world, and be at once producer, manufacturer and salesman." (Digby, 1956: 3-4)

The farmer was convinced that the middleman and his margin were all that stood between him and the full reward of his toil. The purpose of cooperation was thus to supersede the middleman and absorb that margin. There wasa good deal of truth, and the period saw the growth of the great marketing organizations for all kinds of

farm produces -- wheat and wine, butter, cheese, oranges and tobacco.

First in Queensland in 1923, later in the UK and then other dominions, marketing acts were passed democratically which made possible a form of compulsory cooperation. For a time, many thought that the marketing board would supersede voluntary cooperation. In fact, it was to become in most countries less and less operational as years passed, remaining regulatory, but handing over its trading functions to voluntary cooperatives on the conventional pattern.

“In the meantime the movement based on villagers’ self-help, was passing from India to other Colonies under the British, first to Ceylon, Malaya and Cyprus, later to Africa, carried by its own reputation and by the writings and travels of men like H. Calvert, C. F. Strickland and Sir M. Darling, who had first been concerned with its administration in India. With the cooperative idea, drawn from Europe and rethought in an Indian setting, went the special technique of Indian cooperative administration, the Registrar’s Department.” (Digby, 1956: 4-5)

The peasant societies have traditions of mutual help and cooperation at harvest or house building preserved even today. But they would not otherwise have evolved the modern form of cooperation, with their participation in a market economy and in forms of responsibility and social discipline that are historically associated with the industrial West.

“Many countries fell short of full efficiency, and how near many peoples stood to famine, the cooperative movement in the Commonwealth ceased to center exclusively on either marketing or credit. The approach was deepened and diversified. The fear of surplus produce weighing in the market was modified, and attention was given rather to the increase of production through better methods of cultivation. The credit society, formed to rescue the poor from the moneylender, remained as the most dominant form of cooperatives throughout the North America in the 19th century.” (Digby, 1956: 5)

4.2.2 BEGINNING OF COOPERATIVES IN INDIA

In India, with the establishment of Pax Britannica in 1858, the British administrators studied the backward conditions of Indian peasantry going deep into the

root causes. Mahatma Jotirao Phule, a social reformer from Pune, very strongly presented the case of Indian peasantry who suffered from poverty and massive indebtedness for generations together. He argued that Indian social structure could not provide any remedy to the then existing situation of the farmers and the peasantry was looking hopefully towards the British government to find out and implement some remedy to alleviate the problem of perpetual poverty. His presentation to the Hunter Commission is well known for his straightforward speech. (Jotirao Phuley; 1980: 185-272)

According to the assessment of the situation, one major problem was natural and the other was socio-economic. To take care of the first set of causes, the British government constructed dams and made water available through canals to farmlands, which were in the drought-prone areas. To overcome the other difficulty, the measure of cooperative societies was thought to be useful given a lot many constraints on direct financing.

Margaret Digby observes, "In two countries, SA and India, cooperation was introduced about the turn of the century as a deliberate government policy. In India the condition of the cultivator, and particularly his indebtedness, had begun to give concern in the nineties; and it was the researches of Sir Fredrick Nicholson into the cooperative credit system of Germany, that initiated the Indian cooperative movement in the first decade of the 20th century and set its pattern for many years to come. (Digby, 1956: 3)

Why did the Indian farmer suffer in spite of his hard work and a heavy toiling effort in his fields? There is not one single factor responsible for the situation but a combination of many interrelated factors. "The use of manure as fuel for lack of trees, primitive implements, unimproved or carelessly kept seed, the promiscuous breeding of bullock and cow, the unwillingness of the Hindu to slaughter them when past work, diseases both of animals and plants, the ravages of rat, monkey and boar and other wild animals all make for low yields." (ibid: 75)

What concerned the enlightened observer at the end of the nineteenth century was on the one hand the 'stagnation of peasantry', their thriftlessness and lack of enterprise,

the burden of debt, the gradual breakdown of the old village community and its patron-client relationships and the growth of selfishness and faction, and on the other hand, the usury and land grabbing by the village moneylenders and traders. Since debt and credit are intimately connected, indebtedness was much less in volume but the rates of interest were higher, and being largely unproductive, the burden was greater; and everywhere the moneylender, who had been the servant of the village, threatened to become its master. (Darling; 1947)

Once the problem had been identified, high echelons of the colonial administration started looking for various options open for them. Among the limited options, the idea of cooperation as it had been developed in Europe occurred first to Lord Wenlock, the then Governor of Madras. Using a study of the agricultural cooperative movement in Germany, he explored the possibility of introducing land and agricultural banks into Madras Presidency of India. (Digby, 1956: 77)

In 1892, the Government of Madras deputed Sir Frederick Nicholson to Europe to study the problems of rural indebtedness there and report on the advisability of starting a system of land banks on the lines of European Land Banks in the Presidency. In his report, submitted in two parts in 1895 and 1897, Sir Frederick Nicholson very strongly advocated introduction of Co-operative Credit Societies of the unlimited liability type obtaining at that time in West Germany. The Famine Commission of 1901 also endorsed this view favoring starting of cooperatives in India. In the meanwhile, a few pioneering cooperative undertakings introduced in the form of indigenous mutual loan-associations paved the way for a movement for formation of co-operative credit societies in India, especially in U. P., Punjab and Bengal.

In 1901, a Committee under the presidency of Sir Edward Law appointed by Government of India, studied the situation, compared it with other parts of British Empire and Europe and recommended cooperative society as best suited to Indian conditions. As a result of these, the Legislative Council subsequently enacted the

historical Cooperative Credit Societies Act of 1904. (Banerjee, 1961: 36) which was to change life of crores of Indians in future.

Without dwelling much upon history in detail, suffice it here to note that the British government had decided to introduce cooperation as a movement that would help the poor Indian Peasants. Since in Britain the cooperative activity was regulated by legal provisions, it was but natural that such an effort in India would begin only after creating a proper legal framework to work within.

The cooperative law served as a guideline for the practitioners of cooperation, “The strength of a cooperative lies as much in the basic values that it embodies as in the opportunity it offers to its members, who participate in its activities at all stages. Cooperative Law plays a major role in the orderly growth of the movement because the law lays down the rules of conduct, obligations, rights and duties of the members. It is vitally necessary for persons participating in cooperative activity to familiarize themselves with various aspects of cooperative law. (Subramanayam cited in Gupte, 1986: ix-x)

Importance of such enactment in India is also expressed as “Their object was to inculcate thrift, attract savings deposits which would otherwise have been converted into hoarded coin or jewelry, and replace the moneylender by making small loans to their members on personal security at comparatively low rates of interest; in short, to substitute a productive and controlled system of credit for one that was unproductive as it was vicious.” (Digby, 1956: 78)

4.2.3 COOPERATIVE LAW IN INDIA

“The first enactment in India, which marked the beginning of cooperative movement, was done in 1904. Margaret Digby adds, “It provided a legal framework within which cooperative societies for the provision of credit could operate in the prescribed form, which they were to take, and granted them certain safeguards,

privileges and advantages. Although in 1912 the law was amended to allow other types being formed, the vast majority of these societies were rural thrift and credit banks especially for agricultural credit. It was again broadened in its scope of activities by a major amendment in 1925 as the Act VII of 1925.” (Digby, 1956: 77-78)

“The first cooperative societies Act, 1904 was passed to encourage thrift, self-help and cooperation. Important provisions of the Act of 1904 can be summarized as under:

- (i) Only ten persons living in the same village or town or belonging to the same class or tribe might be registered as a Cooperative Credit Society for the encouragement of thrift and self-help.
- (ii) The Organization and control of Co-operative Credit Societies were put under the charge of the Registrar of Co-operative Credit Societies.
- (iii) The society to raise funds by deposits from members and loans from non-members, Government and other co-operative societies, and to distribute loans to members, or with the special permission of Registrar, to other Co-operative Societies.
- (iv) The accounts of every society were to be audited by the Registrar free of charge.
- (v) Rural Societies were to have four-fifths of their members from agriculturists, and urban societies four-fifths of non-agriculturists.
- (vi) The liability of the members of a rural society was to be unlimited, except with special sanction by the local Government; liability of the urban society members might be either limited or unlimited.
- (vii) No dividends were to be paid from the profits of a rural society but the profits were to be carried at the end of the year to the reserve fund; with comfortable financial situation, a bonus might be distributed to the members.
- (viii) In urban societies no dividend was payable until one quarter of the 'profits in a given year was 'carried to the reserve fund.
- (ix) Loans could be given only to members, and usually only on personal or real but not ordinarily on chattel security, although ornaments, the common form of savings of many peasants, might legally be accepted as security on mortgage.
- (x) The interest of any one member in the society's share capital was strictly restricted.
- (xi) Societies formed under the Act were exempt from fees payable under the stamp,



registration and income-tax acts." (Banerjee, 1961: 36)

Two features were prominent in the Act viz. (a) Simplicity and (b) Elasticity - Simple, as the measure had to deal with a large mass of ignorant agriculturists, and elastic, as it left sufficient scope for State Governments to frame rules for control and development of co-operative movement. This was thought to be of utmost importance because they were required to evolve a special pattern suitable to conditions prevailing in this country and the people in India. Simply by following European pattern would have solved a few of the problems but might have created a new set of problems in place of the older ones.

Defects were removed with the passing of the Co-operative Societies Act of 1912, which gave a new stimulus to the co-operative movement. A provision was made for Organization of societies other than credit also. Organization of Central Societies was facilitated.

The liability of central societies was to be limited and that of rural societies, unlimited. Local governments were given considerable discretion regarding the working of societies, including conditions of membership, methods of operation, procedure at general meetings and provisions for arbitration. While shares or interests in co-operative societies were exempt from property attachment, cooperative societies were given power to have a prior claim to enforce the recovery of certain dues. (Banerjee, 1961: 38-39)

Thus the 1912 Act removed the defects of the previous Act and provided scope for all round development and progress for the cooperative movement and institutions in general and promoted thrift and self help among agriculturists, artisans and persons of limited means.

The Bombay Act of 1925 emphasized that mutual aid was as much important as thrift and self-help and the objectives must be to bring about better living, better

business and better methods of production. It replaced the restrictive provisions of the Act of 1912, which confined cooperation to persons of limited means by persons with common economic needs. The rapidity with which the movement grew, the large sums of money involved, and the problems raised by this first attempt to naturalize European cooperation in an Asian setting, prompted the Government of India to appoint the Maclagan Commission of banking with those of inspection and audit. (Digby, 1956: 79)

Accordingly, a 'Committee on Co-operation' under the Chairmanship of Mr. Maclagan was appointed in 1914 to examine whether the movement was progressing on sound lines and to make recommendations regarding the co-operative movement. In its recommendations the Committee warned against the starting of new societies on a large scale, and suggested that the pace of cooperative movement should not be unduly quickened from outside. It emphasized that the urge towards co-operation should be spontaneous on the part of participants, but stressed the need for thorough audit, and supervision in order to prevent bad management of routine affairs and embezzlement of funds; and to inspire confidence in the investing public." (Banerjee, 1961: 39 and Strickland: 1922: 50)

Between 1925 and 1960, the Bombay Act of 1925 underwent various changes made thereto from time to time to suit the development and growth of the cooperative movement. (Gupte, 1986: xix) Specially after independence, the principles and practices of cooperation were seen by the government as an important aspect of economic activity to be promoted for various reasons. In fact, we find that the constitution of India has indirectly made room for the cooperative movement and has suggested the dependence of state on the instrument of cooperation for the welfare of public at large. (Articles 37-39 and 48) Consequently, the states of India, adopted cooperation as one of the major instruments to deal with economic hardship related problems of masses, especially in rural areas.

By 1948, cooperation in Bombay State achieved a dynamic role and the Act was amended extensively. The main object was to extend the scope of working of

cooperative credit societies specially for agriculturists and to widen the field for cooperative activities, particularly in the direction of better farming and joint farming. The Act was since then amended quite frequently in the light of the experience regarding the operation of law.

The Rural Credit Survey Committee was appointed by the Reserve Bank of India (RBI) in August 1951 and its report, published in December 1954; (Gupte, 1986: xix) laid greater emphasis on the credit aspect of the cooperative movement as in the opinion of the committee, Co-operatives are the best agency for supplying credit to the agriculturists, without involving government subsidies directly; however, according to the Committee, the record of co-operative movement in India is a record of following failures:

- (1) The strength of private credit agency consisting of moneylenders, traders etc. is far superior and places co-operative society at a great disadvantage in comparison with the former.
- (2) So far, co-operative societies have dealt with one commodity i.e. credit. Success cannot be attained unless the scope is widened to meet majority of the needs of cultivators.
- (3) Uneconomic units and unlimited form of liability often hindered the progress of the movement.
- (4) Co-operative societies were dominated by a large number of well-to-do cultivators and businessmen who naturally did not realize their responsibilities towards poorer rural families.
- (5) Inability on the part of co-operative credit institutions to meet all and even immediate needs of those agriculturists who were considered creditworthy.
- (6) Co-operatives could not meet the consumption needs and other financial requirements of the agriculturists for social ceremonies. As a result, they either misused the loans granted by co-operatives for productive activities or went to moneylenders again for meeting these expenses.
- (7) Dearth of trained personnel. (Banerjee, 1961: 338-339)

The problem of rural credit was also linked with reorganization of socioeconomic structure of Indian village itself. Following are the main recommendations of the All

India Rural Credit Survey Committee:

- (1) State participation at all levels,
- (2) Integrated scheme of credit-and-marketing operations as cooperative ventures to be encouraged,
- (3) Expansion of Cooperative training and management by trained and efficient personnel,
- (4) Nationalization of Imperial Bank for expansion of banking in rural areas,
- (5) State participation in the organization of public warehouse for promotion of storage facilities,
- (6) Organization of large sized limited liability type of Primary Credit Societies, which would be viable units in matters of business transaction. ((Banerjee, 1961: 42)

The Rural Credit Survey Report referred to above, emphasized that “benefits of economic development must accrue more and more to the relatively less privileged classes of a society”. The problem was therefore to create a milieu in which the small and marginal farmer, who so far had little opportunity of perceiving and participating in the immense possibility of growth through organized effort, could be enabled to put in his best in the interest of a higher standard of life for himself and his family and increased prosperity for the community at large.

4.2.4 MAHARASHTRA COOPERATIVE SOCIETIES ACT OF 1961

After independence, attempt has been made to achieve the developmental objectives through this measure. The recommendations made by the RBI Committee were accepted in general and schemes of cooperative development under the 2nd five-year plan were drawn up to give effect to the recommendations contained in the rural credit survey report. Consequently, a Committee on Cooperative Law was appointed by the Government of India in 1956. The Government of Bombay also appointed a similar Committee to consider suitable amendments to the Bombay Cooperative Societies Act and Rules.

The recommendations of both the committees were taken into consideration and the Maharashtra Cooperative Societies Act was enacted in 1961, and brought into force

from 26-1-1962. As stated in the preamble, an attempt is made in the new Maharashtra Act to provide for systematic development of the cooperative movement and the societies in the various stages, in keeping with the directive principles of the Indian constitution. (Gupte, 1986: xix-xx) An irrigation cell was created in September 1964 with sufficient technical staff to look after the development of these irrigation societies. (Rao, 2000:144)

Study of this Act would suffice to understand the overall framework in which the cooperative societies in India are functioning. Though theoretically each of the states has its own, respective Acts for cooperatives in respective states, the Maharashtra Act is usually taken as a model by other states since it was the first law of its kind passed in 1904, and secondly because this comprehensive piece of Legislation contains as many as 167 sections as against 74 sections in the (earlier) Bombay Cooperative Societies Act. Though this new legislation does not provide an altogether new measures but is 'Consolidating and Amending those in the old Act' (Gupte, 1986: xx) The Cooperative Tribunal has made Regulations called the Maharashtra State Cooperative Tribunal Regulations, 1962. All these appendages serve the purpose of implementing the Act in reality.

“... The provisions as they exist today in the Maharashtra Cooperative Societies Act 1960 differ both in range and character from the provisions as they existed then. The last four decades have witnessed phenomenal growth in the Cooperative institutions and societies in Maharashtra State, both in magnitude and diversification. Rapid economic development through cooperatives entails new thinking and new legal tools to deal with emerging situations. (P Subramanyam cited in Gupte, 1986: ix-x)

Cooperative legislation has tried to keep pace with the changing socio-politico-economic circumstances, pressures of various needy sections of the society that has been conscientized in the freedom struggle about rights of all members as equal partners. The Maharashtra Cooperative Societies Act and Rules have therefore undergone several important amendments, as a response and an attempt to fulfill the

expectations of all the people.” (as many as 40 amendments till 1990)

4.3 Relevance of the Cooperative Law

To what extent does the cooperative law aim at reducing ill effects of capitalist economy and promote spirit of democracy? Does it really promote the ideology of equity and social justice enshrined in socialism? On theoretical level, our main concern is to see where ‘cooperative’ stands vis-à-vis the main economic theories serving as alternatives.

4.3.1 COOPERATIVE LAW AND ECONOMIC THEORIES

Similarities and differences in the cooperative as a system of ideas and institutionalized practices on the one hand, and capitalism and socialism-communism on the other hand, have been discussed for quite some time. In a capitalistic economy, the best price is charged when demand and supply are equal, and where this does not remain the same, one party loses and the other one gains. In Co-operatives, however, there is no question of gain or loss. Demand and supply have rather been adjusted to each other. ‘Equilibrium’ of the capitalist economy implies privatized profit. In this respect, Co-operation seeks to remove the evils of capitalism. There is no case for overproduction leading to loss, retrenchment, labor strikes, etc. or monopoly leading to fixation of unaffordable prices. But on this score again, Co-operation has been sometimes branded as seeking to serve capitalism by bringing into existence an ideal capitalistic system, and as such, as a handmaid of capitalism. (Banerjee, 1961: 15)

4.3.1.a CO-OPERATION AS A SURROGATE OF CAPITALISM

Under the erstwhile Communist regime in Russia, Cooperation was branded as handmaid of capitalism and it was not allowed to grow there. In a Capitalist economy, production closely follows demand, and suppliers compete with one another. Monopoly may also creep in. Suppliers are always eager to sell more and make more

profit, and in this process, they may produce more than the demand. When supply of an article is higher than its demand, its price falls resulting in loss to suppliers especially if sale price is less than normal cost of production. (Bottomore, 1985: 4-21) Necessity arises for contraction of their concerns. Retrenchment follows. There is then unemployment, labor unrest and lockout in the last resort. A capitalist economy has to face possibilities of overproduction due to maladjustment of demand and supply as well as underproduction with a trail of market crises. The society at large has thus to suffer. This in nutshell was Marx's critique of capitalism. (Hunt, 1989:18-23)

In contrast, co-operation aims at adjustment of this demand and supply. It aims at production as per demand. For instance, a Co-operative Store supplies its members what they demand and does not aim at 'profit' in the capitalistic sense of the term, because all profit or surplus may be refunded back to the member-consumers in the proportion as they helped to generate that surplus. Raising prices and exploiting member-consumers even if it is in a monopolistic position is avoided by cooperatives of all types as they run counter the very basic values of cooperative institutions. Thus, by constantly balancing demand and supply, it improves upon capitalism by taking away its shortcomings and upon communism by not destroying an individual existence, freedom of choice and initiative.

4.3.1.b CO-OPERATION AND SOCIALISM

In theory, Socialism holds that "the State should own, operate and distribute all the productive resources of a Community and restrict private ownership to article of consumption only". To Karl Marx who propounded scientific Socialism, capitalism will create conditions, which will replace it by Socialism. Under Capitalistic order, wealth is concentrated in a fewer hands. A manufacturer gets more for his commodity and the labor that adds value to it by its labor power gets only wages in competitive rate. The surplus or profit is usurped by the manufacturer, and also the labor that has legitimate right is denied any recognizable share in it. This usurpation is exploitation in capitalistic economy. (Banerjee, 1961: 20)

Similarly, several theories have been propounded by various Socialist Schools like

State Socialists, Guild Socialists, Syndicalists, Revolutionary Socialists, Fabian Socialists, etc. (some of these have been discussed in greater detail in Bottomore, et. al. [eds.] 1985: 444 - 448) In spite of difference of opinion amongst them, there are some fundamental principles and values which all socialists subscribe to. The foremost of them is that the ownership of private property in all instruments of production should be substituted by collective ownership by the state. Secondly, the present competitive system should be substituted by a central authority that will control production and eliminate competition. Under Socialistic system no private ownership would be permitted beyond residential house, furniture and fixtures and other consumer goods; work would be provided for everybody and remuneration for work would vary according to one's ability but there would be equality of opportunity for all to rise in life.

Striking similarity between Socialism and Co-operation lies in the fact that both aim at replacing capitalism by a new system in which profit-motive would give way to service motive as both systems claim to keep the social and economic welfare of man as their ideal. Both are opposed to the concept of individualism that is an integral part of capitalism. Some Socialists have considered Co-operative Movement as an integral part of a movement eventually leading towards a Socialist economy. But, they have at the same time thought that Co-operative movement has certain limits of its own, beyond which Co-operative industry should give place to industry conducted by such organizations as the Municipalities or the State which have been formed with a different notion and different manner.

In spite of the above similarity, co-operation and socialism are very much different particularly in respect of their methods in realizing their objectives. While socialism aims at abolition of private property and considers individual as subservient to the collective need, co-operation accepts private ownership but blends it with the collective need through the motto of "each for all and all for each". Capital is neither recognized nor rewarded in Socialism. Nonetheless, certain features of capitalist economy have a place e.g. payment of normal rate of interest, limited dividend on the same. Again,

profits in a socialist undertaking go to the State, while in a Co-operative institution they go back to the user-members in the shape of personal profit as patronage dividend on the principle of distributive justice. (Banerjee, 1961: 21)

4.3.1.c CO-OPERATION AND COMMUNISM

Since the Industrial revolution and emergence of factory system, capitalism was accentuated and showed its ill effects and Communist doctrine arose as a rival to Capitalism, thanks to the seminal writings of Karl Marx and Engels. Extreme form of Socialism is Communism. Communism is State Socialism with a purpose to use force to establish and keep going a political dictatorship, as it manifested in Soviet Union, in the Stalinist era. (Bettelheim, 1996: 126-144)

On the other hand, in Capitalism, a relatively small number of persons derive individual and private gains, while the bulk of workers pass into the position of wage earners who have to depend on this relatively smaller group of capitalists. This tendency of the capitalists explains why capitalism is disliked by the poor and the discontented, to whom Communism as an ideology seems to be an appeal to pull down the rich and do away with inequality in possession of wealth. Co-operation, which had its origin at almost the same time in 1844, is the middle ground between the extremes of capitalism and communism. While it does away with the excessive profit-motive of capitalism, it does recognize at the same time private property unlike Communism.

4.3.2 PLACE OF CO-OPERATIVE MOVEMENT IN India

Both as a set of ideas and as a time-tested institution, co-operation stands on the solid footing of individualism (voluntarism) - as also on private property, and their resources are pooled for joint action to get several benefits including the benefit of using scientific approach to the problem of business, which would otherwise have been impossible.

The most common form that socialism manifests is in nationalization of all means of production and restriction on private property. The State has to undertake production

and distribution and assure work to everybody, on remuneration based on ability, with equality of opportunity to rise. At the same time, it has to ban living on unearned income. Such being the dominant feature of socialism, the place of cooperation in a socialist state appears to be insignificant.

Although India has not adopted a full-fledged socialistic economy, until late 1990s she had avowedly espoused the ideology of democratic socialism, centralized planning and socialistic pattern of State where the aim was to raise the standard of living of masses, create employment opportunities as many as possible and see to fair distribution of economic power. To make this possible the State has to make proper planning to ensure the best utilization of scarce resources and that growth and social justice would dovetail. (Chakravarty, 1987: 1-18)

This was the governing ideology and planning strategy of the Nehruvian era. The State has of course, to see to the proper development of rural economy and where the same cannot be developed of its own accord, the State has to step in as a helper to encourage such development through periodical planning.

Prime Minister Shri Jawaharlal Nehru in his address before the Cooperative Congress in April 1958 said: "Now so far as the big industry is concerned, the basic industry is concerned, we are aiming at the State controlling it. But what about the growth of the small industries, the household industries, the cottage industries, what about land itself? We do not want the State to control it. We are in the modern world, if you have too small units to work, whether they are cottage, household or small industries or small patch of land, you cannot get the full benefits of modern science. You remain backward necessarily. What is the choice for us? Is the State to swallow everything? Talking of land, you cannot have large farms under private owners. Obviously not! We are not prepared to give it to private ownership. What is the choice? There is no escape, I say, except the way of the Co-operative Movement, where you avoid big-scale ownership by individuals or groups but where you want to have the advantages of bigness, so that you may profit by modern science, technology and the rest. That is where the Co-operative Movement, to my thinking, comes in." (Banerjee,

1961: 24)

4.3.3 COOPERATIVE COMMONWEALTH

The goal of Co-operative Commonwealth is often mistaken as increasing the number of co-operative societies. In fact, most States in India have this in mind and are eager to increase the total number of co-operative societies. But this is a mistaken ideal! In this context, it will be worthwhile to quote Karve:

“The essence of Co-operation does not lie in the mere registration under a particular law. It is the actual pursuit of some honest efficient business done for mutual service, which makes an Organization Co-operative in fact. It is co-operative service among all citizens of the States that makes an economy a Co-operative Commonwealth.” (cited in Banerjee, 1961: 19-20)

Thus, the way to achieve the goal is not through mere multiplication of the number of co-operative organizations but through the State's policy being based on the main principles of co-operative movement so that these principles are made applicable to all organizations, co-operative or joint Stock Companies.

4.4 Autonomy of Cooperatives and Bureaucratic Control

A good deal of debate is already in the circles of cooperatives, in India about the powers vested in the Registrar's office vis-à-vis autonomy of a cooperative society. The provisions regarding the powers of registrar cover a wide range of activities, describe, and prescribe minutest details of control held by the Registrar over the powers and activities of office bearers of individual societies. Especially compared with powers, duties and privileges of a similar office in the UK from where India has borrowed the present model of cooperative societies, Registrar of Cooperative Societies in India has definitely much more than his counterpart in the UK. Similarly, autonomy of a cooperative society is compared with that of a joint stock company or a firm [whether partnership or proprietary] and it is found that cooperative society has many restrictions imposed upon them, compared to other types of business organizations. Thus, the debate over the powers of the state bureaucracy is based upon

such comparisons.

4.4.1 Powers of Bureaucracy vis-à-vis Cooperative Societies

Two basic conditions should not be forgotten before any argument is propagated regarding powers vested in the office of the Registrar. (i) Because the government finance is involved, and (ii) the original concept is not to extend subsidies to the farmers directly, it is essential to evolve certain procedural measures to have proper check over the whole process. Secondly, it was and is even today, to keep a check on the activities of members to ensure that none of them misappropriates the money or the facility developed with it, to individual benefit at the cost of collective interests. A large portion of provisions in the law and amendments have been made to facilitate stricter monitoring over the activities of the members, as more novel ways of evading earlier provisions are frequently innovated by the users at one place or the other.

Thirdly, and equally important, being in the introductory stages of the movement in India, the users were not only not prepared for such activity but to some extent had been suspicious about the entire concept of cooperation the way it was presented by the British rulers, since it had been imported from Europe and seemingly did not have any connection with Indian traditions. One must remember that those were the days when the protest against British government had already taken a political form in the guise of the 'Indian National Congress' and masses of India were being conscientized by local leaders. The first call for 'Swadeshi' that is preference for locally produced goods, was given in the same year of 1904. The conditions required that an authority was needed to take care of affairs of societies to be formed and the Registrar's was the most appropriate office for the purpose.

"It soon became apparent, however, that in a country like India, where rural leaders were few and over ninety per cent of the population was illiterate, the Registrar would have to do more than record and correct. He and his staff would have to initiate, educate, organize and supervise. Instances of selfish and greedy members misappropriating resources of societies were not few. Most serious of all, most

societies were without anyone who could read or write, and in their case someone in the neighborhood had to be found who would act as secretary, for a group of societies, an unsatisfactory system which tended to make him their master rather than their servant. Had it not been for the continuous advice, encouragement and supervision, in each Province, of the Registrar and his staff, the movement in those far-off days, could never have taken root.” (Digby, 1956: 77-78)

In several cases, literate officeholders put their own interest first to the detriment of the members’ interest. Illiteracy in the rank and file of the members exposes them, to the dangers of exploitation by a few influential members. (Banerjee, 1961: 338)

It is also clear that as the movement gathered momentum, the scene started showing signs of desired change. Nonetheless, initially the movement had thrown up little volunteer leadership, and depended unduly on the Registrar and his staff. However, gradually, with the formation of Provincial Cooperative Unions, which undertook responsibility for the audit of societies, as well as for the education and training of organizers and office bearers of cooperative institutions, under the general supervision of the Registrar and his staff. Bombay and Madras presidencies were at advantage of large scale business activities there, from where they could draw unofficial help of trained hands, which other provinces could not. (Digby, 1956: 81)

After independence, and especially after formation of Maharashtra as a separate state in 1961, the new government saw this law as an important instrument to inculcate new social values and political practices in the masses. Many new activities were brought under the net of this law so as to reach more and more needy sections of the society and to encourage people from different walks of life to undertake a variety of activities with minimum dependence on the government.

In the relationship of the state and cooperatives, two focal issues remain problematic even today. First, on the one hand, excessive dependence on the Government has been the greatest of obstacles to self-help and self-reliance among cooperatives. On the other hand, “although co-operation has now been looked upon as the best agency for

execution of the development programmes necessitating State supervision and guidance, it does not necessarily mean that the State should have the decisive controlling voice in the affairs of autonomous societies.” (Banerjee, 1961: 337)

4.4.2 Monitoring Finance of cooperatives

Since cooperative societies started as credit societies for farmers, it is important to understand the exact nature of the need of the farmers. Initially, cooperatives came into existence to extend credit to farmers when they need it badly at the time of commencing of the cycle of their farming; to be repaid after harvesting i. e. when they sell their produce in the market. Even today, this original frame of credit has been kept intact, though repayment period and other conditions have been changed to suit the cycle of farm activity for which loans have been sanctioned.

The original framework is meant to extend financial support to any cooperative society formed under this law, to raise credit for individual members of that particular society. The role of government in this activity is that of a moneylender and a particular society is the borrower; in its turn, the cooperative credit society acts as moneylender and the individual members are borrowers. Repayment of loans is the responsibility of those members jointly as well as individually.

Initially, most societies had to borrow from Government though it was undesirable for them to depend on Government for finance as well as supervision, audit and training. The remedy was an institution, which seems to have been peculiar to India -- the Central Bank. These banks were formed in most cases by a combination of the local thrift and credit societies and of men of the professional middle class with money to invest and with an interest in the welfare of the cultivator.

In the banks known as Banking Unions, the members were all village societies, but in the Central Bank proper, control generally lay with the individual shareholder, thanks to his superior education and knowledge of affairs. Institutions of this type were able to attract deposits on a considerable scale, and in time to borrow from commercial

banks large sums, which they then lent to their affiliated societies, on the recommendation of the Registrar's staff or as a result of their own inquiries.

The central banking system emerged thus, and in the developing stages, guided by its own momentum than any experienced brain or by well-thought of principles of economics. As an unavoidable consequence, it was confused, and illogical, with its mixture of cooperative and individual control. Its merging in some Provinces of the functions of banking with those of inspection and audit added to already existing problems. This could best be remedied by increasing the Registrar's staff and establishing provincial apex banks, a program which was carried out in the course of the next ten years. (Digby, 1956: 79)

After 1961, the Maharashtra government, increased its financing to various types of cooperative societies and institutions from time to time, but it was done less directly and more indirectly through cooperative banks' network established for the purpose. For the first time in the Fourth Five-Year Plan, the lift irrigation cooperative societies were provided with a share capital contribution and financial assistance in the shape of loan to enable the societies to complete their projects early and to reap the benefits from them. (Rao; 2000: 145)

Since government provides finance, it is obvious that some control is exercised by the government by monitoring how that support is being actually utilized. There are, however, some thinkers who use this thread to demand curtailing of Registrar's powers saying, "once a society has repaid the loans borrowed from the government why should the Registrar continue enjoying the same powers?" What they forget perhaps is that though loans are repaid, because of other concessions government bestows on cooperatives, it has a right to continue monitoring.

A noteworthy legal provision favoring cooperatives is that the cooperative societies are exempt from paying income tax to the government at par with other business firms, or joint stock companies, though, all of them are in the business of earning profits over

their respective expenditures. Considering the present investment in cooperatives and huge amounts they are paying as dividends to their members, government is actually subsidizing by baring losses in taxation.

The other reason is the socio-economic structure of the society. It is traditionally, a strong and rigid social hierarchy resulting into economic inequality of extreme nature. At the local level, a cooperative society may be having shareholders from both the strong and the weaker sections of the seemingly local community that is a part of wider social structure. It is on behalf of the smallest shareholder that the Registrar acts, knowing that even in multitude, they are helpless and the strong may grab all the benefits of a cooperative society meant for the poor and the needy.

One very important aspect needs to be considered here and it is that the Registrar is not a beneficiary in the whole process. He functions only as an executive. He can neither make rules, nor amend them, nor interpret them as per his wish, but has to see whether others – the practitioners -- are following the rules or not, if not, who is responsible for the breach of rules and finally to put the things straight in the interest of the government at top priority and the ordinary members as second priority without hampering the spirit of cooperative movement.

4.4.3 Participation in Cooperative Formations:

The cooperative law does not require every member to participate at every step of a process, but its rules lay down certain conditions. It becomes imperative for each member to be sufficiently alert if he wishes to avoid substantial losses even if he may not be at fault. In the everyday affairs as well as in the long term every member has to do planning also. This possibility of individual gains and therefore participation as an alert member both require a quintessentially capitalist outlook towards the whole affair.

Amongst the factors, which have contributed to success of cooperatives, the legal provisions in this regard are definitely important, but they are almost similar in almost all the states; however, there must be something in the cooperative law of Maharashtra

that has facilitated the movement and institutions to take strides. Amongst its basic tenets are the concepts like creditworthiness of the participants, a project that will be economically productive, but beyond the capacity of an individual at all the phases of its implementation etc. Another important feature from this angle is that active participation is required for the successful execution of any cooperative venture. This participation is not merely at the level of decision-making but at all the levels, till the end of the project, and for its all time sustenance.

Though there is an executive body from amongst the members by election, individual member cannot afford to be indolent because that body itself may act in the ways that would harm the interests of the society as a whole. This is not only theoretically possible but it has happened in many cases in reality, irrespective of type of cooperative society i. e. activity for which a society has been established.

Elucidating the true character of the movement, George Jacob Holyoake has said,

“Co-operation touches no man’s fortune; seeks no plunder; causes no disturbance in society; gives no trouble to statesmen; it enters into no secret associations; it needs no trade-unions to protect its interests; it contemplates no violence; it subverts no order; it envies no dignity; it accepts no gift, nor asks any favor; it keeps no terms with the idle, and it will break no faith with the industrious.” (cited in Gupte; 1986: 6)

The role and functions of the cooperative sector have become broader than only providing cheap credit and subsidized inputs to farmers in the country. After independence, the cooperative movement was not only perceived as performing a different set of economic functions but a few additional roles were expected from the movement that acquired multifaceted objectives as well. It was expected to facilitate the process of democratization among the rural illiterate and semiliterate masses, and to spread new values of equality, fraternity and a sense of being together and sharing with others, living together, working together and enjoying or suffering together, as victims of a situation which pervades all castes, creeds and cults in the society’. Ultimately, this understanding would lead to not only economic uplift of all but also a complete

social transformation without which mere acquisition of wealth is meaningless.

4.5 Role of Cooperatives : Summing up

[1] The objective of the coop law is not to alter the fundamental features of capitalist system. For example, the basic concept of private property not only remains unchallenged, and participation in any of the cooperative venture is facilitated by the aspirant having some or other asset of his/her own. Also, profit – a capitalist notion - is not avoided, only it is distributed amongst the members and does not go to some individual owner as such.

[2] Basically, the cooperative venture is meant to augment the existing resources and not to create any new resources. Therefore, it is imperative that the participants must be creditworthy and should have some asset of their own.

[3] A cooperative society is expected to undertake projects, to accelerate growth of assets either through production of some commodity or by trading or both. Since the body formed as cooperative society does not create any assets of its own, but to enhance individual property is usually the main objective of any cooperative venture, essentially, the project should have some economically growth-oriented aspect. The growth of economic activity is counted in terms of capitalist framework i. e. how much economic profit it makes rather than taking into account other welfarist benefits. In short, it is an organ or a substitute path for the originally capitalist ideas of economic growth through profit making.

[4] Usually those ventures, which are beyond individual economic capacity, are undertaken by cooperative sector. But, at the same time such activities must be ultimately profit-making on the larger scale on which it is being implemented. Unduly risky ventures are either disallowed or discouraged. Viability of any such proposal is decided using capitalist parameters in the ultimate analysis.

[5] Despite formation of a cooperative society responsibility for making repayment of loans, ultimately lies with the individuals. A society can sue in the court of law a defaulter member for non-payment. But since it is a collective responsibility, it has to be a decision made by the majority of voters i. e. members who have cleared their dues.

A defaulter cannot vote in the general body meeting. This suggests that structure and functions of cooperatives promote democratic values and practices – that are an essential ingredient of modernity. (Eisenstadt, 1969: 3-4)

In short, the existing cooperative legal framework has most of the provisions as if it is an appendage of capitalist system rather than a step towards socialism or decapitalization.

MERITS OF CO-OPERATION

i) Notwithstanding the fact that cooperatives do not harm the citadel of capitalism, they do seek to remove the evils of capitalism and strike a balance between capitalism and socialism.

ii) Co-operation is a weapon of persons of moderate means. Promotion of economic interest, otherwise difficult may be possible when persons unite. If the Co-operative system is to flourish, it presupposes a Co-operative spirit, that is to say, a certain camaraderie of disposition and the willingness and desire to sink individual opinions and interests and to work together for common interest.

iii) Co-operation helps growth of real democracy. It is the nursery for persons without any background or training of democratic way of life to inculcate real democratic spirit. The supreme authority in a Co-operative Society vests in the General Meeting where everyone has one vote and no more.

iv) Co-operation is not only a business proposition to help people realize the economic end in itself. Co-operation is also a faith and is looked upon by many as a sort of social reform and in some cases even as a religion. Far from getting the better of his fellow members, the object of each is to help the other - 'each for all and all for each' is its motto.

v) The watchwords of co-operation are thrift, self-help and mutual aid. Co-operatives have to depend on their own strength, and own strength means the strength of members. If such persons do not save, they cannot help their societies. So, thrift is necessary for the society as also for himself so that he may enjoy the fruits of accumulated savings through emancipation from and decrease in indebtedness.

vi) Co-operation ensures distributive justice and offers equality of opportunity to all

embracing co-operation. (Banerjee, 1961: 26 and Digby; 1956: 158-59)

Certain critiques of the way cooperative function are quite pertinent from the point of view of this study:

i) Although theoretically Cooperation is an effective weapon for the poor to fight poverty, experience has shown that the poorest often remain outside the movement, in particular those who do not have a permanent place of residence, assets or fixed income. Co-operation has achieved its greatest success amongst the moderately poor. In Indian situation, with its long tradition of economic backwardness due to complexity of interrelated set of factors, it needs to be realized that there is a considerable large number of people who not only appear to be too hopelessly sunk in debt and poverty trap but are in reality far from even minimum sustenance and shelter, not to mention of unemployment, to be saved by Co-operation alone.

ii) Co-operation cannot possibly undertake big enterprises. Here capital is too small to serve the purpose. Thus, Co-operation is limited to small concerns only, and it is inherent in its ideology and organizational structure.

iii) Co-operation can hardly be successful amongst the illiterate masses as they fail to realize the value of common endeavor urging sacrifice for his own individual benefit. This lack of understanding creates a lot of difficulties in day-to-day management of a society. The main reason for which Co-operation has not yet been successful in India is the glaring illiteracy of the people.

iv) Co-operation is not a political system. Capitalism, Socialism and Communism have flourished as they combine these two aspects [both an economic and political] in one system. This is being gradually recognized in many countries. It is likely to touch more closely than at present the policy of the State in matters relating to grant of facilities to industry and trade. The conflict will be great if the capitalist-interests have a larger voice in the Government. (Banerjee, 1961: 27-28)

It needs to be seen how grass-roots level cooperatives, initiated by NGOs in a drought-prone areas, take the best advantage of cooperative principles and practices, as well as law and how they overcome the drawbacks that are normally associated with cooperative institutions.
