

Origin and development of cooperatives in India

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Abstract

The history of cooperatives in India is more than a hundred years old. The following is only a brief attempt to highlight the major events that led to the cooperatives as we see them today.

Even before formal cooperative structures came into being through the passing of a law, the practice of the concept of cooperation and cooperative activities were prevalent in different parts of our country. Village communities collectively creating permanent assets like village tanks or village forests called Devarai or Vanarai was fairly common. Instances of pooling of resources by groups, like food-grains after harvest to lend to needy members of the group before the next harvest, or collecting small contributions in cash at regular intervals to lend to members of the group viz., Chit Funds, in the erstwhile Madras Presidency, "Kuries" in Travancore, "Bhishies" in Kolhapur etc. were to be found.

The agricultural conditions and absence of institutional arrangements to provide finance to agriculturists during the latter part of the nineteenth century led to mounting distress and discontent. The Famine Commission of 1880 and 20 years later, the Famine Commission 1901 both highlighted the deep indebtedness of the country's farmer, resulting in many cases in his land passing into the possession of the money lending classes. The Deccan Riots and the prevailing environment of discontent resulted in the government taking various initiatives but the legislative measures did not substantially improve the situation.

In 1901 the Famine Commission recommended the establishment of Rural Agricultural Banks through the establishment of Mutual Credit Associations, and such steps as were taken by the Government of North Western provinces and Oudh. The underlying idea of a number of persons combining together was the voluntary creation of a new and valuable security. A strong association competent to offer guarantees and advantages of lending to groups instead of individuals were major advantages. The Commission also suggested the principles underlying Agricultural Banks.

Keywords: cooperatives, commission, societies, banks, cooperation

Introduction

Cooperative societies were created long before with the intention of the fair trade movement to help workers improve their livelihoods.

Cooperatives are organizations of people who have the common needs. Most scholars recognize the business of the Rochdale pioneers of England as the first coop. In 1844, this group of 28 men (weavers and skilled workers in other trades) formed cooperative society. They created business principles to guide work and established a shop for selling goods. Increased pressure from the changing market system was driving force in their decision to move toward cooperation.

With the emergence of mass production during this time, entrepreneurs who had previously been capable of the sustainable production of high quality goods found themselves competing with large industries. In tea industry, for example, large-scale producers added grass clippings to bulk up tea, sacrificing quality for quantity. Production was changing in order to accommodate consumers' desire for cheaper, plentiful goods. Those who rapidly produced high volumes could meet the demands of the shifting market.

Another significant change in the market system was that the new large industries relied on unfair labor practices in order to meet production quotas. Employees lost control over working

conditions; low pay, long hours, unsanitary workplaces, and no mechanisms for claiming worker rights added to the growing frustration among laborers. In *Co-operatives and Community Development: Economics in Social Perspective*, Brett Fairbairn and his coauthors describe the situation:

The monotony and cruelty are hardest on the children; they work fourteen-, even sixteen-hour days, standing, fetching, and holding, with hardly a break. It is a long time. The speed of the machinery is calculated and they [the masters] know how much work it will do; and unless [the children] are driven and flogged up, they cannot get the quantity of work from them. The average life expectancy of an urban labourer is seventeen years.

Small companies that did not want to adjust their business practices in such a manner began to lose out in the new market. The local producers had typically used the finest materials and relied on traditional techniques for production. These smaller producers were not willing to resort to labor practices that did not respect the rights of individual workers. Thus, they did not meet the demands for quantity and speed that the changing market dictated.

The situation demanded new forms of organization that retained old modes of production while providing economic security for individual producers. Since the time of the

Rochdale pioneers, the formation of cooperatives has continued and the notion of cooperative organization has reached many regions of the world.

The global rise of cooperatives is partially due to the work of the International Co-operative Alliance (ICA).

Cooperative Credit Societies Act, 1904-The First Incorporation

Taking cognizance of the developments of cooperatives and to provide a legal basis for cooperative societies, the Edward Law Committee with Mr. Nicholson as one of the members was appointed by the Government to examine and recommend a course of action. The Cooperative Societies Bill, based on the recommendations of this Committee, was enacted on 25th March, 1904. As its name suggests, the Cooperative Credit Societies Act was restricted to credit cooperatives. By 1911, there were 5,300 societies in existence with a membership of over 3 lakhs. The first few cooperative societies registered in India under the 1904 Act in the first 5-6 years are as follows: Rajahauli Village Bank, Jorhat, Jorhat Cooperative Town Bank and Charigaon Village Bank, Jorhat, Assam (1904), Tirur Primary Agricultural Cooperative Bank Ltd., Tamil Nadu (1904), Agriculture Service Cooperative Society Ltd., Devgaon, Piparia, MP (1905), Bains Cooperative Thrift & Credit Society Ltd., Punjab (1905), Bilipada Service Cooperative Society Ltd., Orissa (1905), Government of India, Sectt. Cooperative Thrift & Credit Society (1905), Kanginhal Vyvasaya Seva Sahakari Bank Ltd., Karnataka (1905), Kasabe Tadvale Cooperative Multi-Purpose Society, Maharashtra (1905), Premier Urban Credit Society of Calcutta, West Bengal (1905), Chittoor Cooperative Town Bank, Andhra Pradesh (1907), Rohika Union of Cooperative Credit Societies Ltd., Bihar (1909). Under this Act, several non-credit initiatives also came up such as the Triplicane society in Madras which ran a consumer store, weaver credit cooperatives in Dharwar and Hubli, which gave credit in the form of yarn etc. However, these were registered as Urban Credit Societies.

The 1904 Act provided for constitution of societies, eligibility for membership, registration, liabilities on members, disposal of profits, shares and interests of members, privileges of societies, claims against members, audit, inspection and enquiry, dissolution, exemption from taxation and rule making power. All other operational and managerial issues were left to the local governments namely to formulate suitable rules and model bye-laws of the cooperative societies. The institution of the Registrar, visualized as a special official mechanism to be manned by officers with special training and appropriate attitudinal traits to prompt and catalyze cooperative development was the result of the Cooperative Societies Act of 1904.

Cooperative Societies Act, 1912

With the developments in terms of growth in the number of cooperatives, far exceeding anticipation, the Cooperative Societies Act of 1912 became a necessity and cooperatives could be organized under this Act for providing non-credit services to their members. The Act also provided for Federations of cooperatives.

With this enactment, in the credit sector, urban cooperative

banks converted themselves into Central Cooperative Banks with primary cooperatives and individuals as their members. Similarly, non-credit activities were also cooperatively organized such as purchase and sales unions, marketing societies, and in the non-agricultural sector, cooperatives of handloom weavers and other artisans.

Maclagen Committee on Cooperation (1914)

The Banking Crisis and the First World War both affected the growth of cooperatives. Although member deposits in cooperatives increased sharply, the war affected the export and prices of cash crops adversely during that time, resulting in increased over-dues of loans of primary agricultural societies. To take stock of the situation, in October, 1914 a Committee on Cooperation under Sir Edward Maclagen was appointed by the Government, in October 1914, to study the state of, and make recommendations for the future, of cooperatives.

After the 1912 Act, the first Cooperative Housing Society, the Madras Cooperative Union in 1914, the Bombay Central Cooperative Institute in 1918 and similar institutions in Bengal, Bihar, Orissa, and Punjab etc. came up. Other than consumer cooperatives and weaver's cooperatives, other non-agricultural credit cooperatives generally performed well and grew in strength and operations during this period.

Government of India Act, 1919

In 1919, with the passing of the Government of India Act, 1919 Cooperation as a subject was transferred to the provinces. The Bombay Cooperative Societies Act of 1925, the first provincial Act to be passed, among others, introduced the principle of one-man one-vote.

The agricultural credit scenario was a matter of concern during that time and various committees looked into the problems of cooperative banks in various provinces. The Royal Commission on Agriculture in 1928 also reviewed the cooperative sector.

In both agricultural and non-agricultural non-credit sectors, societies were organized, but most faced difficulties in operation as a result of opposition by private marketing agencies and also the inexperience of their office bearers. A significant development of this time was the setting up of the All India Association of Cooperative Institutes in 1929.

Establishment of Reserve Bank of India (RBI) in 1934 was a major development in the thrust for agricultural credit. The Reserve Bank of India Act, 1934 required the RBI to set up an Agricultural Credit Department. The Mehta Committee appointed in 1937 specifically recommended reorganization of Cooperative Credit Societies as multi-purpose cooperatives.

The Second World War boosted the prices of agricultural commodities leading to increased returns to farmers and consequently reduction in over-dues to the cooperatives. To counter shortages of essential commodities for domestic consumption as well as raw materials, the Government resorted for procuring commodities from producers and rationing for utilization of cooperatives. This provided a momentum to the growth of multi-purpose cooperatives.

The period 1939 to 1945 provided a further stimulus for the growth of the Urban Cooperative Credit structure. Many societies had started banking functions and had grown in size

and operations over a period of time, though activities were diversified.

Multi-Unit Cooperative Societies Act, 1942

With the emergence of cooperatives having a membership from more than one state such as the Central Government sponsored salary earners credit societies, a need was felt for an enabling cooperative law for such multi-unit or multi-state cooperatives. Accordingly, the *Multi-Unit Cooperative Societies Act* was passed in 1942, which delegated the power of the Central Registrar of Cooperatives to the State Registrars for all practical purposes.

In 1944, the Gadgil Committee recommended compulsory adjustment of debts and setting up of Agricultural Credit Corporations.

Cooperative Planning Committee (1945)

The Cooperative Planning Committee under the chairmanship of Shri R.G. Saraiya was set up in 1945. The Committee found cooperative societies to be the most suitable medium for democratization of economic planning.

Pre-Independence Development

In 1946, inspired by Sardar Vallabh Bhai Patel and led by Shri Morarji Desai and Shri Tribhuvan Das Patel, the milk producers of Khera District of Gujarat went on a fifteen day strike. Their refusal to supply milk forced the Bombay Government to withdraw its order granting monopoly procurement rights to Polson, a private dairy. History was made when two Primary Village Milk Producer Societies were registered in October 1946.

Developments in the Post-Independence Era

After Independence in 1947, cooperative development received a boost, with cooperatives being given a vital role in the various plans of our country.

The First Five Year Plan (1951-56), outlined in detail the vision of the cooperative movement in India and the rationale for emphasizing cooperatives and panchayats as preferred organizations for economic and political development. The Plan emphasized the adoption of the cooperative method of organization to cover all aspects of community development. It provided for setting up of urban cooperative banks, industrial cooperatives of workers, consumer cooperatives, housing cooperatives, diffusion of knowledge through cooperative training and education and recommended that every government department follow the policy of building up cooperatives.

All India Rural Credit Survey Committee (1951)

A major watershed initiative at this time was the appointment by Government of the Gorwala Committee, known as the All India Rural Credit Survey Committee. The Committee was appointed in 1951 and submitted its report in 1954. It observed that large parts of the country were not covered by cooperatives and in such areas where it had been covered, a large segment of the agricultural population remained outside its membership. Even where membership did exist, the bulk of the credit requirement (75.2%) was met from other sources. The Committee recommended introducing an integrated

system of rural credit, partnership of the government in the share capital of the cooperatives and also appointment of government nominees on their boards, thus participating in their management.

The Government and the elected representatives accepted the basic approach and the major recommendations of the Gorwala Committee. The Union Government acquired a major interest in the Imperial Bank which was converted into the State Bank of India. A National Cooperative Development and Warehousing Board was set up.

In 1953, the Government of India and the Reserve Bank jointly constituted a Central Committee for Cooperative Training to establish necessary training facilities for cooperative personnel.

The *Second Five-Year Plan (1956-1961)*, emphasized “building up a cooperative sector as part of a scheme of planned development” as being one of the central aims of National Policy. It aimed at enabling cooperatives to increasingly become the principal basis for organization of economic activity. The Plan drew up programmes of cooperative development based on the recommendations of the *All India Rural Credit Survey Committee (AIRCS)*. It was envisaged that every family in a village should be a member of at least one cooperative society. Linking of credit and non-credit societies to provide better services to the farmers was also targeted. State partnership with cooperative institutions at various levels, the essential basis of which was to be assistance and not interference or control, was recommended and for facilitating State partnership in cooperatives, the Plan also recommended the establishment of a National Agricultural Credit Long-term Operations Fund. The National Cooperative Development Fund was also established by the Central Government, during this period, to enable states to borrow for the purpose of subscribing share capital of non-credit cooperative institutions in the country.

The Industrial Policy Resolution of 1956 emphasized the need for State assistance to enterprises, organized on a cooperative basis for industrial and agricultural purposes, and “to build up a large and growing cooperative sector”.

The Committee on Cooperative Law under the chairmanship of Shri S.T. Raja in 1956 recommended a Model Bill for consideration of State Governments. Another important development, at this time, which affected the cooperative sector, was the National Development Council Resolution (1958). The Resolution on Cooperative Policy stressed that cooperatives should be organized on the basis of the village community as the primary unit and that there should be close coordination between the village cooperative and the Panchayat. The Resolution also recommended that the restrictive features of existing cooperative legislation should be removed. Many State Governments amended their Acts, as a result of the recommendations of the Model Bill

Cooperative marketing and processing of agricultural produce formed an important part of the Integrated Scheme of Cooperative Development in the Second Plan. About 1900 primary marketing societies were set up and State Marketing Federations were established in all the States, as well as the National Cooperative Marketing Federation at the Centre.

The *Third Five Year Plan (1961-1969)* stressed that “Cooperation should become, progressively, the principal

basis of organization in branches of economic life, notably agriculture, minor irrigation, small industries and processing, marketing, distribution, rural electrification, housing and construction and provision of essential amenities for local communities. Even the medium and large industries and in transport an increasing range of activities can be undertaken on cooperative lines”.

From the mid-sixties, onwards agro processing cooperatives, particularly in the sugar and spinning sector grew in number and contribution, driven primarily by the government’s policy of encouraging large scale industries in the cooperative sector and term loan assistance from financial institutions.

With the setting up of NDDB to replicate the Anand pattern of cooperatives in milk, the Indian dairy cooperative movement received a spurt. Later on NDDB also ventured into the field of edible oils

After the Indo-China war in 1962, both the Consumer Cooperative Structure and the Public Distribution System (PDS) was strengthened. The government as a matter of policy decided to give preference to consumer or other cooperatives in the allotment of fair price shops and certain States allotted new fair price shops only to cooperatives.

Some National Institutions which Came Into Existence in the 1960S

The *Agricultural Refinance Corporation* was set up in 1962 by the Government of India to provide long-term loans to cooperatives, through Central Land Mortgage Banks.

In 1963, the *National Cooperative Development Corporation (NCDC)* was established as a statutory corporation by an Act of Parliament. The establishment of the NCDC gave a great boost to the growth of cooperative marketing and processing societies.

While on a visit to Anand in October 1964, impressed by the socio-economic transformation brought about by milk cooperatives, Shri Lal Bahadur Shastri, the then Prime Minister of India, spoke of the desirability of setting up a national level organization, the *National Dairy Development Board (NDDB)*, to replicate the Anand pattern of cooperatives in milk throughout the country.

Several other significant organizational developments also took place during the period such as the setting up of various National Cooperative Federations and re-organization of the *National Cooperative Union of India (NCUI)*. In 1967, the *Vaikunth Mehta National Institute of Cooperative Management* was set up in Pune. Growth of consumer cooperatives was also an important development of this period.

The *Fourth Five Year Plan (1969-1974)* gave high priority to the re-organization of cooperatives to make cooperative short-term and medium-term structure viable. It also made necessary provisions to provide cooperatives with management subsidy and share capital contribution, as well as for the rehabilitation of Central Cooperative Banks.

The Mirdha Committee in 1965 laid down standards to determine the genuineness of cooperative societies and suggest measures to weed out non-genuine societies; to review the existing cooperative laws and practices to eliminate vested interest. The recommendations of the Committee resulted in amendments in the cooperative legislation in most states,

which destroyed the autonomous and democratic character of cooperatives.

The *Fifth Five Year Plan (1974-1979)* took note of the high level of over-dues. In its recommended strategy for cooperative development, the correction of regional imbalances and reorienting the cooperatives towards the under-privileged was to receive special attention. Based on the recommendations of an Expert Group appointed by the Planning Commission in 1972, structural reform of the cooperative set-up was envisaged. The Plan recommended the formulation of Farmers’ Services Cooperative Societies as had been envisaged by the National Commission on Agriculture and stressed the need for professional management of cooperatives.

The *Sixth Five Year Plan (1979-1985)* also emphasized the importance of cooperative efforts being more systematically directed towards ameliorating the economic conditions of the rural poor. The Plan recommended steps for re-organizing Primary Agricultural Credit Societies into strong and viable multi-purpose units. It also suggested strengthening the linkages between consumer and marketing cooperatives. Consolidation of the role of Cooperative Federal Organizations, strengthening development of dairy, fishery and minor irrigation cooperatives, manpower development in small and medium cooperatives were some of the planned programmes.

Nabard Act, 1981

The National Bank for Agriculture and Rural Development (NABARD) Act was passed in 1981 and NABARD was set up to provide re-finance support to Cooperative Banks and to supplement the resources of Commercial Banks and Regional Rural Banks to enhance credit flow to the agriculture and rural sector.

Multi-State Cooperative Societies Act, 1984

With the objective of introducing a comprehensive central legislation to facilitate the organization and functioning of genuine multi-state societies and to bring uniformity in their administration and management, the MSCS Act of 1984 was enacted. The earlier Multi-Unit Cooperative Societies Act of 1942 was repealed.

The *Seventh Five Year Plan (1985-1990)* pointed out that while there had been all round progress in credit, poor recovery of loans and high level of over dues were matters of concern. The Plan recommended amongst others development of Primary Agricultural Credit Societies as multiple viable units; realignment of policies and procedures to expand flow of credit and ensure inputs and services particularly to weaker sections; special programmers for the North-Eastern Region; strengthening of consumer cooperative movement in urban as well as rural areas and promoting professional management.

Model Cooperatives Act, 1990

In 1990, an Expert Committee, under the chairmanship of Choudhary Brahm Perkash, was appointed by the Planning Commission to make a rapid review of the broad status of the cooperative movement, suggest future directions and finalize a Model Cooperatives Act. The Committee submitted its report in 1991. Since cooperation is a State subject and each State

has its own cooperative legislation covering cooperatives whose membership is confined to the State, the report of the Committee, along with a draft Model Cooperative Law, was circulated to all State Governments for their consideration and adoption at State level.

The opening up of the economy in 1990, and the liberalized economic policies followed by the government since then, led to increasing pressures for various governments, state and central, to bring about changes that would provide cooperatives a level playing field to compete with the private sector. The *Eighth Five Year Plan (1992-1997)* laid emphasis on building up the cooperative movement as a self-managed, self-regulated and self-reliant institutional set-up, by giving it more autonomy and democratizing the movement. It also spoke of enhancing the capability of cooperatives for improving economic activity and creating employment opportunities for small farmers, labourers, artisans, scheduled castes, scheduled tribes and women and emphasized development and training of cooperative functionaries in professional management.

Parallel Cooperative Legislation

From the *Ninth Plan (1997-2002)* onwards, there has been no specific mention about cooperatives as a part of the Plan. Since Cooperation is a State subject and recognizing the difficulties in having the existing State Cooperative Acts amended on the lines of the Model Cooperatives Act, a section of cooperators and civil society initiated action to put in place Parallel Cooperative Legislation for self-reliant cooperatives. Self-reliant cooperatives are generally defined as those which have not received any assistance from the Government in the form of equity contribution, loans and guarantees. These Acts are largely based on the recommendations of the Choudhary Brahm Perkash Committee. Nine States namely AP (1995), MP (1999), Bihar (1996), J&K (1999), Orissa (2001), Karnataka (1997), Jharkhand (1996), Chhattisgarh (1999) and Uttaranchal (2003), have so far enacted Parallel Cooperative Acts which are enabling and ensure autonomous and democratic functioning of cooperatives.

Multi-State Cooperative Societies Act, 2002

The Multi-State Cooperative Societies (MSCS) Act, enacted in 1984, was modified in 2002, in keeping with the spirit of the Model Cooperatives Act. Unlike the State Laws, which remained as a parallel legislation to co-exist with the earlier laws, the MSCS Act, 2002 replaced the earlier Act of 1984.

National Cooperative Policy (2002)

In 2002, the Government of India enunciated a National Cooperative Policy. The objective of the Policy is to facilitate an all-round development of cooperatives in the country. The policy promises to provide cooperatives with the necessary support, encouragement and assistance, to ensure their functioning as autonomous, self-reliant and democratically managed institutions, accountable to their members, and making a significant contribution to the national economy.

Based on the recommendations made at a Conference of State Ministers for Cooperation, the Government of India in 2002 constituted a Ministerial Task Force to formulate a plan of action for implementation of National Cooperative Policy.

The Task Force suggested that a single law instead of parallel laws should be introduced in the States. It also recommended, among others, that in order to depoliticize cooperatives, Members of Parliament or Members of Legislative Assemblies should not be allowed to hold office of any cooperative society.

The Companies Amendment Act, 2002

A Committee under the chairmanship of Dr. Y. K. Alagh recommended the amendment of the Companies Act, 1956. On the basis of the recommendations of the Committee, the *Producer Companies Bill* was introduced in the Parliament and became law on *6th February, 2003 as Part IXA - Producer Companies in the Companies Act, 1956*. Based on the cooperative principles of mutual assistance, it provides an alternative to the institutional form that is presently available to cooperative enterprises.

NCDC Amendment Act, 2002

Recognizing the need to improve its scope of lending and to bring about changes in its funding, the NCDC Act was amended in 2002, which has enabled it to cover notified services, livestock and industrial activities and more importantly to directly fund cooperatives against suitable security.

Task Force on Revival of Cooperative Credit Institutions

To nurse the rural cooperative credit system back to health, to ensure that the rural credit doubled over three years and that the coverage of small and marginal farmers by institutional lending was expanded substantially, the Government of India in August 2004 set up a Task Force to suggest an action plan for reviving rural cooperative credit institutions and legal measures necessary for facilitating this process. The Task Force, chaired by Prof. A. Vaidyanathan, recommended that any financial restructuring which did not address the root causes of the weaknesses of the system would not result in its sustained revival and would require legal measures. The recommendations of the Task Force in accordance with its Terms of Reference are basically confined to revival of credit cooperatives for which it suggests a financial package. The Vaidyanathan Committee has also suggested a model cooperative law that can be enacted by the State Governments. Recommendations of the Task Force are being currently implemented. The Vaidyanathan Committee has also given its report on the long-term cooperative credit structure.

Types of Co-Operatives and Their Operations

The Co-operative Movement was introduced into India by the Government as the only method by which the farmers could overcome their burden of debt and keep them away from the clutches of the money-lenders. The Co-operative Credit Societies Act, 1904 was passed by the Government of India and rural credit societies were formed. Through the appointment of registrars and through vigorous propaganda, the Government attempted to popularize the Movement in the rural areas. Within a short period, the Government realized some of the shortcomings of the 1904 Act and, therefore, passed a more comprehensive Act, known as the Co-operative Societies Act of 1912. This Act recognized non-credit

societies also. But the rural credit societies have continued to be predominant till now.

1. The Primary Agricultural Credit/Service Societies: The agricultural co-operative credit structure in the Punjab State is broadly divided into two sectors, one dealing with the short-terms and medium-terms finance and the other with the long-term credit. In the State, the short-term and medium-term credit structure is based on a three-tier system, i.e., the Apex Co-operative Bank at the State level, the Central Co-Cooperative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery. Owing to an increasing emphasis on the development of land and agriculture, long-term co-operative credit has assumed great importance. There is the Punjab State Land Mortgage Bank at the Apex and the Punjab Mortgage Bank at the district/tehsil level. These Primary Land Mortgage Banks advance loans to the farmers for long term purposes. At the operational level, there exists a primary co-operative to extend credit to the farmer. This unit epitomizes the vitality and service potential of the Co-operative Movement in India. The organization of these societies dates back to 1904, when the first Co-operative Societies Act was passed. These societies were started with the object of providing cheap credit to the agriculturists in order to free them from the clutches of the rapacious money-lenders. The agricultural primary credit society is the foundation-stone on which the whole co-operative edifice is built. Even now these societies dominate the co-operative picture.

The first Agricultural Credit Society in the Ferozpur District was registered on October 1911, at the Village of Khalchi Kadim in the Ferozpur Tehsil. Originally, the movement was confined to the credit societies only and, thus, credit dominated till the partition (1947). After the partition, the Co-operative Movement began to spread to other field, viz labour, construction and farming. In 1979-80, the number of agricultural cooperative credit societies in the District was 309 with a membership of 1, 21,761. The loan advanced during the same year amounting to Rs. 2,180.35 lakh and the deposits to Rs. 26.84 lakh.

2. Agricultural Non-Credit Societies: While credit is and must remain for some time the chief concern of the Co-operative Movement relatively slow, since 1912, when the non-credit societies were brought officially under the aegis of the Movement. The World War II (1939-45) came as a God send boon with respect to the development of the Cooperative Movement. Prices of agricultural goods began to rise and touched new peaks. The repayment of loans was accelerated and deposits began to pour in. The number of societies also rose. Another interesting development in co-operative during the War was the extension of the Movement to non-credit activities, viz. consumer's co-operative marketing societies, consolidation societies, etc. The number of agricultural non-credit societies in the district was 38 in 1978-79.

3. Agricultural co-operative Marketing Societies:

Marketing has occupied a far smaller place in the co-operative picture in India than in many countries, notably Denmark and the USA, but not other non-credit line of co-operation, with the possible exception of the consolidation of land holdings and joint farming enterprises, seems to hold greater possibilities of help to the agricultural population of India.

The development of co-operative marketing in India is closely bound up with the problem of credit-the claims of the money-lenders commonly inhibiting the cultivator's freedom of action in disposing of his crop. The full utilization of loans advanced depends upon the arrangements for the marketing of surplus produce. For this purpose, there the Punjab State Marketing Federation at the State Level, wholesale societies at the district level and marketing societies at the market level. These societies also provide other agricultural facilities and make arrangements for the supply of domestic items in the rural areas.

4. Co-Operative Farming Societies:

The Royal Commission on Agriculture in 1928 observed that it co-operation failed, there would fail the hope of the Indian agriculturist. Co-operative farming is a compromise between collective farming and the peasant proprietorship and gives all merits of large-scale farming without abolishing private property. It implies an organization of the farmers on the basis of common efforts for common interests. Under this system, all landowners in a village form a co-operative society for tilling the land. The land is pooled, but each farmer retains the right of property. The produce is distributed by each. They are allowed to withdraw from the cooperative farm whenever they desire.

In India, the exceedingly small size of holdings is perhaps the most serious defect in our agriculture. If agriculture has to be improved, the size of the holdings must be enlarged.

The co-operative farming societies, thus, enable the cultivators to enjoy the economies of large-scale farming through the pooling of land management resources the passing of the first Cooperative Act of 1904, Indian cooperatives have widened in variety and content. At present one can find every type from a simple village society, to a multi-purpose large scale society, and federated associations of complex nature. Since more than 80 percent of the Indian population lives in agricultural villages, it is logical for agricultural cooperative societies to occupy a major segment of the cooperative sector. Cooperative societies will be divided into two main categories:

1. Credit societies, and
2. Non-credit societies.

Credit has been always a serious problem to millions of Indians, especially to rural populations. Since the passing of the Cooperative Act of 1904, many attempts have been made by the government of India and all the state governments to provide credit through cooperative and other means. Most of the cooperative credit is channeled directly and indirectly, through primary, central, and state cooperative societies.

First the primary credit societies which come under four headings:

1. Agricultural,
2. Non-agricultural,

3. Gramin Banks, and
4. Primary land mortgage banks

Primary Agricultural Credit Societies

This village society is the most important society in India's cooperative structure. When Raiffeisen started his first village bank in Germany, its operation was confined to a village. Everybody stood on the same footing and joined together to promote the common purpose of encouraging thrift and provide finance for needy people. In his monumental report of 1895 Sir Frederick Nicholson recommended village banks to promote thrift and credit, and at the present time the village bank is still considered to be an important instrument in planning agricultural development and village prosperity.

A primary society, like all other cooperative societies, is registered under the law relating to cooperative societies as it prevails in the state where the society is established. Its organization and functioning are governed by the state cooperative laws. Its constitution, aims, functions, procedures, method of working, source of funds, manner of utilizing earnings, and deposits, etc., are all laid down in the society's by-laws. The by-laws are framed at the time of its registration and approved by the Registrar of Cooperative Societies. The changes in by-laws have to be passed by the general body and again, approved by the Registrar of Cooperative Societies.

As a cooperative society, a primary credit society has to satisfy certain cooperative principles. It should conform to the community interest motto of mutual service, democratic management, and one man one vote and should promote thrift and savings. Constitutionally, a primary society has a general body, consisting of its members, a managing committee elected by the general body, and the paid or honorary secretary. Although final authority rests with the general body, the day to-day operations are carried on by the managing committee and the secretary.

A primary society is usually formed by 10 to 100 persons and its operations are limited to a village. The liability of members is usually unlimited, thus inspiring confidence in the minds of outsiders. Mutual control and supervision are easier because of the closer association among its members. The working capital is comprised of entrance fees, deposit it's, and share capital, if any. The loans and deposits are obtainable from the governments and other federal cooperative associations.

A recent analysis of the ratio of deposits to working capital was less than 6 percent in 11 states. This shows utter dependence on outside finance, especially from the government. Loans are usually short-term given on security of property. A limited number of societies furnish medium term credit, and some supply seeds and insecticides. The loans are usually for productive purposes but moderate amounts are granted for personal expenses like marriages and old debts. The rate of interest varies from 11 percent to 12 percent, and in some places 21 percent. A society without share capital has to credit all of its profits to its reserve funds and others with share capital credit 15 percent of their profit to the reserve fund,

At the end of 1960-61 primary agricultural credit societies numbered 212, 129, with a working capital of more than Rs.273 crores and membership of 170 lakhs. Other pertinent data for 1960-61 is as follows: Average number of members,

80; average share capital, Rs. 2,722; average deposits, Rs.688; average working capital, Rs. 12,913; average loans advanced per member Rs.119; average loans advanced per society, Rs. 10,000; and average over-dues as a percent of loans, 20.3 percent.

Another development was the formation of large scale primary credit societies which draw membership from a wider area. The purpose was to eliminate weak and inefficient societies. But in 1959 the government of India went back to single village societies on the grounds that local interest disappears with the large-scale societies. The primary objective of such a large-scale society is to mobilize and pool rural saving for productive purposes. These types of societies still exist in India even though the number of such societies decreased to 7,943 by 1961. But membership and operations showed an increase in the same period. The total membership increased to 33.20 lakhs with working capital of Rs. 83.01 crores. Also, there is a trend towards the multipurpose society. Both primary and large scale agricultural credit societies comprise about 80 percent of all cooperative societies. This indicates that short-term and medium-term loans are wanted by agriculturalists.

Non-agricultural credit cooperatives are generally formed in urban areas with large membership, limited liability, and high dividends. The most common of these are urban credit cooperatives, such as cooperative banks, housing societies, consumer stores, employee's societies, and life insurance societies. Their primary purpose is to provide thrift and to grant loans to members at reasonable interest rates.

More than 12,300 credit cooperatives in the non-agricultural section are in operation covering about a third of the urban population. These societies have recorded a steady progress since 1957. They have a membership of 50 lakhs with working capital of Rs. 1648 crores and loans advanced Rs.161. 6 crores. The total deposits in the non-agricultural sector rose from Rs. 35 crores in 1950-51 to Rs. 103 crores in 1961-62. Deposits during the same period formed 62 percent of the working capital as compared to 6 percent of the agricultural credit societies. ⁴ This shows the strength and independence of the non-agricultural credit societies. The cooperative movement in the urban sector shows much strength because of stable incomes, and people are more educated and responsive to the principles of cooperation.

Primary Grain Banks

Primary Grain Banks is another type of primary credit society which is organized to provide loans to members until next harvest, to accept deposits of grains, and arrange for its storage. Most of the grain banks were operating only in four states-- Maharashtra, Adhra Pradesh, Mysore, and Orissa. During the year 1960-61 there were 9,412 societies with a membership of 12.49 lakhs, and a working capital of Rs. 5.35 crores. Loans advanced by them during 1960-61 amounted to Rs. 2.03 crores while those outstanding were of the order of Rs. 359 crores. The overdues at Rs. 1.79 crores constituted 50 percent of the outstanding.

The first land mortgage bank was organized in 1920 in the Punjab state. The main purpose of such a bank is to provide long-term loans to purchase land and help cultivators liquidate the old debts. There has not been a substantial increase in the

primary land mortgage banks since 1957 because of lack of accurate assessment of the value of the land offered as security, annual repaying capacity, and uncertainty of crops. This type of society enjoys a number of concessions and privileges in the way of reduction in registration fees, staff to help check loan applications and evaluate property, etc. In 1959-60 only 33 more primary land mortgage banks were added, bringing the total to 339.

State and Central Cooperative Credit Associations

Banking Unions

The membership of Banking Unions is open only to the societies. This federal society is formed to organize, supervise, and finance primary societies. These federations are managed by the member societies. They usually act as a guarantor for loans made by central banks to the member societies. Some supervise the member societies. They also act as an intermediary agent between the primary societies and central financing institutions. During the year 1960-61 138 district unions were functioning.

Central Cooperative Banks

The membership of Central Cooperative Banks is open to the societies and to individuals. Usually the operation is confined to a district (large U. S. country) and primary credit societies and large-scale credit societies are federated into a distinct cooperative bank. The central banks have been organized since 1912 to finance and supervise the primary credit society members. They also accept deposits, collect bills, etc. In 1960-61, there were 390 central banks and banking unions with a working capital of Rs. 304.05 crores and membership of 388 lakhs. Loans advanced by central cooperative banks rose to Rs. 354.88 crores, representing a 19.3 percent increase. Over-dues in 1961 formed 12.5 percent of the outstanding loans.

The purpose of the central land mortgage society is similar to that of a primary land mortgage bank-to help finance purchase of land. The number of central land mortgage banks during 1961 was 18, with share capital of Rs. 4.33 crores and working capital of Rs. 47.60 crores. The long-term loans outstanding during the same period were Rs.36.61 crores.

There were 21 state cooperative banks in 1961. Apex banks, finance, coordinate, and control the working of the central banks in each state. These banks are financed both by the Reserve Bank of India and state government in each state. They act as central banking agency of the cooperative financing. In 1961 there were 21 banks with a working capital of Rs. 221.65 crores. The advances of the state cooperative banks in 1961 were Rs. 258.20 crores, short-term loans and long-term loans amounted to Rs. 246.97 crores and Rs. 11.25 crores, respectively. Over-dues were Rs. 6.97 crores.⁹

Non-credit societies occupy an important place in the cooperative sector of the economy even though dominance of agricultural credit cooperatives prevails.

Bombay was a pioneer in organizing cooperative marketing societies, with the cotton sale societies of Gujarat and Karnataka occupying first place. During the period 1960-61 3,108 marketing societies were registered with a membership of 1,467, 622. Share capital Rs. 7.49 crores and working capital of Rs. 28.21 crores, loans advanced amounted to Rs 20.76 crores, purchases of Rs. 63. 81. Their sales as owners

and agent were at Rs. 41.21 crores and Rs. 4292 crores, respectively. (Besides there were 24 and 171 state and regional marketing societies.)¹⁰ These societies market such items as dairy products, specialized food grains, cotton, various fruits, vegetables, fertilizers, etc.¹⁰

Processing societies usually engage in processing such products as cotton, sugar, peanuts, rice, and coffee. One will find cotton ginning in Maharashtra, Mysore, and Kerala; sugar refining factories in Maharashtra and other states; peanut processing, paddy (rice) husking; and coffee curing in Madras and Madhya Pradesh. In 1961 there were 66 cooperative sugar factories, 128 cotton ginning and processing societies, and about 3,103 were engaged in paddy husking and oil crushing.

Cooperative Farming

Cooperative farming Societies include

1. Better farming societies,
 2. tenant farming societies,
 3. Joint farming societies and collective farming societies.
- Each of the kind indicates its purpose.

There were 6325 cooperative farming societies, of which 2080 were joint farming, 1109 collective farming, 1097 better farming, and 2094 tenant farming societies. Cooperative farming societies represent a very insignificant proportion of the total number of agricultural non-credit societies.

The Indian farmer, in common with farmers elsewhere, has a deep attachment to his own land. Other major agricultural non-credit societies include irrigation societies and fisheries societies. Thus, agricultural non- credit cooperative societies are primarily concerned with agricultural operations such as purchase of seed, manure, implements, and machinery, irrigation facilities, consolidation of holdings, cooperative farming, cooperative marketing, and supply, social service, housing insurance, land reclamation, crop protection, cattle breeding, etc. Non-credit agricultural credit societies have not developed like credit societies for several reasons. Only after 1912 did such societies start to form. Furthermore, illiteracy, industrial backwardness, and credit societies covering noncredit activities slowed their development. During and after World War II, because of high agricultural prices, these societies showed remarkable progress, but in recent years these societies have shown a decline except cooperative marketing.

Non-agricultural and non-credit societies are generally comprised of industrial societies such as weaver's societies, spinning mills, consumer stores, housing societies, production and sales societies, social service societies, and labor cooperatives.

During World War II Consumer Societies are type of society made progress because of black-marketing and high prices. The government also encouraged this development. These societies carried the distribution of rationed articles. After 1951-52 they received a set back because of the lifting of controls on food grains and other necessities. The number of primary and wholesale consumer societies in 1961 was 75 and 7059, respectively, with a membership of 13.67 lakhs and working capital of Rs.11.82 crores. Purchase and sales amounted to Rs.54.07 crores and Rs.60.06 crores, respectively.

Industrial Cooperative Societies

Most important of Industrial Cooperative Societies are weaver's societies. Others have been formed by tanners, smiths, potters, oil processors, beekeepers and wood workers. The main purpose is to encourage small scale and cottage industries. During the year 1960-61 there were approximately 33,000 societies with a membership of 16 lakhs and working capital of 50 crores.

Housing societies are numbered about 6458 in 1961 with a membership of 3.81 lakhs and working capital of Rs. 57.83 crores. The value of the houses constructed during 1960-61 was Rs. 27.92 crores. State cooperative and mortgage and the 14-primary cooperative land mortgage banks in the state is Rs. 3.84 crores, of which Rs. 1.22 is accounted for by debentures.

Several hundred voluntary cooperative farming societies are scattered throughout India. Though voluntary, they are not necessarily the spontaneous creations of individual cultivators and all are supported by the government with fairly generous amounts. The following an exceptional example of this type of cooperative near Baroda.

Family of three brothers farming about 60 hectares of land forms a cooperative with their tenants and neighbors. Liability is unlimited. The membership is 29 and the land pooled is 177 hectares. The land is transferred to the society by owners and tenants for 10 years. At the end of 10 years any member with no dues outstanding can withdraw his land by paying for the improvements made by the society on his piece of land. A rent is paid to the owner not exceeding 6 percent of the value of the property. The tenant pays rent to the society, but at rates not exceeding one-sixth of the annual crop production. Members are not allowed to cultivate land not belonging to the society. Work animals and implements are valued as share capital, bearing interest at 3 percent. Milk cattle are considered as the individual property of members. The land is pooled and worked as a single farm, divided into eight blocks for management purposes.

A management committee is elected and appoints a manager and supervisor from among the members. Adult members and the 14 families are paid Rs.1.8 a day as against Rs. 75 a day average rate. The supervisor receives Rs 2 a day and the manager Rs. 4. There are four permanent non-member laborers. A general plan of work is drawn up by the committee. The manager and supervisor are responsible for carrying out the plan.

The government has given substantial aid to this society. There are no over-dues. On formation, the society took over all existing debts of the members and discharged them out of wages due. Members are not allowed to borrow further for their personal needs except from the society.

After the payment of operating expenses, 25 percent of the surplus is placed in a reserve fund, 20 percent goes to a common good fund, 10 percent to employee's bonus, and the rest is divided 40:60 in ownership and wage dividend.

Since the formation of the society the yield has increased by 25 percent, the value of produce has doubled individual incomes of land holders have increased from 15 to 50 percent. The society provides, free of charge, medical aid to its members, education for their children, fruit and vegetables for home consumption, grass and fodder for the cattle.²

This is one of the very rare examples of a successful voluntary

cooperative farming society. Transportation is another field in which cooperation has shown good results. A taxi cooperative started in Calcutta in 1961 with 20 taxis has worked efficiently and has encouraged the taxi drivers to form similar types of transportation cooperatives. The scheme of taxi cooperatives has benefited not only the drivers, but also the residents of Calcutta. The introduction of taxi cooperatives has been a stabilizing force in the transportation system of Calcutta, and has eliminated the possibility of a taxi drivers' strike. This has eliminated middlemen and the high rate of interest on capital under the hire-purchase system. The cooperatives are operating more economically than private taxis. These taxi cooperatives plan to start a service station, and a shop for sale of spare parts and accessories.

The Alumura Cooperative Rural Bank Ltd., Madras

The Alumura Cooperative Rural Bank Ltd. Madras operates in 12 villages within a radius of 5 miles of the town. In 1948 members were 3,749 and the share capital amounted to Rs. 59,771. The bank is a member of the local Cooperative Central Bank. Each member can borrow only up to the maximum of Rs. 2000 and it is based on Rs. 10 per share. No member can hold more than 200 shares. Loans are granted on the security of deposits, on mortgage of property, on the pledge of government papers or gold ornaments, on produce and against collateral security of standing crops maturing for harvest within one month. Short-term loans are issued on the security of land and other fixed assets.

The Gujarat State Cooperative Marketing Society

The Gujarat State Cooperative Marketing Society has a membership of 225 societies with paid-up share capital of Rs. 15.33 lakhs, of which the government share is Rs. 7 lakhs. Its reserve and other funds amount to Rs. 3,55 lakhs and borrowing Rs. 40.8 lakhs. The society has been appointed as state wholesale distributor of fertilizers. It exports pulses and imports dry fruits. It has also been appointed supervisor for the state under the cotton supervisory scheme of the union government during 1962-63. The society purchased cotton worth Rs. 2.84 crores and its sales amounted to Rs. 2.85 crores.

Poona Central Cooperative Bank Ltd.

The Poona Central Cooperative Bank, Ltd., has its headquarters in Poona and 20 branches in the Poona District, Maharashtra State. The membership is composed of 999 societies and 5,500 individual members. The paid-up share capital is Rs. 23.5 lakh, of which Rs. 10 lakhs are government contributions to the share capital. It has a 27-member board of directors representing the societies, the individuals, and the government. The bank provides agricultural credit and a limited amount of credit for industrial cooperatives. Sugar cane is the principal cash crop in the area and roughly 25 percent of this crop is grown by member cooperatives' sugar factories. During 1959 the bank loaned Rs. 16 lakhs to 2989 members for the production of potatoes on 3,338 acres. Short-term agricultural credit loans outstanding as of 1959 amounted to Rs. 204 lakhs, medium-term agricultural loans to Rs. 24 lakhs, and non-agricultural loans to 12.9 lakhs.

The Kudiraichandal Multipurpose Cooperative Rural Credit Society, Madras State

This rural credit society with unlimited liability serves four small villages with a membership of 102, a share capital of Rs. 498, and a reserve fund of Rs. 2, 359. It is a member of the South Arcot Cooperative Central Bank, the Cooperative Central Store Society, and of the Agricultural and Industrial Cooperative Society. This society deals in chemical fertilizers, handloom cloth, iron and steel and salt. It supplies credit for the purchase of articles for agricultural needs, for iron implements and manure, for cloth and food. The individual member can borrow up to Rs. 500. This society was first registered in 1910 and for many years continued its activity to credit, building up in the process a small reserve. Only since World War II has it expanded its activities, covering the entire needs of a cultivator.

The Dooma Union Large -Sized Primary Cooperative Agricultural Credit Society, Ltd. was organized in 1957 in West Bengal to provide loans to members for productive and other useful purposes, to procure and supply agricultural and domestic requirements, and to engage in better marketing.

It operates in an 11-square -mile area and has 498 members. Ninety percent of the members are agriculturalists. Authorized share capital is Rs. 60,000, paid-up share capital is Rs. 13,276. It advanced loans of Rs. 20,125 to its members in 1959-60. It provides irrigation services and operates a shop for supplying food grains and fertilizer.

Growth & Development of Cooperative Movement

The history of the cooperative movement concerns the origins and history of cooperatives. Although cooperative arrangements, such as mutual insurance, and principles of cooperation existed long before, the cooperative movement began with the application of cooperative principles to business organization.

The cooperative movement began in Europe in the 19th century, primarily in Britain and France, although The Shore Porters Society claims to be one of the world's first cooperatives, being established in Aberdeen in 1498 (although it has since demutualized to become a private partnership). The industrial revolution and the increasing mechanism of the economy transformed society and threatened the livelihoods of many workers. The concurrent labor and social movements and the issues they attempted to address describe the climate at the time.

The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society. In the decades that followed, several cooperatives or cooperative societies formed including Lennox town Friendly Victualling Society, founded in 1812.

By 1830, there were several hundred co-operatives. Some were initially successful, but most cooperatives founded in the early 19th century had failed by 1840. However, Lock hurst Lane Industrial Co-operative Society (founded in 1832 and now Heart of England Co-operative Society), and Galashiels and Hawick Co-operative Societies (1839 or earlier, merged with The Co-operative Group) still trade today.

It was not until 1844 when the Rochdale Society of Equitable Pioneers established the "Rochdale Principles" on which they ran their cooperative, that the basis for development and growth of the modern cooperative movement was established. Financially, credit unions were invented in Germany in the mid-19th century, first by Franz Hermann Schulze-Delitzsch (1852, urban), then by Friedrich Wilhelm Raiffeisen (1864, rural). While Schulze-Delitzsch is chronologically earlier, Raiffeisen has proven more influential over time – see history of credit unions. In Britain, the friendly society, building society, and mutual savings bank were earlier forms of similar institutions.

The First Cooperative. The first successful attempt at forming a cooperative society was made in Rochdale, England, in 1844 by a group of 28 flannel weavers, some of whom had been followers of the liberal-minded Robert Owen. These weavers were having a hard time keeping body and soul together, because of the low wages being paid them by the mill owners. England's Proving Ground, the cooperatives that were organized in England up to 1844, which dates the setting of the Rochdale Society, merely served as a proving ground for the latter organization. On April 12th, 1827, the Brighton Cooperative Benevolent Fund Association was organized to enable people to join cooperative communities, of which there were several. In July of that same year! W. Bryan organized the Cooperative Trading Association, which within one year from its inception did a volume of business amounting to \$200 per week. One year later, nine cooperative societies had been founded, while by 1830, over 300 cooperative societies were in existence in England. Also, from 1827 to 1834, various trading exchanges were formed by unemployed artisans, whereby labor could be exchanged.

Cooperation Clarified. During the years between 1831 and 1835 a series of cooperative Congresses were held by those interested in these cooperative enterprises for the purpose of clearing the air of confusion regarding the Cooperative ~ovement, which was then just emerging from the cradle. These conferences did much to establish the aims and principles of cooperative activity.

The first English consumer ventures were doomed to failure because of several reasons. Trustees of these first cooperatives were elected for life, and could not be removed, although they were obliged to assume financial responsibility for any debts that the society might incur. Like all novices in the cooperative consumer stores, they granted too much credit, as well as tolerating poor management and accounting systems. It was common for both managers and clerks to steal from these early cooperatives. Another cause for their downfall was the arrangement whereby the largest shareholders received the greatest dividends. All these factors, when added together, spelled failure for the first genuine English Cooperatives, but it enabled the Rochdale Pioneers to profit from these mistakes and set up a new model that was destined to endure for all time.

The Rochdale weavers knew that the first thing they would have to do to start their cooperative store would be to raise capital. Despite the fact that they were earning a scant income, they spent the best part of a year holding meetings and storing away a few pennies every week. Finally, when they had amassed a combined capital of 28 pounds, or \$140, they

decided to begin operations.

In December, 1844, these weavers rented an old store building on Toad Lane in Rochdale, and purchased a supply of groceries consisting mostly of flour, sugar, oatmeal and butter. The store "was open only after working hours two nights a week. They took turns in clerking, buying, etc. Each member assisted in operating the store in one way or another after working hours.

Ridicule. These pioneer cooperators had to stand considerable abuse 'when they first started out with their cooperative store. People who were not in sympathy with this "new -fangled" idea would stand outside the store on Toad Lane at night and ridicule them in their attempt to carry out their new cooperative program.

The struggle, only their intense loyalty to the principles of cooperation and to each other saved these brave pioneering weavers from disaster. During the first eight months of its existence, the store was constantly threatened with failure. However, these pioneers were smart enough to profit by each mistake, and as a result of their experiments, they set up eight cardinal principles of cooperation that have been used ever since that time as the fundamental principles of all successful consumer cooperative organizations.

Rochdale Cooperative Principles

1. Low membership fee, or share value, within the reach of those interested in improving their financial status.
2. Wide distribution of shares, rather than being concentrated in the hands of the few.
3. Democratic control; one-man; one-vote, regardless of the number of shares owned.
4. Sell for cash, in order to avoid losses connected with the extension of credit.
5. Goods sold at regular retail prices, in order to avoid price-cutting, I war with competitors.
6. Low rate of interest paid on capital stock, and the distribution of savings based upon the amount of patronage contributed by each member.
7. Political and religious neutrality.
8. A certain percentage of the profits set aside for educational purposes.

Low Membership Cost. The Rochdale Pioneers set the cost of shares as low as possible in order that anyone who was ambitious in improving his lot might do so. Their main objective was to enroll as many worthy families as possible who 'were experiencing the same financial difficulties as they were in keeping their collective heads above water.

Democratic-Ownership. It was felt that the success of the cooperative at Rochdale would be assured if each patron owned at least one share of stock. However, to guard against the opposite extreme, they discouraged anyone member from holding any great number of shares. Each shareholder would naturally take a certain amount of pride in being a part owner of the enterprise, rather than just a patron.

One-Man - One-Vote: In order to make the cooperative a true democracy, these wise Rochdale Pioneers decided that each member should be entitled to one vote, regardless of the number of shares he might own. This plan would prevent the policies of the organization from being controlled by a certain

few, rather than from the entire membership.

Sell for Cash. No one will deny, even today that there is usually some loss experienced when credit is extended in any kind of business. The Rochdale weavers recognized this fact way back in 1844, and therefore decided that it would be safer for their little store to sell for cash, even if it meant fewer sales, then to sell on credit and risk losing some of their capital.

Sell at Retail Prices. Some people think that a cooperative should sell at cost. This usually causes price-cutting wars on the part of competitors, and any competitor who has sufficient capital could soon run a small cooperative to the wall, by simply outlasting it if the cooperative started cutting prices. The successful cooperative usually sells its goods at the prevailing retail prices, unless such prices are too high. Thus, the savings gained for its members are returned to them at the end of the year in the form of patronage dividends. However, some strong present-day European cooperatives have cut retail prices much lower than the American cooperative stores have dared to as yet.

Low Interest on Shares: In order to distribute the earnings of the cooperative in proportion to the amount of business contributed by each member, a comparatively low rate of interest was paid on the shares held by the various members of the Rochdale cooperative. This policy has the tendency of discouraging the more prosperous members from buying shares from the standpoint of investment purposes.

Political and Religious Neutrality: There were a great number of religious and political beliefs one hundred years ago, as there are now. To confine a cooperative society to one particular race, or political or 'religious creed would have been suicidal, as well as distinctly undemocratic. So, the people of Rochdale, when setting up their first cooperative, wisely saw to it that their society would not have to overcome such barriers.

Cooperative Education: The last principle set up by the Rochdale weavers was in relation to education. They made special provisions in their by-laws whereby a certain percentage of their accumulated earnings were to be spent for education. This was certainly a wise provision on the part of these pioneers. After nearly 100 years of cooperative activities all over the world, those cooperatives who have likewise provided for educational allowances from their earnings have been far more successful than those who did not make such provisions. Membership education is always important.

The Rochdale Cooperative Idea, the wisdom of the Rochdale Pioneers has been established beyond a doubt. Following the success of this little group, a larger cooperative was formed in Manchester, England, in 1862. This was called the Cooperative Wholesale Society (C.W.S.). Now over 1,200 retail cooperative stores are the result of this early movement in England, Scotland, and Wales. This cooperative now enjoys a membership of over seven million shareholders in Great Britain.

Rochdale Principles Sound: Thousands of cooperatives, both buying and selling, have been organized since the pioneer Rochdale movement. However, not all have succeeded. Only

those who have adhered strictly to the Rochdale runamentals have weathered the economic storms which are bound to cross the path of any new movement. Therefore, it is extremely important for members of cooperative organizations to thoroughly understand the eight cardinal principles of cooperation as set forth by the Rochdale Pioneers.

Other English Cooperative Ventures. Because of the pronounced success of the Cooperative Wholesale Society of England, members of this organization engaged in many other cooperative enterprises. Cooperative insurance was started in 1867. Shortly after this, the Society opened a cooperative bank. This enterprise, as well as cooperative insurance, met with instant success. For example, the cooperative banking department now has over 65,000 accounts, with total assets amounting to \$350,000,000.

Cooperative Services, The Cooperative Wholesale Society also maintains many services for its patrons, such as architects, contractors, launderers, shippers, dentists, lawyers, funeral directors, printers, garage services, etc. It also operates several farms, milk depots, and tea plantations in Ceylon and India.

Conclusion

It is evident that Cooperative societies were created long before with the intention for the fair trade movement to help workers improving their livelihoods. India since the country's independence from Britain in 1947 has observed a huge growth in Cooperative societies serving mainly the farming sector.

For example, most of the sugar production in India takes place at mills owned by local cooperative societies. The members of the society include all farmers, small and large, supplying sugarcane to the mill. Over the last fifty years, the local sugar mills have played a crucial part in economic growth of our country. Presence and role of Cooperatives in Dairy industry is also very significant in present scenario.

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