

***CO-OPERATIVE THEORY,  
PRINCIPLES & PRACTICE***

***CORE COURSE***

***V SEMESTER***

***B Com  
(Specialization – Co-operation)***

*(2011 Admission)*



**UNIVERSITY OF CALICUT**

**SCHOOL OF DISTANCE EDUCATION**

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# **UNIVERSITY OF CALICUT**

SCHOOL OF DISTANCE EDUCATION

## **STUDY MATERIAL**

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**B Com (Specialization - Co-operation)**

## ***CO-OPERATIVE THEORY, PRINCIPLES & PRACTICE***

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## MODULE I

### MEANING AND DEFINITION CO-OPERATION

Co-operation is derived from the Latin word “**Co-operari**”, ‘**Co**’ means “**with**” and ‘**operari**’ means “**to work**”. Hence co-operation means **Working Together** with others for a common purpose.

Aristotle, a Philosopher of Ancient Greece, recognized the social nature of man when he said, “**Man is a Social Animal**”. Man cannot lead a happy and contented life if he lives in isolation. Therefore, there is a great need for Co-operation, which can be considered as the basic principle underlying human life.

The Primitive concept of Co-operation was related more to cultural, religious and social aspects. Co-operation was a way of life and it was inherent in the Society itself. The Modern concept of Co-operation is altogether different from the primitive one.

#### **“It denotes a special method of doing business” - T.N. Hajeela**

The word Co-operation literally means Working Together or Act Together. According to the Sociologists Co-operative Movement is an instrument for establishing social harmony through the removal of class struggle.

Economists are of the opinion that co-operative is a means of countering the exploitation of weaker sections by conferring on them a better economic status.

In a legal sense, Co-operation signifies special privileges and concessions conferred by law on its members.

According to the Socialist Co-operative School, “Co-operation is a weapon for the development of socialist thought and the realization of firms or households for business purpose and economic institution through which economic activity is conducted in the pursuit of economic objectives”.

McLegan Committee Defines Co-operation as “The Theory of co-operation is very briefly, the isolated and powerless man can, by association with others and by moral development and mutual support obtain, in his own degree, the material advantage available to wealthy or powerful persons and whereby develop himself to the fullest extent of his natural abilities. By the union of forces, material advancement is secured and by united action self- reliance is fostered and it is from the inter-action of the influences that it is hoped to attain the effective realization of the higher and more prosperous standard of life which has been characterized as “better business”, “better farming” and “better living”.

**“Co-operative Societies can help the transformation from Capitalism to Socialism and finally to Communism”. – Lenin**

The basic idea behind Co-operation is “Self Help and Mutual Help” and “Mutual Aid” and “Each for all and all for each”.

**FEATURES OF CO-OPERATIVES**

Co-operation is a special method of doing business. It has the following features:

**1. An Association of Persons**

A Co-operative Society comes into existence when a group of individuals join hand and form an association.

**2. An Enterprise or Undertaking**

Co-operation lays stress on ethical standard and it is basically an enterprise. It is run by members themselves at their own cost and risk.

**3. Voluntary Association**

An individual is free to join the Society and resign from his membership of the Society at his will and discretion.

**4. Service Objective**

The main object of co-operative society is to serve its members rather than to earn profits.

**5. Democratic Management**

The Co-operative Society follows the cardinal principle of democracy i.e, one man one vote. The affairs are handled by the Board of Directors. The capital does not get any special treatment over human being in co-operation.

**6. Equity**

No discrimination among members is made on the grounds of religious faith, political ideology, and educational qualifications and so on.

**7. Norms of Social Justice**

There is no class division among capitalists and working class in Co-operation.

**8. A part of Socio-economic Movement**

The Co-operative movement is viewed as a constituent part of the overall socio-economic movement of the country.

**9. It is based on proportionality or equality**

The surplus is distributed not according to share taken but according to the proportion of business operation a member has effected with the society.

**10. It is a Universal Movement found in all countries of the world.**

## VALUES OF CO-OPERATION

Cooperatives are typically based on the cooperative values of "self-help, self-responsibility, democracy and equality, equity and solidarity" and the seven cooperative principles.

1. Voluntary and open membership
2. Democratic member control
3. Economic participation by members
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community

Cooperatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally to each member's level of participation in the cooperative, for instance, by a dividend on sales or purchases, rather than according to capital invested. Cooperatives may be classified as either *worker*, *consumer*, *producer*, *purchasing* or *housing* cooperatives. They are distinguished from other forms of incorporation in that profit-making or economic stability are balanced by the interests of the community.

The United Nations had declared 2012 to be the International Year of Cooperatives (IYC).

## OBJECTIVES OF CO-OPERATION

Self-help made effective by organization is called Co-operative Society. The main objectives of co-operatives of co-operatives are:

- **Elimination of Middlemen**

The First and foremost objective of co-operative society is to remove the middlemen in different fields, who take away the gains that should have gone to the real beneficiaries.

- **Raising economic status of the poor**

The most basic aim of a co-operative society is to raise the standard of living of the poor.

- **Removal of the ills of capitalism**

The basic cause of the ills of capitalism is the profit motive. This leads to exploitation, class struggle, economic inequality and unfair competition. These evils adversely affected the interest of workers and gave birth to co-operative movement. Therefore the aim of co-operation is to restrict the amount of profit and provide better service to its members.

- **Raising moral standards of its members**

Co-operative movement wishes to direct human life towards goodness by raising their moral standard.

- **Increasing the prosperity of the whole community.**

A co-operative society aims at bringing about the welfare of not a particular individual but of the whole community.

- **Abolition of Social Inequalities**

The feeling of 'high' or 'low' among members of the community act as a cause of social tensions, the removal of which is the goal of the co-operative movement.

- **Political and Religious Neutrality**

As far as possible, a co-operative remains aloof from political parties and religious groups.

- **Development of Corporate Life**

A Co-operative aims at providing a corporate life to the weaker sections of the community.

## **BENEFITS OF CO-OPERATION**

The benefits of co-operation are studied under three broad categories viz.,

1. Economic Benefits
2. Social and Political Benefits
3. Educational Benefits

### **I. Economic Benefits**

The following are the Economic Benefits derived out of Co-operative Form.

- The substitution of profit incentive in business by that of service to the community.
- A more equitable distribution of wealth.
- A break up of monopolistic tendencies.



- Increase in purchasing power and real wages to individuals.
- Reduction in cost of distribution system by elimination of unnecessary middlemen.
- The more accurate correlation of demand and supply.
- Stabilization of employment.
- General improvement in employer, employee relationships.
- Cheap marketing and processing of farm products at reasonable prices.

## **II. Social and Political Benefits**

The important Social Benefits are as follows:

- To provide a unique education in democracy, responsibility and toleration.
- To train for political power.
- To evolve an industrial relationship among all.
- To preserve a strong friendly or family spirit and sense of pride and power which is impersonal.
- To secure rational construction and unifying approaches to social and economic problems.
- To prevent underemployment and unemployment
- To secure moral as well as physical satisfaction of pure quality, correct weight and fair dealings.
- To prevent exploitation of man by man.

## **III. Educational Benefits**

- The individuals learn by experience gained in practical work of co-operation.
- Co-operation also sponsors education. There are many co-operative schools and colleges formed to provide affordable education and also employment to educated unemployed youths

## **IV. Ethical Benefits**

- The policy of honesty is a necessity in co-operation
- Cooperation returns money value for honesty and other virtues.
- The motto of co-operation is “ each for all and all for each”
- Co-operation aims at the production of fine human beings.

## **HISTORY OF THE CO-OPERATIVE MOVEMENT**

### **CO-OPERATIVE MOVEMENT ABROAD**

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.

#### **Co-operative movement in Europe**

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

The ‘Fenwick Weaver’s Society’ was founded in 1761, in Fenwick (UK) and is considered one of the first co-operatives in the world. In the decades that followed, several cooperatives or cooperative societies formed and 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, Lockhurst 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. In Britain, the friendly society, building society, and mutual savings bank were earlier forms of similar institutions.

#### **Robert Owen**

Robert Owen (1771–1858) is considered the father of the cooperative movement. He was born in a poor family and became the owner of a mill (New Lanark, Scotland) when his father-in-law died. He was very kind and sympathetic towards the workers. He introduced many reforms in his own factory like reducing the working hours, increasing wages,



abolished child labour etc. For the purpose of increasing the welfare of the labourers he started a School and a Hospital. In this respect, he was a pioneer for labour welfare activities. It was here that the first co-operative store was opened by him for his employees. Spurred on by the success of this, he had the idea of forming "villages of co-operation" where workers would drag themselves out of poverty by growing their own food, making their own clothes and ultimately becoming self-governing. He tried to form such communities in Orbiston in Scotland and in New Harmony, Indiana in the United States of America, but both communities failed due to many reasons.

*He then introduced the scheme of "Labour Exchanges" where members produced a variety of articles and delivered them at the Labour Exchanges Office. They got "Labour Notes" in exchange representing the estimated value of the labour put in for producing the articles. They could buy other articles from the producing members directly or from the exchange office using the Labour Notes. These exchanges were soon burdened with lots of unsalable articles and hence failed.*

Owen was considered as an Utopian Socialist as all his ideas failed. But his experiments created a favourable atmosphere for the origin of the Co-operative Movement. So he is rightly called the 'Father or Founder of Co-operation'.

The **Principles of Robert Owen** which has continued to inspire the co-operative movements are:

1. Abolition of private profits.
2. Voluntary Association.
3. Common ownership of production.
4. Utilization of the wealth of the community for increasing the benefits to the poor.

### **William King**

Although Owen inspired the co-operative movement, others – such as Dr William King (1786–1865) – took his ideas and made them more workable and practical. King believed in starting small, and realized that the working classes would need to set up co-operatives for themselves, so he saw his role as one of instruction. He founded a monthly periodical called *The Co-operator*, the first edition of which appeared on 1 May 1828. This gave a mixture of co-operative philosophy and practical advice about running a shop using cooperative principles. King advised people not to cut themselves off from society, but rather to form a society within a society, and to start with a shop because, "We must go to a shop every day to buy food and necessaries - why then should we not go to our own shop?" He proposed sensible rules, such

as having a weekly account audit, having 3 trustees, and not having meetings in pubs (to avoid the temptation of drinking profits).

### **The Rochdale Pioneers (1844)**

This is an inspiring story of how a group of locals realised the power they had in working together, making it possible for a set of simple ideas to transform into a powerful global force.

The Rochdale Society of Equitable Pioneers was a group of 10 weavers and 20 others in Rochdale, England, that was formed in 1844. The mechanization of the Industrial Revolution was forcing more and more skilled workers into poverty. These tradesmen were fed up with dishonest and corrupt shopkeepers selling poor quality products at high prices, and decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool one pound sterling per person for a total of 28 pounds of capital. On December 21, 1844, they opened their store with a very meager selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. In 1850 the membership increased by 8 times ie, \$28 to \$74. The membership of Roch Dale store in 1888 was 1123 and its share capital was \$3.4 lakhs.

#### **The main objectives of Roch Dale co-operative were:**

1. To take up production and distribution of commodities required by members.
2. To make available houses to member for improving their conditions of life.
3. To manufacture articles in order to provide employment opportunities.
4. To meet the clothing requirements of the members.
5. To arrange for the education of members and so on.

The Roch Dale systems is considered to be an important model of co-operation because of its contribution to co-operative thought in the form of principles which have practical relevance even today.

#### **The principles of co-operation enunciated by the Roach Dale Pioneers are:**

1. Open Membership
2. Democratic Control
3. Limited Interest on Share Capital
4. Distributive Justice(Patronage Dividend)
5. Cash Trading
6. Selling pure and unadulterated goods
7. Education of Members; and

8. Political and Religious neutrality

They succeeded in their venture account of the following:

1. They operated successful co-operative on sound footing.
2. They formulated principles of their own.
3. The persons involved were outstanding personalities.
4. They organised a wholesale co-operative society and it holds a prominent place even today.
5. They gave a final shape to the dynamic co-operative movement not only in England but also throughout whole world.

Based on all these factors they are called Pioneers of the Co-operative movement.

The co-operative credit movement in the world started first in Germany due to the enormous amount of work done by two-men, Raffeisen and Schulze.

**F.W.Raffeisen (1818-1888)**

The co-operative movement in Germany and around the world got a big boost due to the initial efforts of Raiffeisen. He was a Mayor in Germany and began to think about the ways and means to rescue the poor people from the Jews who were controlling and regulating the economic activities at that time. A “poor people’s committee” was set up to make available loans in the form of food for a specified period and get it back after the expiry of the due date.

In 1849, the Union in Aid of Impoverished Farmers was organized by Raiffeisen when he was the Mayor of Flammerfiled. The needy farmers were enrolled as members of this union.

When Raiffeisen became the mayor of Heddesdrof, he started the Heddesdrof Beneficent Society, which functioned with the aid of the money deposited with it by the rich people on interest. The society worked smoothly, but yet he was not satisfied because the poor people depend on the rich people’s funds. This was the reason why he formed the first co-operative society based on the principle of “each for all and all for each.” Heddesdrof Credit Union was formed on this line and in 1877 Grand Union of Rural Co-operative Societies was setup (Raiffeisen Union). At the initial stages he had to face a lot because of suspicion from the illiterate masses and opposition from the rich Jews.

The area of operation of Raiffeisen Society covered a village or group of villages (always small) and covered rural poor.

The main aims of these societies were as follows:

1. To raise standard of living of its members.
2. To provide loan to its members.
3. To provide consumer goods.
4. To develop the spirit of thrift among members.
5. To educate the members on co-operation.
6. To raise moral standard of the people.

The working capital of the society was secured through three sources namely, deposits, loan and issue of shares. In 1889, the co-operative law was passed. Under its provisions all societies must maintain minimum amount as share capital and this forced the Raiffeisen Societies to issue shares to their members. The value per share was low and the members were allowed to pay for the share amount on installment basis.

The administration of the societies was carried out by the Board of Directors and in addition to that there was a three member council to supervise the affairs.

The main function of these societies was to provide loans to members and also financial assistance for property transfers. The entire profit was transferred to Reserve Fund and Endowment Fund.

The basic objective was to improve the condition of the members materially and morally.

**The salient features of Raiffeisen system are:**

1. Smaller share
2. Limited area of operation
3. Unlimited liability
4. Strict and careful selection of members
5. Credit for longer periods
6. Strict supervision on utilization of loan
7. Dividend was not distributed
8. Elected but honorary management
9. Moral development was cared
10. Deposits collected for members and nonmembers
11. Final authority vested with General body; and
12. Permanent and indivisible Reserve fund.

**Herr Franz Schulze-Delitzsch (1809-1883)**

He was a judge by profession in his native town of Delitzsch. He attempted to relieve the suffering of the poor. 1849, he started a Friendly Society for Relief Sickness. He also distributed bread among the poor people with the help of a charitable organization. In the same year he started the first Friendly Society of shoemakers with a view to benefit members out of bulk purchase of raw materials.

In 1859, the first Credit Association was formed with the funds contributed by the rich. In 1852, Schulze formed another society on co-operative lines. A number of Co-operative Banks were formed on the principle of co-operation.

The area of operation of the Schulze bank was not restricted to a particular place but extended over a large area.

**The main objectives were:**

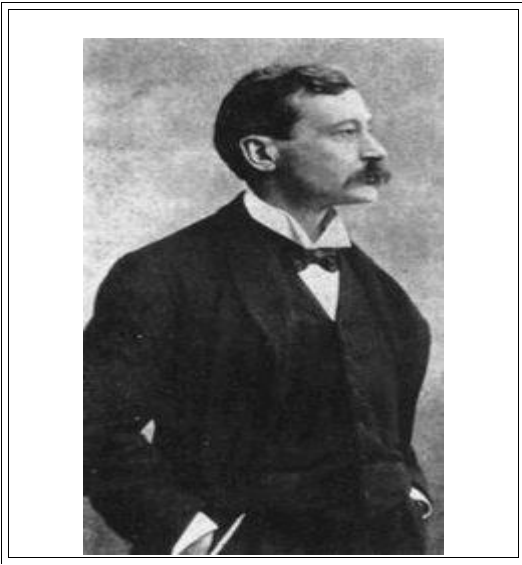
1. To cater to the credit requirement of traders, artisans and middle class people residing in urban areas.
2. To run the bank as a business organization.  
The funds of the society were raised by way of share capital, deposits and loans. The value of share was high it ranges in between \$5 and \$15.

The day to day affairs were controlled by the Council of Supervisors and a Board of Management. Auditing was done by the Inspectors of Schulze Delitzsch Union. The Schulze banks provided credit facilities to their members in two ways- by loans and by discounting the bill of exchange. Loans were given for productive purposes only and the interest varied between 5% and 6%.

To conclude, main features of Schulze Banks include:

1. Provide cheap credit to traders and artisans.
2. Higher share value
3. Wider area of operation
4. Limited liability.
5. Easy admission of members
6. Membership to urban people
7. Credit for shorter period
8. No strict supervision on utilization of loans.
9. Distribution of dividend
10. No special stress on moral development of members; and
11. Authority vested with General Body.

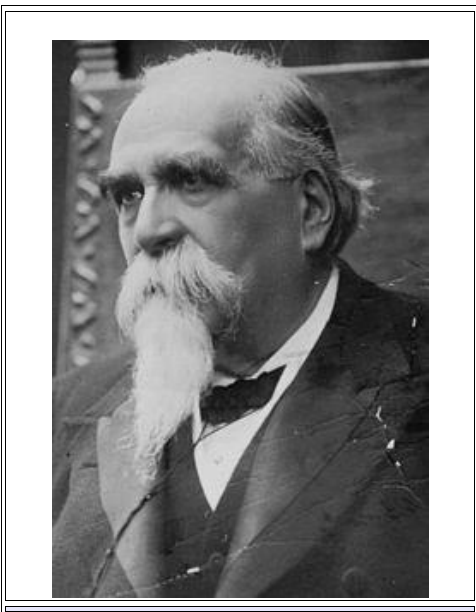
**Leone Wollemborg**



Leone Wollemborg (March 4, 1859 - August 19, 1932) was an Italian economist and politician. He made significant contributions to the spread of cooperative enterprises, specifically rural credit unions and agricultural cooperative banks.

Leone Wollemborg and a group of about 30 farm workers and small landowners founded Italy's first cooperative bank in Loreggia in 1883. The intent of the bank was to help tenants, small landowners, and agricultural workers to rise from poverty by granting loans at low interest and with long deadlines. In 1885, he established the monthly publication *Rural Cooperation*, which was published until 1904

### **Luigi Luzzatti**



He is remembered for being the founder of the Italian credit union movement. At a national level the Cooperative National Credit Institute was established by Luigi Luzzatti in



1913. This institute was aimed to support credit cooperatives right from their establishment. He popularized in Italy the economic ideas of Franz Hermann Schulze-Delitzsch, and contributed to the spread of people's banks on a basis of limited liability throughout the country.

## **PRINCIPLES OF CO-OPERATION**

The term “principle”, derived from the Latin word “Principium” meaning “basis”, has different meanings: the primary idea, a certain thesis, a rule of an organization.

The principles of co-operation may be considered as the broad guidelines for co-operative societies in the conduct of various activities.

**“ALL FOR ONE AND ONE FOR ALL”**

**“SELF HELP AND MUTUAL HELP”**

Co-operative principles are those principles which are essential for the achievement of the co-operative objectives. In the words of George Davidonic, “They are Set of Rules which governs the life and activity of Co-operative Organization.”

There were different stages in which the principles were developed.

### **The important stages were:**

- I. Roach Dale Principles as in the First Stage.
- II. International Co-operative Alliance (ICA) principle in the second stage.
- III. Karve Committee on Co-operative principle as in the Third Stage and;
- IV. Co-operative Principles by ICA in 1995 as Final Stage.

### **1. ROACH DALE PRINCIPLES**

The first Co-operative Society came into being in 1760. This was set up by Wool Wick and Chaton. There were various Co-operative societies formed on different lines in between 1760 and 1844 periods but they did not succeed. In 1844 Twenty Eight Flannel Weavers in a place called Roach Dale in England formed a Consumer Co-operative Society for benefitting the weavers' community. They succeeded on their venture basically on the fact that they were running the store with some basic principles. This society is working in England as a Wholesale Equitable Pioneers Co-operative Society.

The principles given by them for the first time include the following:

- a) **Open Membership**:-Membership of co-operative society is open to all those who belongs to the area who need their service.
- b) **Democratic Control**:-Management of the co-operative society is done democratically through democratic principle and the elected body controls the day to day affairs.

- c) **Limited Interest on Share Capital:-** Interest on capital provided was only limited.
- d) **Patronage Dividend:-** Dividend distribution is on an equitable manner. Nobody gets special privilege on account of high capital contribution.
- e) **Cash Trading:-** They decided to sell goods only on cash basis and no credit was allowed.
- f) **Political and Religious Neutrality:-** They gave equal importance to all religion and politics.
- g) **Promotion of Education:-** Education is important for its development so they extended co-operative education to all.
- h) **Selling Pure and Unadulterated Goods:-** They sold quality goods at affordable prices.

## 2. INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA) PRINCIPLES

International Co-operative Alliance is an international body set up for the promotion of co-operative ideas and spreading the principles of co-operation around the world. Due to enormous changes taking place in Economic, Social and Political fronts, the International Co-operative Alliance (ICA) appointed a sub-committee in 1934 to take a fresh look at the co-operative principles. They evaluated the principles enunciated by Roach Dale, its relevance and observance in the present time and finally submitted its report in 1937. Based on the sub-committee report the ICA instead of formulating principles, they simply classified the Roach Dale Principles in to two- Essential and Non Essential in 1937.

They are:

- 1. Open Membership
  - 2. Democratic Control
  - 3. Limited Interest on Share Capital
  - 4. Patronage Dividend
  - 5. Religious and Political Neutrality
- } Essential Principles
- 6. Cash Trading
  - 7. Promotion of Education
  - 8. Selling Pure and Unadulterated goods
- } Non Essential Principles

## 3. KARVE COMMITTEE ON CO-OPERATIVE PRINCIPLE

Again in 1960 due to the dynamic nature of the world, ICA appointed a commission in 1964. Five nations namely UK, USA, USSR, Germany and India were represented in the commission. Prof. D.G. Karve from India was the Chairman of the Commission and therefore, the Commission is popularly known as Karve Commission on Co-operative principles.

The commission recommended the following principles in its report submitted in 1966.

1. **Open and Voluntary Membership:-**Membership of a Co-operative Society is open to all those who wish to join it. There is no discrimination on the grounds of caste, creed, religion, race, sex or politics. The only point to be remembered while giving membership is that his or her profession is not opposed to that of a co-operative society. For example a money lender is not admitted as a member of primary co-operative credit society.
2. **Democratic Management:-**The management of a Co-operative society should be done democratically. The ultimate responsibility of managing the entire society is vested with the **General Body**.

The main points to be taken care of in a democratic management are:-

- a) Each member has only one vote.
- b) Majority rules in all matters.
- c) Committee of management should always have the authority of members before they take any important step.

According to the principle of democratic control, the Board of Management is an elected body, which controls the day to day affairs.

3. **Limited Interest on Share Capital.**

As per the Co-operative Societies Act, 1969, interest on capital is restricted. For the purpose of collecting necessary amount of funds, the society is bound to pay interest. Whatever interest is paid, it should be on a limited scale.

4. **Equitable Distribution of Surplus**

Earning of profits is not the basic objective of a co-operative society. But this does not imply that co-operatives are run on no profit no loss basis, or they are managed with losses.

The surplus of the society is disposed of as follows.

- a. Provision is made for the development of the society.
- b. Provision is made for Common Services.
- c. Some of the surplus is distributed among the members on equitable basis.

#### **5. Co-operative Education.**

The progress of the society depends to a greatest extent on how best its members can take an active part in its affairs, which is possible only when the members are educated.

Co-operative education includes:

- a. Education to members
- b. Education to office bearers; and
- c. Education of prospective members.

#### **6. Co-operation Among Co-operatives**

In order to best serve the interest of members all co-operative organizations should actively co-operate in every practical way with other co-operatives at Local, National and International levels. Such type of co-operation is necessary to acquire greater strength to face adverse conditions.

#### **4. CO-OPERATIVE PRINCIPLES BY ICA IN 1995.**

The ICA Tokyo Congress held in 1992, initiated steps to review the current ICA Co-operative Principles of 1966 and make possible changes to prevent the erosion in values of co-operation. Based on the direction given to Dr. Ivan Mac Pherson (Canada), he reviewed the principles and submitted a report in 1994 which was approved by ICA General Assembly in Manchester in September 1995. This report contains seven principles:-

##### **1. Voluntary and Open Membership**

Co-operatives are voluntary organization where people voluntarily make a commitment to the society and freely participate and accept responsibilities of membership without considering gender, social, racial, political or even religious factors.

The capacity to bring diverse people together for common goals is one of the great promises, the Co-operative Movement offers to the 21<sup>st</sup> century.

##### **2. Democratic Member Control**

**Co-operatives** are democratic organization controlled by their members, who actively participate in setting their policies and making decisions. The members have the right to be actively involved in setting policies and in making key decisions. In co-operatives men and women serving as elected representatives are accountable to members. The members and the users are one and the same person in co-operative organizations.

### **3. Member Economic Participation**

Members contribute equitably to the capital of their co-operatives. Co-operatives operate with capital as a servant and not as the master of the organizations. Members get dividend based on the member participation as Economic benefit.

### **4. Autonomy and Independence**

Co-operatives are autonomous self-help organizations controlled by their members. They make arrangements to contract with other organization and even the government as a result of autonomy and independence.

### **5. Education, Training and Information**

Co-operative movement has a commitment to education. Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative societies. The information relating to the nature and benefits of co-operatives are supplied to general public particularly young people and opinion leaders for further development and growth of this sector.

### **6. Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through Local, National, Regional and International structures.

### **7. Concern for Community**

The co-operative societies are formed for the benefit of their members. Co-operatives have a special responsibility to ensure that the development of their communities is sustained Economically, Socially and Culturally.

To conclude, that the above said principles are the important qualities that make co-operative institutions effective, distinct and valuable. The Government should provide a conducive environment for the co-operatives in which they may combine in their working co-operative values, socio-economic objects and competitive strength in the Globalized Era.

## MODULE II

### CO-OPERATION AS A FORM OF BUSINESS ORGANIZATION

In order to understand the ideals of co-operation it is inevitable to have a comparative study of other forms of economic organizations. The co-operative movement originated in order to eradicate the evil effects of capitalism and has developed considerably in countries where capitalistic economy is prevalent. As a result of this paradox, co-operation is termed as “State within the State”.

The laws which are in force in a state shall be applicable to a society and the byelaws of the society shall not exceed the provisions of co-operative societies Act and Rules. As a result of this strange phenomenon, the co-operative movement can co-exist with any form of economic systems, but at the same time upholding its special characteristics. To have a thorough understanding of the co-operative movement, we have to get an idea about the various forms of organizations existing in the economy as discussed below.

#### I. COOPERATION VS CAPITALISM

Capitalism is a system wherein the entire means of production and distribution of goods and services are vested in the hands of the private individuals. Capitalism is a system of economic organization in which business and industries are organized and carried on for profit by private individuals and enterprise with a minimum of Government interference. The investors invest their capital for profit or gain and employ laborers and pay them wages.

**Features of Capitalism:** The distinguishing features of capitalism are as follows:

1. Private ownership of means of production or factors.
2. Management of means of production for private gain
3. Freedom of contract and enterprise
4. Class conflict between labour and capital
5. Non-intervention of government in the economic matters
6. Exploitation of man, by man
7. Class conflict and resultant Class struggle
8. Competition in the market as the regulator of price and business activities
9. Wide gulf between ‘haves’ and ‘have not’s’.

Thus capitalism as a system depends for its existence on certain fundamental points such as:

1. Right of inheritance
2. Right of free enterprise
3. Right of contract
4. Right of private gain and personal freedom
5. Free competition and guaranteed privileges.

*Advantages of Capitalism:* The following are the advantages of capitalism

- a. The reward is apportioned on merits.
- b. The individual initiative and personal freedom is the best motivation for advancement of business.
- c. As production is carried on according to the wishes of Consumers, the consumers are happy.
- d. Capitalism has survived many crisis and it is flexible in the sense that it is easy to adapt to changing economic conditions.
- e. It is also amenable to a certain amount of regulation by the State.

*Disadvantages of Capitalism:* The following are the drawbacks of capitalism.

- a. Permitting private individuals to exploit every situation.
- b. Capitalism fosters too much of individualistic outlook and operates without any definite plans as to production, resulting in mal adjustments of supply and demand.
- c. Individuals or the capitalists obtain all private gain at the cost of the community to its great detriment.
- d. The centralization of power in a few hands in regard to production of goods leads to accumulation of power with few elite people.
- e. In capitalism there is unfair, unequal distribution of income and wealth.
- f. There exists cut throat competition which result in waste of resources and manpower resulting in overproduction of certain classes of goods. Sometimes there is underproduction to create artificial scarcity and increase price and profit.
- g. Human values and ethics are not at all taken care of.

- h. The workers are merely treated as a part of factor of production.
- i. Capitalism leads to a division of society into working class and the capitalist.

#### *Similarities between Co-operation and Capitalism*

James Peter Warbase, an eminent American Co-operator, has observed that co-operation is not hostile to the Capitalist system and most of the instruments and devices in use by the co-operatives are the product of Capitalist business. It is pointed out by some economists that co-operation is a reformed form of capitalism and there is no much inconsistency between capitalism and co-operation. The following are the common points between a co-operative society and the capitalist concern.

They are:

- a. Both co-operation and capitalistic systems give emphasis to capital.
- b. Co-operation and Capitalism uses labour and other factors of production at very low cost.
- c. Both employ executives to manage the organizations and pay them well.
- d. Both depend on business efficiency.
- e. Both the systems are not favouring State interference in its affairs.

#### ***DIFFERENCE BETWEEN CAPITALISM AND CO-OPERATION***

In spite of these common features existing between capitalism and co-operation, there are a lot of differences between them on the following points.

1. In capitalism capital has a pivotal role to play in the business whereas in co-operation, it has a secondary role.
2. The capitalistic economy is dominated by profit motive whereas service is the motto of co-operatives.
3. In capitalism there is union of capital and in co-operatives there is union of persons.
4. Share capital determines the voting rights in capitalism whereas in co-operation, one man has one vote irrespective of their capital contribution.
5. Capital owns men in a capitalistic economy while in a co-operative society, men own capital.
6. In capitalistic system business tends to concentrate wealth in the hands of a few capitalist whereas in the co-operative system wealth is decentralized.
7. In capitalism there is cut throat competition whereas there is no such competition in co-operation.



8. In capitalism the relationship is impersonal where as in co-operative business there exists a personal relationship between members and organization.
9. The evolution of capitalism is towards creation of monopolies, while evolution of cooperation is towards decentralization.
10. Capitalism encourages materialism whereas co-operations strive for development of cultural and spiritual values in individuals.
11. Capitalism maximizes the amount of profit or return of investment to shareholders. Co-operatives are formed for better economic service and improving the standard of living of its members.

## II. CO-OPERATION VS SOCIALISM

Socialism is a system wherein all means of production and distribution is owned and controlled by the state. It is a socio economic system in which material means of production are owned by public authority or the community and operates not for profit but for the services of the community at large.

Socialists are of different types and they are

- ▶ Marxism socialism or scientific socialism
- ▶ State socialism
- ▶ Guild socialism; and
- ▶ Evolutionary and revolutionary socialism

The principles common to all socialist are substitution of collective ownership for private property in all instruments of production which permit exploitation of labour and the substitution of a central authority controlling production in place of the present competitive environment.

But they differ in the views held as to how property should be held in common or as to how the distribution of services and goods should be carried out.

In the words of **KARL MARX** “**Society can be reformed only by the destruction of private property**”. According to **LENNIN** “**Mere growth of co-operation is identical with socialism**”.

### **FEATURES OF A SOCIALISTIC ECONOMY**

The principles on which the majority of the socialists agree on may be listed as follows.

1. State alone has the power to organize and conduct production.
2. Nationalization of all the means or instruments of production ie., land, factories, mines, railways and their ownership to be transferred to the state.

3. Controlling Boards would be established in each industry and the state would pay wages fixed by such boards.
4. State would provide work for everyone.
5. The state itself would be capitalist, the landlord and the organizer of industry and thus interest and rent would disappear.
6. Remuneration for work would vary according to one's ability and everybody is assured of an equal opportunity to rise in life, irrespective of rank.
7. The state would undertake production and distribution and pay costs of production and annex profits as well. Profits arising out of production would be spent by the state on education, medical relief, recreation and entertainment of the poor.
8. Private property in capital goods like residential house, furniture and fixtures and other consumer goods would be allowed.
9. Private ownership of means of production is prohibited.
10. Each individual is assured of fixed income.
11. The entire surplus or profits belongs to the state.
12. There is no class difference or class struggle; and
13. Balanced Economic development.

### ***MERITS OF SOCIALISM***

The following are the advantages of socialistic pattern of society.

1. As the State runs the entire operations, considerable fund is accumulated with the State which can be used for amenities like education, medical facilities, free milk for children and for entertainments.
2. The productive resources are utilized in an effective manner.
3. Jobs neglected by people would be given to machinery and they would be free to pursue higher aims in life.
4. As equality of opportunity is afforded to all to rise to higher positions in life, considerable uplift of uplift of the masses is brought under a socialistic state.

### **SIMILARITIES BETWEEN CO-OPERATION AND SOCIALISM**

On the basis of the features of socialism we find that socialism and co-operation resemble each other in a variety of ways.

They are:

1. Both aim at the abolition of class struggle, profit economy and poverty in the midst of plenty, which militate against the norms of a welfare state.
2. Both maintain economic equality and offer no opportunity for the development of glaring inequalities of income and wealth.
3. In both the forms, actions are directed towards the elimination of competitive forces and their substitution by the principles of co-operation.
4. Both aims at the welfare of the community and the promotion of social justice and progress.
5. Both oppose individualism and seek to replace it by collective ownership and collective action.
6. Both lay emphasis on distribution of wealth.
7. The aims of both are rendering of service rather than earning profit.
8. Both the systems are based on moral foundation and believe in human brotherhood.
9. Both the systems have a common origin; and
10. Both try for eliminating the evil effects of competition.

## **DIFFERENCE BETWEEN SOCIALISM AND CO-OPERATION**

The differences between the two are as follows.

### **1. System**

Socialism is a system of government which seeks to move towards its objectives by changing the prevalent economic order. But co-operation is a system of thought which is compatible with all forms of economic and political systems. A better philosophy is enunciated within the system itself to help the common man to gain strength.

### **2. Type of Remedy**

Socialism is a political remedy for economic evils and it is effective through the active involvement of the Government. On the other hand, co-operation is a non-political alternative to the economic problems.

### **3. Supremacy**

Under socialism, the state is supreme for it participates in and exercises control over production and distribution. The state interferes in all matters and the individual

freedom cannot be exercised. Under co-operation, the individual is supreme, he enjoys freedom of action. The members direct the activities of the organization.

#### **4. Capital**

Socialism is against the idea of the accumulation of capital by individuals. The co-operatives do not discourage accumulation of capital by its members. But in co-operation takes care to ensure that they are not controlled by it.

#### **5. Role of the State**

Socialism operates under state domination, which is both the deciding authority and the directing agency. But co-operatives seek to avoid state control

#### **6. Type of Property**

Socialism is associated with State Ownership. All the means are owned collectively by the community. On the other hand, co-operation is characterized by, the co-existence of private and collective ownership.

#### **7. Politics**

Politics in socialism, finds a top place in socialism, but the creed of co-operation is free from politics or it is politically neutral.

#### **8. Control**

In socialism, economy is controlled by the State while co-operative organizations are managed democratically.

#### **9. Surplus**

In socialist economy the surplus goes to the state. But in co-operatives it goes to the members on the basis of patronage dividend.

#### **10. Object**

The objective of socialist economy is to protect the welfare of the people where as in co-operation the basic objective is service to members.

In spite of the difference, co-operation, in its broader sense, constitute an integral part of socialism. If co-operatives achieve the socialist objectives in bits, socialism extends its objectives to cover the whole country.

### **III. CO-OPERATION AND COMMUNISM**

Communism is mainly the product of Marxian philosophy contained in the book Communist Manifesto, which was published in 1848 in collaboration with Engels.

Communism is a term which is used “to denote a system of social organization based upon common property, or an equal distribution of income and wealth”.

Communism as a form of socialism in which, the evils of capitalism are mitigated by resorting to revolutionary methods. On the other hand, socialism attempts to change the existing order by constitutional and democratic means.

#### **COMPARISON OF CO-OPERATION WITH COMMUNISM**

1. The theory of communism is built upon the element of force or compulsion. Through violent means, the poor pressurize the capitalists to abandon their claims to their accumulated properties and wealth and surrender them to the working class. But a co-operative organization, attempts to work in consonance with democratic norms, and voluntarism is its most important attribute.
2. Communism is an extreme form of socialism which believes in attaining its aims by revolutionary means so that it may achieve quick results. The co-operative society has an altogether different approach to the problems of the disadvantaged class, it favours changes by evolution.
3. Communism is an ideology which reacts when the sufferings of the majority becomes intolerable. Co-operatives operate in all places under any system and initiates changes within the system.

## **MODULE – III**

### **CO-OPERATIVE MOVEMENT IN INDIA AND ABROAD**

Co-operative Movement in India and Kerala has originated from the Co-operative experience all over the world. Different types of co-operatives developed in different countries of the world and are adopted in India and Kerala. For example, Consumer Co-operatives from England or Great Britain, Credit Co-operatives from Germany, Multipurpose Co-operatives from Japan, Marketing Societies from USA or Canada, Collective Farms from Russia and Industrial Co-operative from China are the different Models of Co-operatives adopted by us.

#### **Evolution, growth and current status:**

The Co-operative Movement in India took its origin in the beginning of the 20<sup>th</sup> Century and was sponsored by the British Government to solve the problem of rural poor. In India the Co-operative Movement was sponsored by the Government and not by the people like that of the western countries.

Rural indebtedness is the main feature of all countries depending on agriculture. This is mainly because of the fact that agriculture is subject to the vagaries of nature this aggregated the tendency towards fragmentation and subdivision of holding. In India, many of the farmers were born in debt, lived in debt, died in debt and passed on his debts to his children. This made them dependent on the money lenders for their agricultural operations. The farmers were illiterate and hence were literally fleeced by the money lenders. They were given loans after obtaining their thumb impressions on plain papers and were charged exorbitant rates of interest. Due to vagaries of nature combined with their illiteracy, they were unable to repay and hence had to pass on their meager properties to their landlord. In effect the farmers became landless and they became tenants in their own land. Under pressure of these circumstances, the peasants reacted violently and led to riots in various places. In 1875, the farmers of Pune and Ahmed Nagar rose up against the money lenders and snatched away bonds etc and destroyed the documents in fire.

Nidhis or Mutual loans associations started in Madras (Chennai), UP and Bengal in 1850 paved the way for the introduction of co-operative credit societies in India. In 1882, Sir William Wedderburn, a District Judge of Poona in Bombay province, started agricultural banks. During this time Government passed various Acts such as Deccan Agricultural Relief Act, 1897, Land Improvement loans Act, 1883 and Agriculturists Loan Act 1884.

#### **Fredric Nicholson's report**

In 1892 the Government of Madras deputed Sir Fedeick Nicholson to Europe to study the problems of rural indebtedness and report on the advisability of starting a system of land

banks in the presidency. He submitted his Reports in 1897 and 1899 in two parts strongly recommend for the formation of co-operative credit societies as in Germany by Raffeisen. The report submitted with a concluding word "Find Raffeisen" and this view was endorsed by Famine Commission in 1901.

### **Co-operative legislation of 1904 & 1912**

In the mean time Mr. Dupernex began his experiments with village banks in UP. He published a book called "Peoples Bank for Northern India". Mr. Mac Legan (Punjab) and Mr. Lyon (Bengal) organized Indigenous Nidhis or Mutual Loan associations. In the light of all these the Viceroy of India in 1901, referred the whole subject to a committee presided over by Sir Edward Law with Federik Nicholson and Dupernex as members. The committee enquired in to the matter and recommended organization of co-operative credit societies on Raffeisen Model with unlimited liability and suggested for a separate legislation to regulate the working of co-operative societies and to confirm upon them certain privileges. As a result of their recommendation a Bill was introduced in the legislative council and was subsequently enacted as "Co-operative Movement in India"

In 1904 the Act was passed but in 1912, the Act was amended to remove the restrictions like unlimited liability and so on. In 1919 as per the Montage-Chelmsford Reforms Act, Co-operations became a State subject. The Madras Province in 1932 enacted the Madras Co-operative Societies Act which was in force at Malabar region of Kerala.

### **Development of Co-operative Movement in Post-independence Era**

After independence, Co-operation was included in the State list as per Article 246 of Constitution of India. To organize co-operative societies having jurisdiction over one state, a Central Act- the Multi Unit Co-operative Societies Act, 1942 was enacted which was totally amended as Multi State Co-operative Societies Act on May 13<sup>th</sup> 2002.

The Government sponsorship, patronage and partnership brought in restriction and Government control leading to an unhealthy situation of co-operatives losing their democratic and self-governing character. Several working groups and Expert committees appointed by the Government of India, and Brahma Prakas Committee appointed by the Planning Commission were instrumental in changing this situation. They suggested the enactment of a new law which is consistent with the principle of co-operation with the objective of deregulating the co-operatives from all sorts of Government Control.

Co-operatives being a state subject under the constitution the initiative for legislative reforms should come from State Governments. Hence, a Model Co-operative Act was drawn up by the Government of India which was to be followed by the State Governments. Based on it Andhra Pradesh that a new legislation has been enacted and the Mutually Aided

Co-operative Societies Act of Andhra Pradesh provided the legal frame work for setting up of co-operatives from any sort of Government Control.

### **ALL INDIA RURAL CREDIT SURVEY COMMITTEE (1951)**

A major watershed initiative at this time was the appointment by Government of the Gorwala Committee, popularly 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 Committee emphasized the importance of training. The creation of the State Bank of India was also a major recommendation.

The detailed recommendations of the Committee are as follows:

#### **Recommendations:**

1. Large parts of the country were not covered by cooperatives. Even in areas where membership existed, bulk of credit requirement (75.2%) was met from other sources.
2. Non-economic causes for the failure of the cooperative movement basically structural and functional, low educational levels and lack of training. Multi-purpose Society had not made any significant difference
3. Location of both power and finance continues to be largely urban and hence more responsive to urban than rural interest; cooperative in danger from various vested interests
4. Integrated scheme of Rural Credit based on State partnership including financial partnership in cooperatives; training with a rural bias.
5. Caution against state interference in day to day working. While societies at the rural base should become fully cooperative by process of replacing share capital, partnerships at higher levels have to be retained till base level societies develop sufficient strength.
6. Setting up of a National Agricultural Credit Long Term Operations Fund and National Agricultural Credit Stabilization Fund to be reviewed at the end of 5 years, responsibility for which would be with the Reserve Bank
7. Administrative and other matters including training.
8. Creation of the State Bank of India



9. Establishment of a Central Land Mortgage Bank in each State with more than 51% of State share capital
10. Apex Cooperative Marketing Federations
11. Licenses to be issued on a priority basis to cooperative processing plants
12. State plans for rationalizing and strengthening Central Cooperative Banks<sup>77</sup> District Marketing Societies on territorial or commodity basis with at least 51% State Govt. share capital and suitable technical staff, PACS with reasonably large membership and share capital and covering groups of villages; detailed observations with regard to the nature of liability, deposit, reserve, loan operations of PACS; establishment of primary land mortgage banks and primary marketing societies located at important mandis or at taluka centers after due consideration of the conditions of each area
13. Audit continue to be in the hands of govt. and be strengthened on a high priority; adoption of uniform standards of audit classification on an All India basis

#### **ALL INDIA RURAL CREDIT REVIEW COMMITTEE (1969)**

Also known as the Venkatappaiah Committee, the Committee submitted its report in July 1969.

#### **Recommendations:**

1. Agricultural Credit Corporations to be set up in States
2. State Co-operative Banks (SCB) to play major role in rectifying deficiencies in cooperative credit, and various steps taken to strengthen SCBs
3. SCB through its branches to finance Primary Agricultural Credit Societies (PACS), where Central Co-operative Banks (CCB) is inoperative and similarly, CCB to finance cultivators where PACS is dormant.
4. Appropriate staffing and up gradation through training
5. Special grants by State Government to cooperative banks for employment of staff and to write off irrecoverable debts in certain cases
6. Supersession of management and appointment of Administrative Officer in special cases
7. Amalgamation of Banks where required
8. Rehabilitation of weak Central Banks

9. Promotion of viable units at the primary level so as to ensure that area of operation is not too large for the cultivators' convenience
10. Efforts to convert all PACS to limited liability
11. Reactivation of dormant societies or their liquidation
12. State government to contribute additional sums to share capital of PACS where levels of non credit business warrant this
13. Managerial subsidies to societies which employ a full time paid Secretary
14. Data verification of land records etc. to ensure reliability of credit finance
15. Scales of finance to be fixed up and credit to consist of two components viz., cash and kind
16. Recoveries to be tightened up
17. Supersession of management where Society affairs are unsatisfactory and Central Bank having a say in the management until a fresh elected Board is in position
18. State Acts and Rules to incorporate provisions for defaulters to be disqualified from continuing on Board of Directors
19. Financing of defaulters to be barred, those unable to repay on account of crop failure to be provided with conversion facilities or in certain cases to be granted extensions
20. Detailed guidelines for structure and resources of LDBs and lending policies and procedures were laid down
21. Special care to be taken for financing small cultivators. Small Farmers Development Agency to be established in selected districts for this purpose
22. RBI Act to be amended to provide for the constitution of Agricultural Credit Board, which would function through separate Standing Committees and may also deal with non agricultural aspects of rural credit and all relevant aspects of cooperative credit
23. Provisions of the Banking Regulations Act may be gradually extended to select agricultural credit societies
24. To cover rural electrification aspect, a Rural Electrification Fund to be administered by a Rural Electrification Corporation may be set up
25. The Committee also made recommendations with regard to medium term finance for agriculture, credit for animal husbandry, fisheries and other activities, and credit for marketing

26. Grant of pledge loans by marketing societies to members to be continued subject to certain safeguards
27. Need for qualified staff at all levels and appropriate training was emphasized; a study team was proposed to examine and design training courses and determine the magnitude of training required at all levels.
28. Training should emphasize practical aspects of working
29. Member education was also emphasized

### **REPORT OF THE COMMITTEE TO REVIEW ARRANGEMENTS FOR INSTITUTIONAL CREDIT FOR AGRICULTURE AND RURAL DEVELOPMENT (CRAFICARD) (1981)**

At the instance of the Government of India, the Reserve Bank of India (RBI) appointed, on March 30, 1979, a Committee under the Chairmanship of Shri B. Sivaraman, to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD).

The committee recommended the establishment of NABARD. The Parliament through the Act 61 of 1981 approved its setting up.

The Committee after reviewing the arrangements came to the conclusion that a new arrangement would be necessary at the national level for achieving the desired focus and thrust towards integration of credit activities in the context of the strategy for Integrated Rural Development. Against the backdrop of the massive credit needs of rural development and the need to uplift the weaker sections in the rural areas within a given time horizon the arrangement called for a separate institutional set-up. Similarly, The Reserve Bank had onerous responsibilities to discharge in respect of its many basic functions of central banking in monetary and credit regulations and was not therefore in a position to devote undivided attention to the operational details of the emerging complex credit problems. This paved the way for the establishment of NABARD.

CRAFICARD also found it prudent to integrate short term, medium term and long-term credit structure for the agriculture sector by establishing a new bank. NABARD is the result of this recommendation. It was set up with an initial capital of Rs 100 crore, which was enhanced to Rs 2,000 crore, fully subscribed by the Government of India and the RBI.

The Recommendations of CRAFICARD are as follows:

1. No single pattern feasible for the entire country
2. Farmers Service Societies and LAMPS to be developed

3. Re-organization drive for societies, which would be single contact point for all types of credit including other rural producers such as artisans, craftsmen, agricultural labour etc.
4. Categories of membership: Weaker sections and others
5. Deposit mobilization to be taken up by PACs
6. SCB and CCBs to create a Primary Cooperatives Development Fund
7. Exemptions to defaulters to be completely stopped
8. Rate of interest to be high and a rebate of 2-3% allowed for timely repayment
9. Publishing list of defaulters to act as a deterrent for default
10. Training to be emphasized and planned
11. RRBs to be given preferential licensing in rural areas
12. NABARD to be set up and to take over the work of ARDC and different depts. of the RBI concerned with rural credit

#### **AGRICULTURAL CREDIT REVIEW COMMITTEE (1989)**

The Committee under the chairmanship of Prof. A.M. Khusro was to examine the problems of agricultural and rural credit, take stock of structural and operational deficiencies, constraints, quantitative and qualitative gaps and recommend major systemic improvements.

The Recommendations of agricultural credit review committee are as follows:

1. Prompt elections
2. Changes in Cooperative Law against protracted supersession
3. completion of reorganization of primary societies based on viability norms, wherever the exercise has not been done
4. A programme of development for all such PACS which have not reached the loaning business of Rs 10 lakhs to be taken up for increasing its loan business, enlarging its package of profitable non-credit activities, augmentation of resources (deposits) and reduction in over dues
5. Improvement in quality of staff and accountability
6. Staff to be selected by societies
7. Incentive system

8. National Cooperative Bank of India
9. The Committee suggested that the Eighth Plan should, in fact, become the plan for revival of the weak primary agricultural credit societies.

### **Progress of Co-operative movement under 5 year plans**

The attainment of independence in 1947 and the consequent formation of the National Government in India became an impetus for the co-operative movement also. The first five year plan launched in 1950-51 described the co-operative movement as an indispensable instrument of planned action in the country.

The first plan started, “the principle of mutual aid which is the basis of co-operative organization, and the practice of thrift and self help which sustains it, generate a sturdy feeling of self-reliance which is of basic importance in a democratic way of life. By pooling their experience and knowledge and helping one another, members of the co-operative societies cannot only find the solutions of individual problems but also become better citizens”.

In the First Five Year plan, for achieving the goal of co-operatives socialism the planning commission laid emphasis and co-ordination between Village Panchayats and co-operative societies, multi-purpose societies, co-operative farming and industrial co-operative societies. The Reserve Bank of India conducted an All India Rural Credit Survey in 1951 as the report was published in 1954. Consequently, an integrated scheme of rural credit was executed. The State Governments were authorized to become partners of the Primary Credit Societies through the medium of state co-operative banks. In the First plan Rs.135 crores was distributed through the co-operative societies. The second Five Year Plan set before itself the broad objective of evolving a socialistic pattern of societies. For materializing these objectives co-operation was chosen as an important agency and the building of the co-operative sector become one of the central aims of the national policy.

During the plan period the co-operative movement was no more confined to credit societies alone, but it was widely extended to marketing, warehousing and buffer stocks etc.

The co-operative plans for the second plan were largely formulated on the basis of the recommendations of the Rural Credit Survey Committee. In 1958, the National Development council considered the role of co-operative movement in intensifying agricultural production and in building the rural economy. The NCDC was of the opinion that co-operatives should be organized on the basis of village community as the primary unit and there responsibility and initiative for social and economic development at the village level should be placed fully on the village co-operatives and the village panchayats.

Development of co-operative sector found its due place in the Third five year plan also. The plan envisaged a growing co-operative sector particularly in respect of agriculture, medium and small industries, trade and distribution etc. The Third plan regarded co-operation as one of the principal means for bringing about changes of a fundamental nature within the economy. It included the organization of about 33,000 more service co-operatives so that by the end of the plan, all the villages in the country were covered by them. In order to facilitate the implementation of the objectives in the Third plan, the Government of India and connected organizations set up a number of committees and working groups to study the various aspects of the movement.

(a) Working group on Panchayat and Co-operation.

This working group was appointed by the Government of India to study and suggest measures to achieve maximum co-ordination between the co-operative and Panchayats. The group recommended that both co-operatives and Panchayats being democratic bodies one could not be subordinated to the other and should remain autonomous bodies.

(b) Committee on Taccavi Loans

The then Ministry of community development and co-operation, Government of India appointed a committee in July 1962 under the chairmanship of Shri. B.P. Patel to examine existing arrangement for the supply of taccavi loans to farmers and suggest measures as well ensure effective implementation of the policy of routing taccavi loans through co-operatives. The committee reported that the scope for the expansion of co-operative credit was promising.

## **Present Status of Co-Operative Movement in India**

The beginning of the Co-operative movement in India dates back to about 1904 when official efforts were initiated to create a new type of institution based on the principles of co-operative ideology. Co-operative institutions considered to be solution for the problems particularly to the Indian conditions concerning to over-all rural development. Co-operatives are the vast and powerful instrument which engaged in the tasks of production, processing, marketing and distribution, servicing and banking in Indian economy. Co-operation has shown its effectiveness in various fields like removal of poverty by reducing member's indebtedness, lowering interest rates, increasing productivity and thrift, lowering of the cost of necessary members, arranging disposal of their produce and discouraging unnecessary social expenditure. It has done something to raise the standard of living. It has increased country's banking facilities. It has given the people hope. In all these directions and in others, co-operation has made more or less progress, although it has so far admittedly affected a small portion of the population.

In brief, it may be observed that- the co-operatives in different sectors function more or less in isolation and do not lend sufficient support to one another. Except in the sphere of credit, the principle of federalism has not been significantly developed within the respective sectors themselves. There has been inadequate linking of credit with supplies, services, thrift and marketing, etc. and mostly the initiative still comes from the Government and not from the people in major parts of the country. The dynamism that is associated with the term “movement” is still lacking to an appreciable degree. Primary Societies concern themselves only with credit. The area of operation is either too small or enable the society to be viable, or too big to ensure mutual knowledge and social cohesion. A rigid adherence to principles of unlimited liability had kept some of the solvent farmers from such societies. There has been a lack of co-ordination on the part of the central banks with the societies on the one hand and apex bank on the other. The general lack of education and the inadequacy are the important causes of the unsatisfactory record of co-operation in India. In the context of economic reforms introduced since 1991, sound, healthy and competitiveness have become very important for co-operatives.

In the area of economic reforms quality is more important than quantity so emphasis on excellent quality management, technology up gradation, cost minimization measures which increases profitability, professionalism, and base of financial resource have utter importance. The co-operatives in the contest economic reform should make themselves viable and sustainable to accept challenges and to overcome on it effectively. Mutual Aided Co-operative Societies Act of 1995, by government of Andhra Pradesh, marked a significant step towards reform to govern and regulate mutually aided co-operatives, which promote democratic nature, self-reliant and member centric atmosphere without any State involvement or financial support from State. Similar legislation passed by other state too (viz. Bihar, Chhattisgarh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Orissa and Uttaranchal). The number of co-operatives registered under the new Act increasing slowly, and the conversion from old to new Act mostly takes place in commodity co-operatives. However, most of the existing co-operatives remain themselves attached with the old law.

## MODULE - IV

### SUCCESSFUL CO-OPERATIVE MODELS ABROAD

Some of the successful co-operative models abroad are discussed below:

#### **CONSUMER CO-OPERATIVES IN ENGLAND**

England is considered the birthplace of co-operative movement of the World. It has shown light to the whole world and was the brain child of an exploited class of persons during the Industrial Revolution in the 18<sup>th</sup> century. According to C.R. Fay, it is the product of the economic and social conditions created by the Industrial Revolution.

Due to industrial revolution, cottage industries were ousted in big numbers and their employees became jobless. It is said that Industrial Revolution brought prosperity as well as misery to Great Britain. This led to uneven distribution of wealth and created two distinct classes namely, the working class and the Capitalist. The factory system created new problems like low wages, unemployment, labour disputes, exploitation of child labour and slums. Safety of the workmen was neglected.

During this period British Government enacted 'Corn Law' which resulted in price rise of commodities. In the political sphere there were strong demands for universal suffrage, freedom of speech, abolition of privileges. These gave rise to popular movements and serious public disturbances. The Economists, Political Thinkers and Social Reformers all started applying their mind towards finding out a solution to these problems. At this time many reform movements took place. The most important among them were Friendly Societies, Trade Unions and the Co-operative Movement.

Friendly Societies were Charitable Organisation of Philanthropist who contributed money

to purchase food and other consumer articles in bulk and supplying them to the poor at the cost price itself. Different number of charitable organizations came into being during this period. Hence Friendly Societies Act, 1793 was passed but it was futile as the society in general thought that co-operative movement is the only solution to their problems.

The main supporters of co-operative idea were, initiated by Robert Owen and Dr. William King. **(Discussed in module I)**

#### **CO-OPERATIVE MOVEMENT IN GERMANY**

Agricultural Credit Co-operatives in Germany



The Co-operative credit movement in the world started in Germany. Intolerable adverse conditions for the poor in Germany led to the growth of a new economic organization known as the co-operative credit society which owes its existence due to the work done by Raiffeissen and Schulze.

In the middle of the 19<sup>th</sup> century in Germany, the life of an average German was miserable, both in villages and cities. In rural areas, the Jews controlled and regulated the economic activities of a majority of people. They had full control over the villages as they were engaged in activities like purchase of farmer's crops, sale of consumer items, money lending and so on. They purchased the surplus produces of the farmers by giving lower prices and sold them at very high price. These farmers approached Jews when they were in need of money. They advance loans at very high rate of interest and the farmers mortgaged their home, land, cattle etc with them. The same situation prevailed in urban areas as well.

In urban areas, there were a few capitalists who were very rich and they exercised monopoly power by exploiting industrial workers and artisans alike. The capitalists argued that the task of workers had been made easy by the use of machines and that they should therefore receive lower wages even when they put in longer hours of work. This led to pathetic conditions of workers, who lived in misery and hunger. These conditions formed the backdrop of new models of co-operation developed by Raiffeisen and Schulze (discussed in Module I)

### ***DIFFERENCE BETWEEN RAIFFEISEN BANKS AND SCHULZE TYPES OF BANKS***

Raiffeisen and Schulze types of societies had their own distinctive features which differed from each other in fundamentals.

They are as follows.

1. Raiffeisen started his work among the farmers. The membership of this societies were drawn only form this class.  
Schulze started his experiments from among the artisans. The membership of his societies was derived from among the artisans and industrial workers.
2. Raiffeisen started societies with unlimited liability whereas Schulze formed societies with limited liability.
3. The area of operation was limited in Raiffeisen Banks. But a larger area was chosen by Schulze.
4. Small loans for productive purpose were provided by Raiffeisen Banks. Whereas Schulze gave long term loans both for productive and unproductive purposes.
5. Profiteering was never the motive of Raiffeisen Societies but Schulze Banks were run for profits on commercial lines.
6. Raiffeisen tried for the development of moral side of members but material development was considered by Schulze Banks.

7. In Raiffeisen Societies the management was honorary whereas Schulze Banks did not believe in honorary management.
8. Minimum share amount was fixed by Raiffeisen Banks whereas larger amounts were fixed as share value in Schulze Banks.
9. Raiffeisen Banks allotted a larger portion of net profit towards Endowment Fund and Reserve Fund. Whereas Schulze Banks distributed more by way of dividend among members.

The sum up the rural co-operative movement in Germany, which started merely for the elimination of financial strain of members, has now, covered the whole economic field in rural areas of Germany (German Democratic Republic (GDR) and Federal Republic of Germany (FRG) and west joined together. The types of societies organized included Consumer, Housing, Urban and Rural societies and also Federations of each.

### ***CO-OPERATIVE MOVEMENT IN DENMARK***

Denmark, a small country in Europe is poor in natural resources but is however fortunate in having a good fertile soil and hence agriculture is the main occupation. In the early years, they used to produce food grains but the supply of cheap foreign grain made it unprofitable. Hence they shifted to growing fodder and raising livestock on an increasing scale. For centuries, the production of milk, butter and cheese had played its part in the economy of Denmark. Hence they imported corn and demand for Danish butter increased in England. The reason for the successful movement can be attributed to the people for their disciplined life, education, loyalty and hard work. The names of Danish butter, Eggs and bacon became famous all over Europe. So Denmark is also known as the “**Dairy Farm of Europe.**”

Co-operatives in the field of farming, dairying, consumer, bacon and egg marketing and insurance societies became a success and hence this small country is called the “**Co-operative Denmark.**” This was possible due to two factors viz., 1. Good education system and 2. Uniform land holdings of the peasantry. As early as 1814, education was made compulsory in the country. The spreading of education was done through three schools only. 1. Folk Schools (taught the way to live and leading orderly simple life), 2. Rural Schools (Provide training to women in household economy), and 3. Folk schools and Agricultural schools (Provide both general and technical education and they have been described as the ‘hot beds’ of co-operative movement).

#### **1. DAIRY CO-OPERATIVES**

A Danish Engineer L.C. Nelso in 1878, introduced the process of separation of cream from milk. The first such society was organized in 1882 in Hjedding. A Co-operative Dairy consists of a number of milk producers associated to process and dispose of the milk and milk products as a joint enterprise. 70% of the dairy products are exported and 30% are sold in the Home market. The following are the special features of such Dairy Co-operatives.

1. Membership is open to all milk producers.
2. Members are not required to pay any entrance fee or share capital.
3. Unlimited liability.
4. Working capital is raised through loans.
5. Members are required to deliver all saleable milk produced.
6. Profits are distributed in proportion to the value of milk supplied by each member.
7. Payments are made based on fat content, weight and hygienic quality of milk.

### **Quality Control**

The goods produced by the society were sold under the trade mark "LUR BRAND". It is a reputed brand and it represents quality. Adulteration of milk by the members was punished with heavy fines and persistent defaulters were dismissed from the membership of the society. Good cows were supplied to the members with the help of the society.

**SERVICES:** The dairy society renders the following services. They are:

1. The processing of milk supplied by the members.
2. Providing the members with finance for the purchase of cattle and cattle feed.
3. Providing veterinary service to its members.
4. Extending help to improve the quality of the Breed and the feed.
5. Maintaining high degree of specialization and highest standard of efficiency.

### **Federal Structure**

As the dairies grew in number, they formed federation. The local dairies federated into 24 District Association. The Associations are again federated into 3 Provincial Associations which together form the National Federation of Danish Creameries or National Dairy Association. This Federation looks after the marketing activities.

## **2. CO-OPERATIVE POULTRY FARM SOCIETIES**

Egg trade began to attract the attention of co-operatives and most of the eggs were exported to England. In 1895 Co-operative Egg Export Association was organized. It introduced the system of grading of eggs and only good quality of eggs reached the British Market.

Payments were made to the poultry farmers according to the quality of eggs. The society soon made name for itself in the British Market and sale of eggs increased. Poultry farming thus became more and more popular in the country. Thus there was remarkable success of co-operative poultry farms in Denmark.

### **3. CO-OPERATIVE BACON FACTORIES**

Farmers who started dairies soon took into Piggeries as an additional job. The milk produced was much above the local needs and after churning butter out of it, the separated milk went waste. As Pigs are best fattened with milk, the farmers started rearing them.

The preparation and export of Bacon was however in the hands of private traders. Therefore, when co-operative slaughter houses and bacon factories were started, there was great opposition from private butchers and traders. Still more and more members joined the societies.

Loans have to be arranged for them in big amounts and liability of members was limited. By 1968 there were 61 co-operative Bacon factories which handled 89 % of the total business. There was a federation of Bacon societies which looked after export trade.

These and other co-operative marketing development in Denmark came without any special aid from Government, Legislation or Finance, but developed to prevent the practices of private commercial interests.

#### ***CO-OPERATIVE MOVEMENT IN ITALY***

##### **Banche Popolari Or People's Banks And Casse Rurali Of Itali**

The founders of the co-operative movement in Italy are LougiLuzzatti and Dr. Wollemborg. Both started credit institutions on co-operative lines.

##### **LOUGI LUZZATTI**

Born in a wealthy family and well-educated, LougiLuzzatti started these institutions on the lines of Schulze Delitzs Banks but he recognized that modifications in that system were necessary to meet the needs of the people of Italy. As a Minister of Finance, Signor Luzzatti brought to bear on the working of his banks considerable experience which he had as a financier. Before starting his institutions Signor Luzzatti made a personal study of the working of Schulze banks in Germany and was much impressed with their working. The first bank he started was at Milan in 1866 and he became one of the shareholders. He had to face a great deal of difficulties and even his close friends were skeptical but they agreed to join the movement.

**DIFFERENCE BETWEEN LUZZATTI AND SCHULZE BANKS**

Matters of difference	Schulze Banks	Luzzatti Banks
1. Value of shares	Share of large value	Shares of small value
2. Appreciation in value of shares	Shares are not allowed to appreciate in value.	Shares are permitted to appreciate in value and sold at premium
3. Rate of Dividend	Rate of dividend is fixed	Rate not fixed
4. Grant of credit	Under German law no credit should be granted to non-members	Credit is not refused to non-members who are charged the same rate of interest as it is for the members
5. Rate of Interest	The rate of interest charged is less than the market rate.	The rate of interest of loan is charged at the full market rate.
6. Relationship with the country bank	There was rivalry between town banks, Schulze banks and Riffeisan banks.	Both the town and the country banks are in friendly relations so much so that Luzzatti banks grant loans to country banks or other co-operative banks.
7. Principle of Unity	The German banks followed the principle of unity as they were united in a common organisation for various purposes. Co-operative outlook was maintained throughout.	Italian banks or societies work in isolation. They are less co-operative in their outlook being more commercialized.
8. Character of Membership	Schulze wanted that the bank founded by him should cater for the needs of small men and artisans	The peoples' banks are characterized as a middle class organization and Singnor Luzzatti himself was not willing to admit the very poor to membership in his credit banks.

### ***Dr. WOLLEMBORG'S "CASSE RURALI OR VILLAGE BANKS"***

The People's Banks started by Singnor Luzzatti served the country well and generally helped the large farmers, but the small farmers was left to himself. To help the small farmers throughout the country, Dr. Wollemborg appeared in Italy. Dr. Wollemborg did for Italy what Raiffeisen did for Germany. That is why he is called the Raiffeisen of Italy; Dr. Wollemborg introduced a system of rural banks on Raiffeisen model. In 1883, he opened his little village bank "Casse Rurali" in Lorreegia. All its transactions were small in the beginning and no share capital was prescribed. Shares collected were not collected and in certain exceptional cases they charge only small value. Short term renewable credit was granted. Loans were extended for short periods. Disputes were settled at the meeting of members. The management of the banks was done by Board of directors. The entire profit transferred to reserve fund.

### ***CO-OPERATIVE MOVEMENT IN RUSSIA***

The Russian Co-operative Movement started in the 19<sup>th</sup> century but it gained momentum only with the Russo Japanese war in 1905. The government used the co-operatives as food distribution centers. After the Russian Revolution of 1917, the Communist Government developed the co-operative movement and established various types of consumer and credit societies. These societies distributed industrial goods in villages and agricultural commodities in towns and engaged in activities like marketing and supply of credit merging into a collective system of agriculture.

Artels were first formed in the first half of the 19<sup>th</sup> century to carry on certain industries or render personal services on the joint responsibility of the members. Masons, brick layers, carpenters, handicraftsman and other artisans organized themselves into artels to sell their labour jointly.

In the towns, state stores and specialized shops were developed for the distribution of commodities on behalf of the Government. These stores handled 35% of the country's retail trade. There were 47,700 public restaurants and canteens in collective farms and state farms which were established with the objective of keeping the women force from cooking at home.

### ***COLLECTIVE FARMS IN RUSSIA***

Prior to the October Revolution of 1917 the condition of Russian Farmers was extremely deplorable. The Agricultural Societies were started but they could not get enough support from the Government. After the Revolution, the Government issued a Decree and abolished the landlord's property rights without compensation. In the year 1921, a Decree was passed permitting the organization of voluntary co-operative societies and **All Russian Union of Agriculture** was formed. The Soviet leaders realized the need for an early re-organization of the Russian agriculture and they adopted collective farming known as '**Kolkoz**'.

Kolkosis are an association of farmers, who pool their land for joint cultivation. They pool their resources and work under an elected body of management. According to the Russian Law, the land of collective farm is in perpetual occupation of the occupants. The average size of the collective farms varies from 1600 acres to 10,000 acres. They were called Kolkosz (or collective farms)

Besides these collective farms, there are state farms as well which are called 'Sorkozy'. The state supplies modern implements and machinery in the most reasonable terms and the state farms supply machinery, seeds etc to the collective farms.

The management of collective farm is democratic in character. The day to day work connected with farming is carried on by the board of directors consisting of 4 to 9 members elected by joint members. The board is responsible for allocating work to members, for distribution of income and disposal of surplus. Wages are paid on basis of work day units and additional wages are paid for additional work. Surplus produce of the farm is sold to the consumer societies.

### **CO-OPERATIVE MOVEMENT IN ISRAEL**

The development of co-operative farming in Israel started with the Jewish colonization in Palestine. The first organized effort in colonizing by Jews on Palestine land started in 1882 by **Baron Edmund de Rothschild**, who is regarded as the father of Jewish colonization movement in Palestine. He built up the **Palestine Jewish Colonization Association** (PJCA) to create a class of farmers attached to the soil as owners of their farmstead. The farmers were required to pay a small proportion of the initial investment for land, buildings, livestock and equipment and the rest is given as loan by the association on which interest of 1 to 3 % is charged. After the debt is repaid, the farmer becomes the proprietor of the land. About 2/3<sup>rd</sup> of the total area acquired by PJCA has been so acquired by individual farmers.

The **Jewish National Fund** was established in 1901 to acquire land in Palestine and hold it in trust for the nation and lease it only to Jews for agricultural and other purposes.

The Jewish Foundation Fund was established in 1920 as a central financial instrument of the Jewish Agency with the objective of giving long term and short term loans to Jews settled on the land of the Jewish National Fund.

The Central Federation of Jewish Labour in Palestine (Histadruth) was the most powerful labour organization in Palestine and nearly 75% of Jewish workers were its members.

Hamashbir Hamarkazi Limited (Co-operative Wholesale Society Limited) was established in 1916 with the objective of selling farmer's produce and providing farm and household requisites to farmers. In 1926, TNUvah Limited was organized with the objective of selling all perishable farm products like fruits, vegetables, eggs, poultry, mild, honey produced by the members of collective and co-operative farms. In 1930 the Hamashbir was reorganized on the basis of the co-operative consumers' organization.

## **Features of co-operative movement in Israel**

The first step in co-operation was started by orange growers and vintners for marketing and processing their products. The credit co-operatives started even before the First World War. The most important contribution to the world co-operative movement was made when the first collective settlement was established in Degania in 1908. After that co-operative movement spread to many different branches.

There was no co-operative law in Palestine until 1920 when the first co-operative law was passed. It was replaced by a new law in 1933 which remains in force till today.

The co-operative movement in Israel plays a vital role in the social and economic life of the country. The basic condition for this process is the continuous Jewish immigration and their social and economic integration in the economy, which has been going on for the past several decades with the establishment of an independent state of Israel on 14<sup>th</sup> May 1948. The immigration of large number of Jews from various parts of the world became a mass movement and the major function of these co-operatives was the smooth absorption of these people into the development of the country.

In the course of labour settlement in the country, new forms of co-operative enterprise emerged. The first and foremost is the **Kibbutz** – a type of comprehensive agricultural co-operation. It is a voluntary commune of people settled on national land cultivated by the settlers themselves and managed on the basis of equality and complete co-operation in all aspects of daily life, viz, production, distribution, consumption, marketing, education of children, culture, health and managerial services and so forth.

**Moshav Ovdim**, like the Kibbutz, is a second original type of co-operative settlement which is based on the principle of national land cultivated by self-employed settlers. But it is different from the Kibbutz in the sense that the extension of co-operation is less comprehensive. In Moshav Ovdim, every member family cultivates the land individually allotted to it and manages its household but it joins other families in economic activities such as distribution, marketing, management of village affairs and mutual assistance. Since the establishment of the state of Israel special form of Moshav Ovdim has been developed in the field of agricultural co-operation suited to the needs of the new immigrants and it is called **Moshav Olim** (Immigrants Village).

The third original form developed in the field of agricultural co-operation is the Moshav Shittufi which combines the principles of both Kibbutz and Moshav Ovdim. Co-operative production, marketing and supply, and consumption have been organized around individual household. In regard to industrial producers and consumer societies some success has been achieved and these co-operatives provide livelihood to tens of thousands of people and play a very big role in the economy of the country.



The urban and inter-urban bus services and the major form of transportation are organized co-operatively. The urban consumers and rural producers are united in the central whole society-the Hamshbir-Hamerkazi. Credit societies in Israel serve the needs of not only farmers but also the artisans and factory workers. The large marketing co-operatives- Tnuva and Tenne – are composed of primary co-operatives and not of individuals. The housing co-operatives not only provide accommodation but also devote their attention to members' cultural and social interests.

A notable feature of Israel co-operative is that 87 % of the entire co-operatives are affiliated to the Audit Unions. The Audit Unions audit the accounts of their affiliates and also supervise and guide them on right lines in co-operative practice and education. Almost all workers, societies are also affiliated to Trade Unions.

Thus in Israel there is agricultural societies (Kibbutzim, Moshavim, Moshavim Shittufi, Agricultural Marketing and Processing, Irrigation, General Agricultural Societies, Mutual Agricultural Insurance, Production and Service Societies, Consumer Societies, Housing Societies, Credit, Mutual Insurance, Provident and Pension Funds, Mutual Assistance and Savings, Miscellaneous and Audit Unions.

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