

**COOPERATIVE AS AN
ALTERNATIVE INSTITUTION FOR
DEVELOPMENT**

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This is to Certify that the dissertation entitled **Cooperative as an Alternative Institution for Development** submitted in partial fulfillment for the M.Phil degree of this university has not been previously submitted for any other university and is my original work.

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CHAPTER :I
INTRODUCTION

CHAPTER : I

INTRODUCTION

Disillusionment with the dominant approaches to development and search for alternatives has become the characteristic of much current writing in social sciences. The inability of the State-led development model to take all people inside the contours of benefit accruing from development as well as the failure of Market to check the exploitation and vulnerability of the marginalised people through its development model speak volume about the cause of disillusionment. Moreover the concerns for taking the need, attitude, life-style and resources into the concern of the policy makers calls for a rethinking on the development initiatives practiced hitherto.

The critique of the existing development paradigm provides a strong plea for an alternative path. The alternative path may not be of total break with the existing instruments of development rather it implies the exploration of other available and formation of new instruments of development. These relatively new instruments of development were sidelined due to the pre-occupation of policy-makers and development strategists in pursuing economic development objectives with State as the instrument of development. So, the alternative path favours the

existence and the use of other non-State, non-Market instruments of development. Speaking in a nutshell, it argues that the State is not and should not be the sole generation of development impulse.

Among other things the alternative path calls for re-energising the local institutions as the powerful engines of economic development. Since there has been a big qualitative change in the understanding of the concept development, the alternative path of development talks in the same voice accordingly. The changed understanding of development denotes the participatory value of people in the developmental initiative, the case for sustainability with maintaining the life style, attitude and culture of people. So, by re-energising the local institutions, these considerations can be taken care of.

Not only it calls for the re-energising of the local institutions, it also calls for mass action at the local level. It outlines the possibility of participatory development through participatory governance and raises important questions about the genuineness of State directed participatory exercises. A case is made for strengthening participatory spaces wherein initiatives from below can make a difference. Here, the case of 'civil society' makes an entry in a big way. The civil society

provides a space below the State and above the society to the people to effectively organise themselves for better interactions with the State.

The advocacy of “Development from within” as an alternative development path is supposed to entail a resurgence of the self-organising abilities of the people, the renewal of the sense of social efficacy and enhanced opportunities for people’s participation. Devising various institutional arrangements for effective regional and local development, especially by restructuring and reinventing traditional structures and institutions on the one hand and a major redistribution of authority and financial powers is suggested for the purpose.

The role of the State is seen to be declining and the responsibility of the people and local institutions is increasing. In this context, “Development from within” is expected to ensure ‘self-sufficiency of communities’. In this context, co-operative emerges as an alternative institution for development. It helps the people to organise themselves and chalk out their development initiatives that they were lacking prior to the formation of the co-operative. Co-operative is the mechanism to stimulate and sustain the local economy. Here, the co-operative fills the vacuum of an efficient, responsive local institution.

While the economic development is important, it is also necessary to safeguard the political interest, dignity, independence and self-assertion of people. These are as much important as the capital that fuels the economic growth. So, a significant measure of social equality and independence has to be built into our economic development endeavour. But it has been well proven in various development literatures that the State and Market can not adequately meet this need. So, this situation demands and offers a significant space for co-operatives in the economic domain.

Again, in the emerging situation, a greater spurt to the co-operative will come in, as the economy has been globalised. The view that has been gaining ground that there will be more pressure from within the domestic economy for widening the present narrow horizon and narrower base of the New Economic Policy. Co-operatives thus will become a strong platform for those who feel that there is the need to build up safeguards against havoc wrought by unrestrained globalisation to ensure that we are not totally at the mercy of global winds, with little scope, left for self-defence and self-assertion. Thus, self-assertion at the political level and search for sustainable development to the population as a whole at the economic and social level are certain to provide a lot of external and internal stimulus and clear cut purpose to co-operatives.

While recognising the possibilities, the limitations of grassroots organisations like Panchayat must also be recognised. These grassroots organisations can promote, aid and encourage economic activity but they cannot undertake it. Economic activity is the substance of life for the masses. It is here, the co-operatives have a unique role.

This study is an attempt to venture into the development literature and to explore the alternative institutions to Market-mediated and State-centred development. The study covers the changed understanding of the concept of development and the inefficacy of State as the sole generator of development initiative. Within the frame work of civil society and increasing role assigned to non-governmental and grassroots organisations, this study focuses on the co-operative as an alternative institution which can fill in the space where both the Market and State fail in different manner while pursuing a comprehensive development. With this study, it will be examined that, how a reorientation of the relationship between the State and its institutions of development will bring about a desired and positive change in the life of people.

THE PROBLEM

Within this study, certain answers are tried to be given to the problems put forward in the development literatures that have been studied. So, the problems before the study are:

Is the State-centre Market and development process capable of bringing about a people-oriented and sustainable development?

- ❖ Does the alternative institution fit the bill in the above context?
- ❖ Can the co-operative as an alternative institution is an efficient, vibrant engine of development?
- ❖ Can the cooperative provide the platform for participatory development and can it be an efficient institution for development in the long run?
- ❖ What is the Indian experience with co-operatives?
- ❖ Why do some co-operatives success while others fail?
- ❖ As an alternative institution, for development can the co-operative withstand the challenges unleashed by the forces like liberalisation and globalisation?
- ❖ Having studied and analysed this, what should be the exact role of State in fostering development?

- ❖ What kind of State is really required for a smooth process of development?

Having set the parameters of the study, it has proceeded in the following way:

The chapter II takes a bird's eye view of the concept of development. It briefly traces the evolutionary trajectory of the concept since its coinage. It looks at the changing pattern of understanding of the concept of development from the age of Lord Bacon to the recent years of Amartya Sen. The chapter II also explains the much contested topic of the role of the State in bringing in development. At the same time, this beginning chapter highlights the increasing relevance of making the development people oriented or participatory development.

The chapter III, looks at the emergence of civil society as an increasingly relevant institutional space in-between the State and society, where people can consciously organise themselves for mutual benefit. The voluntary associations like the grassroots and non-governmental institutions come within the realm of the civil society that can play a substantial role in fostering development. This chapter also focuses on the co-operative sector set in this framework which has an important role to play in bringing in a comprehensive development. It

cast light on the theoretical aspect of co-operation starting with the Prisoner's Dilemma and the Institutional theories of Collective Action. The chapter III also examines India's tryst with co-operatives after independence in the process of nation building. This chapter brings out the interventionist and over-meddling role of the Indian State in the affairs of co-operatives though its highly idealistic and rhetorical stand on fostering development through co-operatives.

In the chapter IV, an insightful look has been given on the functioning and performance of the co-operatives. Through this chapter, it has been tried to look at the problem that, why some co-operatives successfully perform whereas the other fail miserably. In the concluding part of the chapter, the role of co-operative in the present context is examined. Is the co-operative the force of 1990s? And, can the co-operative with stand the impacts of liberalisation and globalisation? These are the few questions that this chapter tries to answer.

In the conclusion part of this study, a synthesis is presented with a focus on what should be done to make the co-operative a strong, efficient and vibrant institution for development. At the same time, what should be the role of State in promoting development? Should it play the role of Interventionist State or should it play the role of facilitator of

institutions of development. The study concludes by favouring a latter type role for the State.

CHAPTER :II

DEVELOPMENT: AN OVERVIEW

- ❁ From Lord Bacon to Sen
- ❁ Development Through State and Market
- ❁ Participatory Development

CHAPTER - II

DEVELOPMENT: AN OVERVIEW

Someone had candidly said that the only thing constant in this world is change. Development as a concept reflects this sense properly as it denotes a positive change in the existing condition. Specifically development means a positive change in the living conditions of the population. It includes a change in economic, social and political life of the people. So, this change is progressive signifying the advancement of the society or State as a whole.

Before delving into the question of development, it is necessary to pay hindsight on the progressive and positive change that the humanity has achieved over the years. It can be said that, the present time and situation is the resultant of all the historical process which have been continuously unfolding over the years since the early days of civilisation. In other words, the articulation and implementation of the “**Baconian Programme**” (named after Sir Francis Bacon, Lord Chancellor of the British Crown) has shaped the present or existing situation in history. The Baconian Programme was designed “...to aim knowledge at power

over nature and to utilise power over nature for the improvement or the human lot".¹

During the Enlightenment, the idea of cumulative and continuous human progress was the central voice of the Baconian programme. Through its application, the standard of living improved with the resounding success of science and technology in different fields. However, at the same time, the success of Baconian programme was accompanied by some negative costs. The benefits of scientific advances and technological progress would largely accrue to a small minority along with widespread environmental disruption. Again with the World War II, the advancement of science and technology brought despair and destruction. So, the inevitability of continuous and cumulative progress in the Baconian programme started to wane. However the end of the World War II was a break-off point after which the world witnessed rapid and unequal economic development. The belief that purposeful intervention could improve the human condition was reinstated. It was accompanied by the availability of new techniques for managing the economy.

¹Jonas (H) (1984) Quoted in Francisco Sagasti's "Development Knowledge and the Baconian Age" *World Development*, Vol.25 No. 10, October 1997.

Thus, the renewed belief in progress led to the emergence of the concept of 'Development' which is seen as the latest incarnation of the idea of progress. So, here development implies "... to achieve the material standard of living ... but without incurring in the heavy social costs...."²

During the 1930s when the world economy was facing depression, Keynesian prescription proved to be the best way to deal it. So, massive State interventions through schemes like Tennessee Valley Authority were rolled out. The New Deal and European corporatism performed a similar function. They stimulated economic recovery by accelerating the production through technological innovations.

With the end of World War II, the priority was European reconstruction through the Marshall plan. This gigantic programme was aimed at providing a massive infusion of foreign aid for rebuilding the devastated European economies. It was intended to give stimulus for accelerated and sustained economic growth to enable them achieves self-sustained growth.

² Sagasti, Fransisco (1997): 'Development, Knowledge and the Baconian Age' *World Development*, Vol 25. No.10

The basic objective behind putting these two above paragraphs was to highlight the meaning of development in its early part of career. Here, development was filled with economic aspect only. So, it was considered identical with economic growth. Economic development referred to increase over time in the country's real output of goods and services or product per capita. Economic Development was measured by indicators like, Gross National Product (GNP) and Per Capita Income etc. The use of this notion of development continued till 1960. Thereafter, it is no longer considered identical with economic growth only. It is taken to mean growth with progressive changes in certain crucial variables, which determine the well being of the people.

Disillusioned with the achievement of the earlier conception of development, a new thinking set in during the 1970s. It redefined the concept of economic development in terms of the reduction or elimination of poverty, inequality and unemployment in the context of a growing economy. In this phase "redistribution with growth" became the popular slogan. So, development has become a value- loaded concept.

The use of the term development rather than economic growth implies acceptance of the limitation in the use of index like GNP to measure the well being of nations. In its latest incarnation, development

embraces a wider concern that is the quality of life, educational attainment, nutritional status and access to basic freedom and welfare. The emphasis on sustainability suggests that what is needed is a policy effort aimed at making these developmental achievement lasts longer into the future. In other words, it is meeting the need of the present generation without compromising with the need of the future generation. The present generation must bequeath to the future generation the same capital, embodying opportunities for potential welfare, which it enjoys. Sustainable development as a goal rejects the policies and practices that support current living standards by depleting the productive base including natural resources and leaves the future generation with poorer prospects and greater risks. Speaking in nutshell, sustainable development is a developmental strategy that manages all assets, natural resources as well as financial and physical assets for increasing long term wealth and well-being.

Since development is a complex process, it is necessary to look into every aspect of it. It is influenced by both economic and non-economic factors. Similarly, it influences both economic and non-economic aspects of human life. So, in recent years the search for an alternative to GNP as a measure of economic development has led to computation of comprehensive indices of development. It paved the way for the Human

Development Index (HDI) which was introduced by United Nations Development Programme (UNDP) in its first Human Development Report prepared under the stewardship of **Mahbub-Ul-Haq** in 1990.

The Human Development Report has defined development as the process of enlarging people's choices. Human development is a process of widening people's choices as well as raising the level of well being achieved.³ The most critical choices are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. The additional choices include political freedom, other guaranteed human rights and various ingredients of self-respect. Thus, as noted by **Paul Streeten**, the concept of human development puts people back at the centre stage, after decades in which a maze of technical concept had obscured the developmental vision⁴. Here, the view of **Mahbub-Ul-Haq** is also worth mentioning. He says, "the defining difference between the economic growth and human development school is that the first focuses on the expansion of only one choice—"income" while the second embraces the enlargement of all human choices-

³ Human Development Report (1997), New Delhi OUP.

⁴ Paul Streeten's 1996 "Forward" to Mahbub-Ul-Haq, "*Reflection on Human Development*", New Delhi, OUP.

whether economic, social, cultural and political”⁵

There are four essential components in the human development paradigm: Equity, Sustainability, Productivity and Empowerment.

Equity: To enlarge people’s choices, people must enjoy equitable access to opportunities. Equity in access to opportunities demands a fundamental restructuring of power in many societies and changes in the following lines:

- (i) Change in the distribution of productive assets
- (ii) Change in distribution of income.
- (iii) Equalisation of political opportunities

Undertaking steps to remove social and legal barriers paving the way for women and other vulnerable sections of societies to some of the key economic and political opportunities.

Sustainability: As it has already been specified sustainability is a matter of distributional equity – of sharing development opportunities between

⁵ Mahbub-Ul-Haq (1996): *ibid*,

the present and the future generations and ensuring intra-generational and inter-generational equity in access to opportunities.

Productivity: It is an essential part of human development paradigm. It implies economic growth is a subject of human development.

Empowerment: Full empowerment of people is the other central aim of human development. Empowerment means that people are in a position to exercise choices of their own free will. It implies a political democracy in which people can influence decision about their lives.

The empowerment of people requires action on various fronts:

- (i) It requires investing in the education and health of the people so that they can take advantage of Market opportunities.
- (ii) It requires ensuring an enabling environment that gives every one access to credit and productive assets, so that the playing fields of life are more even, and
- (iii) It implies empowering both women and men so that they can compete on an equal footing.

The presentation on earlier paragraph shows the concern of development has shifted from economic growth to human development in recent years. The main reason for this shift in focus is the growing recognition that, the real objective of development is to enlarge people's options. Human development is the 'end' while economic growth is only a means to this end.

The unfolding of development in different connotation is still on. It is evident from the latest work of Nobel laureate **Amartya Sen's** seminal contribution on development. For **Sen**, development can be seen as a process of expanding the real freedom that the people enjoy. **Sen** takes a sweeping view of freedom asserting that development requires the removal of major sources of unfreedom. These sources of unfreedom may be poverty as well as tyranny, poor economic opportunity as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of the repressive State.

In **Sen's** conception of development, the outcomes of poverty eradication and eliminating social deprivation are fused into the processes represented by political empowerment and universal access to public goods and services. In other words, development does not simply include the elimination of poverty. But it actually stresses on rising

incomes at the bottom of economic ladder which must be accompanied by empowerment and access. In political term, **Sen** gives democracy a pivotal status as a yardstick of development.

This conception of development is based on the basic premise that freedom is both the primary objective and the principal mean of development. As an end, development cannot be separated from the lives that people can lead and the real freedoms that they enjoy. Economic opportunities, political liberties, social powers and the enabling condition of good life, health, and basic education influence what people can achieve positively?

As an instrument of development, freedom is divided into 5 distinct yet interrelated categories. These are:

Political Freedom: It refers to the right to chose who shall govern and how.

Economic facilities: It refers to opportunities to utilise economic resources for consumption, production or exchange.

Social opportunities: It refers to the arrangements made for health, education etc.

Transparency guarantee: This refers to the freedom to deal with people under guarantees of disclosure and lucidity, and

Protective security: This refers to the mechanisms contributing to the operation of a social safety net.

Development activity is not a mechanical activity. The pace of economic growth in any country depends to a great extent on people's desire to develop. If in some country, level of consciousness is low and the general mass of people has accepted as its fate, then there will be little hope for development. **Richard T. Gill** has candidly remarked "the point is that economic development is not a mechanical process, it is not a simple adding up of assorted factors. Ultimately, it is a human enterprise. And like all human enterprises, its outcome will depend finally on the skill, quality and attitude of the men who under take".⁶

At the core of the concept of development lies the basic idea of

⁶ Gill Richard T; (1965) "Economic Development: Past and Present", New Delhi, Sterling Pub. p.19.

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attaining a stable relative affluence- not simply getting up to pre-decided standard of satisfying life's needs adequately. Development is both the improvement of standard of living and a process of hierarchisation. Development is the good life for all.

Development is now defined as a widely participatory process of social change in society intended to bringing about both social and material advancement including greater equality, freedom and other valued qualities for the majority of the people through their gaining greater control over their environment. The earlier concept of development was influenced by the dominant paradigm, which emphasised industrialisation as a pre-requisite of development. The participatory development has been rejected because of several factors. First, the development in third world countries was viewed merely as a transfer of technology from the developed to the developing nations. Full fledged participation at the grassroots level decision making including indigenous knowledge, as input has not got the importance, as it should have.

The development, which is conceived as an integrated process of economic and social development leading to desirable change in

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economic, social, cultural and human factors or the society, can be a reality only with the involvement of the people concerned.

People's participation in development is both mental and a physical process— people's participation can be desired as an individual's mental and emotional involvement in group solutions that encourage him to contribute to group goals and share responsibility for them.⁷

This definition talks about three important dimensions. The **first** is the mental and emotional involvement of the people rather than mere muscular activity. The participants are characterised to have ego involvement rather than task involvement. The **second** aspect is motivation for contribution by giving members of the group an opportunity for initiative and creativity towards the objective of the group. The **third** aspect is that it encourages people to accept responsibility for an activity.

Thus, it can be said that, participation as a process of activities comprising people's involvement in decision making, contributing to development efforts and sharing equitably the benefits there from.

⁷ Sam, A.T. (1999): "Participatory Development: Concept, Need and Psychology" Kurukshehra, (Dec.), New Delhi, Publication Division.

Development theorists associate participation with the writing of **I.D. Illich** who largess deprofessionalisation in all domains of life- schooling, health care, transportation, planning- to make ordinary people responsible for their well being.⁸ The supreme touchstone of development is whether people who were previously treated as mere objects, know and acted upon, can now actively know and can act upon, thereby becoming subjects of their own social destiny.

More deliberately, participatory development can be explained as those development programmes which have in built mechanism for complete involvement of people in decision making process about what would be done and how, in implementing programmes and decision by contributing various resources, in sharing of benefit accruing out of development programmes and evaluating such programmes. Taken together, all these four kinds of involvement of people in a programme leads to an innovative kind of development approach called **participatory development**.

This approach has come into mainstream developmental strategy in a big way in recent years. The conventional methods of development,

⁸ Illich, I.D. (1989), Quoted in Goulet Denis, "Participation in Development: New Avenues", World Development, Vol. 17, No.2.

which are in practice since long back, are not able to yield any significant results. This provokes to think about some alternatives socio-economic institution that links resources, people and government. The community approach of resource allocation adds an element of sustenance to the development process. In this context, participatory development is a new socio-economic force aiming at sustained development.

Participatory development takes into consideration the needs, perceptions, attitudes and the social milieu of the people. So, it helps the planners to draw out schemes in such a way as to facilitate people to organise themselves in order to achieve the development objectives.

Since participatory development is the need of the hour, a deeper understanding of the concept is necessary. An individual may not be able to secure alone the necessities of life to any degree of self-sufficiency. It is one of the factors, which compel people to form a group. People do mediate goals for one another and it may be necessary to associate with other people or belong to a particular group in order to obtain specific individual goals. People representing goals for one another do have needs like approval, support, friendship, prestige etc. that can only be satisfied in interpersonal relationship, which is the nerve of participation. In the interaction process the group influences individual

members and expects them to believe and act as others do. Very often, the members of the group would like to conform to the norms & values of the group.

After forming into a group, the members ought to participate in a certain desired individual roles in order to make participation effective so as to achieve the goal. The participation will be more effective when the participant motives, needs, attitudes, values and abilities with regard to the task in hand, the tact to make use of locational facilities are in consonance with each other.

Faith in people is another dimension which makes participation more effective. Personal efficacy is another factor in effective participation. It is perception of the individual about his capacity to manage the world around him in a socially desirable way. The people having high personal efficacy are generally more efficient in making participation more effective, desirable and productive towards achieving common goal of organisation or group.

At this juncture, the question, which is more important, is how to organise people or how to get better or effective participation of people in a development programme. For promoting people's participation in

development programmes certain things are necessary which are given below:

- (i) Information regarding various aspects and components of the programme must be provided to the people so that they are in a position to think, identify, priorities their needs and initiate action for their own development.
- (ii) People should be educated to make them aware of their rights and privileges and organise themselves into groups of productive activities.
- (iii) The development programme should follow bottom up approach. It gives due importance to the people to involve them right from the stage of needs identification to programme implementation.
- (iv) The approach of whole programme should be based on the development of 'complete man'. Here, the external agency should play the role of catalyst to induce the change within the individual so the 'self' is developed over a period of time.

The sense of ownership and responsibility for a programme is another important factor to develop in the community. The outside

agency should delegate responsibility and functions to the community members participating in the development programme.

Speaking in a nutshell, participation or some active role played by intended beneficiaries is an indispensable feature of all forms of development.

ROLE OF STATE:

'State' enjoys a unique position in the study of politics. In theoretical as well as in empirical perspective the 'State' enjoys a position of pre-eminence. Since its inception State has been the locus of all political as well as economic contours. It has been the prime actor in all activities.

In the bringing out development, be it social or economic, the role of the State is important. Not going much into the annals of history, the role of the 'State' can be analysed with the beginning of the Keynesian economics in the days of world depression of 1930s. Keynes had prescribed a greater role of the State in initiating development. Later on, the onset of Marshal Plan, and other programmes for European reconstruction gave emphasis on the 'State'. However, the onset of the

cold war hijacked the concept of development and made it hostage to the East Vs West rivalries. Two alternative ways or achieving development were put forward:

- (i) The first one based on Market economics and liberal democracy;
- (ii) The other one on central planning and single party system.

So far the development literature is concerned **three** distinct but not necessarily mutually incompatible, streams of thought and developments culminating in this situation.⁹ The **first** was clearly the process of putting Keynesian macroeconomics into action. The **second** was the success story of the command economies under the socialist regimes of the USSR and Eastern Europe. The **third** was the birth of planning in the newly independent third world economies.

The adoption of macroeconomic principles with a pre-dominant interventionist character of State in post World War II was the outcome of acceptance of the Keynesian doctrine that State can bring about a bigger and wider development. Again, the success story of the command economic was another critical determinant in shaping the thinking about

⁹ Rangarajan C: (2000): S.R.Desai Memorial Lecture 2000 Reproduced in Economic and Political Weekly, April 15, 2000.

State intervention. The command economies were hailed as examples of what State intervention can do in improving the living standards. Long gestation periods, absence of immediate profitability and the need to 'build the country' paved the way for much State intervention and marginalisation of private, non-government sector.

Looking at the State intervention in any economic system it can be said that, State plays **three** roles:

- (i) As a producer of goods and services.
- (ii) As a regulator of the system, and
- (iii) As a supplier of public goods or social goods like primary education and health.

The **first** role as a producer of goods and services finds expression in the system of planning with public enterprises engaged in productive activities, generally in the critical areas called the 'commanding heights' of the economy.

The **second** role of 'regulator' gives to the State the super authority that sets the rule of the game in the economy. In fact, the quality of the economic performance of the market depends critically on the quality of

public intervention through regulation. This is in fact a Market complementary role.

The **third** possible role of a State is that of a 'welfare provider'. This role prompts the State to support private initiatives. This can be regarded as 'facilitator' role with State intervening in areas where Market cannot perform effectively. The range of activities the State takes up is a composite of these various roles and the composition of this range may vary over time.

The principal agent of State intervention is undoubtedly the bureaucracy. In pursuing developmental objective bureaucracy turned out to be a strong State -instrument. The other institutions that the modern State creates in order to support economic-development are: the legal framework, government policies and programmes. With the beginning of development programmes, the State has assumed a powerful role by multiplying institutions in all these categories: laws tell people what they can do or cannot do, policies and programmes encourage or discourage individual actions and ultimately bureaucratic

organisations are created to expand opportunity sets available to people.¹⁰

Due to its multiplication into different institutions the State becomes the most pervading in the entire developmental scene. At the policy-planning level, this syndrome has reinforced the notion of the State as the sole generator of developmental impulse. The State-led development model was based on the premise that, State has the central role in activities ranging from production to distribution.

In this endeavour, the bureaucracy was the major actor since it was the most important State-institution. It was considered that the administrators were the agents of change. Consequently, it led to channelise all the energies in improving their capacities. The basic thrust was to empowering bureaucracy through professionalisation, giving it managerial and development orientation. The broad perspective was that of a technically oriented, professionally component and politically and ideologically neutral bureaucracy

¹⁰ Shah, Tushaar (1995): "Institutional Dimension of Agriculture and Rural Development in India", The Administrator, Vol.XL.

in the line of western bureaucracy. Thus a related perception was that institutional limitation was bound to produce similar result to these obtained in the developed world; efficiency, increased rationality and the like at the global level. The more developed (i.e. bureaucratic and western like) on administrative system became the greater the likelihood that it would have developmental effect.¹¹

Along with the intention of meeting the development objectives, nation- building was also equally important nor the policy makers. So, a belief gained ground that the State had to play a leading role or as an engine of growth in promoting economic development. It resulted in the creation of elaborate licensing machinery and a set of planned targets for industry and other activities based on what was considered to be an optimal allocation of scarce resources. The planned process of State led economic development did help the economy to prosper in the initial years, but later on it become a burden to itself. The extensive control mechanism including multitudes of control on investment and production not only fragmented capacity but also reduced competition.

¹¹ Dwivedi, O.P. & Keith M, Henderson, (1990): "Public Administration in World Perspective", Ames, Iowa University Press.

Looking at the real development brought about in people life in the State-central development approach, it can be said that, the domination of administrative system did not facilitate people's participation. In the administrative complexities of the State-led development, the community development programmes' voice was not only strangled but its basic existence also came under question. The development objective concerning people also went disarray due to the less-accountability and high-handed attitude of the State instrument called the bureaucracy. Again, arrogance, insulation from the social-reality and unresponsiveness led to opaqueness in the functioning of the bureaucracy.

So, speaking in a nutshell, the performance of the State-centric development is of non-developmental in nature. Over the years, a large section of people remained outside the contours of benefit from development. All these led to frustration and disappointment for most countries of the world. It led to a serious rethinking about the development initiative and the reorientation of the relationship between the State and its institution of economic development. In this direction, the Neo-liberal agenda provides a silver lining.

The prescription of the Neo-liberal agenda for promotion of rapid economic development along with the effective handling of the question of distribution is of **two** folds:

- (i) Rollback the 'State' and allow for greater pay to the Market, and
- (ii) A search for alternative ways of organising for development or Institutional Alternatives.

For a rational and comprehensive view for evolving the better strategy of economic development both the above mentioned prescriptions to Neo-liberal agenda need to be evaluated.

Policies, dismantling the regulatory mechanism and allowing for greater role of Market forces also provide for an alternative to the State centric developmental strategy. But, this option is also not free from deficiencies. Here, the entire arena of economic development is thrown to the mercies of the Market forces. And where there is wide gap in terms of economic endowments and opportunities, the sections or society having low on these terms do not get an even - playing field and ultimately get marginalised. Apart from this, the vulnerability of the indigenous people at the hands of Market forces is noteworthy. The most important question that haunts is how to include the already marginalised people in the process of Market driven development. The other pertinent

question is can people aspiration in terms of development be fulfilled along with retaining their cultural identity?

This serious drawback of the Market unleashed developmental process is that it fails to protect the resources upon which the livelihood of the common people is interwoven. The case of sustainable development seems unmatchable with the Market-driven development.¹² Again, the failure of Market looms large in terms of sustainable development and equitable development.

At the policy planning level, the notion of the State as the sole generator of developmental impulse led the decision makers to ignore or under-stress the powerful role other institutions can and do fill as development players. In the Neo-liberal agenda, the prescription is also for the roles played by the State. But, the engine of development may not be the bureaucracy alone. The creation or and sustenance of new economic organisations is on top of the agenda.

To facilitate development, the instrument of State-intervention

¹² Singh Katar & Biswaballabh, (1996): Cooperative Management & Natural Resources, New Delhi, Sage.

need not be bureaucracy alone. Multiple institutional frameworks are the need of the hour. Institutional pluralism needs to be promoted by searching institutional alternatives, which will provide arrangements to respond to available opportunities.¹³

These alternative institutions can be growth poles as well as engines of development. The co-operatives, community based organisations, which can develop their own capability of resource management and use.

It can be said that, development activities undertaken by and with the people's active participation have a greater chance of success and can also be more cost effective as compared to those undertaken by the government where the people become passive observers.

So, the focus has shifted towards building up people's institutions as the engine of development and growth poles.

¹³ Mathur, K. (1998): "Strengthening Bureaucracy: Development Administration, Governance and the Development State", Seminar paper, C.P.S. SSS, J.N.U.

CHAPTER :III

CO-OPERATIVE : THE ALTERNATIVE

- ❁ Civil Society Institutions
- ❁ Non-Governmental & Grass Root Organizations as Agents of Change and Development
- ❁ Co-operative in this Framework
- ❁ India's Tryst With Co-operative

CHAPTER III

COOPERATIVE : THE ALTERNATIVE

In the preceding chapter, an argument has been put forward that the state should not be the sole generator of development impulse. The decision-makers must take into consideration the powerful role-played by the alternative institutions as the development players. The creation and sustenance of new economic organisations should be put into operations as the powerful engines of economic development.

In pursuing development objectives a fresh beginning should be made by taking into consideration the need of the people and their surroundings. Development planning must adopt a more pluralistic, institutionalist approach. The basic fact which should be recognised that, without any public sector investment, powerful development impulses can be generated. The development planning must recognise that people find their own resources when they come across alternative opportunities and dependable institutions; that engines of economic development cannot be created by merely more "plan funds"; that

institutions can be fountainhead of modernisation and growth impulses.¹⁴

As it has been discussed in earlier chapter, that during the heyday of development economics, spanning from the 1940s to the 1980s the emphasis was shifted from the state to the Market and vice-versa in a way similar to the movement of a pendulum in a clock. There was a sense disillusionment with the prevailing confusion in the development economics. So, in the beginning of the 1990s, development economics thus finds itself in a position of looking beyond the short-run solutions and it settled down in addressing the question of alternative development strategies. Within the broad scope for search of an alternative development strategy and its implications for sustained economic development, the case for the civil organisation in an important role in relation to the state and the market came up.¹⁵ Many civil organisations have emerged as substitutes for the state and the market. They can be termed as alternative institutions for development. Here, the theoretical aspect on Institutions can be given briefly. Institutions are complexes of norms, rules and behaviours that serve a collective purpose. And

¹⁴ Shah, Tushaar, (1996): "Agriculture and Rural Development in the 1990s and Beyond: Redesigning Relations Between the State and Institution of Development", *Development Policy and Administration*, Mathur, K. (ed.) 1996, New Delhi, Sage

¹⁵ Bardhan, P. (1993): "Analytics of the Institutions of Informal Cooperation in Rural Development", *World Development*, Vol.21, No.4.

organisations are a structure of roles. While many institutions are organisations like households, firms, co-operatives, many institutions are not organisations like money, the law. The distinctions between Institutions and Organisations are a matter of degree. A contract or a grassroots organisation may become institution if they are extensively practised, standardised and recognised.¹⁶

State, market and civil organisations can be contrasted by the type of incentive schemes and the type compliance or co-operations mechanism that each imply. The state enforces by regulation and coercive power, the market conveys price signal that give incentives, to adjust, and civil organisations rely on agreements based on bargaining co-operation and persuasion.

The civil organisation in the form of grassroots organisation and non-governmental organisation are seen as channels for promoting economic and social development and also contributing to democratisation of the economy, society and polity. In this context, the concept of civil society comes into picture. The concept of civil society defines a certain area, which is dominated by the interaction of certain

¹⁶ Uphoff, Norman (1993): Grassroots Organisations and NGOs in Rural Development: Opportunities with Diminishing State of Expanding Markets", World Development, Vol.21, No.4.

kind. The area in question is the public space between the state and the individual citizen. Civil society is further distinguished by the fact that, the activities contained therein take an organised and collective form. The organisation of civil society exists, out side the realm of the state and on free and independent basis. The civil society involves co-ordinated activities. Such a co-ordination is done on level above the sphere of family bonds. It is organisation of more secondary and constructed.¹⁷

In a popular view, civil society is defined in opposition to the state. It is identified with voluntary associations and community bodies through which individuals govern themselves. The non-government, non-party associations of civil society is seen as forum of direct participation.¹⁸

The civil society is best represented by the spectrum of non-governmental and grassroots organisations, these organisations may in some cases consist of little more than a set of collective rules regulating actions in a community. In other words, what happen the most for their

¹⁷ Hadenics, Axel and Uggla, Federik (1996): "Making Civil Society Work, Promoting Democratic Development: What can States and Donors do?" World Development, Vol. 24, No. 1

¹⁸ Mahajan, Gurpreet (1999): "Civil Society, State and Democracy", Economic and Political Weekly, Dec 4, 1995.

ability to promote civil activity are not their sheer size but rather their internal and external organisation.

The civil society is also known as the 'third sector' which operates between the public and the private sectors. The main thing distinguishing between the public, the private and the third sector is the incentives used to get co-operation or compliance. The public sector relies on bureaucratic mechanism and seeks enforced compliance with government decision. The private sector used market mechanism, to promote desired behaviour. The third sector depends more on voluntaristic mechanism involving the process of bargaining, discussion, accommodation and persuasion. Decisions are taken with reference both to groups and individuals interests. These three approaches are represented summarily in the following:¹⁹

¹⁹ Adapted from Uphoff (1993) in "Grassroots Organisations and NGOs in Rural Development: Opportunities with Diminishing State S and Expanding Markets." World Development, Vol. 21, No. 4.

PRINCIPLE MECHANISM	BUREACRATIC ORGANIZATION	MARKET PROCESS	VOLUNTARY ASSOCIATIONS
DECISION-MAKERS	Administrators	Individual Producers Consumers	Leaders and Members
GUIDES FOR BEHAVIOUR	Regulations	Price Mechanisms	Agreements
DECISION CRITERIA	Policy-and Best Means to Implement It	Efficiency- Maximisation of Profit or Utility	Interest of Members
SANCTIONS	State Authority	Financial Loss	Social Pressure
MODE OF OPERATION	Top- Down	Individualistic	Bottom-Up

The greatest advantage of the voluntary association is their mode of operation. Since it is bottom-up approach, it decentralises the authority and decision-making. The members have the same power in the process of decision making as the leaders. The decision-making power made available to the members is the most important criteria of participatory development. This advantage is denied to the common people in both bureaucratic as well as market organisations. In other words, the voluntary associations take into consideration, the needs, the attitudes and the way of life of people in a better way than its counterparts.

Again, these types of organisations work in close tandem with people, their resources and the institutions of political governance. So, these organisations enjoy the advantage of maintaining and sustaining the resources with which the people are closely associated.

Since the civil society is represented by the non-governmental as well as grassroots organisations, it can be an effective agent of change and development in a far better way in comparison to its other organisational counterparts.

CO-OPERATIVE IN THIS FRAMEWORK:

As it has already been outlined in the preceding chapter, development in true sense can be conceived as an integrated process of economic and social development, leading to desirable changes in economic, social, cultural and human factors of the society. In other words, development encompasses all-round positive and meaningful changes. To achieve the desirable developmental objectives in a fruitful manner, the involvement of people's concern is essential. Highlighting this, the UNDP in its Human Development Report 1993, has commented, "People participation is becoming central issue of our times."²⁰

The development process in a democratic country can achieve real meaning and depth if the people not only associate themselves in

²⁰ UNDP Development Report, 1993 UNDP.

planning for their development but also participate consciously in plan implementation. The most convincing reason for Panchayati Raj was to ensure people's participation in local planning and implementation. Similarly, the building up of co-operatives was to strengthen people's development in the management of their economic development. The development initiatives having 'built-in-mechanism' for complete involvement of people in decision-making' implementation lead to an innovative kind of development.

Over the last couple of years it has come to the forefront that, the conventional methods of development have failed to fulfil the expectation of the people. Again, the conventional methods of development which are in practice since long back is not able to yield any significant results. So, there is the need for some rethinking about alternatives to both State led and Market- centric development. Specifically to achieve a desire positive development, a fresh look is cast to some alternative socio-economic institution that links resource, people and government.

The other, side of the story, which compels to think about alternative arrangement for development, is of the successful economies with high and sustained economic growth. The experiences indicate that in nations which have secured a high growth rate, the state and its

institutions of economic development have done more than just orthodox planning. From these experiences, it is crystal clear that a proper reorientation of the relationship between the state and the institutions of economic development – our legal framework, our market, our economic organisation in the private, public, co-operative and informal sectors. ²¹

Against the aforesaid backdrop, co-operative provides a silver lining as an alternative institution for achieving the much desired people oriented development objectives and a sustained economic growth. The co-operative sector is seen as the “third realm” – an intermediary between the preceding state and the profit oriented private sector.

COOPERATION

The principle of co-operation is as old as the humanity. From the most primitive to the most sophisticated community, some or other form of co-operation among the people living in a particular area or region; be it for some agricultural operations or for some social, economic or political activities through out the world. The prime objective behind the co-operation is the economic and social betterment of persons who so co-

²¹ Shah, Tushaar (1990): “ Agriculture and Rural Development in the 1990s and Beyond: Redesigning Relations Between the State and Institutions of Developments” in Mathur, K (Ed) Development Policy and Administration, New Delhi. Sage,

operate. In the word of **Smith** “ Co-operation helps them (the people who co-operate) to gain the advantages of large-scale operation, while maintaining their independence”.²²

Literally “Co-operation” is derive from the Latin word “Co-operari”. “Co” means with and “Operari” means to work. In other words, co-operation means working together with others for a common purpose. But specifically, it means the system of people voluntarily associated working together on terms of equality to eliminate their economic exploitation by middlemen in respect of any economic need common to them.

Co-operation can be viewed from, different point of view, from sociological point if view **C. Taylor** identifies tow basic ideas involved in co-operation: (a) that people crave personal relationship rather than impersonal relationship involved in modern business dealings, (b) the other basic idea seems to be that people are motivated by a device to join with other in mutual effort to join with in a mutual efforts and to live in peace rather than to compete against each other.²³

²² Smith, Louis, and P.F. (1961): The Evolution of Agricultural Co-operation. New York, Hudson Press.

²³ Taylor, C.C. (1994) “ Objectives of Co-operative by a Sociologist” in American Co-operation, New York. Hudson Press,

The economic point of view on co-operation argues that with the arrival of Industrial Revolution, specialisation became a more and more dominant characteristic. And with growth in factory system and trade, specialisation also developed in mutual aid, self-help, co-operative arrangements. Co-operation as a communal way of life began to give way to several specialised and differentiated type of organisation for different purposes. The co-operative partnership and other forms were developed for business purposes.

The economic philosophy of co-operation falls roughly under two headings: (a) Reformist and Revolutionary Philosophy (b) Evolutionary Philosophies.

Reformist idea of co-operation are those that looks upon it as a means of redistribution of income and wealth, elimination or harmonising conflict of interests and consumers. Robert Owen, Webb who belong to this school, viewed that the aim of the co-operation showed be to transform capitalism and production for profit to control of productive resources by the workers.

The second philosophy of co-operation looks upon co-operative as an evolutionary development within capitalism. According to this view the co-operative is a type of business organisation by means of which small units are enable to gain some of advantage of grand action and cut the same time retain a maximum of independence in their individual pursuits.

Evolution is often said to be about 'the struggle for life' and the 'survival of the fittest'. Yet, co-operation is common in biology as well as economics. In his celebrated classic *The Evolution Of Cooperation*, **Axelrod** has shown how co-operation can emerge through evolutionary selection processes, even among individuals who are not related_ to each other.²⁴ **Axelrod's** analysis starts from the famous Prisoner's Dilemma. The Prisoner's Dilemma is a celebrated problem in Economics and Social science. Illustrating clearly that what may be rational or optimal for a single agent may not be rational for a group of individuals considered together. Self-seeking behaviour by an individual can be detrimental or destructive for the group. With his analysis Axelrod shows that co-operation can get started, evolve and stabilise in situations which otherwise appear extraordinarily unpromising. He explains that, under

²⁴ Axelrod, R.M. (1984): *The Evolution of Co-operation*, New York. Basic Books and Penguin,

suitable conditions, co-operations based upon reciprocity can develop even between antagonists.

As an economic concept, co-operation underline institutional formations aimed at supporting and simultaneously containing capitalism.²⁵ In its purer form it provides the political, social and philosophical climate conducive to a liberal but organised capitalism economy, a scenario of individual producers acting voluntarily in their best individual interests by co-operating with other individual producers in strategic alliances to mutually strengthen their instrument of productions, consumers, markets on bargaining power vis-à-vis other producers, consumers or markets. Thus it embraces competition, voluntary association democratic management and self-reliance.

In underdeveloped economies the notion of co-operation has come to be weighted with a set of protective and welfarist overtones, edging it closer to the socialist though.

The notion of co-operation in term of economic ideologies is a socialist notion that ably serves a capitalist economy.

²⁵ Jain, L.C. and Coelko, K., (1996): " In the Freedom India's Tryst with Co-operative". New Delhi. Concept.

Politically, co-operation is viewed as the ground for enhancing the power of people vis-à-vis the state. It is also seen as the rehearsal ground for self-government in civil society, just as the Panchayati Raj institutions by the practice of regular elections, mandatory representation of the weaker sections and the tasks of self-government, to become the real units of the democratic local governments in the country. The Indian Co-operative Union wrote in its newsletter in 1959, "Co-operative provide for the growth of self-disciplined and self-reliant citizens capable of practising self-government at all levels or social existence. Politically co-operation strengthen the foundation of democracy, provides for decentralisation and serves as an effective safeguard against all forms of statism and concentration of power".²⁶

In terms of economic ideologies, co-operative is seen in the socialist domain. As a political concept, its affinity to anarchic thought has not prevented it from being a favourite developmental instrument of regimes ranging from colonial or fascist to the new self-governing republics it appear that co-operation has no autonomous existence as an ideological construct, but is an ultimately instrumental notion, finding expression in

²⁶ News Letter - Indian Co-operative Union, 1959

a set of institutional forms, these in turn serving a variety of economic, political, developmental ends.

Recently the notion of co-operation has expanded to economic functions beyond production which means management of common resources, procurement of essential commodities and organisations of labour for better bargaining power etc., In this context, the Theories of Co-operative or Collective Action is worth mentioning. It is crystal clear that the natural resources of land, forest, water and environment constitute the basic support systems of life on earth. Sustainable development, which is explained in the Chapter II, is now universally accepted as the supreme goal of society critically depends on such natural resources, particularly so on the environment. So, management of the natural resources of a nation is certainly an important factor affecting the level and pace of its development. There has been many alternative system of management of natural resources, especially common pool resources (CPR); namely privatisation, rationalisation or centralise public management and co-operative or collective management by local people themselves. The recent studies on these alternatives indicate toward the co-operative or collective management as the comparatively advantageous one. Before delving into the rationale of co-

operative management it is worthwhile to mention the theories of co-operative or collective actions here.

By the term CPR, it is meant that a natural or man-made resource system that is used in common by an identifiable group of people and that is sufficiently large so as to make it costly to exclude potential users from obtaining benefits from its use.²⁷ The other side of the non-excludability are interdependence. Simplifying this, it can be said that, the CPR is held in common and is used in common. Again, it is not anyone's personal property or personal responsibility. So, given these condition the total net benefits for individuals acting independently with regard to CPR will be less than what could have been achieved if they had organised themselves to take a collective actions. Here, the word of E. Ostrom are the best representation for collective or co-operative action. She says, " At a minimum, returns they receive from their appropriation efforts will be lower when decisions are made independently than they would have been otherwise".²⁸ For Ostrom the problem of managing the CPR include one of organising the users of the resource and co-ordination their activities, so that from a situations in

²⁷ Singh, Katar and Biswaballabh, (1996): Co-operative Management and Natural Resources, New Delhi Sage,

²⁸ Ostrom, Elinor (1990): Governing the Commons, the Evolution of Institution for Collective Action, Cambridge. Cambridge University Press

which they tend to act independently they would agree to adopt the co-ordinated strategies which will ensure higher joint benefits or reduce their joint harm.²⁹

As an instrument of economic development, co-operation has ambiguous affiliations. In the political sphere also, its ideological patrons have been varied enough to maintain confusion as to its real character. It is perhaps to highlight what the Indian co-operative Union refers to as, “the endless plasticity” of its ideological base.³⁰

Thus, in their real contexts, co-operative became socialist type institutions, attempting to contain and regulate individualistic enhancement in favour of a broader based development.

INDIA'S TRYST WITH COOPERATIVES:

With the achievement of independence India embarked upon a path of mammoth nation building process. The task before the new

²⁹ Ostrom, Elinor (1990) Ibid.

³⁰ Indian Co-operative Union (1996): Quoted in Chapter “Co-operative a: A Force for the 1990s?” in Jain, L.C. and Coelho K.,’s “In the Wake of Freedom India’s Tryst with Co-operative”, New Delhi. Concept.

administrative and political dispersion was to transform the two-hundred-old colony into a modern self-governing republic. The basic task was to translate freedom of the nation into freedom for its citizen from the variety of the local regime that held them oppressed. The greatest obstacles before the new dispersion were the underdeveloped economy, widespread poverty and a huge illiterate population. The country's political trust with democracy was at nascent stage, the economy underdeveloped and the society was backward. So, an institutional form was needed to reach the vast unorganised and largely unawakened people. The new spirit was political education towards democracy, notions of self-reliance and self-governance communal harmony and new, egalitarian/ sociologist notions of community. A new socialist spirit to bring about structural changes in the economy towards more distributive equality was writ large on the development front. So, the State retained its supremacy almost over all things ranging from industrial development to community development. Moreover, it was the heyday for planning. Thus naturally the state assumed significant positions in the process of development.

All development programmes were centred on rather emanating from the state and its institution called the bureaucracy. The over centralisation and the lack of participation bred a slow disillusionment

with state – centric development. Here, the struggle for co-operative came up highlighting the evolving tension between the state and the society. The tension between centralised bureaucratically controlled development and people –led autonomous development was strongly expressed in the co-operative movement.³¹ Prior to this the stage was set by the most bizarre incidents in the fraught year of 1947-48 when the country was fragmented and was in disarray. Huge population uprooted from their ancestral home exchanged places across the borders. It was against this backdrop that the Indian Co-operative Union was born. However, the work of Indian Co-operative Union in refugee rehabilitation through co-operation later expanded into broader areas of national development, basically whenever need exists to help people help themselves.

With the passage of time, the climate for the proper growth of co-operative movement changed completely. Moreover, it was accompanied by a total neglect of the means necessary for putting the opportunity to good use. The government had begun large-scale projects to foster development.

³¹ Jain, L.C., and Coelho Karen (1996): *In the Wake of Freedom India's Tryst with Co-operatives*, New Delhi, Concept.

The government was under the impression that with the creation of the related administrative departments, the co-operative would automatically adjust themselves to

new situation. As a result, nothing substantial was done to rectify the situation and to create, support and encourage the co-operatives.

By the mid-fifties, rural development in India began to be dominated by large government programme, which while termed “Community Development” were bureaucratic in their approach and tended to be less interested to voluntary efforts. So, it was natural that, the civil and democratic spaces for voluntary action was narrow in the face of encroaching Development State. It can be said that though the co-operative was at a very nascent stage in the process of nation –building its valuable voice was stifled gradually.

Taking a glance over the official documents, it can be said without doubts that the nature of government’s policy initiatives in the mater of co-operative was step-motherly. And full of rhetoric. In the fist five-year

plan “co-operative village management” was suggested as the “more comprehensive goal toward which the rural economy should be developed”. Again, in the second five-year plan co-operative village management remained the main direction of reorganisation of rural economy. As it already been said that the policy prescription was largely rhetoric rather than concretely substantial is evident from the fact that the government gave a lukewarm response to the need of the co-operatives.

During the second Plan, the catchword was building the big industries with heavy investment. It was the heyday for state led intervention and planning. So, as a result the co-operative due to their small size of organisations and economic impact failed to draw the attention of the government. The government’s attitude was lacklustre. Nothing substantial was done to rectify the situations and to crate support and encourage the co-operatives. Rather the government set up a co-operative department bestowed with more autocratic power. So, ultimately the co-operative became the pawn at the hands of powerful bureaucrats as they were bestowed with the power to supervise, and audit and inspection.

On the economic front also the trouble started at the very beginning. Ordinarily, an economic venture involves the pooling of capital, management and labour. Since co-operative is generally promoted to protect labour from exploitation, the first step usually is to isolate and eliminate the middlemen. In practice this means the elimination of the principal source of capital and management. Labour is thus left to its own resources. It can raise only small amounts of capital and must depend on governmental agencies. The government, on the other hand, advised the co-operative to be self-reliant. Rather than protecting the infant co-operatives the government washed its hands off from its duty towards co-operatives. So, in the resulting situation many unfortunate things happened. Either co-operative died prematurely or it struggled with inadequate resources and further impoverished. At this point, the middlemen again entered the scene under one garb or another and assumed the control.

Under the premiership of Lal Bahadur Shastri, apart from rare exception of setting up of National Co-operative Development Corporation, nothing substantial was changed in the policy of the government. Again, from 1970s to 1980s the decade was the decade for control, license and permit raj. With its enormous power to control and inspect the government used the co-operatives for its narrow and petty political interest, Occasionally it announced some financial package to

some co-operative as a matter to charity. The government continued interference in the working of the co-operatives as it appointed some political as well as some bureaucrats as the head of the co-operatives.

So, speaking in a nutshell, the co-operative enjoyed the idealistic rhetoric of government but in reality they continued to suffer from the encroaching and step motherly policy of the government.

CHAPTER :IV

CO-OPERATIVES: THEIR SUCCESS AND FAILURE

- ❁ Co-operatives :Why Do They Fail and Succeed.
- ❁ Co-operative: A Force for People in The Wake of Globalization

CHAPTER IV

COOPERATIVES: THEIR SUCCESS AND FAILURE

People's participation in development initiative is the need of the hour. Since a huge population still continue to remain outside the countour of development, it is necessary to adopt an intensive participatory and people-oriented development initiative. It must be taken into consideration that, the development initiative must take care of the needs, perceptions and attitudes as well as the social milieu of the people. The focus of the study is on co-operative as an alternative institution for development, which helps, facilitates the people to organise themselves in orders to achieve development objectives.

Co-operative is an alternative institution which as a socio-economic institution links resources, people and government. Co-operative provides the basic ground to the people to organise themselves to chalk out their own way to bringing in development benefits. Here, the fundamental questions that must be looked into is given the socio-economic and political context, how can the co-operative be transformed into a vibrant, energetic and self-sustaining movement? Again, as an

alternative institution for development, can co-operative withstand the challenges unleashed by the forces like Liberalisation and Globalisation?

In India, right after independence, the task was not one of merely rebuilding the economy of the country but of bringing about a total regeneration. The aim was to provide a self-patient citizen an avenue to process self-government at all levels of social existence. Co-operation is basically concerned about the individual human being and his all round welfare. It respects individual freedom and yet accommodates harmoniously a communitarian outlook where all are for each but such is for all.

Co-operation does not believe in the survival of the fittest. In an imbalanced society, cooperation is also a unique instrument of the unprivileged and the weak whom it seeks to strengthen by realising their inner strength and initiative. On the other hand, politically, co-operation strengthens the foundation of democracy, provides for decentralisation and serves as an effective safeguard against all form of exploitation, statism and concentration of power. At the same time socially, co-operation provides and encourages the growth of a richer social system in which the voluntary efforts of small communities tend to replace universal coercion of state law.

Though with these positive attributes of co-operatives, the movement for allowing it with a greater say in development started with great rhetoric but in practice with a whimper. Ever since its inception, the co-operative movement in India has been strongly tied down to the concept of "one village one co-operative". The dominant motive all along has been business expediency rather than the broader values of co-operation.³²

In a society like India, where the diversity is the rule, and social structure is overwhelmingly divided, organising the people for co-operation is definitely a tremendous task. Heterogeneity in composition, diversified in goals and objectives, the people for whom the development initiatives are taken can they just be organised by co-operation? If for a time being they come under the umbrella of co-operative, can that be turned into a long-lasting, and justified and energised movement?

Again, even if people organised through co-operative for mutual development; can the same process be successive elsewhere after replication? Which arguments can be put forwards for the success and

³² Jain, L.C. & Coeihio Karen (1996): In the Wake of Freedom India's Tryst with Co-operatives, New Delhi. concept

failure of the co-operatives? Since its inception, the co-operative movement has gained ground due to its objectives. Its primary concern was certainly the welfare of the people, particularly those belong to the weaker section and underprivileged, marginalised and vulnerable. Copeartive in its endeavour, try to safeguard against the advantages being absorbed by well to do persons and versed on political interests.

CASE FOR SUCCESS:

Setting up a co-operative for mutual benefit by a group of people may not be difficult task. But to maintain and sustain in the long run is the daunting task. Promoters of co-operatives often assure that people should cooperate as the poor, marginalised and the vulnerable have no other resource than their numbers and generally the rural traditions are based on partly on informal co-operation. Informal co-operation refers to voluntary, face-to-face networks of mutual aid, reciprocity and local self-help. On the other hand, formal co-operation refers to co-operatives, which are legally, registered as corporate entities. So, these types of view ignore the difficulties people generally face in the attempt to coopearte and build new organisations. A leading Institutional economist **D.C. North** says, “the endless struggle of human beings to solve the problem of co-operation – the problems of arranging peaceful, voluntary

exchanges and building effective organisations".³³ The immediate risks for the co-operatives are long. Before delving into that, the case for success may be analysed to get an overview of the successful co-operatives.

The case for successful co-operatives can be analysed from the several studies of ATTWOOD & BAVISKAR. In their study they suggested 5 criteria; namely Quantity, Variety, Durability and viability and Equity and Empowerment.³⁴ They elaborated these criteria in the following words:

- I. **Quantity:** Where co-operatives find fertile ground, they will exist in large number, since villagers in locality will rapidly imitate successful experiments in the nearby areas.
- II. **Variety:** Where co-operatives span many different spheres of life, variety suggests that successful experiments have led to new applications of co-operative principles in a broader range of economic activities and social categories.

³³ NORTH, D.C. (1990): Institutions, Institutional Change and Economic Performance, Cambridge. Cambridge University Press.

³⁴ ATTWOOD, D.W. & BAVISKAR, B.S.: (1996), Finding the Middle Path, New Delhi. Vistar.

- III. **Durability:** If co-operatives tend to survive and remain economically active for decades, this again suggests that they have been successful. If co-operatives were not serving their members' needs, they would tend to become inactive or to disappear. Durability thus meant also implies viability.
- IV. **Viability:** Apart from the social goals of co-operatives it has also got an economic overtone as it delivers goods and services to its members. It must run its affairs efficiently to fulfil these objectives and meet expenses. If a co-operative is financially viable, it can benefit its members generating loyalty and thus contributing to its own strength and survival. On the other hand, continuous economic failure will the erode the confidence of the members and the co-operative will eventually has to close down unless it is artificially propped up by the government.

Apart from this view from the point of view of organizational attributes, some other factors also do matter. Among those factors, strong leadership is one of them. The purity and integrity of the co-operative movement may be kept intact with the emergence or strong cooperative. The cooperative can be a powerful force for constructive change only if its leaders behave with decency, honesty and integrity. At

the same time, co-operative as an organisation must be able to check those who seek to exploit the movement for personal gain. For this, the members have to be vigilant, the organisation has to be equipped with check and balance mechanism.

Since, leadership is the most crucial element in fostering a strong co-operative movement, it must be nurtured. According to the one of the guiding light of Indian co-operative movement V. KURIEN, “a far better route for good leadership to emerge – not only for the co-operatives but also for the polity – would be encourage a plurality to people’s institutions to undertake procurement. Processing and marketing rural produce and the tasks of rural development in general”.³⁵

The plurality of institutional structure will reduce the risk of those seeking power and wealth taking charge of public institutions and provide honest, competent man and women a chance to prove themselves. Again, it helps a lot for the people searching committed and high quality leadership, as it spreads the risk of failure over multiple institutional experiences. The success of co-operatives, which accrue

³⁵ KURIEN, V. (1997), *An Unfinished Dream*, New Delhi, Tata McGraw Hill,.

their success to particular leader can be cited in a long list. The prominent among them are VERGESE KURIEN who shaped the co-operative at Anand, Gujrat; ANNA HAZARE who single handedly changed the landscape of water-scarce Western Maharashtra through water co-operative and K. ACHARYA who built the weavers co-operative in Western Orissa.

However, in his pioneering study TUSHAAR SHAH argued that how a co-operative can achieve high performance with normal leadership and management capability. In his study SHAH reviewed the leader – induced successful co-operatives and reached to the conclusion that then successful co-operative evolved its own unique way to success. The presence of outstanding leaders in the successful co-operatives were so overwhelming that the success of enterprise was indistinguishable from the rise of the leader. SHAH argues that these are some conditions that these outstanding leaders produce which ensure success. He suggests 4 areas in which successful leaders concentrate. These are Strategy crafting, Integrity building, Culture building and Institutionalising.³⁶

³⁶ SHAH, TUSHAAR (1995), *Making the Farmer's Co-operative Work*, New Delhi. Sage.

Strategy crafting means making the business strategy for the co-operative and at the same time building the institution with character. The second important role the effective leaders excelled in was of maintaining order through building integrity in the organisation. This was done with the help of rules, norms and traditions. The third important factor was the culture building. In the integrity building role the leaders shapes the personal attitudes and the behaviour of the individual actors, his culture building role shapes the organisational and group behaviour. The fourth important factor is institutionalisation. In many successful co-operatives, the design evolved by the leader-which included business strategy and policy, basic rules and procedures, norms governing relationships between different groups of actors, technologies used etc. got institutionalised. This process is relatively easier than the culture, values and traditions that the reopen was instrumental in creating.³⁷

But, a question can be raised here that do successful co-operatives always need the presence or a good and able leaders. There are numerous economic enterprises do exist and flourish using average leadership and managerial talent and without the advantage of strong leadership. Here SHAH raises the concept of “Design” for high

³⁷ Ibid.

performance of the co-operatives, which is a management-prescription for the working of the co-operative.

ATTWOOD & BAVISKAR also use the “leadership-induced success” line of thought. They argue that dedicated and competent leaders are vital for successful co-

operatives.³⁸ The leaders are likely to emerge in an environment of freedom and autonomy, where members and their elected leaders are allowed to control and direct their own affairs and the co-operatives provide a power base for access to other political areas.

Connected with leadership issue, BAVISKAR, in other studies focused on two debates. The **first** debate concerned the perpetuation of some leaders for a long time in office. Because these leaders were associated with the structure of power at the local level. They continued to use the co-operative to perpetuate their power base, and influence. The **second** debate concerned the corruption and misuse of funds within the co-operatives. This is linked to the debate concerning the length of tenure in office. Long tenure often led to charges of corruption and

³⁸ ATTWOOD, D.W. & BAVISKAR B.S. (1996), Finding the Middle Path, The Political Economy of Co-operation in Rural India New Delhi. Vistar.

misuse of funds.³⁹ The point of citing these studies to analyses the relationship between leadership, democracy structure and development process. The development process is long lasting and people oriented only if it is performed through democratic-structure and process. So, the development and democratic process should go hand in hand.

For good leadership suitable environment is also required. One of the ingredient or this environment is the law. The co-operative laws, which are currently at work, cannot help emerge and thrive the good leadership. This law only helps those who would use co-operative as a stepping stone for their political ambition. It only aids and abets those who seek to gain power by dividing, rather than uniting the people. The law only helps and encourage blurring the accountability of those who would presume the exercise responsibility and authority. In 1990, the Planning Commission constituted a committee under the chairmanship of **Chaudhury Brahma Prakash** which recommended to place faith in the wisdom of the people to manage their own affairs. So, without the presence of strong leaders, as community organisation may come up and sustain itself. The community organisation may be led by the people themselves or by a leader chosen by themselves among them.

³⁹ BAVISKAR, B.S. (1996), Leadership, Development and Democracy” in “Finding the Middle Path, Political Economy of Co-operation in Rural India”, New Delhi. Vistar.

What is crucial is that leadership should be from within. Leadership involves all. So, it is by rebuilding the plurality of rural democratic institutions, the pace of development will be accelerated.

To get a complete picture of the functioning of the co-operative, it is pertinent to look into the other side of the story. Why do the co-operatives fail? Whenever a community organisation like the co-operative is started it certainly starts with big hope and aspiration. However, over the years the organisation becomes either financially defunct, or administratively authoritarian and a self-serving instrument for the leader. The main principle for which it was started was to bring about a positive change in the life of people, is sidelined and totally ignored. It generally happens when the people for whom it was set up get isolated from the process of decision making of the organisation. It's decision making power is vested to an outsider, generally a political appointee or a bureaucrat. This type of authority has no direct concern with the organisation. The political appointee uses this organisation as the ladder for his future political prospect rather than taking a genuine interest in the welfare of the people through the progress of the institution. Again with the appointment of the bureaucrat, the State meddles in the affairs of the organisation in several forms. The decision

making process shifts to the ministry or department. The people whose stake is directly involved become a mere spectator to this big-brother attitude of the bureaucracy.

In India, ever since the government has recognised the case for helping the community organisation, the state has become overbearing. The autonomy from the state which the co-operative is expected to enjoy becomes a distant reality. Over the years the community organisation or the co-operative becomes the channel for distribution of official patronage as it was done during the British rule. So, rather than working as an autonomous, independent organisation, the co-operative becomes a mere asset in the hands of the state representatives.

The other weaknesses of the Indian co-operative are a matter of deep concern. These are economic viability and absence of inner dynamism.⁴⁰ The economic viability involves the mobilisation of resources like capital and management. Since the people have small capital, they lack giant initiative in the long run. The co-operatives look for governmental support for their maintenance and sustenance. The

⁴⁰ Jain, L.C. * Coelho, Karen (1996), *In the Wake of Freedom India's Tryst With Co-operatives*, New Delhi. Concept.

government provides financial aid comes alongwith supervision and control.

This inner dynamism refers to the internal governance structure for promoting the interest of the co-operative. The failure of the co-operative organisations to bring a sense of inner dynamism creates the problems of further degradation. The ownership pattern and the managerial control are also important factors. In the words of BAVISKAR & ATTWOOD it is called the “effective owernship”.⁴¹ So the key issue is whether the members and their elected leaders have the authority to make crucial decisions, especially with regard to hiring, firing and supervision of employees. In India, there is great diversity in the degree of effective ownership. Government control in various forms appears to be the common fate. Member-control is essential to maintain the true character of the co-operative. It is also essential for avoiding bureaucratic corruption, wastage, inefficiency and stagnation. What distinguish a co-operative from other organisation are not the functions it performs but the way they are performed. But, the official control deprives the members from independent and self-management.

⁴¹ Attwood, D.W. & Baviskar, B.S. (1995), Finding the Middle Path, the Political Economy of Co-operation in Rural India, New Delhi. Vistar.

In this connection the analysis provided by **D C North** is also equally important. North argues that, "one gets efficient institutions by a polity that has built-in incentives to create and enforce property rights".⁴² The problem with many co-operatives is that the shareholders lack effective ownership. Instead of being controlled by producers, these co-operatives are controlled by bureaucrats. It is the basic logic, that they fail to serve the interest of the producers and thus impede the economic efficiency at large. The other factor, which goes against the successful performance of the co-operative, is that the membership is open to anyone. As a result, people enrol themselves to the co-operative to get certain kind of privileges from the government rather than contributing something substantial to the co-operative. So membership should only be offered to those, who can supply raw material or otherwise regular contribution to the operation of the co-operatives.

Increasing politicisation also works against the successful performance of the co-operative. The position of a director or chairman is characterised by prestige, power and patronage. After getting this coveted post, the person used it as his personal asset for his future political prospect. Again, the person who occupies the top position uses

⁴² North, D.C. (1990), *Institutions, Institutional Change and Economic Performances*, Cambridge. Cambridge University Press. p.140.

his influence for his own work as well as to help his friends also supporters.⁴³ But, the case in Maharashtra is an exception to this.

There has been a growing realisation in the country that co-operatives are neither developing nor fulfilling the larger social, economic and democratic aspirations expected of them. Among the other causes the existing Co-operative Act of 1912 and other rules are considered as major obstructions.

The Co-operative Act of 1912 provides that the government can appoint a Registrar who can practically have a control over all the co-operatives starting with agriculture to consumer stores. This concept of single authority can hardly be in the best interest of the co-operative movement. The Act provides the government to veto or give directives to co-operative societies but it adds that the state government or the Registrar should take "suitable administrative measure in this behalf". If the Registrar finds any defects in the management, he can, under the law, take any measures. Thereby the final authority lies with the Registrar. In other words, it undermines the autonomy of the co-operative and completely ignores the final authority of the society.

⁴³ Baviskar, B.S. (1996), "Co-operative and politics" in "Sociology of Formal Organisation, (ed.) Chaturvedi, Abha & Anil,, New Delhi. OUP.

Again by virtue of this Act, the Registrar enjoys the power of supervision and control over the co-operatives. However, the committee on co-operative law in 1957 argues for the shift of supervisory functions to the unions and giving a statutory status to it.

It can be said that, the co-operative is bound to fail where the people for whom it is created are separated from the affairs of co-operative.

**COOPERATIVE: A FORCE FOR PEOPLE IN THE AGE
GLOBALISATION:**

Globalisation means the process of integrating the domestic economy with the world economy. It is a part of the liberal economic policy. In India, this policy was unfolded in the New Economic Policy in 1991. The New Economic Policy has been unfolded in 3 subsequent phases; namely

- (i) Liberalisation
- (ii) Privatisation, and
- (iii) Globalisation

The policy implication for the development process is that the State has to retreat where it is not suitable for intervention and allows for greater role for the market in the economic affairs. At the same time, the Neo-liberal agenda argues for the involvement of people in development.

In this context, the role of the government should be to facilitate the process of people's involvement in development activities by creating the right type of institutional infrastructure. Here, the importance of decentralisation local level planning and people's participation has been recognised. However, the results achieved so far have not been very impressive. So, when an environment has been created where the market looms large, can the people's initiative be sustained? Can it face the challenges unleashed by the forces like Liberalisation and Globalisation?

Since its inception the co-operative has been a value-loaded vehicle for development. Though the practice of co-operative it was envisaged that the practice of co-operative enterprise would provide for the growth of self-disciplined and self-reliant citizens capable of practicing self-government at all levels of social existence. But can this ideal be sustained in the wake of market based policies? Does co-operative show any promise as vehicle for aiding or empowering the poor

and vulnerable groups? The policies of liberalisation and globalisation are capable of effecting every aspect of society, altering the lives of people and their livelihood. The pattern of power and dominance has been undergoing shifts according to the new alignments of market forces, impacting the intimate dimension of culture and identity of the people across the country.

Starting with 1991, the liberalisation policy has been the pursuer of a freer economy with reduced interference by the State. But in the real practice, in terms of State financial measures it is more centralised, favouring large conglomerate over small enterprises. Again, the labour market reforms policies have gone against the interest of the common working people. That is why the shape and form of the current market reforms are hostile to co-operatives. So, in this context, the role of the co-operative have been re-examined in strengthening the access of the weaker groups to productive resources and enabling them to procure and manage needed services.

It has been observed that, the co-operative sector continues to occupy an important place in India's economic and development strategies. In the fast changing economic scenario of economic reform, the co-operative sector can no longer afford to be indifferent to the cost

effectiveness and commercial orientation in this backdrop the co-operative sector is to equip itself to operate energetically in the face of competitive pressure.

Human factor is the most crucial determinant of the performance of any organisation. Co-operatives are no exception to this. To face the challenges of the fast changing economic milieu, the co-operatives have to unleash the energy of the people involved to check organisational rot and create conditions required for the organisational self-renewal. The pivotal role of Organisation Development Intervention (ODI) can be infused in the functioning of the co-operative. Drawing inspiration from the humanistic philosophy of CARL ROGER, the ODI approach argues that human beings/human resources of any organisation if managed properly would generate high level of productivity. The ODI approach sets a great hope in store by a participatory work culture providing a congenial work setting in which the people involved develops a sense of belonging to the organisation and feels motivated to enjoy their work leading to

encouraging performance.⁴⁴

Again, in co-operatives the people who participate are generally from weaker and vulnerable section of the society. When a welfare State with emphasis on poverty eradication fails to do the same, the market-led development strategy's efficiency in this direction is highly debatable.

K. Seetaprabhu writes, "the people have neither skills nor the assets to response to market signals and hence the developments in the market economy are of little relevance to them".⁴⁵ The marginalised section of the population continues to need all the basic facility, which has been out of, reach for them hitherto. So more direct references to the potential of co-operatives in standing up to the market reforms on behalf of the affected groups are also being advocated. Worker's co-operative in this direction can resist the corporate take-over, where the workers develop financially viable plan and obtain bank finance. These certainly represent new attempts at reconciling modern industry with ideas of social justice and democratisation.

⁴⁴ Albert, K. (1993) - "Organisation Development – A Total Systems Approach to Positive Changes in Any Business Organisation". USA. Prentice-Hall Englewood Cliffs.

⁴⁵ Seetaprabhu, K. (1994), "The Budget and the Structural Adjustment Programme with a Human Face", Economic and Politically Weekly, XXIX (16 & 17), April 16-23.

The relevance of co-operatives is more strongly highlighted in this context of changes. The co-operative style strategies figure prominently in this direction. The strategies constantly bridge the gap between the workplace, community, neighbourhood and household. So, it lays the foundation for a more genuine transformation of exploitative relations in the economy.

Again, co-operative can help to organise for bargain power in local market. Co-operative can be seen as the chance of keeping alive wide range of ecologically sustainable, small-scale employment-generating and skills-preserving crafts and industries.

The impact of reforms on the agricultural sector is wide ranging. With the penetration of market mechanism, the vulnerability of the weaker peasants has risen phenomenally. With the removal of subsidies in the recent years the problem has compounded. C.H. Hanumantha Rao writes, "non-market institutions of representative type at all local level seem to provide only workable alternative at this stage, whether to bureaucratic management or to full-scale privatisation".⁴⁶ Rao priorities the strengthening of credit institutions, improving their viability and

⁴⁶ Hanumantha Rao, C.H. (1994) Economic and Political weekly, Vol.XXIX, (16&17) April, (16-23).

giving them greater autonomy from administrative and political interference.

So, taking all these voices together, it seems that co-operation as an idea and co-operative as an institutional options have not vanished into the thin air altogether. Although a huge institutional network of thousands of primary co-operatives and several hundreds of federal units and co-operative banks are still in the place, they have not earned positive recognition. The need of the hour is to provide statutory recognition to these institutions like co-operative. By this, the “touch of the human face” can be given to the ongoing reform process.

CHAPTER :V

CONCLUSION

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This study started with the changing pattern of understanding of the concept of development. Since this concept has got a value loaded conceptualisation with increasing emphasis on participation of people to whom it concerns stress on sustainability. While pursuing development, the pertinent question that looms large is how to pursue it? Which agent should be the proper engine of development? So, naturally the focus is on the role of the state as it has been occupying the position of eminence in the development literature since its beginning. But, has it played its role in the desired way or has it able to bring the desired objectives? With this study it has been found that due to various reasons the State led development has not been up to the mark. Rather assuming an omnipresent role, the state has meddled in the developmental process. In other words, this overactive and interventionist role has not articulated a proper chemistry between the State and its institution of development.

So far the Indian State is concerned, it has used all instruments of economic intervention like taxes, subsidies, regulation and direct action.

The miscarriage of the Indian development policy can be traced to the following drawbacks which have characterised the institutional failure in all state interventions:

1. **GOAL CONFUSION:** Most interventions try to achieve more than one goal which are often conflicting goals.
2. **MISTARGETING:** Most interventions miss their target groups or objectives.
3. **REDUNDANCY:** Most interventions tend to exist long after they stop serving their original purposes.

ROLES, THE STATE SHOULD AVOID:

With this study on co-operative and the development literature, the excessive interventionist role of the State has come to the forefront. The roles, which the State must try to avoid, can be summarised as follows:

- **ENTREPRENEUR:** The intervention by the Indian State has been excessive, as it has created as well as operated its own organisations. Over the years it has been seen that the moment these organisations are set up, they become monolithic, inefficient, self-serving. They continue to get the government's patronage in

different forms despite their failure. The failure is due to the direct involvement of the government in economic entrepreneurship where it lacks the skill and expertise.

MONITORING ROLE: Monitoring role implies the governing structure of any organisation. Generally the monitoring task is done by those who have direct interest in the performance of the organisations. In a co-operative, it is played by a board of directors elected by the members. However, this is negated. The State invariably plays the monitor” to all the organisations. As a result, the State as a monitor can get away without being accountable for its performance. The State-governed organisations remain bureaucratic leading to low performance as the locus of control is shifted to the ministry or department from the organisations itself.

MANAGER: The problem of accountability becomes more acute when the State plays the role of the manager represented by bureaucrat. The bureaucrat has not direct stake in the development of the organisation and his generally short-duration tenure makes him less interested in the work.

So, rather than taking the responsibility directly in these categories, the State should provide space to the organisations themselves.

THE PROPER ROLES FOR THE STATE:

As it has been mentioned, the State has chosen to involve itself in several roles and has messed up. For a better performance the State should withdraw from these roles. The proper roles for the State to perform are outlined below.

PROTECTOR OF INSTITUTIONS OF DEVELOPMENT:

As the development process must involve the people and the development planning must recognise that people find their own resources when they come across the opportunities. So, the development impulse must come from the institutions of development like co-operatives, grassroots organisations etc. The State should adopt a pluralistic, institutionalist approach to development. The State should support these institutions of development by changing and reforming the legislative framework, technologies, and the structure of governance and control and granting autonomy. Specifically, in the case of co-operative,

the Central and State Co-operatives Acts should be changed as per the recommendation of the Chaudhury Brahma Prakash Committee of the Planning Commission.

LEGISLATOR: The legal framework framed by the State conditions the rules of the game. So, it must need the requirement of the society organisations else, it can stifle the institutions of development. Looking at the Co-operative Acts it can be said that the law has enabled the politicians and the bureaucrats to make the institution of development as their personal property.

Here, the role of the state as the legislator must reform the legislation to create an environment in which the user-controlled institutions might thrive and sustain.

STRATEGY MAKER OF THE NATIONAL ECONOMY:

In this role, the State should fine-tune the nation's long term economic strategies by continuously analysing the strengths and weaknesses in the context of opportunities and threats held out by the global economic environment. The State must make the strategy for the

national economy. It should chart out the part for continuous and sustainable development.

Thus, what is required is a 'better' and 'efficient State' not 'Less State'. The 'awkward' or 'Soft State' must be rolled back which stifles the initiatives with its meddling nature. The State should play the role of a 'subtle' State, which legislate judiciously as well as enforces vigorously; a State, which governs through policies rather than through direct involvement.

Coming to the co-operative as an alternative institution for development, it suffers from single malady-excessive State interference and bureaucratic control over the co-operative movement. In India, the co-operative institutions remained a borrowed device mechanically imposed on an unprepared and unreceptive soil rather than the organic creations of a popular movement projected along with the national objectives. Co-operatives remained nearly as alternative techniques of economic enterprises. The meaning and significance of co-operative was narrowed down and its community value was ignored. As a result, in India, there remains a vast structure of co-operative but they hardly add up to a movement of high social order, inspired with a distinct purpose. There are certain exceptions too. In spite of the obstacles and hurdles

created by the bureaucratic departments some co-operatives have managed to come up purely due to the sincere devotion of the workers and organisers.

TRANSFORMING THE COOPERATIVE INTO A VIABLE AND STRONG ALTERNATIVE INSTITUTION:

To ensure the people to participate in development, it is necessary to put the instrument of development into the hands of people. In this direction, co-operative provides a strong platform to enable the people to organise themselves. It provides the link to relate people with the resources. So, for the growth of self-discipline and self-reliant citizens capable of practising self-government at all levels of social existence. It is with this view that the future role of the co-operative in India is to be promoted.

Since co-operation does not believe in the survival of the fittest, it abhors competition. Competition breeds selfishness and perpetuates imbalance in the society. To counter this, co-operation has to be promoted as it brings out the best in the man and allows for its growth. It checks any unhealthy tendency and develops a social responsibility. It

respects the individual freedom and yet accommodates harmoniously a communitarian outlook where all are for each and each is for all.

Politically it strengthens the foundation of democracy as it provides for decentralisation.

So, as a holistic concept, the co-operative should be energised at all spheres of society. The future of the movement in India depends upon its being able to persuade the people to accept it as the way of life.

MEMBERSHIP: Co-operative should be made the movement of the underprivileged and weaker section of the society which has not been so hitherto. The common people must be able to retain his identity without losing the race to the rich and influential. The membership privilege must include taking part in decision making process and managerial decisions.

MANAGEMENT: Every measure should be taken to see that the co-operatives are member controlled rather controlled by the Government officials and other vested interests.

In other things, no member should be allowed to hold more than one elective post at a time in the same co-operative.

SUPERVISORY FUNCTIONS: Suitable provisions should be made on the reformed co-operative law for safeguard against the mal-administration, misappropriation etc. This should be done by the supervisory unions. So, the supervisory functions, which have been practiced by the Co-operative Registrar hitherto, should be transferred to the unions. Again, this should be given statutory recognition.

OTHER: Among the other things, which can help the co-operative to sustain itself are the terms of State Aid. In the initial and transitional period the co-operatives generally look for the State Aid. As it has been observed that, this form of State-help provides the State the leverage for direct intervention in the affairs of the co-operative. So, the State aid should be temporary and transitional in nature.

The second thing which needs a re-look is that source of funding for the co-operative. Under the Constitution of India the co-operative is a State subject. The States provide funds annually for development and their resources are annually augmented by the Union Government. Here, the Union Government should provide funds directly to the co-operative for all developmental purposes.

The States can set up State Co-operative Development Boards to provide assistance to Co-operatives. This should be made autonomous body.

The policy implication that follows is to minimise the State intervention and rely increasingly on the markets for resource use and allocation. The liberalisation policy of the Government of India pursued since 1991, focuses on introducing greater private initiative. It expects a change in the quality of intervention in chosen sectors. It also focuses on the community based organisations. The Eighth Plan makes a plea for the greater rôle of the voluntary sectors.

The development which is to be pursued is not merely in terms of the economic one, rather on overwhelming sense of social commitment and aspiration has to be pursued. The fight against disparity, inequality and social division is to be launched. In this context, the initiative from the below is definitely promising. Co-operative, in this direction provides a silver line.

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