

3.

Principles of Co-operation

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3.1 Introduction :

To make human life smooth, planned, social and successful, there must be some rules for living life and behavior which will make human life happier. Such rules of the life are known as Principles of life.

While thinking of concept of co-operation, co-operation means helping each other, working together for welfare of society. For social welfare and economic development of weaker section of the society concept of co-operation came into existence. In co-operation importance is given for service and for social development of society, co-operative movement must move in proper direction. The economically weaker peoples of society come together and form co-operative society for their development. For smooth working of co-operative society some rules are necessary. These rules and conditions are known as Principles of co-operation. Due to co-operative principle, the aims, objective and goals of co-operative society can be achieved. For achieving success of co-operative movement and development of co-operative society there is need of co-operative principles.

Principle means certain rule and guidelines for conducting any activities. The rules accepted for achieving aims and objective of co-operative society and for growth and development of the co-operative society are known as Co-operative principles.

After second world war, many nations got independence. For rapid economic development planning was necessary. Lot of changes took place in social, political and economical sector. Accordingly, in October 1964 under the Chairmanship of Dr. D. G. Karve a committee was appointed by International Co-operative Alliance (ICA) to restructure the principles of co-operation and following co-operative principles were formulated which were universally accepted in the International conference held at Vienna in 1966. According to the Dr. Ivan MacPherson study committee's recommendation in the year 1995 the International conference held at Manchester, England the seven principles of co-operation were restructured and approved.

3.2 Meaning and Definition of Co-operative Principles :

- **Meaning :**

Principle means certain guideline, rule for conducting the activities, plans or programmes of any organization, which helps in achieving goals, aims and objectives of the

organization. The guidelines or set of rules formulated for conducting the business activities of co-operative societies are known as Co-operative principles. Co-operative principles give guidelines, roadmaps and are the means which help to achieve the aims and objectives, goals of co-operative societies. Without these principles the co-operative society cannot conduct its activities successfully. The success or failure of co-operative society is based on the use of the co-operative principles.

- **Definition :**

- 1) In 1966 the International Co-operative Alliance (ICA) have defined the co-operative principles as under :
“To achieve the goals of co-operative movement the needful and practical rules are the co-operative principles”.
- 2) **Dr. D. G. Karve** - defines co-operative principles as
“The rules framed to achieve objectives of co-operative movement and to regulate co-operative organization are known as co-operative principles”.

3.3 Principles of Co-operation :

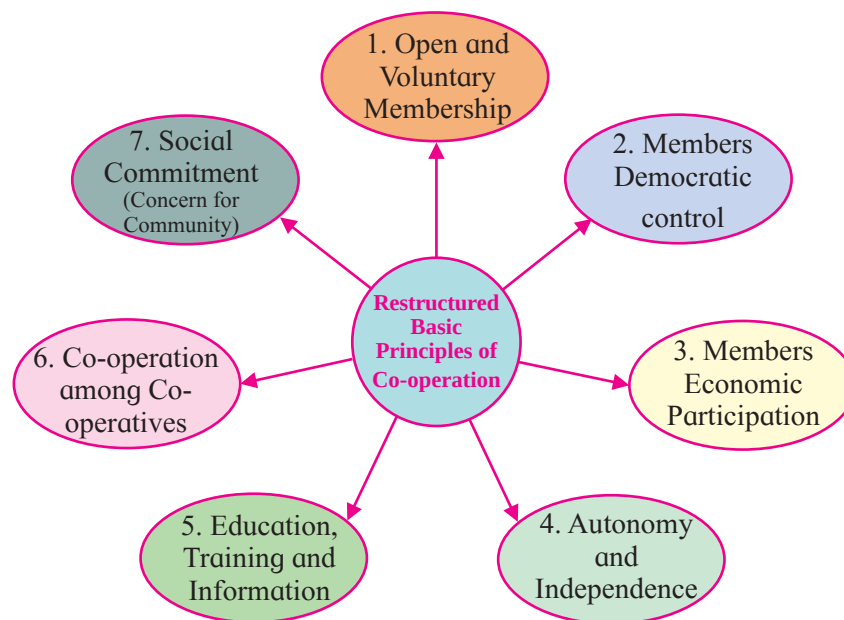
According to the change in time some principles have been changed but the basic principles remains same. The Principles of co-operation can be classified in two types :

- **Restructured Basic Principles of Co-operation**
- **General Principles of Co-operation**

3.3.1 Restructured Basic Principles of Co-operation :

Generally, all the co-operative societies in the world follows restructured basic principles of co-operation which were approved in the year 1995 at the International conference held at Manchester, England.

Following are the Restructured Basic Principle of Co-operation :

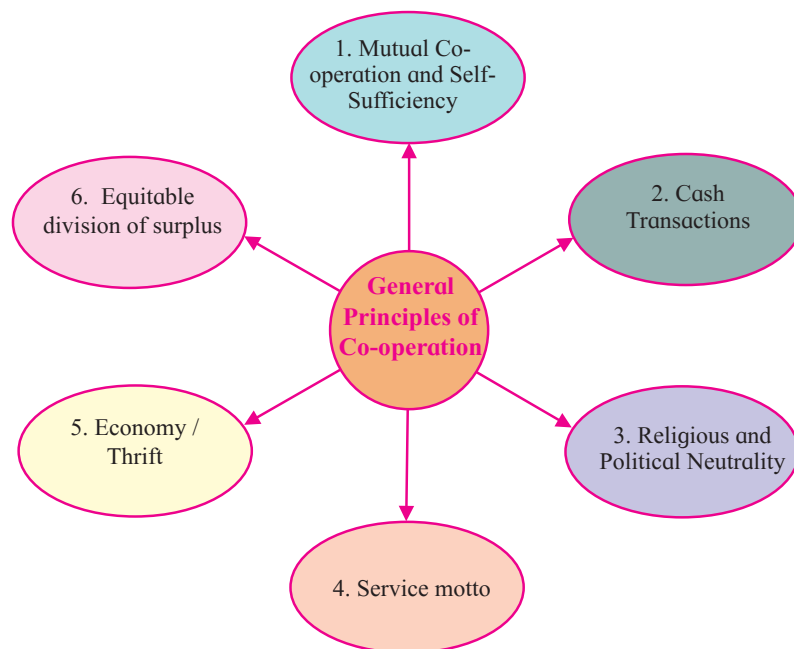


1. **Open and Voluntary Membership :** The membership of co-operative society is open and voluntary for all. Any person can become a member of co-operative society. There is no force or compulsion for membership in co-operative society on any person. To become a member or leave membership of co-operative society is totally on the wish of the member. The membership of the co-operative society is open to all citizens residing in the working area of the co-operative society. The membership cannot be denied to any person on the basis of caste, creed, religion, gender, language, colour, economic condition, etc. A person who fulfils the conditions of membership can become the member of co-operative society.
2. **Members Democratic Control :** Co-operative society is a democratic organization which is controlled by the members of the co-operative society. According to this principle the working of co-operative society must be conducted in democratic manner. 'One member one vote' principle is applicable in the co-operative society. The management of co-operative society is conducted by Managing Committee which is elected by members of co-operative society. All the decisions in co-operative society are taken collectively. The final decision is taken in Annual general meeting by the members. This means members democratic control.
3. **Members Economic Participation :** In co-operative society the members equally contribute to the capital of the society and control it in democratic manner. The return (interest) which is received by the member on capital invested in co-operative society is limited. It means the dividend which is given on the capital has limitations. According to the co-operative societies Act, the co-operative societies can declare dividend only up to 15% and minimum 25% profit of the co-operative society must be transferred to general reserve every year. Hence, there is limit on return on capital. The dividend is declared in Annual general meeting by the members on the basis of the recommendations of Managing Committee.
4. **Autonomy and Independence :** The co-operative society is a democratic organization it must have autonomy and independence. All the members of the co-operative society must be resident of working area of society. The co-operative societies must have freedom to conduct business activities. They must have freedom and autonomy for planning, organizing, implementing their plans and programs. They must have freedom to take their own decision and be independent in conducting the activities of co-operative society.
5. **Education, Training and Information :** Member's education is one of the basic principles of co-operative form of business organization. The co-operative societies are formed by poor or weaker section of society, majority of the members are illiterate or uneducated. Education and training should be given to the Members, Office Bearers, Directors and Public. So, it is the responsibility of co-operative society to educate the members by giving them guidance, knowledge or information. Co-operative societies must educate their members by providing knowledge of working of co-operative societies, its byelaws, business, Co-operative Act, etc. Hence, members education is one of the basic principle of co-operative society.

6. **Co-operation among Co-operatives :** This principle states for the economic development of member. All must work collectively with proper co-ordination. At local, state and national level the co-operative society must not compete with each other but help and support each other for development of co-operative sector. For development of co-operative movement and for protection of members interest all should co-operate each other. This principle is also known as “Principle of Development”.
7. **Social Commitment (Concern for Community) :** Co-operative society are formed for social welfare of the society. The people from weaker section of the society come together and form co-operative society for economic development and works keeping social welfare in mind. Therefore, the co-operative society must have concern for the community and should work for the social welfare, community development and upliftment of weaker section, etc. The society must have concern for the community and the members. They must try to fulfil the needs of the society and protect the interest of the member. For example, they must supply goods, commodities and services to the members, provide employment to make youth and women strong and capable and increase their standard of living i.e. co-operative society must work for the benefit and welfare of the society.

3.3.2 General Principles of Co-operation :

After studying basic principles, it is also necessary to study general principles of co-operation which are as under:



1. **Mutual Co-operation and Self Sufficiency (Independence) :** Without mutual help self sufficiency is not possible. With mutual help the development of member and society is possible. Mutual help is core of members relation in co-operative society. ‘Each

for all and all for each' is the main principle of co-operative movement. For this all member should work together due to which there will be self-development and welfare of other members and co-operative society.

2. **Cash Transactions :** It is one of the important principle of co-operative society. All the business transaction of co-operative society must be conducted on cash basis. Co-operative society has limited capital. The members of co-operative society are not economically strong. Due to credit transactions the business organization face various problems like bad debts, overdue, losses. etc. So in co-operative society business is conducted on cash basis only. Cash transaction is one of the important principles of co-operation. Through this the co-operative societies can be made economically strong.



Activity :-

1. Due to cash transaction co-operative societies become economically strong. Discuss on this.

3. **Religious and Political Neutrality :** Co-operative society is voluntary organization conducting its activities in democratic manner. There is no place for political or religious thoughts in co-operation, the co-operative society must be aloof from this. The doors of co-operative society must be open for all religion, caste, communities. There must not be religious or political influence on working of co-operative society. Hence, for development of co-operative society the society must be neutral towards political and religious thoughts.
4. **Service Motto :** Main objective of co-operative society is to provide service to its member. Service is the Motto of co-operative society and profit making has secondary importance in co-operative society. The co-operative society must supply unadulterated, quality goods, proper measurement and protect the members from cheating and exploitation. Co-operative society must conduct its business keeping members welfare in mind and see that members are not exploited.
5. **Economy/ Thrift :** This principle states that the member must follow the principle of thrift and economy. The co-operative societies must conduct all their activities in an economical manner i.e. all the expense of co-operative society must be controlled, the expenses must be minimum and reasonable. Unnecessary and unwanted expenses should be avoided. There must be economy in conducting each and every activity. Habit of thrift and saving must be inculcated among members. Through this the co-operative societies can be made financially strong and economically viable. Hence, economy or thrift is one of the principle of co-operative society.

- 6. Equitable Division of Surplus :** The main objective of co-operative society is not to earn profit but to provide service. But co-operative society must earn reasonable profit after recovering their expenses. The profit earned by co-operative society is known as surplus. Out of the surplus earned by co-operative society 25% of the profit is transferred to reserve fund and remaining amount of surplus is distributed among members in form of dividend in proportion to the business transactions and share capital of the members. But the rate of dividend should not be more than 15%. So, there is equitable distribution of surplus.



Activity :-

2. For future need and requirement economy / thrift and saving is necessary. Discuss on this.

3.4 Summary

For efficient working of co-operative society there is need of some guidelines, rules and principles. Due to these principles the objective of co-operative society can be achieved. The principles are useful for economic development and making co-operative society financially strong. Therefore, rules and principles are necessary for overall development of co-operative society.

- **Restructured Basic Principles of Co-operation**
 1. Open and Voluntary Membership
 2. Members Democratic Control
 3. Members Economic Participation
 4. Autonomy and Independence
 5. Education, Training and Information
 6. Co-operation among Co-operatives
 7. Social Commitment (Concern for Community)
- **General principles of co-operation**
 1. Mutual Co-operation and Self Sufficiency (Independence)
 2. Cash Transactions
 3. Religious and Political Neutrality
 4. Service Motto
 5. Economy/ Thrift
 6. Equitable Division of Surplus

3.5 Key Terms

- 1) **Co-operative Principles** : The rules for achieving aims and objectives of co-operative movement.
- 2) **Reserve Fund** : The part of surplus kept aside for future needs.
- 3) **Dividend** : The share of profit distributed among members.

3.6 Exercise

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. Co-operative society is an association of economically _____ people.
(a) Powerful (b) Weaker (c) Strong
2. Providing service is _____ objective of co-operative society.
(a) Main (b) Secondary (c) Specific
3. The interest on capital of co-operative society is _____.
(a) Fixed (b) Limited (c) Unlimited
4. The working of co-operative society is conducted on _____ basis.
(a) Capitalistic (b) Dictatorship (c) Democracy
5. Each member of co-operative society has _____ voting rights.
(a) One (b) Two (c) Three

B) Match the following :

Group 'A'	Group 'B'
a) Open membership	1. Anti-social activity
b) Principle of economy/ thrift	2. Membership irrespective of caste, creed, religion
c) Democratic management	3. Works for Social welfare
d) Social responsibility	4. Avoiding unnecessary expenses
e) Political and religious neutrality	5. 'One man one vote'
	6. Wastage of money
	7. Non-Political intervention
	8. 'One share one vote'
	9. Membership based on caste, creed, religion
	10. Political intervention

C) Write a word or a phrase or a term which can substitute each one of the following statements :

1. The main objective of co-operative society.
2. The manner in which the management of co-operative society is conducted.
3. The principle which encourages habit of saving.
4. The principle of social welfare and interest.

D) State whether the following statements are True or False:

1. The membership of co-operative society is open and voluntary.
2. Co-operative societies are established with an object of earning profit.
3. There is no place for political and religious thoughts in co-operative society.
4. The members of co-operative society has right to receive dividend.
5. The membership of co-operative society is compulsory.
6. The co-operative society is formed by the economical weaker section of society.

E) Complete the following sentences:

1. To provide _____ to the members is the main objective of co-operative society.
2. Co-operative societies gives _____ interest on capital.
3. _____ percentage of profit is transferred to reserve fund.
4. For development of co-operative society, it must be aloof from political and _____ interference.

F) Select the correct option:

1. Caste, creed, religion neutrality principle	
2.	Principle of thrift / economy
3. Social accountability	
4.	Religious and political neutrality principle
5. One member one vote.	

Avoid unnecessary expenses, Open and voluntary membership, No political interference, To improve standard of living, Democratic principle, Anti-social activity, One share one vote.

G) Answer in one sentence:

1. What is principle of co-operation?
2. What is the main objective of co-operative society?
3. What is the meaning of co-operation in co-operatives?
4. What is the maximum limit of declaring dividend in co-operative society?
5. What is principle of thrift?
6. What should be avoided by the co-operative society to follow the thrift/ economy?

H) Correct the underlined word and rewrite the following sentences:

1. Due to Credit transactions co-operative societies becomes economically strong.
2. To provide services to members is the Secondary objective of co-operative society.
3. The working of co-operative society is conducted according to Dictatorship.
4. Membership of co-operative society is Compulsory.

I) Find the odd one:

1. a) Autonomy and independence b) Open and voluntary membership
 c) Social commitment d) Service motto
2. a) Cash transaction b) Principle of thrift/economy
 c) Equitable distribution of Surplus d) Open and voluntary membership

Q.2. Explain the following terms:

1. Principle of Economy/ Thrift.
2. Cash transaction.
3. Dividend distribution.
4. Members Democratic Control.

Q.3. Application based/ Self-opinion question:

1. How the co-operative principles are used in day-to-day life. Write your opinion.
2. “For progress of co-operative movement co-operative principles are necessary”. Express your opinion.

Q.4. Write short notes:

1. Members economic participation
2. General principle of co-operation.
3. Principle of political and religious neutrality
4. Principle of co-operation among co-operative and education, training and information.

Q.5. Give Reasons:

1. Co-operative society must be neutral from political and religious thoughts.
2. The business of co-operative society is conducted on cash basis.
3. The membership of co-operative society is open and voluntary.
4. Providing service is main motto of co-operative society.
5. Co-operative society must provide education and training to its members and staff.

Q.6. Answer in Short:

1. Explain restructured Basic principle of co-operation.
2. Explain General principle of co-operation.

Q.7. Long answers:

1. Explain in detail restructured Basic principle of co-operation.
2. What do you mean by co-operative principles and explain in detail General principles of co-operation.

