

CO-OPERATION AND THEIR PRINCIPLES WITH PARTICULAR

REFERENCE TO CONSUMERS' CO-OPERATION

This chapter gives an account of the principles of Co-operation with emphasis on Consumers' Co-operation.

Co-operation literally means "working together to same end"¹ and Co-operation in this chapter is taken to mean "a form of Organisation wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interests of themselves"². This definition emphasises the economic interest which constitutes the main objective of a Co-operative Society in which all those who join have an equal partnership -- one man one vote is the ruling principle and no person shall have more votes on the strength of his shares in the Society.

For Co-operation to succeed, the Co-operative Society must draw its strength from the persons joining as individuals rather than money and that there must be equality and strong moral and Co-operative spirit. The desire to sink individual interest for the benefit of a majority and a strong sense of loyalty and determination to achieve the economic aims of the Society by mutual aid and co-operation should be forthcoming.

MAIN PRINCIPLES OF CO-OPERATIVE SOCIETIES

Democratic control

Co-operation is a form of economic democracy and the constitution of a co-operative society is based on the equality of vote of each member. One person one vote is the chief principle regardless of the amount of shares held in the society. It is the person that counts and not the investment. In a co-operative society, the controlling power rests in the hands of the members who should exercise it at the General Meetings. Such a control is necessary if the specific purposes are to be served and served efficiently. Such a democratic out-look is reflected in the principle governing the distribution of profits where capital gets only a moderate dividend, the surplus being distributed to the members according to the volume of business or patronage with their society. This is known as rebates on patronage.

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1. E. McINTOSH, The Concise Oxford Dictionary, Great Britain, Oxford University Press, 1958 p. 264.
 2. Hubert Calvert, The Law and Principles of Co-operation, Calcutta and Simla, 1926, p. 13.

Voluntary and open membership

A person should join the society of his own free-will and not through compulsion. Moreover, the rule of a Co-operative society states that any person, regardless of his being a member shall be engaged by and controlled by the society, and if approved by a majority of the Committee he shall be admitted. Such open membership is meant for the benefit of the collective. "It is not for profit, it is for service" (CWA). No one who is eligible for admission will be debarred on the grounds of race, religion, politics or sex. The advantage of this principle is that it facilitates the growth of the movement because every person who is willing to invest and capital to the society, thereby assisting it, is invited by way of greater variety of services to its members. Every person in a co-operative trade will continually benefit the members themselves and will ultimately replace the profit seeking activities of social enterprises.

Other important consequences proceed from this principle besides the non-profit making character. As new members will be required to take up shares, the value of its shares will never rise above their par value because new shares are always available at that value. Hence there are neither capital gains nor speculation in co-operative shares.

Service to members

In this respect it must be understood that co-operation does not recognise profits but it gives it second place to service to members. Co-operation's main purpose is the promotion of an all round well being of its members. It is also a moral movement because the co-operative spirit helps to make better men and a better society.

Object

The Co-operative movement endeavours to strengthen and improve the economic independence of its members and is such concerns itself with the economic needs of its members regardless of their political and religious beliefs. In other words the movement is neutral as regards politics and religion.

Gratuitous service

Members must serve the society without pay or expecting to be paid. Small honorarium may be paid to the secretary and Treasurer at the end of the year for services rendered but for all purposes the serving Committee must give their services gratuitously.

3. Arnold Bonner, British Co-operation, Great Britain, Co-operative Union Ltd., 1961, p. 296.

Education

The aim of co-operation is to assist members to improve their education, that is, the teaching in the principles and methods of the co-operative development which is essential for the success of any form of co-operation. Through this they can become good co-operators and citizens.

PRINCIPLES OF CONSUMERS' CO-OPERATION

Consumers' co-operation embraces all the above stated principles, but in addition it possesses other equally important principles.

Cash trading

A Co-operative consumer society should refrain from selling anything on credit. This is essential not only in the interest of the society but also in the interest of the members themselves. This is because thrift means economy and indebtedness is a disease.

Rebates on patronage

This term is sometimes called "dividend on purchase" or rebates on purchase. If a society is doing reasonably well and if there is a surplus after paying for expenses in managing the affairs of the society and after setting a portion to Reserves, the balance is distributed to the members in proportion to their purchase with the society. This method of distribution has been regarded as the most equitable way of sharing the profits and it is an incentive to loyalty. It also enables individual members to save.

Limited interest on capital

A co-operative society believes not only in self-help but also in mutual help. It exists for the good of its members and its main aim is to give the best service to all its members. The conditions of its working is not determined with a view solely to make the highest profits possible but to give the best services to all. It recognizes that interest on share capital should be paid and in Malaya, the law limits the rate of interest to 6%. The advantage in this is that the lower in interest on share capital the greater will be the portion to be set aside for Reserves and other funds which can be utilised for the benefit of all its members.

Meetings

There is a need for holding regular and frequent meetings for the purpose of discussing the Society's business and of receiving suggestions for improving the Society's working and welfare to its members.

Accounts

It is very essential that accounts concerning the Co-operative Society should be properly kept and presented to the members at the General Meeting.

Conclusion

An examination on the working of Consumers' Co-operative Societies shows that there are both success as well as failures. Failures have been chiefly due to deviations from the strict adherence of the stated principles. Chiefly it is the result of one of the following causes:-

- a) disloyalty of members who are strongly tempted to go elsewhere to make their purchases because of a slight difference in prices. They forget that in their own society the surplus will be returned to them at the end of the working year as rebates.
- b) bad debts arising out of credit trading.
- c) bad buying by the Committee which leads to goods rotting in the store or having to be sold at a loss.
- d) defective methods of stock keeping and accounting and lack of proper supervision of the society.
- e) lack of business training, ability or experience in shop management.

Co-operative Consumer Societies must face certain risks and difficulties but some of these risks can be minimised through careful planning. Knowledge of the real objects of a Consumer society and the principles of Co-operation will eliminate the cause of failures of Consumer societies.
