



LUND UNIVERSITY

Cooperatives as Instruments of Rural Development

Hatti, Neelambar; Rundquist, Franz-Michael

Published in:
Journal für Entwicklungspolitik

1993

Document Version:
Publisher's PDF, also known as Version of record

[Link to publication](#)

Citation for published version (APA):
Hatti, N., & Rundquist, F-M. (1993). Cooperatives as Instruments of Rural Development. *Journal für Entwicklungspolitik*, 9(4), 383-398.

Total number of authors:
2

General rights

Unless other specific re-use rights are stated the following general rights apply:
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal

Read more about Creative commons licenses: <https://creativecommons.org/licenses/>

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

LUND UNIVERSITY

PO Box 117
221 00 Lund
+46 46-222 00 00

Journal für Entwicklungspolitik IX/4, 1993, S. 383 — 397

Neelambar Hatti and Franz-Michael Rundquist COOPERATIVES AS INSTRUMENTS OF RURAL DEVELOPMENT — THE CASE OF INDIA

Abstract

Organizations constitute an important basis for rural transformation as they can provide impulses for initiating and stimulating growth. More importantly, they can provide a forum for the participation of people in decision-making.

In India, and elsewhere, cooperative organizations have been extensively used by the State as a tool for promoting rural transformation. However, generally these organizations have not been particularly successful. A major reason for the failure of cooperatives has been the inability of the State to create an environment conducive for people to cooperate.

The paper argues that for rural development organizations in general, and cooperatives in particular to be successful, the State must actively change the environment in a direction which would enable the organizations to function in social as well as economic terms.

Introduction

In two earlier papers¹ the authors have analyzed the role of cooperatives in promoting rural development in India. Cooperative organizations have been extensively used in Indian development planning² as a tool for promoting structural changes in several sectors, not least the agrarian sector.

However, our own studies, as well as the implications we draw from other studies dealing with cooperative development in the Third World, have led us to a stage where we feel a need to further explore the problems involved in creating viable organizational structures that could be instrumental in promoting rural development.

Approaching these problems we divide our discussions into two sections. First, we focus our analysis on the environments in which an organization has to function. With this background we continue to discuss the role of cooperatives in rural development as we see it in terms of our own research and other studies.

Organizations and Rural Development

Rural development is a multidimensional process which involves extending the benefits of development to the rural poor. Gross inequality in land ownership and

1 See Hatti, N. and Rundquist, Frankfurt a.M. (1989a and b).

2 See the various Indian Five Year Plans since 1951.

invidious institutional structure which sap initiative and incentive are among the most serious obstacles to rural development in developing countries (Chambers 1974, 1983; Hatti and Rundquist 1989b; Hill 1987). The prime constraints are structural, economic, technological and organizational. Of these, organizational barriers play a critical role in determining the pace of development.

In so far as rural development is concerned, organizations constitute an important basis for rural transformation. Organizations can provide impulses for initiating and stimulating growth, and provide a forum for the participation of people in decision-making. They help establish group dynamics, identify common needs of people and provide a channel for the transfer of technology. Thus, they can be the focal point for decentralized planning and decision-making.

This would imply the involvement of various organizations to enhance such aspects as production, productivity and employment generation (cf. Chambers 1983, Harriss 1984, Johnston and Clark 1982, Lea and Chaudhri 1983). These include effective utilization of natural resources to increase production, processing and marketing, provision for infrastructure facilities and supporting services so as to improve the quality of life. Consequently, the term organization must have a broad connotation to encompass such factors as physical infrastructure, the delivery system, administration manpower and spatial planning (Dantwala 1980: p. 53).

Organizational Environments

An important aspect pertaining to the roles and functioning of organizations concerns not only their structure but also the environments in which they operate.

"One of the most common concerns in the literature on the place of local organizations in rural development is the extent to which their environment, broadly defined, affects or even determines their ability to perform effectively. Very often, the issues are framed in terms of the hindrances or barriers that environmental factors may present. Hyden's analysis of cooperatives in East Africa (1973), for example, maintained that they were extremely weak *vis-à-vis* their sociopolitical environment and that their ineffectiveness was caused by their vulnerability to external manipulation." (Esman and Uphoff 1988: p. 102)

The concept of environment as used in this paper refers to the totality of physical, social, economic and political influences affecting an organization, and also a notion of the extent to which these can be manipulated by an organization. Environment in this perception consists of several layers that are more or less apparent and influenceable. Elements of our conception of the environments surrounding an organization engaged in rural development activities are outlined in *Figure 1*.

Prior to discussing this figure, however, it is necessary to describe some of the more general tenets of the environmental conception. Three levels of environments can be defined — the *controlled*, *influenceable* and *appreciated* environments (cf. Gyllström 1991, Lorsch and Allen 1973, Smith et al. 1980, Thompson 1973).

The *controlled* environment comprises of one or several core activities whose composition and interrelationships to different degrees may be defined by formalized rules and administrative systems. The *influenceable* environment is made up of the physical resources and social actors being of direct consequence for the organizations and to which the organization has a reciprocal relationship — for example, arable land, institutions, input suppliers, marketing organizations and banks. Finally, the *appreciated* environment accommodates factors affecting organizational performance, but then factors generally outside the sphere within which they are subject to direct influences from the organization in question. Examples of the latter are — demographic characteristics of an organization's area of operation, health standards, educational levels, access to social infrastructure, transport-/communication networks, ecology, world market and/or other externally set prices.

Thus, an individual organization can be perceived as being linked to fields of interaction and influences composed of forces originating at local, regional, national and even international levels. Given the purpose of an organization, its behaviour can be seen as reflecting a mosaic of actions and reactions following from its relations to different facets of its environment.

Performance, of which *efficiency* is one aspect, would then reflect the extent to which this behaviour results in achievement of the organization's objectives. *Impact* would indicate an organization's influences on the social, economic and physical aspects of its environments in relation to more generally defined criteria or objectives.

With this perspective it is possible to return to Figure 1 and explore the ways in which the different environments impact on a given organization. The three environments are shown by way of rectangles of different sizes that are further subdivided into different sub-segments. The two rectangles in the centre of the figure primarily represent the *controlled* and *influenceable* environments, although some aspects of what we call the *appreciated* environment by necessity are also included. Surrounding these, in the peripheral layer, is represented the *appreciated* environment.

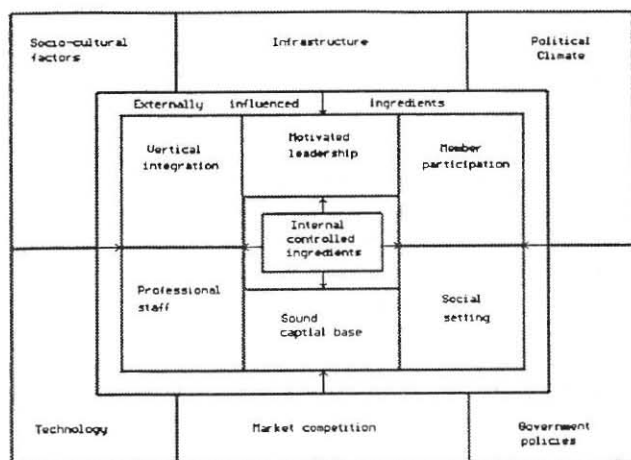


Figure 1: Organizational environments

The centre of *Figure 1* can be said to represent the very core of organizational activities. That different types of organizational structures are externally imposed, and frequently given monopolies within certain sectors of the local economies is well known. Still, even if the organizations are subject to detailed controls, there is always some leverage left for local initiatives, and this is indicated by the "*Internal controlled ingredients*". In terms of activity orientation these could, for example, comprise of details of credit giving procedures, investment plans, and decisions on compulsory member work-days (cf. i.a. Hedlund 1986). Depending on the extent of external controls imposed, the range of responsibility left to local management may vary substantially from country to country, and even within countries on a regional basis.

However, no organization can exist and function in a vacuum. Hence, organizationally specific decisions will be conditioned by various factors in its area of operation, as illustrated by the middle rectangle and the six sub-segments into which this one is subdivided. Of these, the two most obvious are "*Motivated leadership*" and "*Membership participation*". Linked to these one also finds "*Professional staff*". All three are important for properly functioning local organizations, and deficiencies in one or several of these respects have often led to apparent failures of otherwise well intentioned rural development projects.

In terms of organizational environments, these factors could be seen as primarily belonging to the influenceable environment. As indicated, however, the influence exerted is based on a reciprocal relationship with the controlled environment. Hence, the need-fulfilment function of an organization is probably the most important determinant of both a motivated leadership and high membership participation. If perceived as satisfying essential local needs high participation rates are expected. Also, local leadership should be more highly motivated in fulfilling organizational goals. In addition, a high degree of membership participation puts pressure on leaders and staff to properly exercise their respective roles.

Remaining segments in the middle rectangle are "*Social setting*", "*Capital base*", and "*Vertical integration*". Social setting and vertical integration to a large extent fall under the appreciated environment and are only to a limited extent controlled/influenced by the individual organization. In terms of goal fulfilment, however, both factors are important. The extent to which organizational goals are compatible with those of the society in which the organization operates, naturally, affects organizational efficiency. Also, vertical integration — frequently manifested through externally imposed organizational structures³ — largely belongs to the appreciated environment and is only to a limited extent influenceable by a local organization. The extent to which this structure is compatible with local goals will strongly influence organizational impact and efficiency.

Finally, the capital base, obviously, forms the foundation for a properly functioning local organization. To a large extent this factor is found within the influenceable sphere of an organization, and is very much linked to motivated leadership and professional staff. At the same time, externally imposed demands or infringements of operational freedoms may negatively influence potential goal fulfilment. Hence,

3 For example, the common hierarchical organization of cooperatives from an apex organization over unions down to individual societies with different powers and responsibilities assigned to each level.

content and structure of the links between an organization, its influenceable and appreciated environments are critical for the proper functioning of the organization. Unfortunately, a lot of research (cf. i.a. Gyllström and Rundquist 1989) indicates that these links more often than not tend to circumscribe and restrict goal fulfilment rather than being supportive in their operations.

Lastly, the outer rectangle consists of six sub-segments, which basically represent the appreciated environment. To degrees, however, some of the factors indicated fall within the sphere of the controlled environment — particularly infrastructure, technology and, to a lesser degree, socio-cultural factors. In a broader perspective, though, the possible impact on these factors by the type of rural development organizations generally found in the Third World, can only be marginal. The implication is that large sectors of importance for organizational functioning and efficiency are beyond their immediate control, and that these are heavily dependent on policies of external bodies.⁴

Organizational Development

The success of any organization implementing a developmental strategy ultimately depends not only upon proper mobilization of local resources in men and material, but more specifically on its ability to involve the local population in the process. However, a major weakness in the official strategy has been that the responsibility of planning and implementing local development programmes has rested in the hands of bureaucratic agencies or organizations sponsored by the State. Rarely have the people for whom the efforts at improving their lives been given any responsibility in these processes. Nor have these organizations properly utilized local material resources. Needless to say, an externally imposed “*Blueprint Approach*” (Hydén 1983) alone cannot bring about a meaningful integration of people and organizations. The benefits of State sponsored rural development programmes hitherto have largely accrued to the top economic and social strata who could manipulate the responsible agencies (Dasgupta 1984, Holmén 1991).

Broadly, efficiency of rural organizations depends upon two sets of factors; rural power structures and government policies. These are internal as well as external in character, and the interplay of these factors determines the emergence, development and performance of rural organizations.

Key elements in organization building in rural settings are leadership, doctrine, education and environment. In India, after independence, several attempts were made to tackle the rural problems through institutional approaches. Evolution of *community development blocks*, *cooperatives* and *panchayats* were the main instruments for rural development during the fifties. *Community development blocks*, however, became bureaucratic institutions. Moreover, people’s participation in the affairs of cooperatives and panchayats was marginal on account of the social and economic dualism that perpetuated the rural power polity.

The introduction of the *Intensive Agriculture District Programme (IADP)* in the early sixties gave new stimulus to agricultural growth. The emphasis here was for raising

4 Primarily governmental bodies at national and sub-national levels.

production of field crops by means of appropriate production techniques, and the necessary organizational support to accomplish this was also set up. This approach helped in shattering the popular myth that the Indian farmer was conservative and backward looking. However, this programme generally benefited the larger, better educated, and more influential sections of the peasantry in irrigated tracts. The outcome was the adoption of an 'elitist' model in rural development.

For dry regions, a similar programme known as the *Intensive Agriculture Area Programme (IAAP)* was launched. Close on the heels came the seed-fertilizer revolution in the late sixties. It triggered off what came to be known as the "Green Revolution" which, even though region specific, boosted food output and brought an era of plenty. In all these programmes a package philosophy was the basic concept.

Since the 1970s several attempts have been made to improve the incomes of the rural poor through ad hoc measures — *Drought Prone Area Programme (DRAP)*, *Small and Marginal Farmers' Development Programme (SFDA)*, *Command Area Development Programme (CADP)*, *Food for Work Programme (FWP)* and *Antyodaya*⁵ are examples of the isolated efforts made. These attempts have not had the desired impact for lack of suitable organizational frameworks that link resources, people and the state.

A more comprehensive strategy known as the *Integrated Rural Development Programme (IRDP)* was introduced in the Sixth Five Year Plan. This programme focused on a sectoral- and special integration of activities under the District Rural Development Agency. However, here again, the absence of an integration between men and materials through a localized institutional agency resulted in delusions and mistakes in implementation.

These and other beneficiary oriented, subsidized programmes have compounded the concentration of powers and patronage, enhancing the mis-delivery of benefits to the unintended. What is conspicuous in these programmes is the absence of the role and participation of the people — either in planning and implementation or raising of local resources. Jain et al. (1985: p. 110) write:

"Thus, [...], the various strategies adopted so far have been basically similar as they are anti-people and anti-development. So, strategies which did not work in the past, are not working at present, and can hardly be expected to work in the future."

On the whole, state efforts for rural development do not appear to have had much positive impact. It frequently lacks the strategy and design for development focused on the specific objective of activating the human factor in the rural economy. Programmes have usually been designed to operate only as delivery systems, and a delivery system — even an efficient one — cannot quite overcome the barriers in rural development. State policies will have to consider new ways of promoting social and economic integration in order to become active instruments for the emergence of viable rural communities. As a part of this work, state policy has to concern itself with the revitalization of existing institutions such as, for example, the panchayats in India, and cooperatives. Most importantly, state policies need to have a design to strengthen the position of the local economies *vis-à-vis* the larger national economy

5 This programme refers to "the upliftment of the poorest of the poor" and was introduced during the sixth plan. See, Programme Evaluation Organization (1978).

(cf. Chopra et al. 1990). Without such a design, state intervention will remain just a delivery system and not a force capable of bring about needed changes (Rao 1983: p. 689).

Integrated Strategy

On the whole, the efforts in India to bring about changes in rural areas have not been a great success due to many in-built rigidities in the organizational set-up.

“The agency which urges him (farmer) to change may not itself be capable of effecting the needed environmental change smoothly nor giving the needed advices which are made by officials (or foreign advisers), and he is naturally not willing to risk too much. His experience of government efficiency is not after all favourable.” (Hunter 1971: p. 111)

In rural development processes, directions should be clear, goals identified and the modus-operandi employed should involve the villagers. It needs an institutional set-up that can integrate multiple goals. This would call for a kind of ‘*systems approach*’ in organizational pursuits.

Integrated development would, then, demand taking into account in the planning and implementation process not only the local material resources but more so the economic and social resources of a community. “*The overall concern should be one of community orientation, minimum state intervention, mass participation, non-specialization, pooling of the local resources and services to the people*” (Varma and Pillai 1980: p. 86).

This would require a strong base level institution. For obvious reasons, such an agency should have the consent of the people and must be nourished by them. An institution that can work on the basis of decentralized authority, and a centralized information system — controlled by the decentralized authority, but not under government control — could be the most appropriate one (Desai and Prakash 1974: p. 154).

Furthermore, any agency involved in planning for rural development should be prepared to make arrangements for providing the participants with the necessary prerequisites for optimally utilizing the planned facilities (Srivastava et al. 1975: p. 277). The relevance of an activity should be the criterion for the selection of an area for the implementation of a programme. Failures of the government machinery to forge effective linkages between various interest groups in rural areas, however, has strengthened the case for voluntary action through institutional structures (cf. Gohlert 1987, Srivastava et al. 1975).

“We have to bring about that blend of voluntary initiative and bureaucratic action which can generate the enthusiasm required to deliver the goods without waste and misdirection of resources.” (Nair 1981: p. 40)

Thus, in the final analysis only organizations promoted by people themselves can initiate and sustain development processes.

Cooperatives and Rural Development

In India, the aims of rural development policies have been to find suitable forms of organizations for the dissemination of production credits and the provision of marketing outlets for needed agricultural inputs. In this context cooperatives have been assigned a central role, and have in some areas become important focal points for banking, sales of consumer goods, and the dissemination of more general types of development credits. To varying degrees cooperatives have also become important marketing channels for parts of the agricultural surplus production. Not all types of crops are marketed through cooperatives, though, and the latter function mainly refers to more subsistence oriented crops. In effect, rural based cooperatives have frequently become *multi-purpose cooperatives* taking on a number of supporting functions for the transformation and development of the agrarian sector, as well as supporting functions for a more general rural development process.

Cooperative rural development policies in other Third World countries bear many similarities to the policies pursued in India. Variations in their concrete manifestations, organization, and functioning may exist, but the dominant impression is one of similarity rather than difference.

Although examples of well functioning cooperatives do exist, the overwhelming impression is that cooperative organizations in India, and elsewhere, have not been successful in promoting rural development (cf. Apthorpe 1972; Hatti and Rundquist 1989a and b; Hedlund 1986; Holmén 1991, Hydén 1980; Gyllström 1989, 1991). Their performance records are often plagued with failures and, seen in longer perspectives, replete with information on liquidated societies (cf. Gyllström 1991).

Two main tendencies become apparent. First, and foremost, cooperative organizations have failed in promoting a broadly based rural development process. Intended services and benefits have frequently been "*appropriated*" by the already wealthy and influential members of the target communities. Hatti and Rundquist (1989a), for example, concluded that:

"... as indicated, the cooperatives in Sirsi Taluk seem more geared towards meeting the needs of landowners, particularly those producing garden crops, and, as a consequence of the social stratification, more geared towards serving the needs of the traditionally wealthy and economically powerful groups of the society." (Hatti and Rundquist 1989a: p. 124)

Papers presented at a workshop in New Delhi on cooperatives and rural development in India confirm that while cooperatives have played a positive role in agricultural development, the services extended are not enjoyed equally. Thus, cooperatives have widened inequalities.

"Though the formal ownership of the cooperative is democratic, in actual practice large growers control its policies [...] the dominance of the economically privileged coterie is mainly due to two factors. Firstly, they are able to intimidate the small growers by the sheer weight of their ownership. Secondly, they use their links with the government to establish a *patron-client relationship* which prevents democratic functioning." (Our emphasis) (Jain et al. 1985: p. 57)

Along a similar vein with respect to a Minimum Needs Programme in drought-prone areas in India it has also been observed that:

"Given the existing structure of rural societies, the benefits of this service have been mainly to the advantage of farmers already with access to productive resources. The present set-up has not been able to cope with the built-in power relations." (Bengtsson 1979: p. 13)

These observations overlap with conclusions drawn by several other authors concerned with organizational aspects of rural development (cf. Attwood and Bavis-kar 1988; Hydén 1980, 1983; Mars 1986; Robertson 1984; Sandbrook 1985; UNDP 1984). Recurrent arguments are that development problems are socio-political in origin and based on ethnic conflicts, clan politics, regional and religious factionalism. Interpretations come close to the '*tradition versus modernity*' perspective as it has frequently been discussed in the African context (Hydén 1983). Modern institutions are perceived as alien, and newly introduced roles of social and economic interactions do not conform to moral obligations based on prevailing cultural values.

Second, concerning the relatively successful cooperatives, it is often noted that these share some common traits such as economic self-interest that tend to set them apart from the broad mass of cooperatives found in the Third World. They are frequently more geared towards being producer or '*monoculture*' cooperatives — as opposed to being multi-purpose cooperatives — focusing on a single cash-crop. Over time a tendency towards widening the range of services provided is often observed, but their main emphasis continues to be the productive activities for which they were once started. They also tend to operate in areas that are ecologically, infrastructurally, and otherwise, well suited for the types of activities engaged in.

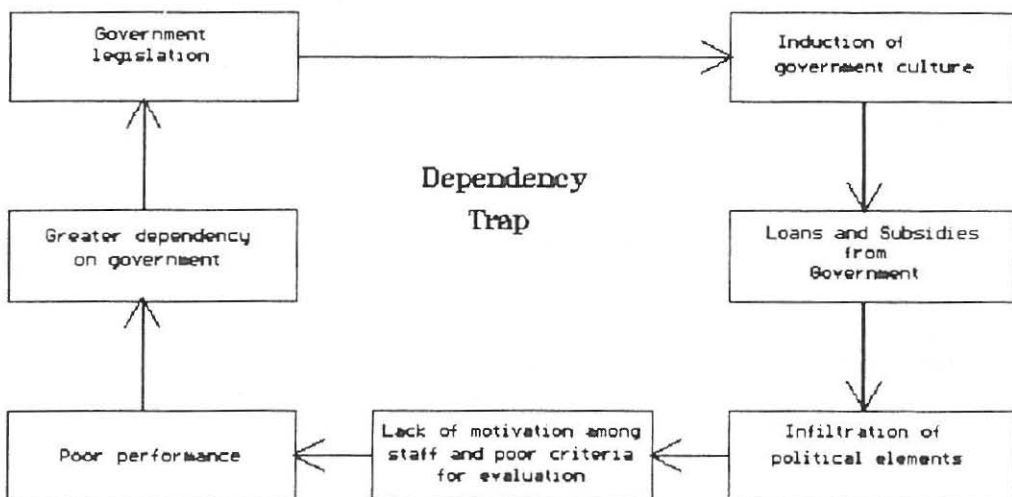


Figure 2: The vicious circle of state-initiated cooperatives/local organizations

In addition, their areas of operation tend to be relatively homogeneous and well defined in terms of both ecological preconditions and social and economic differentiation among their target populations (Gyllström 1991; Hedlund 1986; Mascharenas 1988).

The obvious relation between economic self-interest and organizational development can be derived from the general observation that cooperative/rural organizations are instruments of joint efforts among people aiming at achieving a common goal, and for the fulfilment of private goals members would not be able to attain on their own. This involvement, however, is conditional as an organization normally contributes only to parts of a person's total purpose. For example, farmers are perfectly capable of cooperating and do so when necessary; but they do not seek to cooperate in every aspect. What they do is try to manage their social, economic and political problems by forming selective, negotiated alliances (Appadurai 1986, Attwood and Baviskar 1988).

Still, though conditions may be favourable, successful cooperatives are not completely free of conflicts. These, however, largely originate from the outside, but have direct repercussions on the functioning of individual societies. Examples of such potential conflicts are concretely described in Hedlund (1986). On the one hand, he points at "*state interference*" through an elaborate structure of cooperative legislation and centralized bureaucracy which tend to hamper local initiatives by severely restricting flexibility. This is particularly evident with respect to the financial management of societies, where organizational structure and legislation shifts responsibility and control to higher layers of the cooperative hierarchy.

On the other hand, he points at the potential conflicts embedded in the lack of role fulfilment — as perceived by the members — of a society. From the point of view of the members, an important criterion on society performance is the amount of cash earnings they are able to derive from their membership. In the society studied by Hedlund (1986), fewer conflicts emerged in times of plenty — i.e. periods when the world market prices for coffee were high and the members received substantial incomes. However, when world market prices were depressed and producers felt the pinch of reduced payments, externally imposed export duties, handling charges, chesses, commissions etc., conflicts tended to surface.

The observations above indicate that with the prevailing set up of cooperatives they find themselves in a "*Dependence Trap*", as illustrated by *Figure 2*. The point of departure is the role of the government which is responsible for cooperative legislation. This legislation largely predetermines the form and structure of cooperatives, thus infusing a governmental administrative and bureaucratic culture. It is also government legislation that provides the norms for the distribution of loans and subsidies, which frequently leads to an infiltration by political elements and vested interest groups. Additionally, the prevalent culture and norms of institutions such as government departments and financial institutions are not easily changed and often tend to hinder an effective implementation (Paul and Subramaniam 1983: p. 354).

This superstructure imposed by the government, as well as the politicisation of societies, tends to sap initiative and motivation and thus have a negative impact. In turn, this will result in poor performance which increases the dependency on the state for additional financial resources. Thus, the cooperatives find themselves locked into

a "vicious circle", and it is evident that the prevailing system of cooperation suffers from inherent structural weaknesses.

Cooperatives Reconsidered

The discussion above gives a rather pessimistic view of the possibilities of existing rural development organizational structures to make a positive contribution towards achieving their desired outcomes/goals. An important aspect of the problem is found in the lack of congruence between organizational/superstructure interests and the interest of those served by the organization. This problematic is frequently further exacerbated by State interference into organizational functions at both macro- and micro-levels, and, as a consequence, that local interests are rarely considered (cf. i.a. Hatti and Heimann 1992; Suomela 1991).

Partly, the lack of congruence may indicate a conceptual problem. The terminology used in most of the available literature centres around the concept cooperative(s), thus, indicating a given organizational structure working within a specific legal framework that defines the limits for its functioning. Also, by indicating and focusing on the formal cooperative sector, emphasis is placed on an organizational form which — based on experiences of cooperative development in the West, and on how these experiences have been communicated by international donor agencies — basically has been formed in one and the same mould regardless of where in the world a cooperative is found.

In our view, it is necessary to go beyond the formal structures in order to understand the rationality behind an individual's decision to involve himself in cooperative activities or not. To a larger extent, as normally used, the very concepts of cooperation and cooperatives carry a moral postulate of rationality, i.e. only by cooperating could higher development objectives be achieved. Also — "*Cooperation is too often seen as a panacea for alleviating poverty in what might be an economically and politically stagnating society*" (Hatti and Heimann 1992: p. 2). However, it should be borne in mind that cooperation is not an aid-giving business (Laidlaw 1978).

More and more evidence has been presented to indicate that cooperation, or cooperative activities, may not be the natural and necessary responses to locally felt development problems. Suomela' (1991: p. 83), for example, talks about an "*identity crisis*" and "*membership alienation*" in many formal cooperative societies during the 1980s.

An important factor generating the situations observed by Soumela' concern the size of cooperative societies. Linked to the question of society size is the fact that a large society must resort to "*indirect forms of democracy*" (Soumela' 1991: p. 84) and hence that society decision making may come to represent the stronger interest group among the members, only. Additionally, as observed in many cooperative organizations in the Third World, "... *cooperation perhaps might just result in either redistribution of already scarce resources or aggrandizement of the richer, more powerful participants*" (Hatti and Heimann 1992: p. 2).

Moreover, "... *observations exemplified by such factors as backward bending supply curve of labour must indicate that farmers and peasants in India do not necessarily consider development based on the same economic rationale as we, ...*"

Hatti and Heimann (1992: p. 1 — 2). Of particular interest in this context is the discussion on the “*psycho-social value of time*” (ibid.:13). With this concept they want to demonstrate that — although investment and participation decisions cannot be related to an “*economic man*” rationality, frequently presupposed when discussing cooperation and development in Third World contexts — the actual decisions taken may be perfectly rational from the point of view of the individual. In particular, the authors indicate that “*The marginal value of a new labour investment is calculated against the psycho-social value of free time foregone ...*” (ibid.). In addition, the importance of free time is that it permits “*... the fulfilment of social obligations and in itself can lead to psychological need-fulfilment*” (ibid.).

Cooperatives have generally not been seen from the point of view of economic rationality. Rather, the focus has been set on the perceived rationality of the work organization through cooperatives. What is frequently forgotten, then, is that cooperatives have to fit into a framework which for the potential members entails not only an economic but also a social reality. In promoting Rural Development, factors such as village social structure, household and family structure, tradition, cultural rules and practices must be considered and incorporated into any plans for rural change.

We argue that cooperation between individuals with common goals of economic self-interest could in many instances be rational, but it has to be developed out of the realization of its benefits to the potential participants. People would accept cooperation if it satisfies some of their significantly felt needs. The concept of an improved quality of life has to be defined by the people themselves. Ultimately only organizations established and promoted by people themselves can initiate and sustain a development process. In this context, a cooperative framework, following the cooperative principles, can have distinct advantages in attaining the objectives of Rural Development. Cooperatives, born out of the felt needs of the people, can internalize economic and social development through voluntary action.

This, however, presupposes a reversal of the role of the State in introducing and utilizing cooperative organizations in efforts of rural development — *viz.* State interference has to go from one of a negative influence to one of a positive support (cf. i.a. Gyllström and Rundquist 1989). The rigidity and politicisation of existing cooperative structures, as indicated in Figure 2, together with an emphasis on the economic aspects of these organizations is in this context particularly problematic. One aspect of the problematic is the seemingly general decline in respect for authority, including a lack of regard for governmental representatives, civil servants, or politicians as people seem to expect little guidance from them. In addition, governmental policies and bureaucratic (mal)practice are not conducive to cooperation, and do not constitute role models in cooperation and public spirit.

In the course of introducing development programmes based on the principles of cooperation, then, the individuals involved must be convinced that change is possible and can be influenced through concerted action. It cannot be taken for granted that the individuals forming the target group for a cooperative project believe that economic and social development is possible and desirable. Moreover, it cannot be taken for granted that they consider cooperation an effective means of achieving their goals and aspirations — at least not if they associate ‘*cooperation*’ with a state controlled organization.

Target groups must perceive an underlying rationality to cooperation, which must be seen as a viable method of achieving collective and individual goals. Cooperation must also be perceived as satisfying in psycho-social terms and not detrimental to psycho-social need fulfilment. Working together in informal constellations towards achieving common goals can lead to a sustainable dynamic that could transcend the task at hand and provide an impetus for concerted development oriented action in general.

A major problem in development policy formulation and programme planning, however, is to create an environment conducive to working together — or, in other words, to cooperation. In our view, such environments are not established as a result of the common way in which development programmes in general, and cooperative projects in particular, are implemented. With respect to the latter, project implementation usually implies the establishment of a full-fledged cooperative structure in terms of organization, linkages and legislation. Once this has been achieved, it is taken for granted that the membership cadre will grow and that cooperation between members will be established. In view of the critical discussion concerning the formal cooperative sector presented above, however, this sector may within itself carry the seeds of failure by alienating potential members from one another, as well as from the very idea of cooperation.

Cooperation is a means for self-help; the idea of working together must come from within the community and be allowed to become habit forming. When and if it is found to be an effective means of achieving personal as well as community goals, cooperation in a more formal sense can emerge from such experiences of informal cooperation. Seen from a planning perspective, the idea of cooperation should be allowed to mature in the course of a *pre-cooperative phase*. During this phase, initially less emphasis should be placed on the formal aspects of cooperation. Instead, it is of paramount importance that potential members are provided with an opportunity to learn to function as a group, since the Indian villagers "... are more concerned about the mastery of human relationships, than they are about the mastery of things" (Beals 1974: p. 11). This implies an emphasis on social, rather than purely economic, activities, which eventually could result in a positive group cohesiveness. Once this objective has been achieved, the potential members can be trained in the formal aspects of cooperation.

An important precondition for this concept to be successful is the liberalization of the rigid framework of state policies *vis-à-vis* cooperatives. The role of the state and other implementing agencies, should be to create an environment conducive to cooperation. This presupposes the willingness of the State to allow the concept of 'self-help', both in a social as well as in economic terms to be an integral part of any rural development policy. State policies, thus, must actively change the '*appreciated environment*' (Figure 1) of rural development organizations in general and cooperatives in particular.

REFERENCES

- Appadurai, A. 1986 'Class, Cooperation and Well Irrigation in Western India' in Attwood, D. W., Israel, M. and Wagle, N. (eds.) (1986) *Dynamics of an Agrarian Society: Maharashtra, India*, University of Toronto Press, Toronto.
- Apthorpe, R. 1972 *Rural cooperatives and planned change in Africa: An analytical overview*. United Nations Research Institute for Social Development — UNRISD, Geneva.

- Attwood, D. W. and Baviskar, B. S. (eds.) 1988 *Who Shares? Co-operatives and Rural Development*. Oxford University Press, Dehli.
- Beals, A. 1974 *Village Life in South India; Cultural Design and Environmental Variation*. Chicago University Press.
- Bengtsson, B. (ed.) 1979 *Rural Development Research — the Role of Power Relations*. SAREC REPORT, R4: p. 1979, Swedish Agency For Research Cooperation With Developing Countries.
- Chambers, R. 1974 *Managing Rural Development*, Scandinavian Institute of African Studies, Uppsala.
- Chambers, R. 1983 *Rural Development*, Putting the last first. Longman, London.
- Chopra, K., Kadekodi, G. K. and Murty, M. N. 1990 *Participatory Development, People and Common Property Resources*. Sage Publications, New Dehli.
- Dantwala, M. L. 1980 'The Eluding Panacea; the Basic Needs Approach to Indian Planning'. Proceeding and Papers of a Seminar (Trivandrum, July 21 — 22, 1980. *ILO Asian Employment Programme*, Bangkok.
- Dasgupta, A. 1984 'Sharing Approaches that Work', *SPAN* Vol. XXV, No. 6, June.
- Desai, D. K. and Prakash, H. 1974 'Strategy for Rural Development for Weaker Sections', Paper presented to a Seminar on Rural Development, *Indian Society of Agricultural Economics*, Bombay.
- Esman & Uphof 1988 *Local Organizations — Intermediaries in Rural Development*. Cornell University Press, Ithaca and London.
- Gohlert, E. W. 1987 'Strategic Organizations' — Development Agencies of the Future?. *Scandinavian Journal of Development Alternatives*, Vol. VI No. 4, December, pp. 108 — 122.
- Gyllström, B. 1989 'Administered Interdependences vs Spatial Integration' — The Case of Agricultural Service Cooperatives in Kenya. In Gyllström, B. and Rundquist, Frankfurt a.M. (eds.) 1989 *State, Cooperatives and Rural Change*. Lund Studies in Geography, Ser. B. No. 53, Lund.
- Gyllström, B. 1991 *State-Administered Rural Change — Agricultural Cooperatives in Kenya*. Routledge, London.
- Gyllström, B. and Rundquist, Frankfurt a.M. (eds.) 1989 *State, Cooperatives and Rural Change*. Lund Studies in Geography, Ser. B. No. 53, Lund.
- Harriss, J. (ed.) 1984 *Rural Development; Theories of Peasant Economy and Agrarian Change*. Hutchinson University Library, London.
- Hatti, N. and Heimann, J. 1992 'Limits to Cooperation'. *Asian Journal of Economics and Social Studies*, Vol. 11: p. 1.
- Hatti, N. and Rundquist, Frankfurt a.M. 1989a 'Cooperatives in Rural Development, Land Ownership and Cooperative Membership in Sirsi Taluk, Karnataka State, India'. *MAPALLO*, Vol. 10: p. 3.
- Hatti, N. and Rundquist, Frankfurt a.M. 1989b 'Cooperatives in Rural Development in India', Modern Inputs, Production Structure and Stratification in Sirsi Taluk, Karnataka State. In Gyllström, B. and Rundquist, Frankfurt a.M. (eds.) 1989 *State, Cooperatives and Rural Change*. Lund Studies in Geography, Ser. B. No. 53, Lund.
- Hill, P. 1987 *Development Economics on Trial*. Cambridge University Press, Cambridge.
- Hunter, G. 1971 'Lessons from India's Administration of Rural Development'. *Development Digest*, Vol. IX: 3.
- Hedlund, H. 1986 *Kaffe, Kooperation och Kultur*, En studie av en kooperativ kaffeförening i Kibirigwi, Kenya. Nordiska Afrikainstitutet, Uppsala.
- Holmén, H. 1991 *Building Organizations for Rural Development, State and Cooperatives in Egypt*. Lund University Press.
- Hydén, G. 1980 'Cooperatives and the Poor': Comparing European and Third World Experience. *Rural Development Review*, Vol. II, No. 1, pp. 9 — 12.

- Hydén, G. 1983 *No Shortcuts to Progress*. African Development Management in Perspective. Heineman, London.
- Jain, L. C., Krishnamurthy, B. V., Tripathi, P. M. 1985 *Grass Without Roots*, Rural Development under Government Auspices. Sage, New Dehli.
- Johnston, B. F. and Clark, W. C. 1982 *Redesigning Rural Development*, A Strategic Perspective. The John Hopkins University Press, Baltimore.
- Laidlaw, A. F. 1978 'Cooperatives and the Poor: A Review from within the Cooperative Movement'. In: *Cooperatives and Poor*, London ICA, pp. 51 — 90.
- Lea, D. A. M. and Chaudhri, D. P. (eds.) 1983 *Rural Development and The State*, Contradictions and Dilemmas in Developing Countries. Methuen, London.
- Lorsch, J. W. and Allen, S. A. 1973 *Managing Diversity and Interdependence*, Harvard University Press, Boston.
- Mars, T. 1986 'State and Agriculture in Africa': A Case of of Means and Ends. In *Developmental States and African Agriculture*. *IDS Bulletin*, Vol. 17, No. 1, pp. 16 — 21.
- Mascharenas, R. C. 1988 *A Strategy for Rural Development*, Dairy Cooperatives in India. Sage Publications, New Dehli.
- Nair, C. N. S. 1981 'Some Issues in Rural Development Administration', *Indian Management* 20, January 1.
- Paul, S. and Subramaniam, A. 1983 'Development Programmes for the Poor; Do Strategies make a difference', *Economic and Political Weekly*, Vol. XVIII, March 5.
- Programme Evaluation Organization 1978 'Evaluation of the working of Antyodaya Programme'. *Planning Commission*, New Dehli.
- Rao, V. M. 1983 'Barriers in Rural Development', *Economic and Political Weekly*, Vol. XVIII, July 2.
- Robertson, A. F. 1984 *People and State*. An Anthropology of Planned Development. Cambridge University Press.
- Sandbrook, R. 1985 *The Politics of African Stagnation*. Cambridge University Press.
- Smith, E., Lethem, F. J., Thoolen, B. A. 1980 'The Design of Organizations for Rural Development Projects' — A Progress Report. *World Bank Staff Working Paper* No. 375.
- Srivastava, U.K. et al. 1975 *Planning and Implementation of Rural Development Projects of a Voluntary Agency*, Monograph No. 56, Indian Institute of Management, Ahmedabad.
- Suomela, K. 1991 'The Basic Values of Consumer Cooperation', *The Cooperator*, Vol. XXIX No. 4, August 15, 1991.
- Thompson, J. D. 1973 *Hur organisationer fungerar*. Prisma, Stockholm.
- Varma, R. P. and Pillai, A. R. R. 1980 'Rural Development: Concept, Process and Problems', *Khadi Gramodog*, October 1.
- UNDP 1984 *Rural Cooperatives*. United Nations Development Programme, Mimeographed.

*Neelambar Hatti, Department of Economic History, Lund University, Box 7083,
S-220 07 Lund, Sweden*

*Franz-Michael Rundquist, Department of Social and Economic Geography,
Lund University, Sölvegatan 13, S-223 62 Lund, Sweden*

