

## COOPERATIVES IN INDIA

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### MEANING OF COOPERATION AND COOPERATIVE SOCIETIES

The dictionary meaning of cooperation is 'to work together'. However, the meaning of cooperative societies is quite technical and has the context of village cooperatives in India. In one form or the other some kind of cooperative societies are found all over the world. A few of the meanings of cooperative societies given by the experts are explained as under:

M.T. Herrick is a renowned author on the theme of rural credit. He has extensively examined the situation of credit in rural society. It is in the context of peasantry that he describes the cooperative societies<sup>1</sup>. He writes:

*“Cooperation is the act of poor persons voluntarily uniting for utilizing reciprocally their own forces, resources or both under their mutual management, to their common profit or loss.”*

Thus, Herrick brings out a few elements, which are essential to any cooperative society: (1) it is an organization of poor, (2) it is voluntary and (3) it is sharing common resources. The author stresses that the poor peasantry has meager resources and, therefore, they unite together to pull their resources for common good. The basic idea of cooperative society excludes the role of big peasants. It is supposed to be a union of small and marginal peasants.

The Cooperative Planning Committee, constituted in 1946 has defined the cooperatives in the context of Indian peasantry. It observes:

*“Cooperation is a form of organization in which persons voluntarily associate together on the basis of equality for the promotion of their common interest.”*

The committee has elaborated further the meaning of cooperatives. It says that the objective of a cooperative society is to promote the economics interests of the common peasants. The association of members is based on equality. The functions of the cooperative society cannot

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<sup>1</sup> Doshi, S.C. and Jain P.C., *Rural Sociology*, Rawat Publications, Jaipur and New Delhi, 2001, p. 295

be fulfilled by individuals. The idea is that what individual cannot do because of his limitations, it can be done by economic enterprise.

P. R. Dubhashi brings out the meaning of cooperative society in an evolutionary way. He says that cooperative societies have undergone a historical change in their structure and their meaning. His argument is that we can understand cooperative society not as an institution but as a movement. This movement is not static and is always changing with the changing needs of the peasantry. Dubhashi's definition of cooperative movement runs as below:

*"The cooperative movement in the beginning was confined to the credit structure. It was only during the First World War that the cooperative movement was extended to the consumer business. In the case of the scarcity during the war period, the cooperative movement was given the role of making commodities, in short supply, available to the people. The cooperatives were managed easily by part time workers. There was an element of social service in the cooperative activities undertaken in the colonial times. This must be considered to be a very precious element in the India's cooperative movement in the pre-independence phase, despite the rapid development in that period."*<sup>2</sup>

The above definition brings out four important objectives of cooperative societies. In the initial stage cooperatives in India as elsewhere in the world were meant only to advance credit to the peasants. Credit was essential owing to several reasons, such as investment in farm production, failure of crop or making provision for irrigation. Yet another meaning of cooperatives was to serve the consumers in case of scarcity that could be caused by war, flood, draught etc. Then, in the 1940s, the idea of social service emerged. It means help given to the peasants. Recently the meaning of cooperatives has undergone a revolutionary change. The cooperatives today are formed for the attainment of development. In other words, cooperatives are constituted to provide loans for agriculture inputs, like purchase of implements, manure, digging of wells, etc.

## **COOPERATIVE MOVEMENT**

The practice of mutual help in the business of getting a living is very ancient. Modern cooperative movement is generally dated from the foundation of the 'Rochdale Equitable Pioneers' at the end of 1844. The structure and rules of the Rochdale Cooperative Society of

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<sup>2</sup> Dubhashi, P.R., *Cooperative Movement, Present Status and Further Challenges*, Cooperative Perspective, Vol.26, No.2, July – September, 1991, p. 6

weavers formed the model for countless successors, not only in England but also in other countries and continents. The objects of the society were varied and far-reaching; they ranged from the establishment of a store for the sale of provisions and clothing to the building of houses for members the opening of workshops, the purchase of farms for their employment and the establishment of a self-supporting home colony. There was political and religious neutrality; member education in cooperative principles was the core of cooperative philosophy.

### ***Cooperatives: Global Presence***

Cooperatives have been adopted in the developed and developing countries alike to solve their socio-economic problems. Cooperatives control 100 percent of Uganda's cotton ginning capacity, 99 percent of Sweden's dairy production, 95 percent Of Japan's rice harvest, 75 percent of Western Canada's grain seed output, 65 percent of India's sugar production and 60 percent of Italy's wine production. A cooperative in Shanghai is considered a world leader in waste management and a cooperative in Argentina is one of the South America's major book publishers. Eight of the largest commercial banks outside the United States are cooperatively organized or owned by cooperatives, including such giants as France's credit agriculture Holland's Rebo bank and Germany's D.G. Bank.<sup>3</sup>

### ***Co-operatives in India***

#### ***Traditional Forms of Cooperation in India***

A brief discussion on cooperatives in India is presented below:

In the socio-economic activities of the people of ancient India, cooperation took four principal forms viz. Kula, grama, sreni and jati. Kula meant a meeting of kinsmen relatives and friends. Cooperation at gram level assembly [Gram Sabha] striving for the socio-economic progress of the villagers especially of the artisans and cultivators: *Sreni* was a guild of merchants, artisans, bankers and Brahmins. Though cooperation at the level of *jati* was mostly for social purposes [education, charity, relief work etc] caste-based cooperatives emerged among occupational/craft groups.

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<sup>3</sup> Kumar, C. Rajendra and Dr. Kaptan, Sanjay S., *Cooperative Marketing: A Rural Perspective*, Kurukshetra, Vol. 52, No. 12, October 2004, pp. 46-49.

During the latter part of the 19th century, the problem of rural indebtedness became acute and the passing of agricultural lands from the hands of the peasants to the moneylenders became a common phenomenon. The system of state loans [tagavi] followed by the British fell almost into disuse. Committees and commissions like the Deccan Agriculturists Relief Act 1879, Land Improvements Loans Act 1883, and Agriculturists Loans Act 1884 are some of the notable attempts to address rural indebtedness. With the failure of the Acts, the dire economic conditions of the peasants called for an alternative agency of credit to the agriculturists.

In 1892 the Government of Madras appointed Sir Frederic Nicholson to study the problem of rural indebtedness and report on the advisability of starting the system of agricultural and land banks in the Presidency. In the classic suggestion 'Find Raiffeisen' Nicholson wanted European mode of cooperatives to be established in Madras. The Famine Commission 1901 also endorsed the suggestion for the establishment of credit cooperatives. But neither the Societies Registration Act No. XXI of 1860 nor the Indian Companies Act No. VI of 1882 provided for the organization and registration of societies for the purpose of promoting the economic interests of its members in accordance with cooperative principles. A bill for the cooperative credit societies was drafted by Sir Edward Law in 1901 with the objective of assisting farmers, artisans and low-paid employees with credit. With the Cooperative Credit Societies Act, passed on 25th March 1904, the cooperative movement was formally launched in India.<sup>4</sup>

#### Cooperative Movement (1904-1950)

Though there was provision for organizing urban societies, mostly rural credit societies were organized during the first stage of the movement. In order to diversify the movement into non-credit societies, the Cooperative Societies Act of 1912 was passed. The Committee on Cooperation (1915), chaired by Sir E.D. Maclagan emphasized the need for cooperative education, audit and supervision. Following the Reforms Act of 1919, cooperation became a provincial transferred subject under a Minister. Land Mortgage Banks came to be established in 1929 at Dharwar, Broach and Pachora. Another development was the formation of industrial cooperatives and cooperative housing. The Royal Commission on Agriculture made a strong plea for government assistance for the development of the movement. The decline in

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<sup>4</sup> Sankaran, P.N., *Indian Cooperative Movement: Retrospect and Prospect*, Kurukshetra, Vol. 52, No.12, October 2004, pp. 3-7.

agricultural prices during the Great Depression of the 1930's dealt a severe blow to the cooperative movement in terms of mounting over dues and collapse of societies.

In the annals of the cooperative movement, the establishment of the Reserve Bank of India (and the Agricultural Credit Department) in 1935 was an important event. As a result, the movement gained great momentum during the period of World War II. The period also witnessed a gradual shift to non-credit societies. Independence and the approach of Cooperative Commonwealth incorporated in the Directive Principles of State Policy gave further fillip to the cooperative movement of India.

### *Cooperative Movement in Modern India*

Community Development Projects, National Extension Service and Five Year Plans opened up a new vista for the movement in modern India. The foundation of the new policy of cooperative development- promotion of cooperatives as part of state policy- was laid down with the implementation of the recommendations of the Rural Credit Survey Committee Report in 1954. The policy of state partnership in the share capital of cooperatives which was also endorsed by the Committee on Cooperative Laws (1956-57), NDC Resolution 1958, Committee on Cooperation [1964), Cooperative Laws vis-a-vis Cooperative Principles (1973) and the National Cooperative Policy Resolution (1977) further strengthened government control on cooperatives. The government had also passed the Multi-State Cooperative Societies Act (1984) for regulation of cooperatives spread over several states. In 1987, the Committee on Cooperative Law for Democratisation and Professionalisation of Management in Cooperatives came up with a number of suggestions to strengthen the system. An expert committee under the chairmanship of Chowdhary Brahm Perakash was appointed by the Planning Commission to draft a model cooperative law. The approach of the model law was to give a genuine character to cooperatives to facilitate building of an integrated cooperative structure so as to evolve a cooperative system, make the federal organizations at various levels more responsive and responsible towards their members, to minimize government control and interference, to enable cooperators and cooperatives to develop self-reliance and self-confidence with power of decision making and to eliminate politicization.

The role of cooperatives acquired a new dimension with the changing scenario of globalization and liberalization of the national economy. In the absence of a national cooperative policy and a level playing ground, the cooperative sector could not take full

advantage of the first (1991) and second generation economic reforms packages. Recognizing that a number of cooperatives are emerging as significant business enterprises, that a number of them are not registered under the Multi- State Cooperative Societies Act and that they be given a level playing field to compete with the growing number of private players in the market place, the government provided an alternative legislation -The Producer Company under the Companies Act -following the recommendations of the High Powered Committee on Conversion of Cooperative Business into Companies [2000] chaired by Prof. Y.K. Alag. The producer company legislation enables cooperatives to come under a central legislation like all other business enterprises, provided 2/3 majority in a general body resolve to become a producer company.

### *National Policy on Cooperatives*

Internal and structural weaknesses of cooperatives, wide regional imbalances combined with lack of proper policy support had neutralized their positive impact. This had necessitated the need for a clear-cut national policy on cooperatives. The objectives and salient features of the comprehensive National Policy on Cooperative April 2002, announced by Government of India are the following. Under this policy, cooperatives would be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy. The policy aims at ensuring the functions of cooperatives based on the Manchester Declaration of International Cooperative Alliance 1995 (voluntary and open membership, democratic member control, members' economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community). Emphasis of the policy is on

- Revitalization of the cooperative structure.
- Reduction of regional imbalance.
- Strengthening of education, training and HRD.
- Greater members participation und
- Removal of the restrictive regulatory regime.

The policy considers cooperatives as essentially community initiatives for harnessing

peoples' creative power, autonomous, democratically managed, decentralized, need-based and sustainable economic enterprises. Cooperatives will, however, remain the preferred instrument of execution of the public policy, especially in the rural area.

A bill to amend the Multi State Cooperative Societies Act 1984 has been passed to remove the restrictive provisions and to professionalise the management of cooperatives. Another landmark in cooperative reform is the amendment of National Cooperative Development Corporation Act to broad base its activities to rural industrial services and development of infrastructure.

### **OBJECTIVES OF THE NATIONAL POLICY ON COOPERATIVES**

The objective of the National Policy<sup>5</sup> is to facilitate all round development of cooperatives in the country. Under this Policy, cooperatives would be provided necessary support, encouragement and assistance, so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy, particularly in areas which require people's participation and community efforts. This is all the more important in view of the fact that still a sizeable segment of the population in the country is below the poverty line and the cooperatives are the only appropriate mechanism to lend support to this section of the people.

The National Policy on Cooperatives to this end would seek to achieve:

- Ensuring functioning of the cooperatives based on basic cooperative values and principles as enshrined in the declaration of the International Cooperative Alliance Congress, 1995;
- Revitalization of the cooperative structure particularly in the sector of agricultural credit;
- Reduction of regional imbalances through provision of support measures by the Central Government/State Government, particularly in the under-developed and cooperatively undeveloped States/regions;
- Strengthening of the Cooperative Education and Training and Human Resource Development for professionalisation of the management of the Cooperatives;

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<sup>5</sup> Dr. Singh, Katar, *The National Policy on Cooperatives: A Critical Appraisal*, Kurukshetra, Vol. 51, No.6, April 2003, pp. 6-7

- Greater participation of members in the management of cooperatives and promoting the concept of user members;
- Amendment/removal of provisions in cooperative laws providing for the restrictive regulatory regime;
- Evolving a system of integrated cooperative structure by entrusting the federations predominantly the role of promotion, guidance, information system, etc. towards their affiliate members and potential members;
- Evolving a system of inbuilt mechanism in Cooperative legislation to ensure timely conduct of general body meetings, elections and audit of cooperative societies;
- Ensuring that the benefits of the cooperatives endeavour reach the poorer sections of the society and encouraging the participation of such sections and women in management of cooperatives.

## **PLAN OF ACTION**

A plan of action for implementation of the policy shall be formulated and pursued with adequate budgetary support by the Government of India, State Government and other concerned agencies including federal / national level cooperative organizations in a time bound manner.<sup>6</sup>

The Government of India trusts that the enunciation of this statement of Policy on Cooperatives aimed at professionalisation and democratization of their operations will facilitate the development of cooperatives as self-reliant and economically viable organization, providing their members improved access to the economy of scale, offsetting various risk elements, safeguarding them against market imperfections and bestowing the advantages of collective action. And further trusts that the above statement of policy would ensure enduring autonomy and lasting viability to them as democratically owned, self-reliant enterprises, responsible and accountable to their members and to a large public interest.

### *State of Cooperation*

With an enormous number of 545 thousand cooperatives of various types at various levels with member ship of nearly 230 million, it is one of the largest in the world. It has covered

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<sup>6</sup> Sankaran, P. N., *Indian Cooperative Movement: Retrospect and Prospect*, Kurukshetra, Vol. 52, No.12, October 2004, p. 7



100 per cent villages and 75 per cent of rural households. Cooperatives have made impressive progress in various segments of the economy as observed from the table below.<sup>7</sup>

*Share of Cooperatives in National Economy*

♦ Agricultural Credit Disbursed by Coops.	:	46.15%
♦ Fertilizer Disbursed (6.049 Million Tonnes)	:	36.22%
♦ Fertilizer Production (3.293 MT – N & P) Nutrient	:	27.65%
♦ Sugar Production (10.400 Million Tonnes)	:	59.00%
♦ Wheat Procurement (4.501 Million Tonnes)	:	31.8%
♦ Animal Feed Production/ Supply	:	50%
♦ Retail Fair Price Shops (Rural + Urban)	:	22%
♦ Milk Procurement to Total Production	:	7.44%
♦ Milk Procurement to Marketable Surplus	:	10.5%
♦ Ice- Cream Manufacture	:	45%
♦ Oil Marketed (branded)	:	50.0%
♦ Spindleage in Coops (3.518 Million)	:	9.5%
♦ Cotton Yarn/ Fabrics Production	:	23.0%
♦ Handlooms in Cooperatives	:	55.0%
♦ Fishermen in Cooperatives (active)	:	21.0%
♦ Strong Facility (Village Level PACS)	:	65.0%

<sup>7</sup> Rao, U.M., *Entrepreneurship Through Cooperatives, An Experience of Women's Dairy Projects in India*, Kurukshetra, Vol.52, No.12, October 2004, p. 51

♦	Direct Employment Generated	:	1.07 Million
♦	Self – Employment Generated for Persons	:	14.39 Million
♦	Self Manufactured (18266 Metric Tonnes)	:	76%

The National Cooperative Union of India has identified the following areas of activity for successful cooperatives.

- Agricultural credit, marketing, agro-based industries and food processing.
- Animal husbandry and dairy.
- Rural Development, poverty alleviation, and women empowerment.
- Irrigation, environment protection.
- Village and small-scale industries, rural electrification.
- Development of Tribals etc.

In the light of the changes that have taken place in the economy, the theme of the Indian Cooperative Centenary Celebration 2004, has been identified as '*Reforms Initiative-Vision for Autonomous and Competitive Cooperatives.*' The programmes envisaged for the celebration consist of a volume on Cooperative Development (1904-2004), a document on Cooperative Vision 2015, research studies/ case studies, success stories, souvenir, seminars, lectures, exhibition, publicity etc.

There are 545 lakhs cooperative societies with over 236 million memberships. The share capital of the movement is around Rs. 198542 million. Their network is vast; it covers all the villages, over 70% of rural households, and occupies a key position in agricultural development. Cooperatives are distributing 46% of agricultural credit, 36% of fertilizers distribution, 59% of sugar production, 32% of wheat procurement, 23% of cotton yarn/fabric

production, 95% of rubber processed and marketed 15% of total marketed surplus of milk etc.<sup>8</sup>

As of rural credit structure, there are 98843 primary agriculture societies, 371 district central cooperative banks, and 30 state cooperative banks. Further, there are 19 state cooperative land/ agricultural and rural development banks with 1421 branches. This credit structure helped stabilizing growth rate of economy by way of its agriculture credit, which contributed in boosting the economy.

Indian Farmers Fertilizers Cooperative Limited, and Krishak Bharati Cooperative Limited (KRIBCO) are the two giant fertilizer manufacturing organisations contributing 28% of the fertilizer production and are managed professionally on principles of sound financial management. Similar organisations of this category are Karnataka Milk Producers' Cooperative Federation Limited, and Gujarat Cooperative Milk Marketing Federation Limited. So is the case with Maharashtra State Sahakari Sakhar Karkhana Limited, and Gujarat State Cooperative Sugar Federation Limited.<sup>9</sup>

Besides this the National Cooperative Union of India (NCUI), which is the front-runner national level cooperative society, is working towards strengthening and development the cooperatives. The membership of NCUI is 225, out of which there are 175 state level societies, 17 national level societies and 32 multi state societies. Its work is to impart education and training to the cooperatives, develop information technology services, publication and distribution, preparation of cooperative plans and maintenance of international cooperative relations. The National Cooperative Development Corporation (NCDC) established in 1963 has been engaged in planning and promoting programmes through cooperative societies for the production, processing, marketing, storage, export and import of agricultural commodities and a variety of food stuffs such as: coconuts, areca nuts, eggs, egg products, honey, fruits, milk and milk products, vegetables and the like. Of late the NCDC has extended its activities to the development of cooperative dairy, fisheries and minor forest products which are basically intended to benefit the weaker sections of the community. National Agricultural Cooperative Marketing Federation Limited (NAFEL) established on 2<sup>nd</sup> October 1958 is a national level apex agency in the field of cooperative

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<sup>8</sup> Arunachalam, J., *Role of Women in Cooperatives: Perspective for 2000 A.D.* in VMNICM (ed.), *Positioning Cooperatives in 21st Century*, VMNICM, Pune, 1999.

<sup>9</sup> Upadhyaya, Devendra, *Bharat Me Sahkari Andolan Ke Sau Varsh*, Yojana, Vol. 47, No.12, March 2004, pp. 39-42

marketing. It deals with procurement, distribution, export and import of selected agricultural commodities and helps in fixing supporting price of agricultural products. The National Consumer Cooperative Federation (NCCF) was established in 1965. It's main work is to purchase and market agricultural products. It is also working in the field of production and distribution of some important essential items under the name 'Sarvapriya' under the National Plan. Tribal Cooperative Marketing Development Federation (TRIFED) was established in 1987 by the government of India to attend to the problems of the marketing and distribution of Agricultural products exclusively of tribal areas. The success story of India's dairy cooperatives is universally acclaimed today owing largely to the contributions made by the dairy cooperative to the accelerated growth of the cooperative sector and of entire rural economy. These have been termed as the 'Golden Area of the Indian Cooperative Movement'. Operation Flood, the ambitious programme of cooperative dairying is the biggest dairy development programme of the world in terms of its coverage and longevity. It covers roughly 10 million rural milk-producing households all over India, and initially launched on July 1, 1970, it is still under way. Thanks to Operation Flood, in 1999 with an annual milk output at 74 million mt., India overtook USA to be number one in milk production. As on March 31, 1996, over 72,500 Village Milk Producer's Cooperatives (VMPCs) has been organized in 170 milk sheds covering 267 districts in 23 states/ union territories in the country. National Cooperative Dairy Federation (NCDF) has 21 state level cooperative milk federations. National Dairy Development Board is also its member. The milk coopeatives have made their own name and standing in the country. The easy availability of milk, curd, ghee, butter under different brand names in different states like 'Mother Dairy' in Delhi is made possible only because of dairy cooperatives. Anand Milk Union Limited (Amul) and Campcoo are successful in breaking the monopoly of multinational companies in the field of chocholate production. The KERAFED of Kerela produces oil from coconut and sells it in the whole country. Besides this, coir and rubber is produced on large scale in the cooperative field. Amul is a well-known name in the whole country, which produces dairy products besides producing edible oils under the brand name Dhara. Milk products have been successful in making their position among consumers by the name of VEERA in Haryana, VIRCA in Punjab, PARAG in Uttar Pradesh, AANCHAL in Uttaranchal, SARAS in Rajasthan, VIJAYA in Andhra Pradesh and SNEHA in Madhya Pradesh. The CO-OPTEX of Tamilnadu has made it's own significant name and recognition in the production of saris, bed sheets and other items of daily needs. Girijen Cooperative Corporation limited of Vishakhapattanam has made 45 products famous among consumers

under the brand name GIRIJAN. These products are collected, produced and developed by tribals. The small forest produces, medicinal herbs, edibles etc are some of the important products under this brand name.<sup>10</sup> In India, the cooperative Banking System comprises of Rural Cooperative Credit Institutions, Central Cooperative Banks (CCB's), Primary Agricultural Cooperative Societies (PACS), Urban Cooperative Banks (UCBs), State Apex Level Federations for short-terms credit and medium – terms credit (loans) and State Level Federations for long-term (credit) loans known as State Cooperative Agriculture and Rural Development Bank.<sup>18</sup> The short term structure is organized in three- tier an two - tier structures in 16 and 12 states respectively, while Andhra Pradesh has a mixed structure. There are around 92,000 Primary Agriculture Credit Societies (PACS), 367 District Central Cooperative Banks (DCCBs) and 29 State Cooperative Banks (including Sikkim SCB) supplying short terms and medium/long term agricultural credit whose coverage extends to the remotest parts of the country. The long terms credit structure consists of 19 State Cooperative Agricultural And Rural Development Banks (SCARDBs) with 745 Primary Cooperative Agricultural And Rural Development Banks (PCARDBs) in respect of federal structure and around 1500 branches in unitary structure. The long-term structure is also organised as unitary and federal structures in eight states each. Three SCARDBs have, however, a structure incorporating both the unitary and federal system (Assam, Himanchal Pradesh and West Bengal).<sup>11</sup>

## PARTICIPATION OF WOMEN

Founding fathers of the nation as also architects of modern India visualized cooperatives as ideal vehicles for bringing about a social transformation in the society through greater participation of women in community-based organisations. Cooperatives can be an approach to integrated development, enhancing status of disadvantaged and marginalized women, and utilizing women to play a significant role in the process of collective action. Experience shows that there are number of cooperatives owned, controlled and managed by women successfully. Some of them are presented in the table below.<sup>12</sup> The list is indicator exhaustive. Women have proved themselves as good managers/ entrepreneurs by balancing

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<sup>10</sup> Dr. Lopoyetum, Samwel, K., *Problems and Prospects of Cooperative Banking*, Kurukshetra, Vol. 52, No.12, p. 25

<sup>11</sup> Dr. Patel, Amrit, *Cooperative Banking: Achievements and Challenges*, Kurukshetra, p. 19

<sup>12</sup> Rao, U.M., *Entrepreneurship Through Cooperatives, An Experience of Women's Dairy Projects in India*", Kurukshetra, Vol.52, No.12, opcit., October 2004, p. 51

responsibilities between home and business organisations like cooperatives. Some successful examples of cooperatives managed by women are presented in the table below.

*Some Successful Examples of Cooperatives Managed by Women*

1.	Shri Mahila Sewa Sahakari Bank Limited, Ahmedabad	Gujarat
2.	ShriMahila Griha Udyog Lijjat Papad, Mumbai	Maharashtra
3.	Uttanchal Mahila Dairy Vikas Nigam, Almora	Uttaranchal
4.	The Ichamati Cooperative Milk Producers' Union Limited, Barasat	West Bengal
5.	Gujarat State Sewa Women's Cooperative Federation, Ahmedabad	Gujarat
6.	Bhagini Nivedita Cooperative Bank, Pune	Maharashtra
7.	Jijamata Mahila Sahakari Bank Limited, Pune	Maharashtra
8.	Indira Mahila Cooperative Spinning Mill, Inchalkaranji	Maharashtra
9.	Savitribai Kore Mahila Industrial Cooperative Society, Warananagar	Maharashtra
10.	Jawarhar Mahila Cooperative Spinning Mill Limited, Dhule	Maharashtra
11.	Shetkari Mahila Cooperative Spinning Mill Limited, Sangole	Maharashtra
12.	Keonjhar District Cooperative Producers Union Limited, Keonjhar	Orissa

13. Mulkanoor Women Dairy Cooperative Society, Andhra Pradesh  
Karimnagar

*India, a World Leader in Cooperative Movement*

In the initial phase the Cooperative Societies were concerned with mainly credit disbursal. Gradually their activities have multiplied. Today in the rural areas the cooperatives are all pervasive. They have started functioning in almost every area of the people's economic activity. Be it fisheries, poultry, dairying, agro-processing, sugar mills, spinning mills, supply of inputs or the marketing. Special emphasis is laid on the people from the weaker sections and also on the women to encourage them to start the cooperative society.

There are more than 3.95 lakh cooperative societies in India with a membership of 18.96 crore people. This fact has put India on the top in the world in the cooperative arena. Credit disbursed through the cooperative network has crossed a phenomenal sum of Rs. 13,000 crores.<sup>13</sup>

*Tool of Poverty Alleviation*

Cooperation is the very foundation of society. No society can survive without the spirit of cooperation. At the policy level it started as a movement of social reforms particularly in the human economy domain. The aim was clear that of promoting self-reliance, self-help and self-government among members. It is said that it helps in the equitable sharing of gains and losses. The ideology is also clear about the upliftment of the economically weaker sections of the society. It aims to empower the weak in the society to effectively contribute their meager resources in a cooperative venture to combat exploitation at the hands of the haves. This becomes possible owing to the member's participation in decision-making. The cooperatives also help them in stepping up bargaining power in trade and financial markets. It facilitates access to goods and services including the credit. It widens the scope of income generating activities by pooling resources. It also helps in enhancing local control over the means of production.

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<sup>13</sup> Mital, Anant, *Cooperatives: Viable Tool for Socio-Economic Empowerment*, Kurukshetra, Vol. 52, No.12, pp. 66-67

*Boon for The Rural Poor*

The cooperatives have helped to alleviate rural poverty in a big way. It works two fold i.e. as sources of credit at a reasonable cost and as providers of both inputs and market access for produce at reasonable rates / remunerative prices.

Availability of the credit at cheaper, rates has freed the rural folk from the clutches of moneylenders Credit is being given for crops and investment. It has increased agricultural production. 60% of production credit and 30% of investment credit from institutional sources is contributed by the cooperatives. With 89,000 Primary Agricultural Credit Societies and 2,500 primary units of land development Banks, cooperative have reached the remotest corners of the country, thus substantially improving the access to credit for small and marginal farmers.

The cooperatives have ensured remunerative prices for a large number of farmers through collective bargaining, but the small and marginal farmers are still largely deprived of these benefits earlier, farmers used to end up selling their produce at a very low rate to commission agents and did not get remunerative prices. Cooperative societies have to a large extent helped farmers in selling their produce at competitive prices.

Cooperatives have also helped to create facilities like godowns for proper storage of the produce. That has helped in avoiding wastage and loss of agricultural produce. Cold storage facilities have helped in storing horticulture and other perishable products for a longer period thus ensuring their availability during all the seasons.

*Cooperatives: A Friend in Need*

The cooperative network is playing a pivotal role in the government's efforts to provide remunerative prices to farmers and helping them to avoid distress sale. The Government fixes minimum support price of certain commodities thus ensuring Minimum Support Price for non-perishable agricultural commodities. In case the price falls below that level, the Government steps in through National and State Cooperative agencies to procure the commodities and sell the same whenever market turns favourable. This ensures proper return on the produce to the farmer and avoids suffering undue losses. The Central and State governments intervene to procure the perishable goods even at a heavy loss. The Central and the State government through their cooperative network share the loss equally. Another key



activity of the cooperative societies is the training and education of farmers by providing technical guidance to the members thus ensuring increased productivity and production.

### *Major Source of Employment*

Cooperatives have provided employment in large number to deprived rural population in almost every sphere of rural economy i.e. primary secondary and tertiary sectors.

**Primary Sector:** Besides helping in agricultural growth by providing the credit and inputs, cooperatives have helped improve the income-generation capacity of villages through special sector cooperatives in fisheries, poultry dairying etc. They have also enabled cotton and sugarcane growers to improve their income by increasing output and supply their produce through sugar and spinning cooperatives.

**Secondary Sector:** 60% of sugar production and 30% of spinning mills' production is in the cooperative sector. Although these cooperatives have large turnover and are managed by affluent sections, they help the poor by giving them employment and buying their raw material like cotton and sugarcane thus ensuring them a market as well.

**Tertiary Sector:** Cooperatives have given employment in the tertiary sector both directly and indirectly. They have provided direct employment in the PACs, District and State Cooperative banks, marketing outlets, employment of managers by the primary societies etc and indirect employment in the form of transport requirements, construction of godowns, market sheds etc.

On the basis of vast experience of the cooperative sector it can be said that an institutional approach to poverty alleviation should start with an examination of the mechanism that govern the poor's access to assets, services and markets, since improved access to assets and services is fundamental for the wealth creation. Assets include productive resources such as land, water, finances, farm equipment and inputs, off-farm employment opportunities, whereas access to services includes: education and health, extension and markets. Without access to such assets and services, participation and empowerment of the poor is meaningless. The ultimate aim of such an assessment is to identify a subset of these interaction mechanisms which, when taken together, can help improve the poor's access to assets and services, increase their negotiation capacity and lead to their economic and political empowerment.

Despite their overwhelming presence in the rural sector, co-operatives suffer from a variety of organisational, managerial, administrative and financial problems. Consequently, they are not able to reach out to all segments of rural society, especially the poor, and meet in full their demands and aspirations. For example, most of the cooperatives suffer from the problems of loss of financial viability, alienation of members, interference by petty politicians and bureaucrats and mismanagement. The loss of financial viability is due mainly to the low rate of recovery of outstanding loans, partly to the low spread (margin) between the cost of funds (borrowing) and the income from lending money, and partly to mismanagement. The problem of low recovery has been further exacerbated by populist measures such as loan waivers, disbursement of loans in loan me/as and stay orders on legal processes of recovery. In view of this, there is need for an all-party political consensus at the national level for doing away with all such populist measures to ensure that politicians and other vested interests for their self-aggrandizement do not misuse co-operatives.

In view of all this, there is need for a holistic and multi-faceted strategy to revamp the co-operatives in the country. According to James J. Wadsworth<sup>14</sup>, RBS Agricultural Economist, the basic elements of such a strategy are as follows:

- Unification through mergers, consolidation, and acquisition;
- Contraction through selling assets, and closing loss-making facilities and discontinuing products or services;
- Setting up joint-business ventures with other cooperatives, or other legal business entities;
- Entering into agreements or working relationship, pact, or strategic alliance with other successful cooperatives;
- Expansion through purchasing of assets, or business units, building new facilities, expanding existing facilities, and acquiring outside businesses; and
- Revamping through upgrading or modifying operations, services, functions, or organisational structure.

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<sup>14</sup> Wadsworth, James j., *Cooperative Restructuring, 1989-1998*, Background Material Prepared by the Institute of Rural Management, Anand and distributed at a Seminar on “Designing Cooperative Companies/ Joint Ventures in the Emerging Environment, January 16-17, 2003

It is high time that necessary measures should be taken to help cooperatives consolidate and cooperate with each other and/or to restructure themselves to cope with the challenges in their external environment.

Thus it can be said that cooperatives in India have traversed a long and arduous path over the last one hundred years or so and now are at the crossroads. Notwithstanding their achievements and their phenomenal growth, cooperatives are beset with several financial, organisational, and management constraints and problems. In view of this, there is urgent need for restructuring them. The challenge therefore, is to restore the cooperative movement to good health through revamping and to guide them into the right direction. The Government, of course, is committed to strengthen the cooperative movement in India. The announcement of the National Policy on Cooperatives and the acceptance of the new approach to cooperative legislation have both taken a long time to come into being, but they augur well for the millions of rural poor producers and consumers in the country. However, to impart credibility to them, the commitments of GOI need to be institutionalised through the passage of an appropriate (model) Central Cooperative Law. It is hoped that the government will implement the new Policy faithfully and honour its commitments to action. Then only will the good intentions of the government will fructify.