CHAPTER 44

CO-OPERATIVE SOCIETIES

44.1 The Cooperative Movement in India was formally introduced with the promulgation of Cooperative Societies Act in 1904. Even before formal cooperative structures came into being through the passing of a law, the practice of the concept of cooperation and cooperative activities were prevalent in several parts of India. Some of them were named as Devarai or Vanarai, Chit Funds, Kuries, Bhishies, Phads.

44.2 Cooperatives in India function in different sectors, face diverse problems. The situation is further complicated by the fact that Cooperatives is a State subject under the Constitution of India and State cooperative laws and their implementation have vastly differed. The situation is further complicated by the fact that Cooperatives is a State subject under the Constitution of India and State cooperative laws and their implementation have vastly differed. Cooperatives in India have mostly played the role of an agent of the government. Cooperatives are seen to be the institutions that carry the State programmes to people, and in turn get State support. Changes in political authority at State level have over the years at different times resulted in wholesale supercession of cooperative institutions in many States vitiating their continued functioning as democratically elected cooperative institutions.

44.3 In the Indian context, it is pertinent to mention that a large segment of the population (65%) continues to depend on agriculture and agriculture related sectors of the economy. As Cooperatives in India came into being as a result of the Government taking cognizance of the agricultural conditions that prevailed during the latter part of the nineteenth century and the absence of institutional arrangements for finance to agriculturists, which had resulted in mounting distress and discontent. Small, local, locally worked institutions, cooperative in form, which would satisfy the postulates of proximity, security and facility for providing credit, were seen as the answer to this situation. However, subsequent events during both pre and post Independence period have led to a vast growth of cooperatives covering various sectors of the Indian economy.

44.4 The global economy, and in particular the Indian economy, has gone through transformation. The positive dimension of globalization included liberal economic policies, reduction of state intervention, and easy access to monetary capital and consequently new opportunities for economic participation. This is already evidenced in India in the form of increased economic growth and State withdrawal from many economic and social domains. On the other hand, there was apparently a misplaced perception developing in India that cooperatives may not be able to deliver in the context of the globalized market conditions and the changes that are taking place as a

result. Under the circumstances, there is a need for resurgence of cooperatives as important players. Cooperatives have a tremendous opportunity precisely because they have a special identity, because they have both social and economic objectives, because they are values and community based, because they are people oriented and because of their network of linkages through the cooperative movement. “In terms of the decent work paradigm ... cooperatives could lead the way by demonstrating what we really mean by freedom, equity, security and human dignity. ... Thus cooperatives by being true to their basic principles provide locally-based answers to globalization”.1 Therefore, contrary to the belief that globalization impedes the growth of cooperatives, cooperatives are the vital agencies to face the challenges posed by globalization. From the Eighth Plan onwards, cooperatives have found no mention in the Five Year Plans drawn up by the Planning Commission. It is important that due recognition is given to cooperatives as a third sector of the economy and its development, particularly in terms of its marginalized and weaker segments. Inclusion of a separate chapter on cooperatives as an important component of the plan documents would help build clarity and a vision for cooperative development.

44.5 Cooperatives are the best channels to keep the spirit of collectivism and democracy afloat. The presence of a large network of social organizations, like cooperatives, would aid in the generation and utilization of social capital and ‘greater the social capital greater would be the possibility of development’.6 Therefore, cooperatives have a futuristic role of fostering collectivism and preserving the social capital base of the country.

44.6 It is thus clear that cooperatives have a significant role to play in the future setting of our economy. In fact they have a more important role to play in the future compared to their agency role of the past. It is only the presence of a strong and wide network of cooperatives that can make the process of globalization less painful and global integration smooth. It is the cooperatives again who are equipped to work as pressure groups to voice peoples’ views in the market.

44.7 Some of the problems and challenges that cooperatives face today according to Report of the High Powered Committee on Cooperatives (May 2009) are:

- Inability to ensure active membership, speedy exit of non-user members, lack of member communication and awareness building measures
- Serious inadequacies in governance including that related to Boards’ roles and responsibilities
- A general lack of recognition of cooperatives as economic institutions both amongst the policy makers and public at large
- Inability to attract and retain competent professionals Lack of efforts for capital formation particularly that concerning enhancing member equity and thus member stake
- Lack of cost competitiveness arising out of issues such as overstaffing a general top-down approach in forming cooperatives including the tiered

structure Politicization and excessive role of the government chiefly arising out of the loopholes and restrictive provisions in the Cooperative Acts

44.8 In addition to the above, there is also a serious problem of a large number of cooperatives that are sick/non viable. As regards the problems specific to the credit cooperatives, the same have been dealt with in detail in the Vaidyanathan Committee Report.

Background on Cooperatives in International Scenario

44.9 The International Cooperative Alliance (ICA) in its Statement on the Cooperate Identity, in 1995, defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a nonprofit or cost basis (UWCC, 2002). It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (Laidlaw, 1974). Since its creation, the ICA has been accepted by cooperators throughout the world as the final authority for defining cooperatives and for determining the underlying principles, which give motivation to cooperative enterprise. World membership in ICA gives some idea of the size of the cooperative movement today. In 1895, the founding congress had 194 members; in the mid-1980s the ICA recorded a membership of about 355 million individuals; in 1999, the ICA's organisations represented 750 million people; and since 2002 it was estimated that more than 800 million people are members of worker, agriculture, banking, credit and saving, energy, industry, insurance, fisheries, tourism, housing, building, retailer, utility, social and consumer cooperatives societies (Levin, 2002; Encarta, 2005; and Wikipedia, 2006) .
In India the cooperatives which are members of ICA are :-

- Co-operative House Building & Finance Corporation Ltd. (Sahkari Awas Nirman Evam Vitt Nigam Ltd.)
- Indian Farmers Fertiliser Co-operative (IFFCO)
- Indian Farm Forestry Development Co-operative Ltd
- Krishak Bharati Co-operative Ltd. (KRIBHCO)
- National Agricultural Co-operative Marketing Federation (NAFED)
- National Co-operative Agricultural & Rural Development Banks Fed. Ltd. (NCARDBF)
- National Co-operative Consumers Federation (NCCF)
- National Co-operative Union of India (NCUI)
- National Federation of State Co-operative Banks (NAFSCOB)
- National Federation of Fishermen's Co-operatives Ltd. (FISHCOPFED)
- National Federation of Urban Co-operative Banks & Credit Societies Ltd (NAFCUB)

- National Co-operative Development Corporation (NCDC)
- National Labour Co-operatives Federation of India, Ltd. (NLCF Ltd.)

44.10 Cooperatives are based on basic values and principles. Cooperative values are general norms that cooperators, cooperative leaders and cooperative staff should share and which should determine their way of thinking and acting (Hoyt, 1996). The values, which are articulated by the ICA in a statement in 1995, include self-help, self responsibility, democracy, equality, equity and solidarity. The values statement further articulates values of personal and ethical behaviour that cooperators actualize in their enterprises. They describe the kind of people cooperators strive to be and the traits they hope to encourage through cooperation. These are honesty, openness, social responsibility and caring for others.

44.11 Cooperatives operate very much like other businesses. They must serve a market
efficiently and effectively, they must be well managed, and they must survive financially. However, there are important distinctions that make cooperatives unique. Laidlaw (1974) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision-makers) and the persons who use them (the customers). According to him, in typical capitalist business, especially large enterprise and multinational corporations, these three are separate and distinct groups. In small private business the situation is generally much better because of the close connection between shareholders (investors) and control. In a small retail business, for example, the first two components are often identical. But still the users, the customers, are a separate group.

44.12 In a cooperative, all three come together to form a unity; those who own, those who control, and those who use are one.

Statistics of Cooperative Society

44.13 Earlier detailed information on Cooperative Societies was available in the Publication “Statistical Statements Relating to Cooperative Movement in India”published by National Bank for Agriculture and Rural Development (NABARD),which was set up to provide re-finance support to Cooperative Banks and to supplement the resources of Commercial Banks and Regional Rural Banks by the NABARD Act 1981 . the publication (Part I) contained information on Credit Societies - State Cooperative Banks (SCBs), Central Cooperative Banks (CCBs), Industrial Cooperative Banks (ICBs), Primary Agricultural Credit Societies (PACS), Grain Banks (GBs), Primary Cooperative Banks (PCBs), Primary Non-Agricultural Credit Societies (PNACS), State Cooperative Agricultural and Rural Development Banks (SCARDBs) and Primary Cooperative Agricultural and Rural Development Banks (PCARDBs)

whereas Part II contained data relating to Non-Credit Societies: All Marketing Societies (National & State, Central and Primary), General Purpose Marketing Societies, Fruits & Vegetable Marketing Societies (Primary), Specialised Commodities Marketing Societies (Primary), All Processing Societies (National & State, Central and Primary): Sugar Factories, Cotton Ginning and Pressing, Oil Crushing, Paddy Processing, Rice Mills, Milk Supply, Poultry, Live Stock, Fisheries, Weavers, Other Industrial Societies, Spinning Mills, Consumer Cooperative Societies, Housing Societies, Cooperative Industrial Estates, Labour Contract & Construction Societies, Forest Labour Societies and others. However, though some information is still being maintained and disseminated by NABARD, the publication was discontinued after 2003-04.

Highlights:

- The number of credit society stood at 1.48 lakh in 2009-10 which was 1.43 lakh in 2000-01, and its membership increased to 18.12 crore in 2009-10 as against 15.29 crore in 2000-01. On the other side, the number of non-credit society stood at 4.58 lakh in 2009-10 which was 4.08 lakh in 2000-01, whereas, its membership stood at 6.82 crore in 2009-10 as compared to 6.61 crore in 2000-01.

- The membership of Societies and individuals of State Co-operative Banks increased from 0.17 lakh and 0.65 lakh in 2000-01 to 0.19 lakh and 1.88 lakh respectively in 2010-11. The total working capital of these Banks increased from Rs 494.10 billion in 2000-01 to Rs 1258.86 billion in 2010-11, whereas, the loans issued increased from Rs 304.16 billion in 2000-01 to Rs 707.48 billion in 2010-11.

- The membership of Societies and individuals of Central Co-operative Banks decreased from 2.77 lakh and 13.26 lakh in 2000-01 to 2.19 lakh and 7.37 lakh respectively in 2010-11. The total working capital of these Banks increased from Rs 911.78 billion in 2000-01 to Rs 1844.25 billion in 2010-11, whereas, the loans issued increased from Rs 609.21 billion in 2000-01 to Rs1611.77 billion in 2010-11.

- The number and membership of Primary Agricultural Credit Societies (excluding Grain Banks) stood at 0.93 lakh and 1212.25 lakh in 2010-11 as compared to 0.98 lakh and 998.18 lakh in 2000-01 respectively. The total working capital of these societies increased from Rs 538674.7 million in 2000-01 to Rs 1442219.02 million in 2010-11, whereas, the loans issued increased from Rs 256983.1 million in 2000-01 to Rs 913038.2 million in 2010-11.

- The number of Primary Non-Agricultural Credit Societies which were 0.45 lakh in 2000-01 stood at 0.51 lakh in 2009-10, whereas, its membership increased from 184.86 lakh in 2000-01 to 276.27 lakh in 2009-10. The total working capital of these societies increased from Rs 193493 million in 2000-01 to Rs 505030.9 million in 2009-10, whereas, the loans issued increased from Rs 120691 million in 2000-01 to Rs 251672.9 million in 2009-10.

- The number of Primary Non-Agricultural Co-operative Banks decreased from 1987 in 2000-01 to 1645 in 2010-11, whereas, its membership decreased from 190.02 lakh in 2000-01 to 173.66 lakh in 2010-11. The total working capital of these societies increased from Rs 947298 million in 2000-01 to Rs 1331099.2 million in 2010-11, whereas, the loans issued increased from Rs 472299 million in 2000-01 to Rs 1351037.5 million in 2010-11.

- The number and membership of State Co-operative Agricultural & Rural Development Banks declined from 4728 and 68.96 lakh in 2000-01 to 1385 and 45.43 in 2010-11 respectively, whereas, its total working capital increased from Rs 172808 million to Rs 247206 million and the loans issued increased from Rs 25786 million to Rs 39105 million from 2000-01 to 2010-11 respectively.

- The number of Primary Co-operative Agricultural & Rural Development Banks declined from 754 to 697 and its membership increased from 72.69 lakhs to 90.91 lakhs from 2000-01 to 2010-11, whereas, total working capital and loans issued increased from Rs 92953 million and Rs 16340 million to Rs 1999440 million and Rs 33244 million from 2000-01 to 2010-11 respectively.