

SUBJECT III

CO-OPERATIVES IN RURAL ECONOMY

Role of Co-operatives in Rural Economy*

R.C. Dwivedi†

HISTORICAL GLIMPSE

Historically, co-operatives, it is believed, started in India with the enactment of the 1904 Co-operative Societies Act, although in erstwhile Bengal and Bihar some co-operatives were organised even much earlier. The main purpose of co-operatives during the pre-Independence period was to provide relief to the farmers from the moneylenders who exploited them. After Independence, particularly, with the advent of planning, the object of co-operatives changed from relief measure to that of becoming a powerful instrument of economic development. This was clearly stated in the First Five Year Plan itself. It was not incidental, but a well thought out decision, based on what was resolved during the freedom movement. It was envisaged then that on getting Independence, the country will have an economic order/system, where one group of people will not exploit the other; which will enlist peoples' voluntary participation in the process of planning and implementation of programmes of economic development, which will not lead to concentration of economic power; and which will ensure economic development with social justice. Obviously, no other form of economic organisation in the private and/or public sectors could have built such a system, except the co-operatives. The merits of co-operatives are that they are associations of persons with common needs, who join hands for self-protection, promote social cohesion, encourage individual initiative through collective actions. Co-operatives have ideological base, economic objects and social approach. They are based on social parity and equality.

Great emphasis was laid from the First Five Year Plan onwards to diversify co-operatives, especially in the direction of co-operativisation of the rural economy. The First Five Year Plan had stated that the success of the Plan "would be judged, among other things, by the extent to which it is implemented through co-operative organisations". The Second Plan reiterated the same approach and advocated the building up of the co-operative sector as a part of economic planning. The Third Five Year Plan laid emphasis on the diversification of co-operative activities, with a view to expanding it for meeting the needs of peasants, workers, consumers, etc. Growth with justice and stability was the central point of the Fourth Five Year Plan, which emphasised the creation of opportunities for co-operative development as large and varied as they could utilise. Similarly, in the Fifth, Sixth and Seventh Five Year Plans also, co-operatives were recognised as an important institutional framework to ameliorate the economic conditions of the farmers and weaker sections. The Eighth Plan, however, made scattered mention of the positive role of co-operatives in various fields.

* Keynote paper.

† Officer on Special Duty to the Minister of Agriculture, Government of India, Krishi Bhawan, New Delhi-110 001.

The views expressed are the personal views of the author.

A blue-print for co-operative development was given by the National Development Council (NDC) in its Resolution on Co-operative Policy on November 8, 1958, and subsequently, in the recommendations of the Working Group on Co-operative Policy, set up by the Ministry of Food and Agriculture, Government of India, in January 1959 for considering the administrative and organisational arrangements required for implementing the above referred National Development Council's Resolution. The NDC Resolution had envisaged the following functions for the village co-operatives: (a) The provision of credit in close co-ordination with the production programmes for the village and assistance in particular to those who do not obtain credit under ordinary commercial banking principles; (b) linking of credit with marketing; (c) the full use of irrigation facilities available including undertaking the responsibility for maintaining irrigation works for excavating and maintaining field channels; (d) making adequate arrangements in the village for producing seeds and organic and green manures; (e) arranging for distribution of fertilisers received for the village and their supply on credit to the farmers; (f) promotion of animal husbandry and other programmes supplementing agriculture including village industries; (g) application of improved techniques such as dry farming, contour bunding, soil conservation, etc.; and (h) consolidation of holdings and other works of benefit to the community.

The village co-operative was "to include within itself all the families living in the village, whether they were cultivators, agricultural labourers, and other groups (e.g., fishermen) and not only provide them credit and certain other requirements, such as agricultural requisites or consumer goods, but also undertake a large number of other economic functions". Ultimately, as stated in the Second Five Year Plan, a co-operative community was to be established. "In a country whose economic structure has its roots in the village, co-operation is something more than a series of activities organized on co-operative lines; basically, its purpose is to evolve a system of co-operative community organisation which touches upon all aspects of life." That was the goal of co-operative development.

PROGRESS

With the adoption of co-operation as an instrument of economic development, a target-achievement oriented approach was introduced in the Five Year Plans for organising various kinds of co-operatives in the rural areas. The Government of India provided massive financial, technical, administrative and other support, directly and through State Governments to achieve the targets. The Government's administrative machinery was mobilised to ensure the fulfilment of targets. The structure of office of Registrar of Co-operative Societies was expanded manifold. The Government of India set up a National Co-operative Development Corporation (NCDC), originally to finance development of co-operative marketing and processing. Now, it includes several other co-operatives. The NCDC is a unique organisation in the co-operative world. To develop a co-operative dairy, the Government established the National Dairy Development Board (NDDB). To accelerate the co-operative development, the Government, on the recommendation of the Rural Credit Survey Committee, introduced the concept of State partnership in the co-operatives, a measure which, on the one hand, has strengthened the financial base of co-operatives, but, on the other hand, it has been misused for Government interference in and control over the co-operatives. An intended blissful concept proved to be a curse politically.

As a result of the Government's interest in co-operative development as a policy and

various measures for its acceleration, there has been spectacular diversification and expansion of co-operatives, entering, by now, into practically every field of economic activity and service. The Indian co-operative sector is considered as the largest in the world in terms of number of societies, membership and structural framework. Briefly, there are in all 0.35 million co-operatives of all kinds, with nearly 170 million individual members. Normally, it is a three-tier structure, viz., the primaries federating at the district, state and national levels. The major co-operative segments (production credit, investment credit, marketing, processing, consumers, housing, fisheries, weavers, artisans, etc.) have their vertical federations for sectoral co-ordination. The horizontal federations, known as co-operative unions at various levels, viz., district, state and national are the spokes organisations of the entire co-operative sector in their respective areas. It is interesting to note that there are co-operatives with individual membership limited to a minimum legal requirement to form co-operatives, as also co-operatives with large individual membership. There are also large-sized industrial enterprises, such as Indian Farmers' Fertilizer Co-operative Ltd. (IFFCO), Krishak Bharati Co-operative Ltd. (KRIBHCO). For training of employees, there is a three-tier structure - Vaikunth Mehta National Institute of Co-operative Management, Pune, for senior personnel, 19 Institutes of Co-operative Management for intermediate personnel and nearly a hundred co-operative training centres for junior personnel. This training structure takes care of both Government officers and co-operative employees. In addition, there is a nationwide member-education programme for educating the members and office-bearers. There is also a National Centre for Co-operative Education, to give orientation to trainers and co-operative leaders. The National Co-operative Union of India co-ordinates, guides and supervises the training and education system. Major funds for this purpose come from the Government of India. In India "training" and "education" have different connotations. Training refers to paid employees, whereas education is for laymen or ordinary members and office-bearers.

Regional Imbalance

There has not been even growth of co-operatives all over the country. There are states like Kerala, Maharashtra, Gujarat, Punjab, Haryana, which are fairly developed co-operatively, while there are some states like Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Madhya Pradesh where co-operatives are making good progress. There are regions like the North-East and East, other difficult areas where co-operative development has been sluggish. Even within a state, there is imbalance in the development of co-operative activities between one part of the state and the other. Likewise, not all the activities have even growth in all the states or even in the same state. The main identifiable reasons for the imbalance are:

- * The attitude of the State Government, i.e., what priority it gives to co-operative development and whether it has faith in co-operatives' potentials and a vision.
- * Quality of leadership - Where co-operative leadership is strong, co-operatives have a network and are strong, where leadership is weak co-operatives are weak. Co-operation is a movement and any movement needs leadership. Leadership of co-operatives is weak in co-operatively under-developed states.

- * Status of an economy - States/regions where economy (agriculture) is good, co-operatives have diversified, where agriculture is weak co-operatives are weak.
- * Poverty level - In areas, where majority of the people are poor, co-operatives could not be developed in spite of Government's special efforts and programmes.
- * Level of general education and awareness: States where the level of general education and awareness is high co-operatives caught people's vision and initiative, otherwise people have not responded to governments' initiative and sponsorship of co-operatives. Kerala is a sound example of education as a factor of co-operative development.
- * Infrastructure - With the availability of infrastructure - transport, communication, godown facilities, institutional finance - co-operative development has been facilitated. In their absence, co-operatives have been handicapped.

Performance of Co-operatives

It is often heard people saying at random that co-operatives have failed in India and they have no future. It is untrue to say that co-operatives have completely succeeded or completely failed in India. There is nothing like absolute success or absolute failure. They have mixed performance. There are certain activities in which co-operatives have given remarkable results such as sugar production, milk production and processing, fertiliser production, co-operative hospitals and health clinics, in Kerala and Bombay. Primary Agricultural Credit Co-operatives (PACS) are fairly strong in Kerala, Haryana, Maharashtra, Gujarat and some other states, while they are weak elsewhere. In short, there are bright areas with encouraging progress and performance, while there are gray areas with not so very encouraging results. To assess and evaluate the performance and achievements of co-operatives, an overall and sectoral assessment is necessary. A few achievements may be identified as:

- * People of all professions and categories know co-operatives, though not necessarily with full understanding of the ideals and philosophy of co-operation.
- * Co-operatives have been instrumental in eliminating individual moneylenders to a large extent.
- * There has been emergence of a large number of non-official co-operative leaders.
- * Co-operatives have created job opportunities to a large number of people as their employees.
- * By organising themselves in the form of co-operatives, gainful self-employment has been availed of by unemployed educated, skilled and unskilled people.
- * In every field, having some successful co-operatives, the validity of the concept has been well established.
- * A vertical and horizontal structure of co-operatives has been completed from village to the national level, through district and state levels.
- * The success of IFFCO, KRIBHCO, co-operative sugar factories, large-sized dairies establish the fact that co-operatives have the potential and experience to venture into large industrial enterprises in the field of agro, horticultural and food processing.
- * The experience gained is that co-operatives functioned better with democratic management, their own paid chief executives/managing directors and involvement of members.

- * Success of a number of consumers' stores established that they can not only compete in the market but also be price setters.
- * Co-operatives have played a major role in ushering an era of green revolution in agriculture and white revolution in dairy development.

These are important indicators of performance of co-operatives. The factors which contributed towards the rapid expansion and spread of co-operatives and their achievements may be identified as follows:

- * Personal interest and commitment of the Head of the Government (PM) (Nehru was one single factor for rapid expansion of the co-operatives. After him it took a U turn).
- * Imaginative and dedicated leadership.
- * Acceptability of the concept by the beneficiaries.
- * Intensive publicity through various media.
- * Nursing by intellectuals - academicians, statesmen, social reformers, etc.
- * Commitment of the Government.
- * Prospects of economic return.
- * Interaction with foreign experts in the field of co-operation.
- * Surplus agricultural economy of the area.
- * Availability of needed infrastructure.
- * Multiplied effect of successful experiences.

These and other healthy environmental support to the co-operatives enabled them to expand and diversify the activities.

However, after the late sixties the progress and performance curve of co-operatives started showing a descending trend. The main reasons were:

- * Nehru's disappearance and his successors showed no personal commitment, had no vision for co-operatives. No Prime Minister echoed Nehru's ideal "to convulse India with Co-operation".
- * Wide adverse publicity projecting co-operatives as being dominated by vested interests.
- * The increasing controlling influence of the Government over co-operatives with the attitude to manage them.
- * Introduction of undemocratic provisions in the Co-operative Laws, limiting the role and authority of members.
- * Multi-agency approach in banking, marketing and other sectors.
- * Unsympathetic, rather anti-co-operative, attitude of the Government officers.
- * Deterioration in the quality of co-operative leadership due to various reasons.
- * Absence of professionalised management resulting in managerial inefficiency.
- * Politicisation and bureaucratisation of co-operatives.
- * Isolated working of co-operatives, ignoring the principles of co-operation.

SECTORAL ANALYSIS

Primary Agricultural Credit Co-operatives (PACS)

There are nearly 90 thousand Primary Agricultural Credit Co-operatives out of 0.35 million co-operatives of all kinds in the country, covering 99.8 per cent of the villages. The total individual membership of these co-operatives is nearly 86 million farmers with an average individual membership of 961 per PAC. About 52 per cent of the PACS are viable, while 23 per cent are potentially viable. The rest 25 per cent are dormant. The total share capital is Rs. 147,405 million, the Government contribution being nearly 17 per cent. The PACS which form the vast base of co-operative pyramid are weak. Even among the viable PACS, not many have undertaken functions envisaged by the National Development Council as referred to earlier. It may be mentioned incidentally that very frequently the Government and Reserve Bank of India (RBI) raised the matter of viability of primary agricultural co-operatives and every time restructuring was recommended, just a kind of ad hoc approach and experimentation. Small societies were amalgamated into large size, from large size to one co-operative for a Panchayat area. Then again the organisation of Farmers' Service Co-operatives, Large-Sized Adivasi Multi-purpose Societies (LAMPS) for tribals. In the decision-making the opinion of actual members of co-operatives was not solicited. The co-operative department carried out the direction and pattern of restructure, 'making' members to agree to division or amalgamation as the case may be. For a country of the size and local variations like India, it is erroneous to 'impose' one and the same pattern all over. Local people should have been guided to evolve their own patterns. Had members themselves decided and designed the size and pattern with their free will, consent and commitment, they would have ensured the economic viability of their primary. There are other factors responsible for PACS weaknesses such as political decision to waive loans upto Rs. 10,000, mounting overdues, no member loyalty due to discrimination in providing services, the presence of other credit suppliers, like commercial and Regional Rural Banks, etc. The PACS meet 30 per cent of the agricultural finance. It is a matter of concern that the share of the co-operatives in agricultural credit is declining. The United Front Government has proposed to set up local private banks. This will further pose more problems before agricultural credit co-operatives.

Agricultural Marketing

Marketing co-operatives on a systematic basis started in India after the year 1956. It was visualised that one marketing co-operative society will be established in every regulated market in the country. A network of nearly 3,000 primary agricultural marketing co-operatives and an equal number of commodity marketing co-operatives have come up. The primary object of these co-operatives was to market the produce of members to their best advantage. With the increase in the agricultural productivity and production, marketing co-operatives have made steady progress. Structurally, primary agricultural marketing co-operatives have federated at the district and state levels, culminating in the formation of National Agricultural Co-operative Marketing Federation of India (NAFED). There were 157 district level federations and 22 state level federations. Commodity co-operatives are for oilseeds, fruits and vegetables, paddy, horticultural products, coir, tobacco, cotton, etc.

However, the development of marketing co-operatives has not been even in regard to organisation, turnover, profitability and importance. Marketing of sugarcane, cotton and oilseeds account for a predominant share in the total turnover of all the marketing co-operatives in the country. The activities of marketing co-operatives include commercial purchases, procurement operations, price support operations, market intervention, purchase under pooling system and pledge business. The performance of marketing co-operatives is not according to their bye-laws objects. Thirty per cent of them are reported to be undertaking no marketing activity at all. Another 30 per cent are dormant. The rest are doing marginally well. Marketing co-operatives have also started export business, which has bright future. However, taking into account the agricultural marketable surpluses, the marketing co-operatives have to accelerate their activities to serve the farmers. Primaries need to be strengthened and the principle of co-operation among the co-operatives needs to be strictly followed.

Agro-Processing

The main areas of processing, where the co-operatives have successfully entered are sugar, paddy, dairy and spinning. There were 240 sugar co-operatives which produced nearly 60 per cent of the total national production of sugar in 1994-95. They have diversified their activities. Co-operatives have played successful role in the development of dairy or milk processing and marketing. The Amul pattern has drawn international attention and interest. A three-tiered organisational structure has developed whose production base comprises primary village level co-operatives of milk producers. The key functional units consisting of district level cluster unions of such village societies and at apex level a state level federation of cluster unions. It is a vertically integrated structure. The structure embraces production, procurement, processing and marketing of milk. Ultimately, commercial integration would take place at the national level. The Government of India has set up a National Dairy Development Board (NDDB) to develop co-operative dairy all over the country. It has also developed a network of milk supply under 'Operation Flood'. There were 70,829 dairy co-operatives with total individual membership of 7.407 million milk producers in 1994-95. There were 187 district milk unions and 27 state level federations. There were 126 co-operative spinning mills. In addition, there were 431 co-operative ginning and pressing co-operatives. Oil, sugar, spinning, dairy co-operatives have fairly strong vertical structure. The success of sugar, spinning and dairy co-operatives have earned international appreciation. However, each processing sector has its own organisational, financial, managerial problems. There is vast scope for agro-processing to develop on co-operative basis.

By and large, the processing segment of the co-operative sector is successful. The main reasons for the success were:

- * Processing created value addition, which enabled more income and better economic returns to the members.
- * There is bottom up functional integration at various levels strengthening each other.
- * The structure has been built on peoples' felt needs and not on government's need.
- * There was members' involvement althrough.

- * The leadership, from among the members themselves, was dedicated with clear vision and direction.
- * Member-interest has been kept supreme.
- * Management was professionalised.

However, where there was lack of the above elements, the economic results were poor. Co-operative processing promotes rural industrialisation, creates additional employment opportunities and generates additional income.

Electricity Supply

The role of co-operatives in the electricity supply began with the establishment of Rural Electricity Corporation (REC) in 1969. There were 38 Rural Electricity Co-operatives (RECo-ops) functioning in 11 states, viz., Andhra Pradesh (9), Bihar, Jammu and Kashmir, Karnataka, Maharashtra, Orissa, Rajasthan and Uttar Pradesh one each, Madhya Pradesh (17), West Bengal (2) and Tamil Nadu (3). By the end of March 1994, the 38 RECo-ops electrified 4,133 villages, 1,687 hamlets and intensified 4,338 electrified villages. These co-operatives have energised about 0.2 million additional pumpsets, 17,000 small industries and provided household connections to 0.7 million houses. RECo-ops have been considered in India as an integral part of the overall development leading to increased agricultural production and stimulating overall economic growth of the area. The performance of these co-operatives is a mixed one, some with good results, some discouraging. A recent field study revealed that "electrical co-operatives in India seem to be struggling for survival. Vested interests, archaic laws impacting the co-operatives and difficult tariff constraints have contributed to the inability of co-operatives to function independently, democratically and viably. Their, sustainability, therefore, hangs in constant jeopardy." A national federation of electrical co-operatives is in the process of formation. This will co-ordinate and play an important promotional role in the development and working of RECo-ops. In the context of promises "electricity for all by 2010", the scope of RECo-ops is very vast and potential. The pre-condition is that they are allowed to function as genuine co-operatives.

Natural Resources Management

The main natural resources are land, water (sub-soil and surface), forests (plantation and natural) and fisheries. The alternate systems of their management are nationalisation, privatisation and co-operativisation. Theoretically, ideologically and practically, co-operativisation is the best, because it involves voluntarily local people in the management and sharing of benefits - equally. In India the role of co-operatives in the natural resources management is of recent origin. Such co-operatives include marine fisheries, inland fisheries, lift irrigation, canal irrigation, tubewell irrigation, tank management, tree growing, forest, salt production, etc. There are many success stories of farmers managing irrigation in India, e.g., canal irrigation societies working in the Ukai Kakrapar project command area in Gujarat, co-operative lift irrigation societies in many states. However, the impact of co-operatives is not yet felt and recognised at the macro level. There is a network of fisheries co-operatives in India with a vertical structure upto the national level (8,372 primaries, 78

district federations, 15 State Federation and National Federation of Fishermens' Co-operatives).

There are various difficulties faced by the natural resources management co-operatives: in the case of forest and tree growers' co-operatives, the problem is acquiring land on long term lease; difficulties in obtaining funds and technical guidance; unsympathetic attitude of the bureaucrats; poor management; lack of member participation; lack of competent leadership; and lack of training of employees and education of its members, office-bearers, etc.

Supply of Consumer Goods in Rural Areas

The village co-operatives are also expected to provide consumption loans to the farmers to avoid them going to moneylenders. However, due to paucity of funds with the primaries not much progress could be made in that direction. Another aspect is supply of essential commodities, particularly to the weaker sections of the society. The Government of India has launched a nationwide Public Distribution System (PDS), which is being implemented by the State Governments. Under this programme, fair price shops have been allotted to individuals, non-governmental organisations including co-operatives. Of the total number of fair price shops allotted in the rural areas, the share of co-operatives is 17.7 per cent. The co-operative fair price shops supply all the items identified under the PDS. In a few states, only co-operatives have been assigned the task. Co-operatives, however, are not enthusiastic to undertake fair price shops under the PDS, because they do not find it an economically viable activity. As a matter of principle, only such co-operatives should be allotted fair price shops, which voluntarily offer to undertake the PDS work. But co-operatives, as community organisations, should arrange the supply of essential commodities as their normal activity, as according to co-operative principle, the co-operatives have to care for the community.

Health Services

The role of co-operatives in developing health services has not been uniform in India. The largest number of co-operative hospitals and dispensaries are in Kerala. Karnataka and Maharashtra also have a few co-operative hospitals. In other states big co-operative enterprises like banks, sugar factories, spinning mills, dairies have set up clinics and hospitals out of their own profits. While these medical services/facilities are open to all, the members and their dependents get treatment on concessional rates and priority in admission. Concessions range from 25 to 50 per cent for consultancy services, tests, etc. The hospitals provide diagnostic services, special therapeutic service, educational activities and facilities, general services, community services, hospitalisation, etc. These hospitals are very popular for their efficient service at reasonable price. The experience has proved that the co-operatives can play a greater role in providing services to the community. The need is to spread the idea.

Co-operatives and Environment

The environmental problems stem from industrialisation (smoke, untreated wastewater

disposal, etc.), big construction projects, rapid urbanisation, clustering of labour-hamlets, domestic use of firewood, cowdung cakes, charcoal, etc., open flow of domestic wastewater, non-disposal of garbage, coupled with lack of facilities for recycling of recyclable waste material, increasing use of chemical fertilisers and other chemicals, mechanisation of agriculture, disappearance of village forestry, increase in agricultural land use, increasing prices of building wood (timber, etc.) leading to fast harvesting of trees, cattle-herding, deforestation, etc.

Co-operatives are expected to play a significant role in the environmental activities in harmony with sustainable development. In Japan, agricultural, fisheries, forestry and consumer co-operatives are actively and systematically involved in environmental protection. In India, the co-operatives have started realising that they have responsibility towards environment protection. IFFCO has launched social forestry projects in its adopted villages with significant success. In Madhya Pradesh tree growers' co-operatives have been organised. A number of co-operatives in various states have undertaken some activities like plantation of trees, maintaining of parks, building of safe drinking water facilities, etc. In training courses and educational programmes, the awareness about dangers of pollution and measures for environment protection is created. Co-operatives have a lot of potential for environmental work. Apart from building public opinion, co-operatives may form waste recycling co-operatives on Chinese experience and model, set up compost processing centres, popularise organic cultivation to balance the use of chemical fertilisers, etc. In the villages sanitational activities can be supported by village co-operatives. However, the co-operatives need more resources, financial and other, to involve themselves in a big way in environmental activities. The village co-operatives lack finances even for their committed bye-law activities to serve the members. Co-operatives have the willingness to be a partner in protecting the earth and its habitat.

Co-operative Management

Co-operative management is a complex aspect. It has to follow the co-operative laws and rules, bye-laws of the society, international co-operative principles, the administrative decisions and orders of the Registrar of Co-operative Societies and other laws of the land. It has to achieve the bye-law objectives, while at the same time, strengthen the basic values in the co-operatives, specially honesty, solidarity, transparency, etc. Co-operative management deals with human aspirations and expectations. Presently, co-operative management suffers from several contradictions, aberrations and limitations. Conceptually, it is independent to take decisions, but in practice the decision-making power is greatly curtailed by subjecting them to the approval of the Registrar of Co-operative Societies. There is utter lack of professionalisation resulting in inefficiency and losses. A typical pattern of key personnel being appointed by the government out of government cadres has made co-operatives virtually a part of the establishment. In this process a lot of deep rooted vested interests of bureaucracy have developed. The management of co-operatives has also been excessively politicised, by replacing the elected board of management with nominated persons, who in most cases are political people ignorant of co-operation. Elections in the

co-operatives are not held for years. Administrators run the co-operatives. There is widespread absence of harmony between the elected honorary management and the paid management, caused by lack of understanding and acceptability of demarcation of powers and functions of each, as also personal ego. These aberrations have greatly weakened the co-operatives. Where management does not suffer from such ills, co-operatives have succeeded. At all levels and in each segment of co-operative sector cases of success and failure are available.

Role of Co-operatives under Liberalised Economy

In the context of liberalisation, marketisation, privatisation and globalisation of economy, certain questions have been raised relating to the co-operatives, such as will the co-operatives be relevant under the liberalised market-oriented economy? Will the co-operatives have sustainability in the environment of competition and liberalisation? Will the Government continue supporting the co-operatives? Will the co-operatives survive without the Government support? and similar others. As regards the relevance of co-operatives under the liberalised economy, historically, the very concept of co-operatives was born in England during the 19th (1844) century in the environment of free economy, as a means of self-protection against consumers' exploitation by the traders. Even today in the highly market-oriented countries like the U.S.A., Scandinavian countries, Japan, etc., co-operatives play a significant role in influencing markets. In U.S.A., for example, co-operatives annually account for nearly 70 per cent of fluid milk, 80 per cent of fresh fruit, 35 per cent of agricultural credit of all types, 30 per cent of grains, oilseeds and major share in the rural electrification production, transmission and distribution; bulk of fertilisers and petroleum is handled by the co-operatives. Similarly, in Japan, co-operatives are fairly strong in the field of agriculture, consumers, fisheries and forestry. There are 110 University Co-operative Stores. They substantially influence the market.

In the existing situation in India, there is virtually no alternative to the co-operatives to serve and protect the interests of those who are prone to exploitation in the market-oriented economy. The farmers, artisans, workers and weaker sections, consumers, particularly below the poverty line consumers, can withstand the competition and escape exploitation through co-operatives. They cannot be left open to market forces. Therefore, the co-operatives will continue to have their relevance under the economic reforms.

In fact, the Eighth Five Year Plan which was the first official document after introduction of liberalisation, confirms this role. It has been stated that "the recent changes introduced by the Government in several fields provide an opportunity for co-operatives to play a much larger role in several areas, such as marketing of agricultural produce, creation of marketing infrastructure, establishment of agro-processing units, etc. Many schemes taken up in the past will be continued with greater vigour." The other areas for co-operatives are supply of agricultural inputs, irrigation water management, plantation and forestry, ecological activities, international trade, health services, transport, dairy, food processing, etc. There is immense scope for the co-operatives in the field of horticultural processing. In India, about one per cent of the annual production of fruits and vegetables is processed, while in Brazil and U.S.A. it is 70 per cent, in the Philippines it is 70 per cent, in Malaysia 83 per cent. The processing industry needs packaging material. Hence the development of packaging industry

has, *per se*, vast scope for co-operatives. Co-operatives can also play a vital role in the United Front Government's Common Programme and in the implementation of redefined core sector, which aims at providing basic services/needs to the rural people, viz., drinking water, health services, road linkage, primary education, housing and supply of consumer goods.

Sustainability of Co-operatives

With the above assumption that the co-operatives have an important role to play in future, the next question arises whether or not the co-operatives will have sustainability in the new environment in which they will have to face competition and may not have reserved areas for their operation. Sustainability means continuing self-growth of co-operatives individually and the structure as a whole. It would depend upon the co-operatives themselves to a very large measure to develop and ensure sustainability. Co-operatives are institutions of the members, by the members and for the members. Sustainability of the co-operatives will depend on the extent the co-operatives serve the members and improve their economy and build and enlist their loyalty. Co-operatives cannot sustain themselves on government's spoon-feeding by way of getting some business and assistance. The scheme of Business Development Planning introduced for PACS is in that direction. Its effectiveness would depend on how the schemes are adopted by each society. If co-operatives develop their members-oriented business sustainability will be certain. The experience in India and abroad has established this.

In addition, to achieve sustainability, the entire work culture of co-operatives, both of individual units and integrated structure, will have to be drastically transformed, so as to improve their resources, managerial and operational efficiency, result-oriented outlook. They will have to restructure their intra- and inter-institutional working relationship to make the co-operatives work as a complete integrated system, as against the present isolated working of each unit, competing among themselves. Societies which have no prospects of survival have to be weeded out. It is imperative to induct cost and quality consciousness, operationalisation of the principle of co-operation among co-operatives; strengthening of internal financial resources; modernisation of management, cost-benefit analysis, perspective planning, human resource development, wide publicity, etc. In case the existing work pattern of co-operatives continues, not only their sustainability, but their very survival will be under great pressure. Hence vital steps will be required. Again, sustainability implies competitive strength of co-operatives to encounter their counterpart in the market. Competition means that the co-operatives retain their present members by their pricing policy, service/business policy, operational efficiency, publicity and motivate non-members to become members. Not many co-operatives have competitive strength at present.

Concerted efforts should be made to enter the field of agro-processing in a big way. This will, on the one hand, ensure better income to the farmers, while, on the other hand, strengthen the sustainability of the entire co-operative structure from village to national level. The agricultural sector will thus become export-oriented and a strong source of foreign exchange. Skilled, semi-skilled and unskilled labour in the villages will be absorbed in the processing co-operatives, which will reduce the burden on agricultural land and several other activities like transport will generate and multiply. Co-operatives have the advantage of international linkages and they should contact their counterparts in other countries to explore and find

partners for setting up joint enterprises. This opportunity should be availed of without loss of time. The experience is that where processing co-operatives like sugar factories have come up, the entire co-operative structure has become strong and sustainable and the area around has become progressive and prosperous.

Government Support

Government support to the co-operatives is essential for their diversification, expansion and sustainability and above all to protect the interest of the people with limited means. Liberalisation does not prohibit this support. In fact, the World Bank and U.N. specialised agencies emphasise government's support for co-operative development without impairing in any way their co-operative character. The government has committed the support by accepting the Sydney Declaration of Conference of Ministers of Co-operation of Asia and Pacific countries organised by the International Co-operative Alliance (ICA) Regional office for Asia and Pacific and their subsequent conferences held at Jakarta and Colombo. The Minister for Agriculture, Government of India and State Governments have been emphasising, time and again, to expand and strengthen the co-operatives. To assist the building of a strong co-operative sector is in the interest of the Government as well. It is people's sector. It enables pooling together small savings and other productive resources and to put them to better and active use, which otherwise remain idle. Moreover, a welfare State, as India is, the Government has the responsibility to assist the poor and downtrodden to form their self-help groups to increase their viability.

The Government of India has taken bold decisions to create favourable conditions for private initiative and investment by domestic and foreign investors. Similar measures are required for co-operatives as well. Monetary support is important, but what is still more important is a healthy and congenial environment for the co-operatives to grow and work smoothly. Several measures are needed such as scrutiny and prevention of entry of multi-nationals or private units in areas where the co-operatives are well established as their free entry may create a setback and problems to co-operatives; freedom and autonomy to the co-operatives by replacing the existing co-operative laws on the pattern recommended by the High Powered Committee appointed by the Planning Commission; support to co-operatives' efforts to build their financial resources, e.g., deposit mobilisation campaigns, preference/priority to co-operatives to set up agro-processing units, etc.

A widespread impression in the country is that the co-operatives depend and function on Government funds and assistance; otherwise they cannot survive. The Government also justifies its interference in and control over the co-operatives on that argument. That might have been valid at earlier stages. At present, there are segments of co-operative sector, like the urban co-operative banking, thrift and credit co-operatives, etc., which do not have government funds, but the Government interferes in their management and affairs, much beyond the statutory provisions. A large number of processing co-operatives are financially self-reliant. Self-reliance does not mean that the entire finances should be contributed and raised by members themselves from their own resources. It means that co-operatives should, like any other commercial enterprise, have the capacity and viability to borrow and repay out of their economic surplus. Borrowing, even from the Government with capacity to repay, is not against the principle of self-reliance. Of course, it would be ideal if members make

maximum investments. Too much of government involvement has crippled the co-operatives as it has failed to motivate the members to save and invest in their co-operatives. Because of this, several other weaknesses developed in the co-operatives such as members' indifference towards co-operatives, lack of loyalty, growth of vested interest, etc. Co-operatives have come to stay. They, a large number of them, will survive and do better in a challenging situation without government funds. What they need is freedom of action. A small number of genuine co-operatives, based on the spirit of self-help and mutual help is better than a large number of pseudo co-operatives. Given the proper environment and freedom co-operatives will survive and thrive on their own.

MEASURES TO REMOVE WEAKNESSES

It is not one measure which can eliminate the weaknesses of co-operatives everywhere in the country. The factor or factors which are mainly responsible for the weaknesses need to be identified and analysed at the macro and micro levels as they differ from place to place. At the macro level the relationship between the State and the co-operatives will have to be reviewed, redefined and changed. Today the Government's approach is to manage co-operatives, in addition to supervise, control and direct them. The government's involvement is so much that the co-operatives have virtually become a part of the establishment. The main role of the government should be to build a conducive environment for the co-operatives. The government should announce a National Policy on Co-operation.

The co-operative laws in the country are negative. Both the government and the Registrar of Co-operative Societies are clothed with vast powers to interfere in the day-to-day working of co-operatives. Unless the laws are changed on the pattern of Brahm Prakash Committee (1990) recommendations, neither the environment will change nor the co-operatives can be genuine. Empowerment of members is essential, desirable and inevitable.

Co-operation is a value-oriented concept. Its value content is most important for its distinct identity. The ingredients of values, as identified by the ICA Congress in September 1995 at Manchester are self-help, democracy, equity, equality, solidarity, honesty, openness, social responsibility. These elements, by and large, are absent in the co-operatives in India. It is essential to inculcate them in the co-operatives at the organisational level and in the co-operative office-bearers, employees and members. These are safeguards against unhealthy competition in the market.

Coupled with value concept is practical operation of co-operative principles, viz., (i) voluntary and open membership, (ii) democratic member control, (iii) member economic participation, (iv) autonomy and independence, (v) member education and information, (vi) co-operation among co-operatives and (vii) concern for community. The co-operative principles (as adopted by ICA in 1966) are incorporated in the co-operative laws, but they are observed more in their violation than operation. Non-observance of these principles has been responsible for distortions in co-operatives. The operation of these principles will strengthen the value content and sustainability of co-operatives.

One most powerful single factor for the weakness of co-operatives in India has been its worst politicisation. In no part of the world co-operatives have been dominated so much by political considerations and interests as in India, to the extent that even constitutional rights and human rights as provided in the Constitution and the Human Rights Protection Act are denied to co-operative members. It is a serious problem which needs commitment of all

political parties to refrain from making co-operatives their playground and area of influence. It is a difficult proposition since political interests have supremacy over co-operatives. In the absence of any legal remedy co-operative leaders should build pressure on the political parties not to interfere in co-operatives.

CONCLUSION

To conclude, co-operatives have been developed after Independence as a developmental strategy. Government's directions were set for the co-operative sector. However, in the process of development various shortcomings and distortions also developed, due to which co-operatives could neither develop as a movement nor as an integrated economic system. Each unit works in isolation by itself. Today neither the government nor the co-operative leaders speak about the goals, directions, ideals and ideology of co-operatives. There are many good working co-operatives. But the co-operative spirit is missing both in the individual co-operators and institutions.

Under economic reforms, co-operatives at various levels will have to take measures at their own instance to reform themselves to increase their organisational and internal strength. The process of self-reform is necessary to consolidate the achievements in various directions. The governments at the centre and states are not inclined, more for political reasons, to liberalise their grip over the co-operatives. There is vast scope for co-operatives to expand under liberalised economy. Co-operatives have the potential to successfully face the competition. Multinationals have their own limitations. Co-operatives have various advantages over their competitors. The need is to develop dedication, commitment and vision on the part of individuals and institutional leadership.