

Cooperatives with Start-up Ventures for Resilient Agribusiness' Ecosystem

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ABSTRACT

The cooperatives in India are the backbone for the upcoming Farmer Producer Organizations / Farmer Producer Companies. The transformation journey from cooperatives to FPO/FPC will take some time and firmness. During this paradigm shift, Agribusiness Startups and Cooperatives in diverse fields can come together and can flourish the business ventures and create employment opportunities and derive a good standard of living to all the stakeholders in agriculture. The article give the scenic picture of the cooperatives in field of agriculture, its strength and weakness compare to agribusiness startups and how both can overcome their challenges and create a win-win situation for both the entities. The upcoming policy advocacy in cooperatives and promotion of entrepreneurship in COVID crisis, Cooperatives startups and or cooperatives and startups can collaborate and build a firm backward and forward linkage to make the business simplified and healthily optimistic.

Keywords : Cooperatives, Startups, Entrepreneurship, FPO/FPCs

Introduction :

Cooperatives in India have been growing in numbers covering almost 97% of rural population in India. It employs millions of Indians through Self- Help Groups (SHGs) or through registered societies under the cooperative. This overall cooperative sector in terms of types of cooperatives, catering to different sectors, privately owned quasi-government or completely owned by the government. By in 2010, the total number of cooperatives in India stood at approximately 6,10,000 and employed more than 250 million Indians. The government initiated organizations such as NCUI, NABARD, and farmer specific organizations such as IFFCO, Vrutti, NACOF are some of the key ecosystem players that support the cooperative movement in India.

The broad categories of cooperatives can span across agricultural products (cereals, pulses, vegetables, fruits) to allied products (coffee, tea, dairy

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products, fishery, meat, etc.) to weaving/ handloom cooperatives. Each of these cooperatives covers clusters of the region, state-wise and under product category they are state-wise organized in operation but also supported by the national bodies of the product category (National Fisheries, National Milk Cooperative Board, etc.) monitored by the central government of India.

Evolution of Co-operative Movement in India

The cooperative movement in India owes its origin to agriculture and allied sectors.

- ☞ Towards the end of 19th century rural indebtedness and the consequent conditions of the farmers created an environment for chit funds and cooperatives.
- ☞ The farmers generally found the cooperative movement an attractive mechanism for pooling their meagre resources for solving common problems relating to : i. credit, ii. supplies of inputs and iii. marketing of agricultural produce.

Co-operative Movement in India

- ☞ The experience gained in the working of cooperatives led to the enactment of Cooperative Credit Societies Act, 1904.
- ☞ Subsequently, a more comprehensive legislation called the Cooperative Societies Act 1912 was enacted wherein post of Registrar and registration of co-operatives for various purposes was provided.
- ☞ Under the Chelmsford Reforms of 1919, Co-operative Societies became a provincial subject and provinces were authorized to make their own co-operative laws.
- ☞ The Multi Unit Co-operative Societies Act, 1942 was enacted for co-operatives having membership in more than one unit or Province
- ☞ Multi State Co-operative Societies Act, 1984 was enacted to remove the plethora of different laws governing the same type of co-operatives and bring about uniformity of administration in different co-operatives.
- ☞ The Multi State Co-operative Societies Act, 1984 was replaced by the MSCS Act, 2002.
- ☞ In Maharashtra, the MCS Act, 1960 is the Act which governs and regulates the Cooperative Societies in the State.

Co-operative Principles

- ☞ Voluntary and Open Membership
- ☞ Democratic Member Control
- ☞ Member Economic Participation
- ☞ Autonomy and Independence
- ☞ Education, Training and Information
- ☞ Co-operation among Co-operatives
- ☞ Concern for Community

Stagnation in Co-operative Movement

- ☞ Dormant membership and lack of active participation of members in the management of cooperatives.
- ☞ Mounting over dues in cooperative credit institution, lack of mobilization of internal resources.
- ☞ Over-dependence on Government assistance
- ☞ Lack of professional management.
- ☞ Bureaucratic control and interference in the management.
- ☞ Political interference and over-polarization have proved harmful to their growth.

The 97th Constitutional Amendment in Cooperatives Sectors brought major reforms as follows:

- ☞ Election Commission-like authority mandated.
- ☞ Fixed term of five years to elected board.
- ☞ Active members - Economic participation & Attending meetings.
- ☞ Professional Management by Expert & Functional Directors.
- ☞ Equality by providing reservations for women & SC/ST.
- ☞ Provides for independent professional audit.
- ☞ Gives Right to Information to Members of Co-op Societies.
- ☞ Empowers Govt. to obtain periodic reports & A/cs.
- ☞ Provides for offences relating to Co-op Societies & Penalties for such offences.

Types of Business Enterprises which can be explored:

Types of Cooperative Societies predominantly existing in India can be categorized as:

- ☞ Consumers’ Co-operative Societies.
- ☞ Producers’ Co-operative Societies.
- ☞ Marketing Co-operatives.
- ☞ Housing Co-operatives.
- ☞ Co-operative Credit Societies.
- ☞ Co-operative Farming Societies.

**How can start up Co-op be used by Entrepreneurs in useful ways?
Co-operative Enterprise – A Business Model**

Co-operative Enterprise (in addition to Private or public sector enterprise) is an alternative business model which is:

An extension of community development principles into the business sector are :

- ☞ A tool that can deliver community identified service requirements.
- ☞ A model that facilitates community ownership of business enterprises.
- ☞ A mechanism for generating community investment.

Schematic Outlook showing the Strength and Weakness of Co-operatives and Startups:

| Particulars | Co-operatives | Startups |
|-------------|--|--|
| Strength | <ul style="list-style-type: none"> – Supply side of the market : Large scale of production and operation. – Employment to millions: Fairly organized, employs millions of Indian workforce (men and women) | <ul style="list-style-type: none"> – Demand side of the market: Thriving consumer market. – Access to technology and new innovations to catalyse. – Management and operation efficiency (scope to improve) – Acquiring, engaging and retaining customers in B2C market through brand and marketing. |

| Particulars | Co-operatives | Startups |
|-------------|---|--|
| | <ul style="list-style-type: none"> – Volume & Scale : Supplies in high volume, less than wholesale prices with quality products. | |
| Weakness | <ul style="list-style-type: none"> – The high cost of supply of product / service (creation and production). – Cannot offer a scale of jobs to millions (of Indians) because of technology. – Cannot achieve market penetration without access to large infrastructure, MSME and large scale produce organisations. | <ul style="list-style-type: none"> – Has limited access to direct retailers, no access to B2C urban market. – Lack of infrastructure (storage, transportation) and access to technology – Management inefficiencies (labour, leadership, operations, marketing) – Caught between middlemen and brokers, unable to brand and market products to increase margins. |

The above inclinations desperately build a need of collaboration platform between upcoming startups and cooperatives which can create a resilient ecosystem.

Schemes under National Cooperative Development Cooperation for Encouraging Cooperatives Startups

The role of consumer cooperatives is very significant in the national economy for safeguarding the interest of consumers not only against unethical trade practices by the private traders, but also to enable them to have access to consumer goods of fair quality at competitive / reasonable prices. These cooperatives render useful service by ensuring availability of consumer goods at the door step of the consumer at reasonable price and also by exerting a healthy influence on market prices of essential commodities.

NCDC is operating a scheme for the promotion and development of distribution of consumer articles by Consumer Cooperatives. Under the scheme, financial assistance to consumer cooperatives and to other cooperatives engaged in consumer business at the Primary / District / State / National Level operating in Rural / Semi / Semi Urban / Urban areas will be covered.

Eligible Cooperative Societies :

NCDC provides assistance to primary, district and state level cooperatives, either directly or through State Governments.

Activities Assisted :

- ☞ Expansion / renovation of existing infrastructure or construction of new infrastructure such as shopping centre / godown / kerosene bunk / warehouse etc.
- ☞ Purchase of furniture & fixtures and transport vehicle.
- ☞ Margin money for raising working capital
- ☞ Working capital.
- ☞ Computerization.
- ☞ Creation / expansion / modernization of Consumer Oriented Processing / Industrial Activities.

Mode of Funding

Financial assistance is provided through the State Govt. or directly to the eligible cooperatives.

Quantum of Assistance and Pattern of Assistance

It can be varies from activity to activity and upto 90-95% of the total cost for the most of the activities. However, in case of strengthening of share capital base / margin money / working capital assistance, the quantum of assistance can be upto 100%.

YuvaSahakar - Cooperative Enterprise Support and Innovation Scheme

To encourage newly formed cooperatives take advantage of innovative ventures, especially by societies with new / innovative idea, NCDC has introduced a new scheme titled, “YuvaSahakar - Cooperative Enterprise Support and Innovation Scheme” linked to a Cooperative Startup and Innovation Fund created by the NCDC.

Key features of the scheme :

- ☞ The scheme would encourage cooperatives to venture into new and innovative areas.
- ☞ NCDC has created a dedicated fund with liberal features enabling youth to avail the scheme. The scheme will be linked to Rs. 1000 crore 'Cooperative Start-up and Innovation Fund (CSIF)' created by the NCDC. It would have more incentives for cooperatives of North Eastern Region, Aspirational Districts and Cooperatives with Women or SC or ST or PWD members.
- ☞ The funding for the project will be up to 80% of the project cost for these special categories as against 70% for others. The scheme envisages 2% less than the applicable rate of interest on term loan for the project cost up to Rs. 3 crore including 2 years moratorium on payment of principal. All types of cooperatives in operation for at least one year are eligible.

Norms for direct funding

Cooperatives operating for minimum three years & broadly fulfilling following criteria are eligible :

- ☞ Net worth should be positive.
- ☞ There should be no erosion in share capital.
- ☞ Should be in a position to provide 1.25 to 1.5 times security.
- ☞ Financial /operational performance of the cooperative should be at satisfactory level of NCDC.

Cooperatives and agribusiness startups can collaborate and build a firm backward and forward linkage to make the cooperative business simplified and healthily optimistic for the stakeholders in agriculture and allied ecosystem.

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