

Cooperative Sector of India: A Need for a Holistic Approach

Prashant V Kadam ¹

Abstract

The cooperative movement since its inception has flourished across the different regions of the world in almost every sector of the economy apart from agriculture. In India, the enactment of the Cooperative Societies Act, 1904 paved the way for the foundation pillars of cooperative movement. Since then, the cooperative movement has grown by leaps and bounds. However this growth had been plagued with inefficiency on account of lack of professionalism, trained manpower, absence of accountability, transparency, etc. In fact cooperatives were considered only as a mediator for government benefits. As such radical reforms were introduced by the government at regular intervals. With the establishment of the separate Ministry of Cooperation, a lot of initiatives have been floated to streamline the cooperatives in India. Amidst this, however, there are lots of challenges in cooperatives which have to be addressed with solutions. The paper has analysed the various challenges to the cooperative sector as of date and in fact has recommended for the stricter compliances with the reforms introduced for the cooperatives without which it may not be feasible for the cooperatives to play a significant role towards an inclusive and sustainable development.

Keywords : Cooperative, Transparency Compliances, Teforms, Solution

1. Introduction

The Cooperative movement has been in existence from ancient civilisation in one or the other forms. The task of giving a concrete shape to the cooperatives started emerging along with the development and the modernisation of the civilisations across the world. The Rochdale pioneers in 1844 played an important role in the formation of the cooperatives. In India, cooperation has its origin in the last quarter of 19th Century in attempts to provide relief to the farmers from the clutches of money lenders. According to the International Labour Organisation (ILO), a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural

¹ Head of Centre for Entrepreneurship Development, VAMNICOM, Pune.

needs and aspirations through a jointly owned and democratically controlled enterprise. The cooperative movement was introduced in India as a State policy and owes its inauguration to the enactment of the Cooperative Societies Act, 1904. This act gave the impetus to the Cooperative Movement in India. Since then the Cooperative Act has been amended many times with the inclusion and the deletion of some of its clauses. In 1995, under the auspices of Internal Cooperative Alliance (ICA) the Cooperative Principles have been reformulated and are commonly known as Manchester Declaration. After a threadbare discussion on the working of Cooperative Movement particularly in the wake of economic liberalization initiated from early nineties, the (ICA) has ratified / approved seven reformulated principles in 1995 at Manchester England. The Principles were: Voluntary and open membership, Democratic member control, Member economic participation, Autonomy independence, Education training and information, Cooperation among Cooperatives and Concern for community. The Constitution (97th Amendment) Act, 2011 added a new Part IXB right after Part IXA (Municipals) regarding the cooperatives working in India. Further, the word “cooperatives” was added after “unions and associations” in Article 19(1) (c) under Part III of the Constitution. This enabled all the citizens to form cooperatives by giving it the status of fundamental right of citizens. A new Article 43B was added in the Directive Principles of State Policy (Part IV) regarding the “promotion of Cooperative Societies”. All these reforms have facilitated the ever-expanding growth of the cooperative movement not only in India, but also in other parts of the world. Today, almost each and every sector of the economy has cooperatives – Labour, Consumer, Producers, Industry, Information technology, Agriculture, Services, etc. The MSCS Act 2002 has also been redesigned in terms of its Multi-State Cooperative Societies (Amendment) Bill, 2022, which has already been approved by the Union Cabinet. The aim of the Bill is to improve governance, enhance transparency and accountability in the Multi State Cooperative Societies.

Research Methodology

The study is conceptual and descriptive in nature. It has however made use of both primary as well as secondary sources of information. Various reports, websites and academic writings have been referred.

2. Review of Literature

Singh K S (2016) discussed various pitfalls and weaknesses like inadequate management, inadequate infrastructure, excessive reliance on the

government, and dormant membership, improper election procedures, a weak human resources policy, and a lack of proficiency, etc. The study has suggested a need for creating effective public relations and communication strategies which can encourage the idea of group cooperation.

Dave M (2021) reviewed large national cooperative enterprises and apexes and their substantial contribution to resilience and sustainability. The study held that a Strong partnerships between and within cooperatives and mutual can be instrumental in enhancing the emerging role of the movement as a pivotal actor in transforming towards sustainable and resilient societies.

Mohd. Az & Others (2014) tried to identify and justify the cooperatives in introduction and literature from different perspectives in Bangladesh. It was found that cooperatives can be a powerful business model in the developing country like Bangladesh and can be a strong tool for poverty reduction in the ground level of mass people. The government should ensure that the concerned authority is performing their role to develop this sector in giving priority.

Mhembwe S (2017) analysed the role of cooperatives in sustaining the livelihoods of local rural communities in Shurugwi District in Zimbabwe with the help of questionnaire, interviews and observation methods. The study analysed the different issues of cooperatives and recommended that the government and the banking sector render financial support to cooperatives in rural communities to allow them to expand and diversify their business operations; constant training on leadership and management skills is provided to cooperatives' members. Lastly, the study recommends that future research should focus on investigating issues that hinder the growth of the cooperative movement in rural communities of Zimbabwe.

Michel Ehrenhard & others (2021) systematically reviewed papers on CE in the mainstream organizational literature, defined as literature in the fields of economics, business, management and sociology. The study found multi-level studies, determination of social impact—in particular measurable impact, managerial practices for sustainable (organisational) development, and the entrepreneurial opportunity generation process as the four key avenues for future research.

David Barton (2011) summarized the results from a survey of cooperative leaders to better understand current challenges in financing agricultural cooperatives. The study found that Alignment of a financial business strategy on cooperative principles and the cooperative's business model, including equity management, are critical issues for the success of an agricultural cooperative.

John Rolfe, Delwar Akbar Azad & others (2022) analysed how a hybrid cooperative business model can solve horizontal and vertical coordination challenges, drawing on an analysis of a pineapple cooperative business, Tropical Pines, in Queensland. Semi-structured interviews with a cross section of key stakeholders with the help of thematic content analysis to identify key factors.

Noreen Byrne (2022) discussed the limitations of economic and sociological theoretical frameworks in capturing the integrative and relational nature of co-operative identity. The author explained how relational theory, with its emphasis on emergence and capacity for integration, may fit cooperative practise and, in turn, the formulation of cooperative identity and theory more effectively.

Objectives of the Study :

- ☞ To examine the weaknesses/challenges to the cooperative sector of India;
- ☞ To recommend solutions to meet the challenges in the cooperatives.

3. Principles of Cooperation:

The cooperative principles are guidelines by which cooperatives put their values into practice.

3.1 Voluntary and Open Membership

Cooperatives are voluntary organisations, available to all persons able to enjoy their services and ready to assume the duties of membership, without gender, socioeconomic, racial, political or religious discrimination.

3.2 Democratic Member Control

Cooperatives are democratic businesses that are run by the members who take an active role in deciding on policies and defining priorities. Men and women serving as elected representatives are accountable to the membership. In elementary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are likewise constituted in a democratic manner.

3.3 Member Economic Participation

Equitable member contributions and democratic member control over the cooperative's capital are both practises. Typically, the cooperative owns a portion of that capital as common property. Members normally get modest compensation, if any, on capital subscribed as a condition of membership. Members distribute surpluses for any or all of the following: cooperative

development, possibly by establishing reserves, at least a portion of which would be indivisible; member benefits in proportion to members' transactions with the cooperative; and support for other membership-approved activities.

3.4 Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

3.5 Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

3.6 Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

3.7 Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

4. Challenges to the Cooperative Sector

The central government under its newly formed Ministry of Cooperation has taken lots of initiatives to make the cooperative sector the most vibrant and dynamic to augment the role of cooperatives towards an equitable and inclusive sustainable growth of the economy. The cooperatives are expected to play a crucial role in facilitating the economy to reach to its milestone of a FIVE trillion-dollar economy by 2027. However, the task will not be a simple one. There are lots of roadmaps which have to be re-designed for cooperatives so that they can really a crucial role towards an inclusive development of Bharat. The challenges faced by cooperatives in terms of governance, mismanagement and manipulation, lack of trained personnel's, lack of transparency, inadequate supply chain of cooperatives, etc. have to be streamlined under the aegis of the New Cooperative Policy of 2022. Though the initiatives of the

government in terms of its digitization, expanding its coverage, trainings, etc. have been already implemented, but a lot of the homework in terms of effective research needs to be carried out. These challenges are briefly explained as follows:

- ☞ **Mis-management and Manipulation :** It has been observed and found that mis-management and manipulation in the cooperatives has degraded the functioning and the performance of cooperatives. If some secure measures aren't used to govern such cooperatives, a massive membership can end up being mishandled. Further, Money has become such a potent instrument in elections for governing organisations that the richest farmers typically held the top positions of chairman and vice-chairman and used the organisation to further their own interests. These needs to be regulated at the earliest.
- ☞ **Maintaining Sufficient and Consistent Profitability :** The second most mentioned challenge was the need to be profitable in order to finance much-needed assets and maintain a strong balance sheet. This finding is consistent with research showing that cooperative investment is tightly linked to its ability to generate cash flow through operations. Since most equity capital is obtained from earnings, this implies maintaining and improving profitability is also critical.
- ☞ **Lack of Awareness and its Inadequate Coverage :** The goals of the movement are not generally known to the public. Unfortunately, no specific efforts have been made in this regard; instead, people view these institutions as a way to get government facilities and favours. People ensure that societies continue to function as long as they anticipate receiving anything from the government. Further many of the villages are areas are yet to be covered under the umbrella of cooperatives. Most of these societies are confined to a few numbers and their operations extended to only one or two villages. As a result of their resources remain limited, which make it impossible for them to expand their means and extend their operations. It should also be noted that most of the societies have been single purpose societies. For this reason these societies are not unable to take a total view of the persons seeking help, nor can they analyse and solve problems from different angles. The help of these societies render thus cannot be adequate.
- ☞ **Lack of Trained Managerial Personnel :** Cooperative societies in India since its inception has been lacking in trained managerial human

resource. In the absence of such qualitative manpower, the operations of the coops have been adversely affected. It should be noted that though the government has launched the digitisation of the PACs, but it may not be successful on account of absence of effective e-leadership and governance.

- ☞ **The Internal Governance of Cooperatives :** It has also been a factor inhibiting the process for a diversified growth of the cooperative society. The vested interest of some few rich dominating members has also narrowed the scope of the operations of the Coops.
- ☞ **Lack of Effective Supply Chain among the Cooperatives :** There has been lack of effective supply chain among the cooperatives, the absence of which has been adversely affecting the resource and knowledge sharing among the cooperatives.
- ☞ **Political Interference :** The political interference in the working of the cooperatives needs to be minimised with greater autonomy and independence along with accountability has to be effectively implemented. The adapting of corporate culture on the basis of the seven principles of the cooperatives have to effectively stressed in terms of an newly designed framework for cooperatives with the aim of making profit for community care and well-being.
- ☞ **Need for Education about Cooperative Finance :** It is evident that education of leaders and members about cooperative finance is critical if leaders and members are to understand why a cooperative must be profitable and why cooperative finance practices must be aligned with the cooperative's business model. These are tenets of effective income distribution and balance sheet management. If members view the cooperative as the vertical extension of their farming enterprises, then the ultimate objective is to maximize after-tax discounted cash flow back to the producer-member.

Way Forward

☞ Training

Cooperatives have take up the responsibility of educating farmers about the modern agricultural technologies and the proper use of fertilisers. Cooperatives should play an active part in skilling the rural youths. Further, efforts should be made for beyond cooperative employees, children in schools, colleges, universities, technical and professional institutions, as well as people who want to start cooperatives but are unsure of the different modalities and requirements, must also receive cooperative training.

☞ More Inclusive

There should be greater involvement of women in the cooperative movement. The cooperative sector is important in bridging the gap between urban and rural areas and in providing chances for generating the income in an equitable manner.

☞ Use of technology

Cooperatives should make excellent use of digital technology in their operations, particularly in governance, banking, and enterprises, to create a transparent, responsible, and effective system. With the development of technology, new fields are opening up, and cooperative organisations can play a significant role in educating people about those fields and technologies. Further, market connections for agricultural farmers and cooperative organisations are necessary to strengthen cooperatives. It should be noted that Cooperatives have abnormalities, and to stop them, rules and better enforcement will be the need of the hour.

Conclusion

Alignment of a financial business strategy on cooperative principles and the cooperative's business model, including equity management, are critical issues for the success of an agricultural cooperative. Financing and managing the asset growth needed to meet member needs, and keeping equity proportional to usage are two critical issues for financing agricultural cooperatives. The training institutes such as Vaikunth Mehta National Institute of Cooperative Management, Pune can play an important role in the conduct extension education programs for managers and directors of cooperatives. Lastly, there is a need for the government to strengthen their capacities by giving them the appropriate direction and assistance from the business and market sectors, so that they can acquire the necessary level of business management expertise and can then use this expertise to address environmental issues. All these needs to be done by having an integrated policy approach along with the state government's cooperation, without which the entire redesigned framework of the cooperative will not be effective one.

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