



RURAL DEVELOPMENT AND MANAGEMENT CENTRE [RDMC]
"The Saryu", J-102 Kalkaji, New Delhi 110019. India

Enlightened Cooperatives inculcate Social Cohesion and Harmony

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NEED FOR AN ENLIGHTENED INSTITUTION

In a paper contributed to the Bombay Provincial Cooperative Conference held on September 17 1917 Mahatma Gandhi referred to the recommendation made in the Report of the Committee on Cooperation in India and said: "they wish clearly to express their opinion that it is to true cooperation alone, that is, to a cooperation which recognises the moral aspect of the question that Government must look, for the amelioration of the masses and not to a pseudo cooperative edifice, however imposing, which is built in ignorance of cooperative principles." He made the following comments: "With this standard before us, we will not measure the success of the Movement by the number of cooperative societies formed, but by the moral condition of the cooperators." In his paper, Mahatma Gandhi had elaborated how the honest and dedicated leaders, including the regulators of the Cooperative Movement, can bring relief to the people. "We cannot lift them without being lifted ourselves", he said. Obviously he was looking for some 'role model' for the people to follow. He advocated that education of members is important to make their cooperatives strong.

Mahatma Gandhi emphasised on: honesty, dedication, service to the poor, understanding the cooperative principles through the process of education, and establishing high moral standards, as the elements for the creation and survival of a realistic and purposeful Cooperative Movement. He cautioned 'It is necessary that a Movement which is fraught with so much good to India should not degenerate into one for merely advancing cheap loans.'

CHARACTERISTICS OF A COOPERATIVE INSTITUTION

Cooperative institutions are people's organisations, which are formed by the members [voluntarily], owned by them [by becoming stakeholders], and run by them [democratically in accordance with the universally-accepted Principles of Cooperation and through professional management], to satisfy their social and

economic needs [through active participation and mutual help]. Contrary to the common belief that cooperative institutions do not deliver social goods, some of the recent studies strengthen the argument that cooperatives are indeed people's organisations, which can respond effectively to the felt-needs of their members. A closer social audit of such institutions would reveal that dedicated leaders with vision and foresight in collaboration with enlightened membership and with the cooperation of dedicated and devoted management can transform our 'civil society' into a place of security and satisfaction.

Cooperative leadership includes elected members and office-bearers of the board of directors of a cooperative society. They are catalyst for articulating the aspirations and views of the ordinary members forming the general body of the cooperative. They act as preventive force restricting the cooperative to become either a pseudo-cooperative or purely a bureaucratic organisation in principle. A chairman leads the elected directors and all are, in a majority of cases, honorary workers. Sometimes, promoters of the cooperative are also included in it.

Management leadership covers whole time paid managerial personnel headed by a chief executive. They are mainly responsible for the operational aspect of the cooperative by virtue of specialised knowledge, expertise and experience to handle business but to a greater extent influence policy matters also in practice.

While social control and 'member control' are important factors in the creation of a generally conducive environment for successful cooperatives, it is not enough to guarantee their success. For a cooperative society to be successful, the cooperative leaders, in addition to being knowledgeable, must also be the persons of honesty, integrity and vision. When reading cooperative history, the role of certain key persons is being regarded as crucial for the success of many cooperative organisations.

There are certain obvious traditions and rules of human behaviour, which have also to be followed. There is always an unwritten code of conduct in the human society. And cooperatives are the associations of human beings. Code of conduct is a self-imposed discipline on top leaders and chief executives. The Board with a view to observe respectfully the spirit of byelaws acts and rules frame the Code of Conduct voluntarily.

The 12th Indian Cooperative Congress held in Delhi in December 1992 had made certain significant recommendations e.g., prepared a national policy on cooperatives, established Code of Conduct for different agencies of cooperatives [i.e., primary cooperatives, Members of cooperatives, Cooperative leaders/Board members, Cooperative federations, Registrars of Cooperative Societies, and the Code for the Government]. The effort of the Congress was to infuse a certain amount of moral discipline among the ranks and file of the Indian Cooperative Movement and tried to tell the Government that it also has certain obligations and moral duties.

COOPERATIVES ARE ALSO THE BUSINESS INSTITUTIONS

Business ethics is currently receiving a great deal of attention the world over. It means different things to different people. In the same way different people have different perception about the cooperative. Some view them as the organisations of poor people, these are social institutions, cooperatives are just kitty parties, cooperative give loans, cooperatives are government agencies, cooperatives are controlled by rich and mighty, they do not deliver, they are the springboards for frustrated politicians to capture offices of comfort, cooperatives cannot do a serious business etc. But the facts are different.

Some of the successful cooperatives have been able to translate the wishes of the people into realities. The community needs have been incorporated in the 'statements of objectives/aims' of cooperatives.

Examples of the Prime Objectives of Cooperatives in Specific Sectors

The purpose of any cooperative is to provide benefits to its members.

<u>Type of Cooperative</u>	<u>Prime Objective</u>
Retail consumer coops	To provide safe goods at fair prices
Farmers' cooperatives	-To supply quality farm inputs at fair prices ; -To market farm produce to achieve a stable market and the best returns from the market
Workers' Cooperative	To provide employment on terms acceptable to the workers [usually including a direct involvement in decision-making about the business]
Housing cooperative	To provide and/or manage quality housing at a reasonable cost ;
Credit Union	To provide facilities for saving and borrowing at fair rates of interest , and assistance in managing personal financial affairs
Community cooperative	To provide services to members of a specific community
Dairy cooperative	To provide timely services and market to milk producers for their perishable product

The cooperative is an old and time-honoured institution. In the years past it had basically a social and religious orientation. Presently it has more of a business orientation. The cooperative offers at least two general advantages which no other business institution can fully match: [1] It offers an opportunity for all people rich and

poor in all walks of life to help themselves by cooperating with others; and [2] it develops and strengthens the individual citizen in acquiring and controlling private property yet it preserves individual freedom dignity and responsibility.

These and other advantages are not automatic and painless. To achieve them through the auspices of a cooperative requires much hard work thought determination and perseverance. Above all a successful cooperative requires good people with a good spirit who are unselfish and dedicated and who have the desire to improve themselves their fellowmen and their community.

MANAGEMENT OF COOPERATIVES

There are three basic and critical components in a cooperative institution. These are: Members; Board of Directors/Managing Committee; and the Operating Manager/functional management. According to the byelaws voluntarily adopted by the members in their general assembly meeting rights and duties for each of them have been outlined. These are generally the following:

Members

Powers:

- Governance [Elections & Selections]
- Decision-making
- Dissolve or Merge Cooperative

Responsibilities:

- Providing necessary capital
- Controlling the cooperative
- Patronising the cooperative
- Assuming Business risks
- Paying operating costs
- Keeping informed
- Maintaining the cooperative

Board of Directors/Managing Committee

The Board members should be properly qualified, enlightened, having good neighbourly relations, and should possess leadership qualities. The Board has a huge responsibility in the sense that it has to translate into practice the policy decisions taken by the Members General Assembly,

Powers:

- Membership Matters, Shares management
- Financial reports
- Suggesting changes in byelaws
- Corporate seal
- Borrow money
- Supply, marketing credit and other services management
- Recruitment, dismissals

Responsibilities:

- Moral and legal responsibilities
- Strong interaction with operating manager
- Provision of services to members
- Cooperative/Member Risk management
- No preference to Directors
- No credit to Directors
- Directors to have no financial interest in cooperative
- Remain continuously informed and trained.

There are certain expectations from the Board, which may or may not be put in black and white in the bylaws. Some of them could be the following:

- [01] In the first instance all decisions have to be unanimous. Once a decision has been taken, there is no question to disown the decision after the meeting and its minutes having been confirmed. Disowning or expressing dissatisfaction with the Board decision is immoral and unethical;
- [02] It is possible for Board members to be sued for certain acts committed against the best interests of the members;
- [03] To prevent such lawsuits the Board must act as a body and the minutes should reveal the circumstances surrounding the Board's decision in a given matter; and
- [04] Withholding information from members might serve as a basis for lawsuits as would preferential treatment for some board members.

Operative/Functional Manager

The Board of Directors appoints this group of professional and functional staff. They are not answerable to the General Meeting. The Board, however, appoints one 'nodal' or 'chief executive' whose task is to implement the decisions of the Board and for that purpose has the authority seek financial and personnel support. The chief executive is expected to report to the Board. In many cases, one of the Board members is authorised to look after the management and business of the cooperative.

The manager is the source of information that enables the Board to take decision. There is, therefore, the need for the relationship between the Manager and the Board to be congenial, cordial and smooth. There is no room for conflict. Harmonious relationship between the two makes the cooperative an enlightened institution.

WHY COOPERATIVES FAIL OR THRIVE?

Why do some cooperatives, regardless of their size, thrive while others fail? What are those reasons? There cannot be any single reason. Most often a number of factors combine to determine whether a cooperative will thrive, simply survive or fall by the wayside. According to a document published by the National Cooperative

Business Association of the USA in its Cooperative Business Journal, Vol.8, No.8. October 1994 the late EP Roy, a noted cooperative teacher and author at Louisiana State University, outlined some of the reasons:

Reasons for Failure of Cooperatives

- Poor selection of directors, especially those who fail to support their cooperative;
- Members who join but never use their cooperative and bypass it for a small gain elsewhere;
- Members who use cooperatives but fail to take responsibility.
- Each member must be ready to accept responsibility when asked, or as the need arises.
- Every member should have an equal opportunity to be president of the cooperative;
- Members who never ask questions and who let a few persons make policy;
- Members who do not attend annual meetings;
- Directors who fail to attend Board meeting and take unanimous decisions;
- Lack of consistent membership education about the problems cooperative faces;
- Not supporting the cooperative with enough money [risk capital] to get the job done;
- Low-cost management – it is the most expensive item for a cooperative;
- High priced management is usually the least expensive item;
- Not closely watching the formation of cliques and special interest groups;
- Concealing facts about a cooperative;
- Errors in financial policy, such as over-extension of credit, too little capital;
- Poor accounting records, delayed Audit Reports, non-compliance of reports;
- Lack of financially sound, systematic programme for reimbursement of equity;
- Errors in educational and social work – failure to develop member loyalty;
- Management errors, such as dishonesty, ineffective management, incompetent directors, nepotism, poorly conducted meetings, admittance of disloyal and dissatisfied members.

Why Cooperatives Thrive

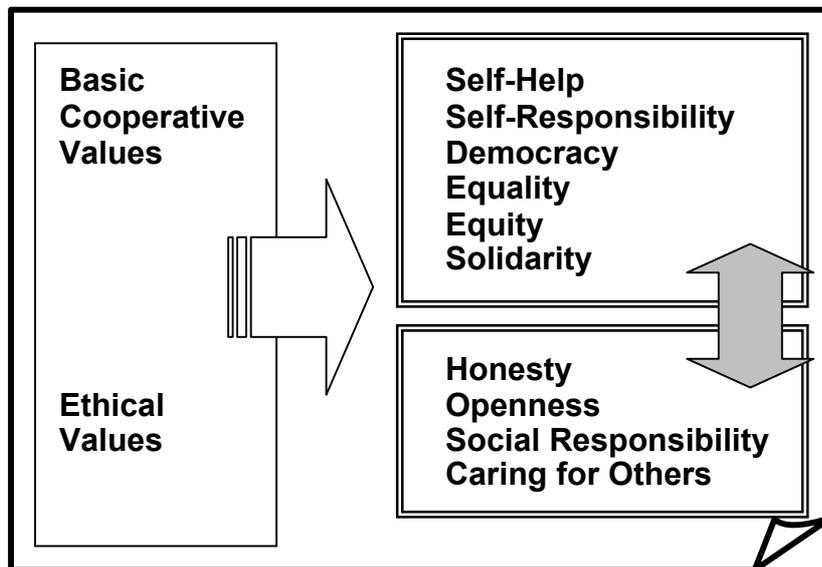
- Provide goods and services needed by members;
- Where members provide risk capital and transact business on cash terms;
- Use all major fixed assets at the 75% level, or more;
- Have members who do the majority of their business with the cooperatives;
- Keep administration and overhead costs low;
- Offer more individualized and Specialised services, especially in marketing;
- Maintain an open line of communication with members;
- Select and develop a quality management team;
- Elect business-oriented directors;
- Develop and implement a systematic method of cooperative education;
- Aggressively position for changes in operations, markets and member needs.

The reasons for successes and failures can vary according to the environment in which they operate. Government policies, political exigencies, social and cultural factors also influence the operation of cooperatives.

THE BASIC COOPERATIVE VALUES

The basic cooperative values as enshrined in the Statement are stated as follows:

‘Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.’



The Cooperative Movement has a deep and distinguished intellectual history. During each of the last ten generations of human history, many theorists in many parts of the world have made major contributions to cooperative thought, and most of that thought has been concerned with cooperative values.

- [A] **‘Self-Help’** is based on the belief that all people can and should strive to control their own destiny. Cooperators believe that full individual development can take place only in association with others. Individuals also develop through cooperative action by the skills they learn in facilitating the growth of their cooperative. Cooperatives are institutions that foster the continuing education and development of all those involved with them;
- [B] **‘Self-Responsibility’** means that members assume responsibility for their cooperative – for its establishment and its continuing vitality. Members have the responsibility of promoting their cooperative among their families, friends and acquaintances. Members also ensure that their cooperative remains independent;
- [C] Cooperatives are based on **‘equality’**. Members, whether an individual or a group, are all equal. It does not depend on the social and economic status of the member;
- [D] Achieving **‘equity’** within a cooperative is continuing, never-ending challenge. It also refers to how members are treated within a cooperative. They should be treated equitably in how they are rewarded for their participation in a cooperative, normally through patronage dividends, allocation to capital reserves in their name, or reduction in charges;
- [E] **‘Solidarity’** ensures that cooperative action is not just a disguised form of limited self-interest. A cooperative is more than in association of members; it is also a

collectivity. All members including the employees and the non-members who are closely associated with the cooperative should be treated fairly.

This also means that the cooperative has a responsibility for the collective interest of its members. It has historical roots. Cooperators and cooperatives stand together. Solidarity is the very cause and consequence of **self-help** and **mutual help** – two of the fundamental concepts at the heart of cooperative philosophy. It is this philosophy which distinguishes cooperatives from other forms of economic organisations;

[F] **Founders** of the Cooperative Movement have, through their foresight and deep involvement has been able to refine the concept. They are found everywhere. Their contributions were practical, ethical and moral. Many of the early cooperatives of the 19th century, most obviously the Rochdale Pioneers, had a special commitment to honesty – fair dealings in the market place, honest measurements, high quality and fair prices. Over the decades agricultural cooperatives have prospered because of their commitment to high quality, honestly-labelled produce.

Honesty, openness, social responsibility and care for others are values, which may be found in all kinds of organisations, but they are particularly cogent and undeniable within cooperative enterprise.

CREATING ENLIGHTENED COOPERATIVES AND MEMBERS

Capacity building and creation of awareness among members are the two important elements, which create an enlightened cooperative institution. There are, however, certain pre-requisites. It is the community, which provide those people who wish to get together to solve some of their social and economic problems. These people take certain decisions which result into a formal institution – a cooperative – which are based on certain basic values, ethics, and principles and which conform to the law of the land.

Educated and well-informed [enlightened] members create an institution, which generates social cohesion and harmony and also, through its action, fulfils the social and economic demands of the community.

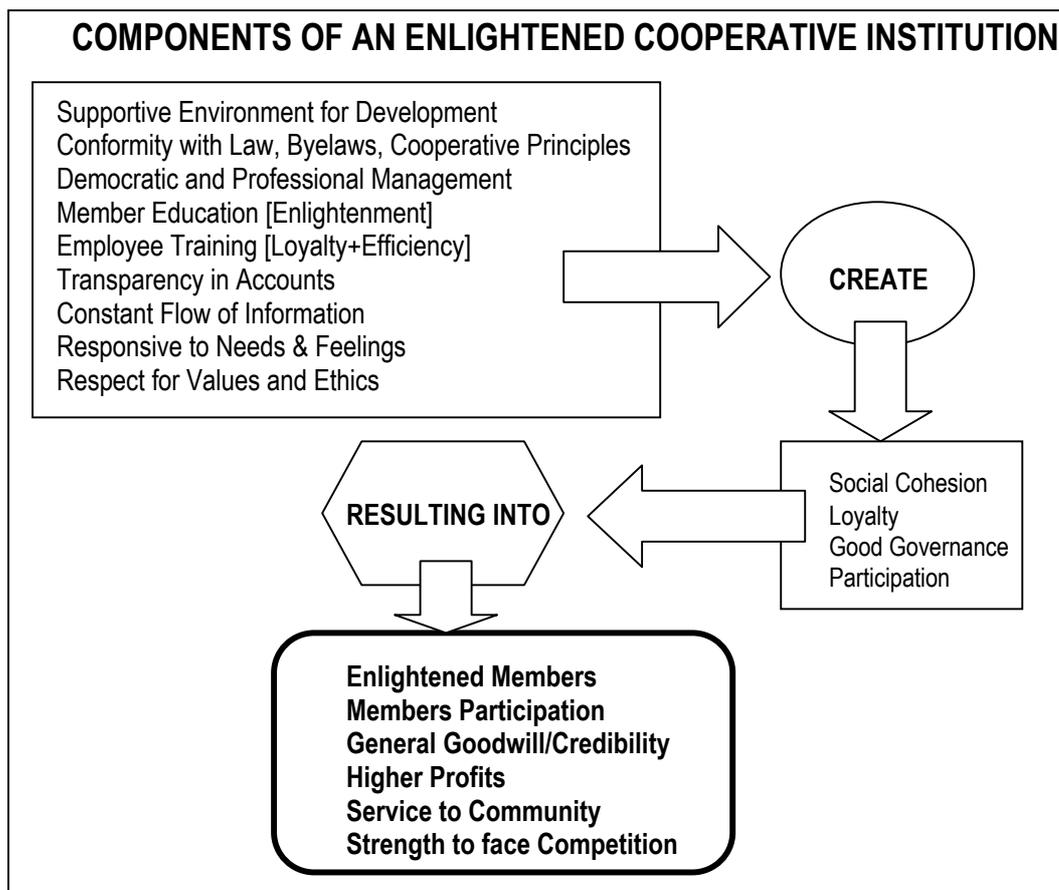
The Purpose of Cooperative Education

The purpose of cooperative education is to:

- Create an enlightened cooperative with enlightened members and dedicated employees;
- Produce an entrepreneurial quality in a population where business management is unknown;
- Keep alive in members the feeling that the cooperative society is an organisation that belongs to them and depends on them for its efficiency and prosperity;

- Protect a cooperative society against the creeping in of non-cooperative ideas such as domination by a small minority. [According to an English editorial, "the best permanent protection against dictatorship by minorities of any sort is to educate the rank and file Cooperator to a full sense of his responsibilities"];
- Counteract the propaganda activities of people who do not believe in the Cooperative Principles;
- To create trained personnel responsive to the needs of cooperatives and guided by the Principles of Cooperation.

The illustration explains, in simple terms, how an enlightened cooperative institution is created by an enlightened membership:



EXPERIMENTS IN THE CREATION OF ENLIGHTENED COOPERATIVES BY ENLIGHTENED MEMBERS

The Indian Cooperative Movement has completed 100 years of its illustrious and chequered history [1904-2004]. The National Cooperative Union of India along with its affiliates and together with the Government of India has been explaining to the public the achievements and future projections of the Indian Cooperative Movement. Although there has been an all-round development in the Cooperative Sector, there are, however, certain institutions which stand at a higher pedestal than any others.

There are a number of shining stars of the Movement in various sectors [e.g., cooperative banks, consumers, thrift and credit, handlooms, fisheries, women's cooperative institutions etc.], work done by the following is being highlighted here.

[A] Indian Farmers' Fertiliser Cooperative Limited [IFFCO]

During mid-sixties the cooperative sector in India was responsible for distribution of 70% of fertilisers consumed in the country. This sector had adequate infrastructure to distribute fertilisers but had no production facilities of its own and hence dependent on public/private sectors for supplies. To overcome this lacuna and to bridge the demand supply gap in the country, a new cooperative society was conceived to specifically cater to the requirements of farmers. It was an unique venture in which the farmers of the country through their own cooperative societies created this new institution to safeguard their interests.

The Indian Farmers' Fertiliser Cooperative Limited [IFFCO], established in 1967, registered under the Multi-State Cooperative Act, is the largest fertiliser-producing cooperative in Asia. It has a membership base of 37,381 [as on March 31 2005] agricultural cooperatives throughout the country. Its main objective is *to provide quality fertiliser and technical know-how on agriculture to the farmers through its member-cooperatives and also to strengthen the cooperative system*. It operates four large fertiliser plants located in Gujarat and Uttar Pradesh.

Fulfilling the aspirations of its members and in tandem with the market demand it has diversified its activities. Apart from its own growth, IFFCO has contributed towards creation and development of other organisations like Godavari Fertilisers and Chemicals, Kakinada, Industries Chimiques Du Senegal [ICS, IFFCO-Tokio General Insurance Company [ITGI], Krishak Bharti Fertiliser Cooperative Limited [KRIBHCO], Indian Farm Forestry Development Cooperative Limited [IFFDC], Indian Tourism Cooperative Limited [COOPTOUR], and National Film and Fine Arts Cooperative Limited and the IFFCO Foundation. IFFCO, to day, is a leading player in India's fertiliser industry and is making substantial contribution to the efforts of Indian Government to increase foodgrain production in the country.

In the context of emerging technologies, liberalised global scenario, changing perspectives in government policies, in legislation, tougher competition and new players in the market place, IFFCO has instituted a number of promotional and developmental programmes to support cooperatives that constitute its membership. IFFCO has taken keen interest in management improvements, entrepreneurial development and social upgradation of its member-societies and members. In order to promote such interests there was a felt-need to experiment with innovations to create excellence in cooperative sector and assist members to adopt and replicate these innovations and also to establish a specialized consultancy and advisory network service.

The meteoric rise of IFFCO and its sustained goodwill among the Indian farmers can be attributed to the following service elements:

- Production and distribution of quality fertilisers and seeds;
- Promotion of agriculture technology and University Chairs;
- Massive programme of extension education for farmers;
- Creation of infrastructure e.g., storage-cum-community centres;
- Adoption of villages;
- Provision of social services e.g., health camps;
- Setting up of Information Kiosks for provision of e-culture in rural India;
- Intensive and frequent interaction with farmers through farmers' camps.

The success of and a great faith reposed in IFFCO by its enlightened membership can be gauged by the fact that the farmers, when it comes to the selection of fertilisers, give priority to IFFCO products. The enlightened cooperative has planned for a 25 years vision and outlined plans for a higher level of diversification and investment in national and international ventures.

[B] Padamshree Dr Vithalrao Vikhe Patil Cooperative Sugar Factory Limited, Pravaranagar Maharashtra

The sugar cooperatives, particularly in the State of Maharashtra have turned out to be the outstanding examples of providing and sustaining social services to the members and to the community. Cooperative, if keyed properly, can deliver economic and social security to the people. From out a total of 428 sugar mills, 251 are in the cooperative sector. More than 55% of national sugar production is from the sugar cooperatives. The sugar cooperatives have the following broad objectives:

- Procure sugarcane from members and pay remunerative prices;
- Improve sugarcane cultivation and provide inputs for a higher productivity;
- Produce sugar and byproducts;
- Mobilise deposits from members;
- Development/social activities for members and the community.

The sugar cooperatives have helped achieve two main goals: [1] a total transformation in terms of productivity, agricultural income and savings; and [02] effective linking of farmers' produce with marketing. This has enabled recovery of agricultural loans issued by primary credit cooperatives.

The unprecedented growth of sugar cooperatives, diversification of their production and crafting of social services for the community especially in Maharashtra can be attributed to the following factors: Merging of interests and policies of the government as well as of the local political leaders to provide employment opportunities to farmers; Emergence of local political leaders, generally family based, in the wake of India's Independence Movement; and Sustaining the potential 'vote banks' through grafting and perpetuating of social services for the members and the community at large. The local leaders to continue to earn the goodwill of the local population therefore gave extensive education and extension programmes. Since these efforts were politically useful and economically beneficial not only to the leaders but also to the farmers, the perpetuation of participation in sugar cooperatives activities continue to exist even until the present times.

The credit of setting up of this cooperative sugar factory in 1950 in the remote Ahmednagar district of Maharashtra State goes to the late Padamshree Dr Vithalrao Vikhe Patil [1887-1980]. It started with 500 TPD capacity sugar plant. Now it has grown into a 4000 TPD sugar factory; 60,000 litres per day distillery; 30-TPD bagasse-based paper plant; and a chemical plant. It has given birth to a number of cooperative institutions – an important one being the cooperative bank - and a host of social institutions including a well-managed and prestigious residential public school.. The 'Pravara' is considered as a model for rural development and is an example how cooperative effort can transform the society. The number of initial shareholders has now swelled to nearly 13,500 and 80% of whom are the small and marginal farmers. 54 villages are covered by the cooperative. The sugar-crushing season has also expanded to more than 240 days in a year. Workforce in the factory complex has been between 1,300 and 1,800.

[C] AMUL – An Enlightened Star of the Indian Dairy Cooperative Movement

Formed in 1946, **AMUL** [product name of the Kaira District Milk Producers' Cooperative Union Limited, Anand, Gujarat State] is a household name in the country. The life of a farmer in the district then was very much like that of his counterpart anywhere else in the country. His income was derived almost entirely from seasonal crops. The income from milch buffaloes was undependable. Private traders and middlemen controlled the marketing and distribution system for the milk. As milk is perishable, farmers were compelled to sell it for whatever they were offered. The milk producers were surrounded by all kinds of economic problems. The local leaders who wielded considerable influence over the masses suggested formation of an organisation that could look after the milk business.

At a meeting held on January 04 1946 at village Samarkha the farmers decided to form the Union, which was formally registered on December 14 1946. The quantity of milk handled at the end of 1948 was just 5,000 liters a day sourced from 400 farmers. The Union now has three processing plants, the third being a fully automatic one. At the end of 2004 there were nearly 600,000 individual producer-members belonging to 1059 village cooperatives. The Union has a turnover of Rs 546 Crores with a daily handling of about 700,000 liters of milk.

The judicious handling of people, recognition of performance and encouragement for a good try has gone a long way to building a sound "people's" foundation. Amul has attracted dedicated managers. Personnel at all levels have been motivated by a responsive caring organisation. The rural producer must own and enjoy the assets he has helped to create – the fundamental thesis underlying the 'Anand Model'. The model has inspired the creation of hundreds of other 'Anands' across the land, and helped to bring about the triumph of 'Operation Flood'.

All districts in the state now have district level milk unions, which are members of the Gujarat Cooperative Milk Marketing Federation, which today is jointly owned by some 2.2 million milk producers in the state. The 'Anand' model, reliance on the strength of women, democratic management, transparency in financial affairs,

honouring the lines of responsibilities between the mass leaders and management and technical personnel, caring and development of livestock, introduction of technology, and an extensive field support network has made Amul a responsible, and blooming cooperative business enterprise. It is recognised as an enlightened cooperative. All these factors have brought India on the world milk map – it is now the largest producer of milk in the world.

The following factors could be mentioned which made Amul an enlightened institution of enlightened members:

- Mobilisation support provided by local charismatic political and social leaders;
- An honest blend of professionalism with political and organisational leadership;
- Education of farmer-members, training of office-bearers and of employees;
- Business Development Planning with future projections;
- Preparing to meet the challenges of open market/competition;
- Introduction of technology implemented by trained personnel;
- Comprehensive livestock management services e.g., health, feed;
- Participation of women in decision-making leading to their empowerment;
- Yearly elections, democratic management practices, regular audit;
- Employment and additional income generation opportunities;
- Farmers' visits to plants give them a sense of pride.
- Primary dairy cooperative becomes a source of strength for the village.

The successes achieved by milk cooperatives have also produced some important institutions that contribute to the technical aspects of milk human resource and technology. Some of these are: the National Dairy Development Board, Institute of Rural Management, National Cooperative Dairy Federation of India, Mother Dairy complexes etc.

**[D] The Warna Cooperative Sugar Factory Limited
Warnanagar. District Kolhapur, Maharashtra**

The 'Warna episode' is a shining example of the role played by local charismatic and well-meaning leaders who worked hard to establish a cooperative institution, educated the member-farmers, and provided the required motivation to the shareholders and workers. Persons like Tatyasaheb Kore who had participated actively in mobilizing public opinion and resources during the Independence Movement had also realised that mobilisation of farmers and other resources could as well be used to create wealth through farming. Favourable government policies and the success of initiatives taken by local leaders elsewhere in the sugar sector were brought to the notice of the local farmers by enlightened leaders and field workers.

The initial economic results produced by the Warna Sugar Factory were used by the local leaders to convince the farmers of the usefulness of the cooperative venture. The success, therefore, proved to be a prime mover to generate additional income through a gradual proliferation of cooperative and social institutions. Member education, workers' professional training, social security through education and health services, timely input supplies, ensuring the marketing of agricultural produce,

farm extension and distribution of dividend served as useful elements to ensure loyalty of members to the cooperative institution.

Established almost 50 years ago, the Shree Tatyasaheb Kore Warna Cooperative Sugar Factory Limited, has stood the test of time and it continues to pursue its main objective of social welfare and socio-economic and educational development of the rural masses. The 7,500 TPD crushing capacity sugar factory having nearly 20,000 shareholders, and 1,800 workers has given birth to a number of cooperative and social institutions. Besides producing high quality white crystal sugar, the factory also produces writing, printing and duplicating paper, and industrial alcohol and rectified spirit. Other cooperative institutions promoted by the sugar mill are: Cooperative dairy – 15,000 shareholder, 1,300 workers and a procurement of about 300,000 liters milk per day; Warna Bazaar – a chain departmental store with about 40 branches in rural areas; Warna Cooperative Bank with 25 branches providing banking facilities to the farmers and industries in rural and urban areas.

The sugar factory has promoted a number of social institutions. Some of the important ones are:

- [a] Educational complex with residential schools and colleges. Educational facilities from KG to graduation in Humanities, Science and Commerce disciplines. Well-equipped engineering college having discipline in Civil, Mechanical, Chemical, Computer Science, Electronics, and Environmental sciences;
- [b] 180 bed hospital with modern medical facilities; a dental college offering BDS programmes;
- [c] Women empowerment institutions like women's industrial cooperatives and women and child health care centres;
- [d] Minor irrigation projects like sinking of tubewells, management of channels, check dams etc.; and
- [d] The 'Warna Wired Village Project' established with the help of National Informatics Centre [NIC], C-DAC and Warna Complex. The project connects 70 villages with 150 computer networking nodes and also provides the Internet facilities to the rural community. It offers services like: Internet, revenue records, health cards, credit cards, agricultural goods market prices and advance agricultural technological information and weather reports.

The enlightened leadership also ensured that the organisational and management affairs were carried out democratically, members were invited to participate in the affairs of the cooperative, and regular contacts with the members and their families were maintained. Also the cooperative ensured that social services are given also to the dependents of members. The enlightened leadership also tried to create an enlightened membership and dedicated workers. Their ideas and suggestions were respected and incorporated into the work programmes of the cooperative.

[E] Enlightened Institution through Education
-A field experiment in Indore, Madhya Pradesh

An experiment to strengthen the organisation and management of primary cooperatives leading to better economic results was carried out some time ago in Indore district of Madhya Pradesh during 1971-1975. A total of 10 societies with 58 villages were covered under the Project. The total membership of the Project societies was 1,685 with a total of 80,572 acres of land. The *overall objective* of the Project was *"to contribute to the development of rural cooperative societies and [through that] to the social and economic improvement of their members."* The main intention was to create enlightenment among the members so that they make their cooperative enlightened and more responsive to satisfy their social and economic needs.

Member education, training of MC members and employees, farm guidance services were the instruments employed to achieve the set objective.

The Project was the key factor to generate development activities at the society level whereas societies themselves became individual units to provide services to the individual members. The motivation provided by the Project to the societies, in turn, motivated the members in order to improve their own lot. The Project helped create a chain reaction through the medium of those who were educated or trained at the various courses.

At the end of the Project the societies had improved their business performance, participation in general body meetings had improved and they were more receptive to new ideas and activities. Some of the resultant activities were: more irrigation facilities, societies' own offices and godowns, better patronage to the cold stores, better dialogue with the cooperative financing institutions and government officials and a better relation with the district cooperative union. Some of the societies had even established their own reading rooms and libraries.

In the successful conduct of the experiment, as can be seen from the above, the following elements were largely responsible:

- Member education and staff training on a continuing basis;
- Use of local leadership [political, official, professional, religious] to explain the organisation and management of a cooperative institution;
- Networking with the financing institutions, farm input suppliers, market operators, local training institutions;
- Business planning [of cooperatives and of members]; and
- Experience sharing programmes with successful cooperatives outside the State etc.

Lessons Learnt from the Experiments

An analysis of the activities carried out and approaches adopted by IFFCO, Pravaranagar, AMUL, Warnanagar and Indore Project would lead us to the following conclusions:

- Charismatic local leaders were able to 'sell' the concept of working together under the fold of cooperatives to generate social security, social cohesion, harmony and employment among the people;
- Local leaders and professional managers had clearly understood their respective roles and did not interfere in each others' activities;
- Institutions were able to introduce better management techniques;
- Development process gained acceptability and momentum because there was a positive and enabling environment. Government policies and people's aspirations got blended well;
- Appropriate amendments and adjustments were made in cooperative laws, rules and regulations and positive policy pronouncements. At the national level there was a positive climate in favour of cooperatives and there was a general acceptance for cooperative projects;
- The membership of cooperative institutions is open to all irrespective of gender, religion, caste and creed. Everyone in the community, therefore, visualized cooperatives as instruments of social and economic development and harmony. It did not matter, for instance, who brought the milk at the collection point and how much. It was the same queue in which everyone stood with his or her milk containers. There was therefore an opportunity for everyone to talk to each other and discuss their social and economic matters twice every day;
- The sugar cooperatives, especially, were able to generate social integration and institutions, which was utilized by the members and their families. The wards were able to study in local technical institutions and get employed in the institutions established by the sugar factories. Sugar factories were thus able to establish infrastructure which was made use of by the farmers in their agricultural operations e.g., irrigation dams, sugar roads, electricity generation, cooking gas supply, plant nurseries, agricultural research centres etc.;
- Women and youth were the greatest beneficiaries as they got better health care, education services, and additional income generation opportunities through voluntary organisations that were established at the same time;
- Farmers and producers were able to increase their farm income leading to better living standards. They were able to increase their productivity levels by making use of improved farm inputs and crop care;
- Farmer-members were able to participate effectively in organisational and management structures.
- Members of the community took pride in owning and managing large cooperative industrial ventures;
- There was a higher level of transfer of technology from the urban areas to the rural sector thereby leading to positive transformation of rural economy into a vibrant economy;

- Cooperative leaders also reoriented their roles of being mere 'prominent and influential local leaders' into more 'responsible and responsive factors' of good governance. They realised that better and well-informed enlightened members could contribute to the strength of their own institutions if members' wishes, views and aspirations could be taken care of. It was, therefore, a pressure from the members that the management took special care to hold regular meetings and present the 'true state of affairs' of accounts to them.

ADULT EDUCATION AND ROLE OF COOPERATIVES

Education is a liberating force cutting across the barriers of caste and class, smoothening out inequalities imposed by birth and other circumstances. Although the village people live under serious constraints of literacy, social and economic handicaps, they are the real motivating force behind the success or failure of programmes concerning social change. In the Indian context this is more true for the reason that more than 80% of our population lives in villages, and only 36% of the population is literate.

When we speak of cooperative knowledge, we normally think of two types of knowledge, i.e., professional knowledge and general knowledge. "Professional knowledge" means specialised knowledge required by the various groups of employees in the cooperatives and "general knowledge" refers to knowledge of the principles and practices of Cooperation. Knowledge has two objectives: [i] to improve cooperative business, and [ii] to educate and reform people, to make them better suit the new society the cooperators dreamed of creating. Education is a basic necessity for a peaceful coexistence in a community. Education brings in togetherness, integration and unity. It is a means to working together, powerfully.

Adult Education

"Adults seek intellectual growth because they believe in its effectiveness to endow them with greater power, with increased facilities for expressing themselves as personalities, with larger freedom, they wish to create, to appreciate, they desire to become better specialists or to reach beyond their specialisations". Conception of adult education involved not simply teaching by object lesson but having the farmer himself make the demonstration rather than merely witness it. An attempt to coordinate extension work in production, distribution, farm management and ways of living. The education of an adult may be said to be the result of all of his experiences, since any act, can theoretically at least have an influence on the reinforcement or change of his ability to know, to do, or to feel.

Role of Cooperatives

Broad Spectrum of the Indian Cooperative Movement: Cooperatives, as independent economic institutions, carry out their operations and serve their member-owners in accordance with the universally-accepted Principles of Cooperation [see Annexure-IV] and in tandem with the law of land. In India there are more than 542,000 cooperatives of all types and at all levels with a total individual membership of nearly

220 million. They cover a wide range of commercial activities, and nearly 50% of them are engaged in agriculture and agricultural-related sectors. A large chunk of food segment is supplied by them e.g., foodgrains, milk, sugar, fruits and vegetables, edible oil etc.

Almost 70% of the Indian population is dependent on agriculture and is thus connected with agricultural cooperatives. Other sectors e.g., credit, fertiliser production and distribution, processing, transport, farm extension, are also closely linked with agricultural cooperatives. The cooperative sector in India stands along smartly with the other two sectors, public and private. Agricultural cooperatives have strong linkages with cooperative banks and marketing unions.

Cooperatives have covered 100% of villages and 67% of rural households. Cooperatives are contributing about 50% of total agricultural credit and are distributing 35% of total fertiliser consumption in the country. They are producing 60% of total sugar output. They are playing a crucial role in the agro-processing sector reflected by processing of sugarcane, milk, cotton and oilseeds etc. Dairy cooperatives have excelled in their area of operations and have enabled India to attain top position in milk production in the world. The edible oil marketed through cooperative channels is estimated at 50% and handlooms in cooperatives account for 55% of the total.

The apex of the Indian Cooperative Movement is the National Cooperative Union of India [NCUI]. All national level federations of all sectors are members of the Union. The Union also operates world's largest training network. Under its National Council for Cooperative Training [NCCT] there are 20 management-training institutions [one national level, and 19 regional and provincial level]. Under the State Cooperative Unions there are 91 cooperative training centres that provide training to the junior level cooperative personnel.

The education and training network, though seems to be large, yet it is too small to meet the needs of the vast membership and cooperative spread of India. Cooperatives, at their own level and on their own initiatives, also carry out education and training programmes for their members and employees. By organizing seminars, conferences and public meetings they also educate the general public. The main objective of all education, training and extension activities is just one: creation of a well-informed membership which, in turn, is able to strengthen their cooperatives so that they are able to provide all the services needed by the members. Only enlightened members can generate social cohesion and harmony in the community, and the cooperatives are the best instruments to achieve this objective.

A number of cooperatives, especially at the primary level, have adopted several methods to enhance member participation and their loyalty. Certain cooperatives, especially in some of the South Indian States, open their managing committee and general meetings with prayers. Also in some places members, Board members and employees take a pledge. [see samples of such pledges placed at **Annexure I and II**]. As a Code of Conduct cooperatives also issue a sort of a charter on how to

improve the performance of a Cooperative and of a Member [see **Annexure III and IV**].

PROMOTION OF SOCIAL COHESION AND HARMONY

Cooperative institutions with properly chiseled objectives and professionally moulded management and operational policies can contribute significantly to the enhancement of social cohesion in the community. Many of the social conflicts arise due mainly to ignorance and misinformation. When the members deal with a cooperatives – procuring supplies, marketing their produce, and obtaining credit and advice from the cooperative, members expect a fair play and quick economic returns. Economic returns are crucial since cooperatives are not social clubs or charitable institutions. Honesty, transparency and respectful attitudes are all that the members expect from their 'own' cooperative. Indifference, delay in obtaining information, corruption in financial and management matters repel the members, which ultimately spells the doom of a well-intentioned cooperative institution.

It is the members who have decided to form a cooperative by voluntarily coming together, contributing the required capital, laying down the policies and electing a managing committee. They, therefore, expect that the cooperative performs well and respond to the requirements of the members. It is the cooperative, which should continue to seek the advice, support and goodwill of its members, not to the contrary. Members are not subordinates of the cooperative. It is the cooperative, which is expected to serve the members.

Respect for members and their being recognition as true and rightful owners of the cooperative institution can help build bridges of goodwill and harmony among the various factions which are represented in the membership fold. In the context of national development and promotion of national integration, well-run cooperative institutions can help dilute [and ultimately eradicate] misinformation, ignorance, social, cultural and economic disparities. Constant and honest interaction between the leaders, professional managers and members can help build enlightened members, community and ultimately the nation.

The factors which promote social cohesion and harmony in the community [especially among the members], can be the following:

- Togetherness [expressed through general meetings, and other events];
- Mutual help [especially through the instrument of thrift and credit etc.];
- Economic and management discipline [objectiveness and efficiency];
- Clear policies, long-term business projections and services to members;
- Continuous social and professional dialogues between leaders and members;
- Innovations and national and international linkages;
- Creation of members and leaders of tomorrow [youth and women].

It looks, therefore, pertinent to develop more effective strategies and supporting environment through the process of awareness campaigns and professionalisation of

management. In simple terms, all cooperatives must create education and training programmes for their members and staff and provide sufficient budgets for the purpose. Cooperative federations cannot run away from their responsibility of providing education and training programmes for the members of their affiliates. In the same way, governments should also not hide behind the misconception that cooperatives are autonomous and therefore government budgets cannot be provided. It is the moral duty of the government to educate and train people, and cooperative members are no exception. It is not an honest argument that the education and training responsibility is that of the National Cooperative Union of India. The fact of the matter is that the profits of a large number of cooperatives are shrinking which affects the revenues of the National Cooperative Union of India.

CONCLUSION

Cooperative institutions are people's organisations, which are formed by the members [voluntarily], owned by them [by becoming stakeholders], and run by them [democratically in accordance with the universally-accepted Principles of Cooperation and through professional management], to satisfy their social and economic needs [through active participation and mutual help]. Contrary to the common belief that cooperative institutions do not deliver social goods, some of the recent studies strengthen the argument that cooperatives are indeed people's organisations, which can respond effectively to the felt-needs of their members. A closer social audit of such institutions would reveal that dedicated leaders with vision and foresight in collaboration with enlightened membership and with the cooperation of dedicated and devoted management can transform our 'civil society' into a place of security and satisfaction.

For a cooperative society to be successful, the cooperative leaders, in addition to being knowledgeable, must also be the persons of honesty, integrity and vision. When reading cooperative history, the role of certain key persons is being regarded as crucial for the success of many cooperative organisations.

The cooperative is an old and time-honoured institution. In the years past it had basically a social and religious orientation. Presently it has more of a business orientation. The cooperative offers at least two general advantages which no other business institution can fully match: [1] It offers an opportunity for all people rich and poor in all walks of life to help themselves by cooperating with others; and [2] it develops and strengthens the individual citizen in acquiring and controlling private property yet it preserves individual freedom dignity and responsibility.

Many individuals and institutions have conducted a number of studies to identify the reasons for the successes achieved by cooperative institutions and the causes of their failures. While a few of them e.g., congenial supportive environment, observance of Cooperative Principles in their letters and spirit, conforming to the laws of land, responding to the needs and aspiration of members and the positive roles played by the charismatic local leaders and professional managers, do make cooperative successful, failures can be attributed to various negative factors.

Indifferent government policies, defective cooperative laws, vague development policies, selfish and inefficient management leaders can ruin a cooperative institution.

‘Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.’

Cooperative institutions with properly chiseled objectives and professionally moulded management and operational policies can contribute significantly to the enhancement of social cohesion in the community. Respect for members and their being recognition as true and rightful owners of the cooperative institution can help build bridges of goodwill and harmony among the various factions which are represented in the membership fold. In the context of national development and promotion of national integration, well-run cooperative institutions can help dilute [and ultimately eradicate] misinformation, ignorance, social, cultural and economic disparities. Constant and honest interaction between the leaders, professional managers and members can help build an enlightened membership, community and ultimately the nation.

Enlightened members create enlightened cooperatives, and enlightened cooperatives serve their enlightened members in an enlightened manner. It should be the vision for the Indian Cooperative Movement to create enlightened institutions – especially the cooperatives that enjoy the goodwill not only of the members but also of the entire nation and international community.

ANEXURE-I
PLEDGE BY THE MEMBER

I,, as a member of this Cooperative Society, hereby pledge that ...

- 01 I uphold the sovereignty and integrity of the Republic of India;
- 02 I believe in the byelaws of my Cooperative and hereby undertake to abide by them;
- 03 I shall read the byelaws of my Cooperative myself [or have them read to me] once again carefully and thoroughly;
- 04 I shall participate in the organisational and business activities of my Cooperative;
- 05 I shall exercise my right to vote judiciously, freely and frankly without any pressure, suggestion, fear or favour from anyone else;
- 06 I shall make use of the services of my Cooperative for enhancing agricultural production and to improve my own standard of living;
- 07 I shall repay my loans in time and in full so that I am able to borrow again from my Cooperative;
- 08 I shall participate in all the educational and training programmes organised by my Cooperative from time to time;
- 09 I shall maintain cordial relationship with the management and employees of my Cooperative;
- 10 I shall work to further enhance the goodwill of my Cooperative.

Date of Pledge

Signature of the Member

ANNEXURE-II
**PLEDGE BY THE BOARD OF DIRECTORS/
MANAGING COMMITTEE**

We, as members of the Board of Directors of this Cooperative, hereby pledge that:

- 01 We uphold the sovereignty and integrity of the Republic of India,
- 02 We believe in and conform to the byelaws of our Cooperative and hereby undertake to abide by them,
- 03 We shall study the byelaws of our Cooperative [or have them explained to us] once again carefully and thoroughly,
- 04 We shall participate in the organisational structure and business activities of our Cooperative,
- 05 We shall convene and conduct the Annual General Meeting in time, and produce the agenda and make it available to all the members of this Cooperative well in time,
- 06 We shall explain the Audit Report, Statement of Income and Expenditure, and the Balance Sheet to the members at the Annual General Meeting,
- 07 We shall follow-up the recommendations and remarks made in the Audit Report immediately after the Annual General Meeting,
- 08 We shall listen to the Manager first before taking any business decision in our Board meeting,
- 09 We shall develop a schedule to make the loan repayments to the Bank and to the Government and try to stick to it,
10. We shall develop a system of controlling the assets and liabilities of our Cooperative,
- 11 We shall make use of the properties of our Cooperative for the benefit of the community and not for our own personal use and gains,
- 12 We shall develop programmes to provide additional services to the community within the area of operation of our Cooperative,
- 13 We shall remit the due amounts towards Cooperative Education Fund to the Cooperative Union at once in full and in future, in time,
- 14 We shall conduct member education programmes and develop training and development programmes for our employees,
- 15 We shall develop a channel to receive suggestions from the employees and from the members of our Cooperative,
- 16 We shall produce and follow a system of providing incentives/promotions to our employees and to further improve their working conditions,
- 17 We shall produce and assign specific Job Descriptions to all our employees and office-bearers,
- 18 We shall develop good working relations with the Department, Cooperative Union, local government and other social and other leaders within the area of our operation,
- 19 We shall encourage women and youth to participate in the management of our Cooperative,
- 20 We shall do whatever we can to improve the goodwill of our Cooperative.

ANNEXURE-III
HOW TO IMPROVE THE PERFORMANCE
OF A COOPERATIVE

- 01 The management should have a good knowledge of cooperative laws, cooperative rules and regulations.
 - 02 The management should have a good knowledge of the byelaws of the Cooperative and its aims and objectives.
 - 03 The management should have a proper office system.
 - 04 The Board of Directors/Managing Committee should prepare and follow proper job descriptions for all functionaries and employees of the Cooperative.
 - 05 Proper maintenance of books of the Cooperative e.g., Accounts, Minutes, Members' Register, Bank Documents.
 - 06 Operating all the accounts through the bank only.
 - 07 Proper control of the assets and liabilities of the Cooperative.
 - 08 Regular stocktaking, inventory control, and contacts with all business units ensuring a full, accurate and honest reporting.
 - 09 Preparing and maintaining a schedule of loan repayments.
 - 10 Maintaining a cordial dialogue with the Manager and all other employees of the Cooperative.
 - 11 Follow-up the recommendations/remarks/suggestions made in the Society Audit Report.
 - 12 Calling Members' General Meetings and the Board Meetings regularly and in time by giving adequate and required notice and agenda to the members.
 - 13 Contributing regularly and in full the Cooperative Education Fund to the Cooperative Union.
 - 14 Arranging self-help and self-financed member education programmes with the help of the Cooperative Union and the Cooperative Department.
 - 15 Identifying training needs and having the concerned people trained.
 - 16 Proper relationship between the employees and the management; between the members and the management.
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ANNEXURE-IV
HOW TO IMPROVE THE PERFORMANCE
OF A MEMBER IN A COOPERATIVE

- 01 The members should have an adequate knowledge of the byelaws of the Cooperative and its aims and objectives.
- 02 The member should be aware of their rights and duties and those of other officials of the Cooperative.
- 03 Education and training in understanding the Balance Sheet and Statement of Accounts of the Cooperative.
- 04 Getting acquainted with the services offered by the Cooperative and making a good and proper use of them.
- 05 Asking for more services from the Cooperative and be willing to pay for them.
- 06 Making suggestions, asking questions and seeking clarifications from the management.
- 07 Understanding the importance of agenda, audit report and the cooperative annual report.
- 08 Understanding the importance and implications of voting at the Annual General Meeting.
- 09 Active participation in the business of the Cooperative.
- 10 Active participation in the organisational structure of the Cooperative.
- 11 Active participation in all the Annual General Meetings of the Cooperative.
- 12 Giving proper opportunities to all sections of the community to participate in the cooperative business.
- 13 Coordination and collaboration with Farmers' Groups and Key Members of the Cooperative.
- 14 Encouraging the women and the youth to take a more active interest in the Cooperative activities and management.
- 15 Visiting neighbouring cooperatives for exchange of experience.

About the Author...

Dr Daman Prakash is the Director of the Rural Development and Management Centre, New Delhi, India and Senior Consultant of the IFFCO Foundation [promoted by the Indian Farmers' Fertiliser Cooperative Limited – world's major producer of urea and DAP]. Dr Prakash served the International Cooperative Alliance Regional Office for Asia and the Pacific [ICA ROAP] since 1962 in various capacities and retired as Director of Agricultural Cooperatives Management Training Projects. He had served in Indonesia as Chief Technical Advisor of the ILO Projects on KUD Management Development, Training and Education [1981-88]; served in Sri Lanka as Senior Consultant to the ICA/SCC Cooperative Teachers' Training Project [1978-81]; Senior Consultant on MAFF/JA-Zenchu/AICAF-sponsored Study Missions to Indonesia, Laos, Mongolia, Cambodia, Uzbekistan and Kazakhstan. He also works as consultant to the FAO, FAO-NEDAC, UN/ESCAP, MAAF-Japan, Dekopin-Lapenkop-Indonesia etc. He has to his credit several books and articles on HRD, Cooperatives, Rural and Institutional Development.
