

CO-OPERATIVE THEORY & PRACTICES

(Specialisation in Co-operation)

(BCM5 B10)

CORE COURSE

V SEMESTER

B.Com.

(2019 Admission Onwards)



UNIVERSITY OF CALICUT

School of Distance Education

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UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

STUDY MATERIAL

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CO-OPERATIVE THEORY & PRACTICES **(Specialisation in Co-operation)**

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CHAPTER – 1

INTRODUCTION TO COOPERATION

Introduction

The ancient Indian scripture Rig Veda states;

May you all have a common purpose May your hearts be in unison May you all be the same mind

So that you can do work, efficiently well

The concept of co-operation is old as human society. It is the basis of domestic and social life. Science may points out the way to survival and happiness of all mankind through love and co-operation.

Co-operation is derived from the Latin word “Co-operari”, ‘Co’ means “with” and ‘operari’ means “to work”. Hence co-operation means Working Together with others for a common purpose. Aristotle, a Philosopher of Ancient Greece, recognized the social nature of man when he said, “Man is a Social Animal”. Man cannot lead a happy and contented life if he lives in isolation. Therefore, there is a great need for Co-operation, which can be considered as the basic principle underlying human life. The word Co- operation literally means Working Together or Act Together.

McLegan Committee Defines Co-operation as “The Theory of co-operation is very briefly, the isolated and powerless man can, by association with others and by moral development and mutual support obtain, in his own degree, the material advantage available to wealthy or powerful persons and whereby develop

himself to the fullest extent of his natural abilities. By the union of forces, material advancement is secured and by united action self-reliance is fostered and it is from the inter-action of the influences that it is hoped to attain the effective realization of the higher and more prosperous standard of life which has been characterized as “better business”, “better farming” and “better living”.

“Co-operative Societies can help the transformation from Capitalism to Socialism and finally to Communism”. – Lenin

The basic idea behind Co-operation is “Self Help and Mutual Help” and “Mutual Aid”

Concept of cooperation

The Primitive concept of Co-operation was related more to cultural, religious and social aspects. Co-operation was a way of life and it was inherent in the Society itself.

The Modern concept of Co-operation is altogether different from the primitive one. “It denotes a special method of doing business”
- T.N. Hajeela

Concept of

Primitive concept of cooperation

It's a way of life than a type of business.

Modern concepts of Cooperation

Special method of doing business.

Different viewpoints of co-operation

According to the **Sociologists** Co-operative Movement is an instrument for establishing social harmony through the removal of class struggle.

Economists are of the opinion that co-operative is a means of countering the exploitation of weaker sections by conferring on them a better economic status.

In a **legal sense**, Co-operation signifies special privileges and concessions conferred by law on its members.

According to the Socialist Co-operative School, “Co-operation is a weapon for the development of socialist thought and the realization of firms or households for business purpose and economic institution through which economic activity is conducted in the pursuit of economic objectives”

FEATURES OF CO-OPERATIVES

Co-operation is a special method of doing business. It has the following features:

1. It is an association of persons
2. It is an undertaking
3. It is a voluntary organization
4. Service objective
5. It is democratic organization
6. It is based on proportionality or equity
7. It is with the norms of social justice
8. It is a socio-economic movement

9. The basis is equality
10. It is a universal movement
11. At the service of both of the members and of the community

1. **An Association of Persons:** A Co-operative Society comes into existence when a group of individuals join hand and form an association.

2. **An Enterprise or Undertaking:** Co-operation lays stress on ethical standard and it is basically an enterprise. It is run by members themselves at their own cost and risk.

3. **Voluntary Association:** An individual is free to join the Society and resign from his membership of the Society at his will and discretion.

4. **Service Objective:** The main object of co-operative society is to serve its members rather than to earn profits.

5. **Democratic Management:** The Co-operative Society follows the cardinal principle of democracy i.e, one man one vote. The affairs are handled by the Board of Directors. The capital does not get any special treatment over human being in co-operation.

6. **Equity :** No discrimination among members is made on the grounds of religious faith, political ideology, and educational qualifications and so on.

7. **Norms of Social Justice :** There is no class division among capitalists and working class in Co-operation.

8. **Socio-economic Movement:** A part of Socio-economic Movement The Co-operative movement is viewed as a constituent part of the overall socio- economic movement of the country.

9. **Proportionality or equality:** It is based on proportionality or equality The surplus is distributed not according to share taken

but according to the proportion of business operation a member has effected with the society.

10. **Universal Movement:** It is a Universal Movement found in all countries of the world.

11. **At the service of both the members and the community :** Every society stands for the economic upliftment of the members and the social, cultural and economic betterment of the local community

OBJECTIVES OF CO-OPERATION

Self-help made effective by organization is called Co-operative Society. The main objectives of co-operatives of co-operatives are:

1. *Elimination of Middlemen.*

The First and foremost objective of co-operative society is to remove the middlemen in different fields, who take away the gains that should have gone to the real beneficiaries.

2. *Raising economic status of the poor.*

The most basic aim of a co-operative society is to raise the standard of living of the poor.

3. *Removal of the ills of capitalism*

The basic cause of the ills of capitalism is the profit motive. This leads to exploitation, class struggle, economic inequality and unfair competition. These evils adversely affected the interest of workers and gave birth to co-operative movement. Therefore the aim of co- operation is to restrict the amount of profit and provide better service to its members.

4. *Raising moral standards of its members.*

Co-operative movement wishes to direct human life towards goodness by raising their moral standard.

5. *Increasing the prosperity of the whole community.*

. A co-operative society aims at bringing about the welfare of not a particular individual but of the whole community.

6. *Abolition of Social Inequalities.*

The feeling of 'high' or 'low' among members of the community act as a cause of social tensions, the removal of which is the goal of the co-operative movement.

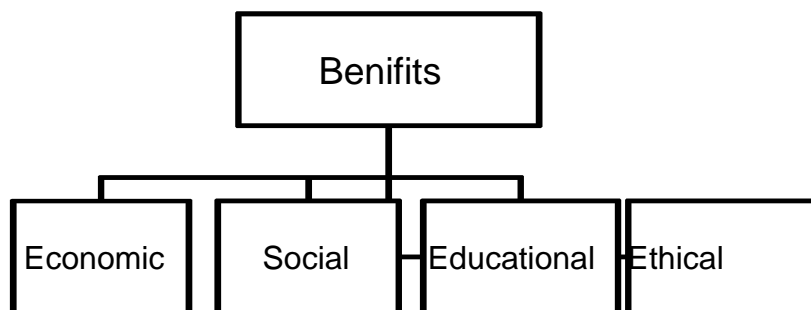
7. *Political and Religious Neutrality.*

As far as possible, a co-operative remains aloof from political parties and religious groups.

8. *Development of Corporate Life.*

A Co-operative aims at providing a corporate life to the weaker sections of the community.

BENEFITS OF CO-OPERATION



The benefits of co-operation are studied under three broad categories viz.,

1. Economic Benefits
2. Social and Political Benefits
3. Educational Benefits.

4. Ethical

1. Economic Benefits

The following are the Economic Benefits derived out of a Co-operative institution.

- I. The substitution of profit incentive in business by that of service to the community.
- II. A more equitable distribution of wealth.
- III. A break up of monopolistic tendencies. .
- IV. Increase in purchasing power and real wages to individuals.
- V. Reduction in cost of distribution system by elimination of unnecessary middlemen.
- VI. The more accurate correlation of demand and supply.
- VII. Stabilization of employment.
- VIII. General improvement in employer, employee relationships.
- IX. Cheap marketing and processing of farm products at reasonable prices.

2. Social and Political Benefits.

The important Social Benefits are as follows:

- I. To provide a unique education in democracy, responsibility and toleration.
- II. To train for political power.
- III. To evolve an industrial relationship among all.
- IV. To preserve a strong friendly or family spirit.
- V. To secure rational construction and unifying approaches to social and economic problems.

- VI. To prevent underemployment and unemployment.
- VII. To secure moral as well as physical satisfaction of pure quality, correct weight and fair dealings.
- VIII. To prevent exploitation of man by man.

3. *Educational Benefits*

Following are the important educational objectives or benefits of cooperation.

- I. The individuals learn by experience gained in practical work of co-operation.
- II. Co-operation also sponsors education. There are many co-operative schools and colleges formed to provide affordable education and also employment to educated unemployed youths.
- III. To train the people to take initiatives in organizing
- IV. To create experts

4. *Ethical or moral Benefits*

Following are the important ethical and moral benefits of cooperation

- I. The policy of honesty is a necessity in co-operation
- II. Cooperation returns money value for honesty and other virtues.
- III. The motto of co-operation is “each for all and all for each”
- IV. Co-operation aims at the production of fine human beings.

CHAPTER – 2

PRINCIPLES OF CO-OPERATION

The term “principle”, derived from the Latin word “Principium” meaning “basis”, has different meanings: the primary idea, a certain thesis, a rule of an organization. The principles of co-operation may be considered as the broad guidelines for co-operative societies in the conduct of various activities. “ALL FOR ONE AND ONE FOR ALL” “SELF HELP AND MUTUAL HELP” Co-operative principles are those principles which are essential for the achievement of the co-operative objectives.

In the words of George Davidonic, “They are Set of Rules which governs the life and activity of Co-operative Organization.”

In spite of the diversity of their sources, co-operative principles have come to be known the world over mainly as Rochdale’s principles. This is due to two reasons: first the clarity in the formulation of the Rochdale pioneers; and second, the universality in their application. These principles have inspired the co-operative movement throughout the world. These principles are;

(1) Democratic control (2) Open membership (3) Limited interest on capital; (4) Patronage dividend; (5) Cash trading; (6) Political and religious neutrality; and (7) Promotion of education.

1937 Committee

In the course of time, co-operative movement spread out in various countries and various forms of co-operations were

developed. It began to be doubted that whether Rochdale principles formulated as early as 1844 would meet the needs and requirements of the various form of co- operative organizations. The need of reformulating co-operative principles also arose out of two other factors; one, the ideological, and the other practical or technological. With the establishment of socialist state in Russia, the co-operators of the world began to be seriously divided on account of ideological grounds. The other important factor which necessitated a second look at co-operative tenants and philosophy was the size and complexity of the operations of co-operative which had increased far beyond the simple ideas and forms of Rochdale pioneers. Advanced technology was influencing procedures and organization in the co-operative sector. In 1934, the International Co-operative Alliance (ICA) was asked to appoint a special committee to examine and formulate the principles of co-operation. This committee divided the Rochdale principles into two classes:

1. Essential and obligatory principles, and
2. Non essential principles.

Essential Principles: The 1937 committee regarded the company as following as major essentials or obligatory attributes of the co-operative activity;

1. Open membership
2. Democratic management
3. Limited interest on capital
4. Payment of dividend in proportion to transactions

Non-Essential: the three traits described as of less importance and therefore, presumably, non-essential, were;

1. Religious and Political neutrality
2. Cash trading
3. Education

It is worthwhile to mention that the 1937 ICA report came as pinch of salt to many co-operators. Neither the supporters of capitalists or classical form of co-operatives, nor the leaders of co-operative activity in socialist states were satisfied with the report. The very concept of graded validity of principles was resented in many quarters. The snappy or summary manner in which the principles were expressed failed to carry adequate meaningfulness to be either enlightening or helpful. It was the practical co-operator, and co-operative administrator, who sought guidance while making up his mind how he should make a correct co-operative choice. While promoting the objects of his co-operative organization. Is non-voluntary membership, even though open, compatible with co-operation? What are the limits on open's of membership? Can or must, the principles of 'one man, one vote', be followed at all stages and in all circumstances? Must interest on capital be paid? Must dividend be distributed? These were very vital questions, even in regard to the principles, which the committee had qualified as essential. As for the less essential principles', there was no guidance at all, as to how and how far they could be varied or abandoned. The co-operative movements in different countries went their own way, improving their own modifications to all the more and less essential principles set out in 1937 report.

Changing situation of the world

After 1937 great changes took place all over the world. Conditions as they emerged after second world war were radically different in most of the countries of the world. Social and political conditions of various nation changed considerably

and the co-operatives had to adapt themselves to these changing conditions. It was not possible for the co-operative movement to keep aloof from the far reaching changes taking place in technology and management. It was increasingly becoming evident that if co-operative enterprises were to survive and flourish, they must fully take advantage of the vast opportunity offered by modern technology. The fast moving changes were throwing a big challenge to the co-operatives to act not only in a big way but also to set up highly sophisticated organizations which could be economically efficient without being co-operatively unsound.

The seven principles classified by the International Co-operative Alliance as primary and secondary began to be considered as somewhat unrealistic and even outdated in the rapidly changing times. In some of the countries some of the principles were not followed in actual practice. Practically, the agricultural co-operatives did not follow closely the plan and some of the principles were entirely abandoned.

Many co-operators strongly felt that the original wordings of the principles were not clear and there was an urgent need to review them in the light of the changes taking place.

1966 Commission

In October 1964, the Central Committee of ICA appointed a Commission “to ascertain how far the principles of Rochdale-as defined by ICA Congress at Paris in 1937-are observed today and the reasons for any non-observance.” The Commission was asked to consider, in the light of its study, whether the Rochdale Principles, so defined and stated, meet the needs of the co-operative movement, having regard to the present day economic, social and political situation, or whether any of the principles should be reformulated in order to contribute in the

best manner to the fulfillment of the aims and tasks of the co-operative movement in its different branches.

The Commission's report, submitted in 1966, was characterized by two important features which distinguished it from 1937 report. Firstly, the commission did not differentiate between some principles are essential, while, others as non-essential. Secondly, in formulating the principles, brevity or brilliance of phraseology at the cost of its accuracy and adequacy was carefully avoided by the commission, having being asked to reformulate co-operative principles, the commission came to the conclusion that "its formulation cannot be formulas". They must be attempts at exact, and at the same time comprehensive and adequate statement of the nature and the extent of the trust underlying each formulation. True co-operative principles must be true in both senses; firstly, they must be appropriate ways leading to the common goal of co-operators; and secondly, they must explain, as fully as is necessary and possible, all the implication of their justification and results. This means a substitution of formulas by exact and adequate statements. The commission, both in the body of its report, and in the summary of its findings, has presented carefully phrased formulations which are no more verbose than necessary but which do not leave out any of the essential implications of each statement.

According to the Commission, the following should continue to be considered essential to genuine and effective co-operative practice both at the present time and in the future as far as that can be foreseen:

1. Membership of co-operative society should be voluntary available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibility of membership.

2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed to by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decision affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining the expense of others.

This may be done by decision of the member as follows:

- a) By provision for development of the business of the co-operative;
 - b) By provision of common services; or
 - c) By distribution among the members in proportion to their transactions with the society.
5. All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic.

To these the Commission has thought it important to add a principle of growth by mutual co-operation among co-operatives.

6. All co-operative organizations, in order to best serve the interests of their members and their communities, should actively co-operate in every practical way with co-operatives at local, national and international levels.

In submitting the above formulation, the Commission also added certain remarks. The first is that these principles are not associated arbitrarily or by chance. They form a system and are inseparable. They support and reinforce one another. They can and should be observed in their entirety by all co-operative movement. The second remark is that, although the principles originated as rules governing the relations of the individual members of co-operatives with one another and with their societies, their application is not confined to primary societies. They should be loyally observed by secondary organizations also, with such modifications as are necessary or desirable for individual persons. The fact that they are not of universal application in our time does not mean that they are no longer appropriate, particularly for co-operative societies which, by reason of their youth and inexperience, cannot afford to risk strains on either finances or the unity of their membership.

There were different stages in which the principles were developed. The important stages were:

- I. Roach Dale Principles as in the First Stage.
- II. International Co-operative Alliance (ICA) principle in the second stage.
- III. Karve Committee on Co-operative principle as in the Third Stage and; IV. Co-operative Principles by ICA in 1995 as Final Stage.

1. ROACH DALE PRINCIPLES

The first Co-operative Society came into being in 1760. This was set up by Wool Wickand Chaton. There were various Co-operative societies formed on different lines in between 1760 and 1844 periods but they did not succeed. In 1844 Twenty Eight Flannel Weaves in a place called Roach Dale in England formed a Consumer Co-operative Society for benefitting the weavers' community. They succeeded on their venture basically on the fact that they were running the store with some basic principles. This society is working in England as a Wholesale Equitable Pioneers Co-operative Society.

The principles given by them for the first time include the following:

- a) Open Membership:-Membership of co-operative society is open to all those who belongs to the area who need their service.
- b) Democratic Control:-Management of the co-operative society is done democratically through democratic principle and the elected body controls the day to day affairs..
- c) Limited Interest on Share Capital:- Interest on capital provided was only limited.
- d) Patronage Dividend:-Dividend distribution is on an equitable manner. Nobody gets special privilege on account of high capital contribution.
- e) Cash Trading:-They decided to sell goods only on cash basis and no credit was allowed.
- f) Political and Religious Neutrality:-They gave equal importance to all religion and politics.

g) Promotion of Education:-Education is important for its development so they extended co- operative education to all.

h) Selling Pure and Unadulterated Goods:- They sold quality goods at affordable prices.

2. INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA) PRINCIPLES

International Co-operative Alliance is an international body set up for the promotion of co-operative ideas and spreading the principles of co-operation around the world. Due to enormous changes taking place in Economic, Social and Political fronts, the International Co- operative Alliance (ICA) appointed a sub-committee in 1934 to take a fresh look at the co- operative principles. They evaluated the principles enunciated by Roach Dale, its relevance and observance in the present time and finally submitted its report in 1937. Based on the sub- committee report the ICA instead of formulating principles, they simply classified the Roach Dale Principles in to two- Essential and Non Essential in 1937.

They are:

1. Open Membership

2. Democratic Control

3. Limited Interest on Share Capital Essential Principles

4. Patronage Dividend

5. Religious and Political Neutrality

6. Cash Trading

7. Promotion of Education Non Essential Principles

8. Selling Pure and Unadulterated goods

3.KARVE COMMITTEE ON CO-OPERATIVE PRINCIPLE.

Again in 1960 due to the dynamic nature of the world, ICA appointed a commission in 1964. Five nations namely UK, USA, USSR, Germany and India were represented in the commission. Prof. D.G. Karve from India was the Chairman of the Commission and therefore, the Commission is popularly known as Karve Commission on Co-operative principles. The commission recommended the following principles in its report submitted in 1966.

1. **Open and Voluntary Membership:-**Membership of a Co-operative Society is open to all those who wish to join it. There is no discrimination on the grounds of caste, creed, religion, race, sex or politics. The only point to be remembered while giving membership is that his or her profession is not opposed to that of a co-operative society. For example a money lender is not admitted as a member of primary co- operative credit society.

2. **Democratic Management:-**The management of a Co-operative society should be done democratically. The ultimate responsibility of managing the entire society is vested with the General Body. The main points to be taken care of in a democratic management are:- a) Each member has only one vote. b) Majority rules in all matters. c) Committee of management should always have the authority of members before they take any important step. According to the principle of democratic control, the Board of Management is an elected body, which controls the day to day affairs.

3. **Limited Interest on Share Capital.** As per the Co-operative Societies Act, 1969, interest on capital is restricted. For the purpose of collecting necessary amount of funds, the

society is bound to pay interest. Whatever interest is paid, it should be on a limited scale.

4. **Equitable Distribution of Surplus.** Earning of profits is not the basic objective of a co- operative society. But this does not imply that co-operatives are run on no profit no loss basis, or they are managed with losses. The surplus of the society is disposed of as follows..

- a. Provision is made for the development of the society.
- b. Provision is made for Common Services.
- c. Some of the surplus is distributed among the members on equitable basis.

5. **Co-operative Education.** The progress of the society depends to a greatest extent on how best its members can takes an active part in its affairs, which is possible only when the members are educated. Co-operative education includes:

- a. Education to members
- b. Education to office bearers; and
- c. Education of prospective members.

6. Co-operation among Co-operatives

In order to best serve the interest of members all co-operative organizations should actively co-operate in every practical way with other co-operatives at Local, National and International levels. Such type of co-operation is necessary to acquire greater strength to face adverse conditions.

4. CO-OPERATIVE PRINCIPLES BY ICA IN 1995.

The ICA Tokyo Congress held in 1992, initiated steps to review the current ICA Co- operative Principles of 1966 and make possible changes to prevent the erosion in values of co-operation. Based on the direction given to Dr. Ivan Mac Pherson (Canada), he reviewed the principles and submitted a report in 1994 which was approved by ICA General Assembly in Manchester in September 1995. This report contains seven principles:-

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co- operative. At least part of that capital is usually the common property of the co-operative.

Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives 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 co-operative autonomy.

5. Education, Training and Information

Co-operatives 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.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

To conclude, that the above said principles are the important qualities that make co- operative institutions effective, distinct and valuable. The Government should provide a conducive environment for the co-operatives in which they may combine in their working co- operative values, socio-economic objects and competitive strength in the Globalized Era.

MODULE II

CO-OPERATION AS A FORM OF BUSINESS ORGANIZATION

CHAPTER – 1

CO-OPERATION V/S CAPITALISM

Introduction: In order to understand the ideals of co-operation it is inevitable to have a comparative study of other forms of economic organizations. The co-operative movement originated in order to eradicate the evil effects of capitalism and has developed considerably in countries where capitalistic economy is prevalent. As a result of this paradox, co-operation is termed as “State within the State”. The laws which are in force in a state shall be applicable to a society and the byelaws of the society shall not exceed the provisions of co-operative societies Act and Rules. As a result of this strange phenomenon, the co-operative movement can co-exist with any form of economic systems, but at the same time upholding its special characteristics. To have a thorough understanding of the co-operative movement, we have to get an idea about the various forms of organizations existing in the economy as discussed below.

CO-OPERATION V/S CAPITALISM

Capitalism

Capitalism is a system wherein the entire means of production and distribution of goods and services are vested in the hands of the private individuals. Capitalism is a system of economic organization in which business and industries are organized and carried on for profit by private individuals and enterprise with a

minimum of Government interference. The investors invest their capital for profit or gain and employ laborers and pay them wages.

Features of Capitalism:

The distinguishing features of capitalism are as follows:

1. Private ownership of means of production or factors.
2. Management of means of production for private gain
3. Freedom of contract and enterprise
4. Class conflict between labour and capital
5. Non-intervention of government in the economic matters
6. Exploitation of man, by man
7. Class conflict and resultant Class struggle
8. Competition in the market as the regulator of price and business activities
9. Wide gulf between 'haves' and 'have not's'.School of Distance Education

Thus capitalism as a system depends for its existence on certain fundamental points such as:

1. Right of inheritance
2. Right of free enterprise
3. Right of contract
4. Right of private gain and personal freedom
5. Free competition and guaranteed privileges.

Advantages of Capitalism:

The following are the advantages of capitalism.

- a. The reward is apportioned on merits.
- b. The individual initiative and personal freedom is the best motivation for advancement of business.
- c. As production is carried on according to the wishes of Consumers, the consumers are happy.
- d. Capitalism has survived many crises and it is flexible in the sense that it is easy to adapt to changing economic conditions.
- e. It is also amenable to a certain amount of regulation by the State.

Disadvantages of Capitalism:

The following are the drawbacks of capitalism.

- a. Permitting private individuals to exploit every situation.
- b. Capitalism fosters too much of individualistic outlook and operates without any definite plans as to production, resulting in mal adjustments of supply and demand.
- c. Individuals or the capitalists obtain all private gain at the cost of the community to its great detriment.
- d. The centralization of power in a few hands in regard to production of goods leads to accumulation of power with few elite people.
- e. In capitalism there is unfair, unequal distribution of income and wealth.

- f.** There exists cut throat competition which result in waste of resources and manpower resulting in overproduction of certain classes of goods. Sometimes there is underproduction to create artificial scarcity and increase price and profit.
- g.** Human values and ethics are not at all taken care of.
- h.** The workers are merely treated as a part of factor of production.
- i.** Capitalism leads to a division of society into working class and the capitalist. Similarities between Co-operation and Capitalism

James Peter Warbase, an eminent American Co-operator, has observed that co- operation is not hostile to the Capitalist system and most of the instruments and devices in use by the co-operatives are the product of Capitalist business. It is pointed out by some economists that co operation is a reformed form of capitalism and there is no much inconsistency between capitalism and co-operation.

The following are the common points between a co-operative society and the capitalist concern. They are:

- a.** Both co-operation and capitalistic systems give emphasis to capital.
- b.** Co-operation and Capitalism uses labour and other factors of production at very low cost.
- c.** Both employ executives to manage the organizations and pay them well.
- d.** Both depend on business efficiency.

- e. Both the systems are not favouring State interference in its affairs.

DIFFERENCE BETWEEN CAPITALISM AND CO-OPERATION

In spite of these common features existing between capitalism and co- operation, there are a lot of differences between them on the following points.

1. In capitalism capital has a pivotal role to play in the business whereas in co-operation, it has a secondary role.
2. The capitalistic economy is dominated by profit motive whereas service is the motto of co- operatives.
3. In capitalism there is union of capital and in co-operatives there is union of persons.
4. Share capital determines the voting rights in capitalism whereas in co-operation, one man has one vote irrespective of their capital contribution.
5. Capital owns men in a capitalistic economy while in a co-operative society, men own capital.
6. In capitalistic system business tends to concentrate wealth in the hands of a few capitalist whereas in the co-operative system wealth is decentralized.
7. In capitalism there is cut throat competition whereas there is no such competition in
8. In capitalism the relationship is impersonal where as in co-operative business there exists a personal relationship between members and organization.

9. The evolution of capitalism is towards creation of monopolies, while evolution of cooperation is towards decentralization.

10. Capitalism encourages materialism whereas co-operations strive for development of cultural and spiritual values in individuals.

11. Capitalism maximizes the amount of profit or return of investment to shareholders. Co- operatives are formed for better economic service and improving the standard of living of its members.

CHAPTER – 2

CO-OPERATION V/S SOCIALISM

INTRODUCTION: Socialism is a system wherein all means of production and distribution is owned and controlled by the state. It is a socio economic system in which material means of production are owned by public authority or the community and operates not for profit but for the services of the community at large.

Socialists are of different types and they are Marxism socialism or scientific socialism State socialism Guild socialism; and Evolutionary and revolutionary socialism

The principles common to all socialist are substitution of collective ownership for private property in all instruments of production which permit exploitation of labour and the substitution of a central authority controlling production in place of the present competitive environment. But they differ in the views held as to how property should be held in common or as to how the distribution of services and goods should be carried out.

In the words of KARL MARX “Society can be reformed only by the destruction of private property”. According to LENNIN “Mere growth of co-operation is identical with socialism”.

FEATURES OF SOCIALISM

The principles on which the majority of the socialists agree on may be listed as follows.

1. State alone has the power to organize and conduct production.

2. Nationalization of all the means or instruments of production ie., land, factories, mines, railways and their ownership to be transferred to the state.
3. Controlling Boards would be established in each industry and the state would pay wages fixed by such boards.
4. State would provide work for everyone.
5. The state itself would be capitalist, the landlord and the organizer of industry and thus interest and rent would disappear.
6. Remuneration for work would vary according to one's ability and everybody is assured of an
equal opportunity to rise in life, irrespective of rank.
7. The state would undertake production and distribution and pay costs of production and annex profits as well. Profits arising out of production would be spent by the state on education, medical relief, recreation and entertainment of the poor.
8. Private property in capital goods like residential house, furniture and fixtures and other consumer goods would be allowed.
9. Private ownership of means of production is prohibited.
10. Each individual is assured of fixed income.
11. The entire surplus or profits belongs to the state.
12. There is no class difference or class struggle; and
13. Balanced Economic development.

MERITS OF SOCIALISM

The following are the advantages of socialistic pattern of society.

1. As the State runs the entire operations, considerable fund is accumulated with the State which can be used for amenities like education, medical facilities, free milk for children and for entertainments.
2. The productive resources are utilized in an effective manner.
3. Jobs neglected by people would be given to machinery and they would be free to pursue higher aims in life.
4. As equality of opportunity is afforded to all to rise to higher positions in life, considerable uplift of uplift of the masses is brought under a socialistic state.

SIMILARITIES BETWEEN CO-OPERATION AND SOCIALISM

On the basis of the features of socialism we find that socialism and co-operation resemble each other in a variety of ways.

They are:

1. Both aim at the abolition of class struggle, profit economy and poverty in the midst of plenty, which militate against the norms of a welfare state.
2. Both maintain economic equality and offer no opportunity for the development of glaring inequalities of income and wealth.
3. In both the forms, actions are directed towards the elimination of competitive forces and their substitution by the

principles of co-operation.

4. Both aims at the welfare of the community and the promotion of social justice and progress.
5. Both oppose individualism and seek to replace it by collective ownership and collective action.
6. Both lay emphasis on distribution of wealth.
7. The aims of both are rendering of service rather than earning profit.
8. Both the systems are based on moral foundation and believe in human brotherhood.
9. Both the systems have a common origin; and
10. Both try for eliminating the evil effects of competition.

DIFFERENCE BETWEEN SOCIALISM AND CO-OPERATION

The differences between the two are as follows.

Basis of difference	Socialism	Cooperation
System	Socialism is a system of government which seeks to move towards its objectives by changing the prevalent economic order	Co-operation is a system of thought which is compatible with all forms of economic and political systems. A better philosophy is enunciated within the system itself to help the common man to gain strength

Type of Remedy	Socialism is a political remedy for economic evils and it is effective through the active involvement of the Government	Co-operation is a non-political alternative to the economic problems
Supremacy	The state is supreme for it participates in and exercises control over production and distribution. The state interferes in all matters and the freedom cannot be exercised	The individual is supreme, he enjoys freedom of action. The members direct the activities of the organization.
Capital	Socialism is against the idea of the accumulation of capital by individuals	The co-operatives do not discourage accumulation of capital by its members. But in co-operation takes care to ensure that they are not controlled by it
Role of the State	Socialism operates under state domination, which is both the deciding authority and the directing agency.	co-operatives seek to avoid state control

Type of Property	Socialism is associated with State Ownership. All the means are owned collectively by the community	Co-operation is characterized by, the co-existence of private and collective ownership.
Politics	Politics in socialism, finds a top place	Co- operation is free from politics or it is politically neutral
Control	Economy is controlled by the State	Co-operative organizations are managed democratically
Surplus	In socialist economy the surplus goes to the state	But in co-operatives it goes to the members on the basis of patronage dividend
Object	The objective of socialist economy is to protect the welfare of the people	Co- operation the basic objective is service to members

In spite of the difference, co-operation, in its broader sense, constitute an integral part of socialism. If co-operatives achieve the socialist objectives in bits, socialism extends its objectives to cover the whole country.

CHAPTER – 3

CO-OPERATION V/S COMMUNISM

INTRODUCTION: Communism is mainly the product of Marxian philosophy contained in the book Communist Manifesto, which was published in 1848 in collaboration with Engles.

Communism is a term which is used “to denote a system of social organization based upon common property, or an equal distribution of income and wealth”.

A revolutionary movement which aims to abolish capitalism and to establish a society in which all goods will be socially owned and all economic activities are socially planned and controlled and in which distribution will be accordance with the maxim; “from each according to his capacity, to each according to his need”

Features of communism

1. Central banking system
2. Government controlled education
3. Government controlled labor
4. Government ownership of transportation and communication vehicles
5. Government ownership of agricultural means and factories
6. Total abolition of private property

7. Heavy income tax on everyone
8. Elimination of rights of inheritance
9. Regional planning

COMPARISON OF CO-OPERATION WITH COMMUNISM

1. The theory of communism is built upon the element of force or compulsion. Through violent means, the poor pressurize the capitalists to abandon their claims to their accumulated properties and wealth and surrender them to the working class.

But a co-operative organization, attempts to work in consonance with democratic norms, and voluntarism is its most important attribute.

2. Communism is an extreme form of socialism which believes in attaining its aims by revolutionary means so that it may achieve quick results.

The co-operative society has an altogether different approach to the problems of the disadvantaged class, it favors changes by evolution.

3. Communism is an ideology which reacts when the sufferings of the majority becomes intolerable.

Co-operatives operate in all places under any system and initiates changes within the system.

MODULE – III
CO-OPERATIVE EDUCATION & TRAINING
CHAPTER – 1

**INTRODUCTION TO COOPERATIVE EDUCATION
AND TRAINING**

INTRODUCTION: It is a universally accepted fact that cooperative movement in its facets is depending on education and training of its members. Cooperative education and training are co- related and interdependent, without one the other cannot be possible. While education develops mental facilities and increases knowledge, training develops the skill, chieseles and levels it. Education sharpens the intellect, broadens the vision and builds up the character of an individual. Training gives a practical shape to all these matters. The success of co-operative movement is essential depending on cooperative education and training of members on the one hand and in the application of the principles, practice and methods of cooperation as a way of doing business, on the other hand. Both education and training are therefore essential for the proper development of any co- operative.

The importance of co-operative education training is loudly pronounced for the underdeveloped and developing countries where literacy is at its low level. Some of the cooperators defined cooperation as “an economic programme employing educational action”. But to some other co-operators, co-operation is “an educational programme employing economical action”. The importance of co-operative education is also amplified by the saying namely “Create cooperators before creating cooperatives”.

Ever since the beginning of co- operative movement in the world as a way of doing business and as an economic programme aimed at the well-being of the people who belonged to the underprivileged and under classified societies, co-operative education training found its due importance in all its field of activities. Cooperation in its technical sense (as a way of doing business) was a new and strange phenomenon unknown to the ordinary people when it was introduced. And as such knowledge and information of this form of doing business and its practical application were considered essential for its success by the early cooperators. Rochdale Pioneers while formulating the principles for the successful conduct of their consumer store had foresightedly recognized the importance of cooperative education and training. And they did not fail to include co-operative education as one of their principle.

The ICA in reformulating these principles had recognized in unequivocal terms, the importance of co-operative education and training and included this as one of the principles in 1966. And of date the ICA in revising these principles in 1995 did not fail to include cooperative education and training as one of the revised principles. A committee on cooperative education and training was formed in 1935. The Chairman of the committee was Sir Malcom Darling. This Committee is considered as the first committee which recommended for a planned programme as a systematic approach on co-operative education and training.

The main aspect of these recommendations relates to a three phased programme namely.

1. Education and training programme for the trainers namely instructors and teachers on cooperation.
2. Education and training programme for the personnel of cooperative department.

3. Education and training programme for employees of cooperative societies, MC members and ordinary members.

The committee also suggested that the entire scheme should be financed jointly by the Govt of India and Provincial Governments. The Cooperative Planning Committee (Sarayya Committee) of 1946 reviewed the progress in co-operative education and training so far achieved by implementing various schemes. The Committee was not satisfied with the progress. It recommended for opening cooperative colleges and intensifying the cooperative studies in schools and colleges. The Sarayya Committee also suggested for providing facilities for advanced study and research on cooperation in colleges. From the above instances and incidents it is accepted beyond doubt the necessity and importance of cooperative education and training for the development of cooperative movement in its totality.

ORIGIN AND GROWTH OF COOPERATIVE EDUCATION AND TRAINING IN INDIA

The history of cooperative education and training in India dates back to 1904 when the cooperative movement in India started. Sir Frederick Nicolson while submitting his report for introducing cooperative movement in India also exhorted for “enlightened membership”. The organized efforts towards providing cooperative education and training were made next in 1914. The Edward Maclagan Committee of 1914 along with other recommendations had also submitted proposals for implementing various programmes for co-operative education and training. The Committee was of the opinion that lack of co-operative education and training will jeopardize the very progress of cooperative movement in India. In a sense, the Committee was exhorting to “create cooperators before creating cooperatives”. The Royal Commission on Agriculture in 1928 had also made certain specific recommendations for implementing education and

training programmes on cooperation. The Commission was also of the opinion that co- operation should be made a subject of study in schools and colleges. The most important event during the pre-independence era was the appointment of a committee which suggested that the national board for co-operative education and training should be renamed as National Council for Co-operative Training (NCCT).

CHAPTER - 2

NATIONAL COUNCIL FOR COOPERATIVE TRAINING

INTRODCUTION: National Council for Cooperative Training which is known as NCCT was established as per the recommendations of Swaminathan Committee of 1973 on 1st July 1976 with its headquarters in New Delhi. The members of this council consists of the representatives of the Government of India, RBI, NCUI, national and state level cooperative federation, National Council for Education, Research and Training (NCERT), University Grants Commission (UGC), Agricultural Universities of India, Registrar of co-operative societies and the Secretary of Government of India in charge of Co-operation. The President of NCUI shall be the Chairman of NCCT and the Chief Executive of NCUI shall be the Director General of NCCT. The NCCT is in overall charge of planning and coordination in the entire training programme on cooperation in the country.

Objectives of NCCT

Following are the important objectives of NCCT

1. The prime objective of NCCT is to strengthening managerial structure of cooperatives and helping them in professionalization by improving the skill and knowledge of employees through a variety of programmes.
2. To the respective state co-operative unions.
3. The administration of the National Institute at Pune and

the intermediary training centres at the regional level should be transferred under the control of this board.

4. Cooperation should be made an optional subject of study for graduation and PG courses.

The most important decision was that provision should be made by the state governments in their respective Co-operative Societies Act for creating a fund by the name of Education Fund to be subscribed by the cooperatives working in profit. This fund is to be exclusively used for cooperative education and training etc.

Another event that happened in this field was the appointment of a committee by the Government of India constituted by NCUI. Dr .M.S. Swaminathan was the Chairman of the Committee. It was appointed in 1973. Swaminathan Committee was asked to examine the adequacy of the existing structure by education, training, and also suggest measures for development and improvement.

The committee submitted its report which contains following recommendations.

1. Education and training programme should be separated.
2. Establishment of training centres for providing training to the subordinate staff in each state.

This Committee also recommended for providing training to non-official cooperators. It was different category of cooperators. The activities of the central committee should be streamlined so as to make it more result oriented. In short the entire training and education programme in India were getting a definite shape as a result of the recommendations of the survey committee.

In the year 1960, the Government of India set up a Study Team to conduct a detailed study on the cooperative education and training programmes in India. The Committee was asked to examine the activities of the central committee and submit proposals for making these programmes more effective and suitable to meet the needs of the fast growing cooperative movement. The study team submitted its report during the same year.

Simultaneously a national level conference of Ministers of Cooperation was convened at New Delhi. This conference discussed in detail the report of the Study Team and finally the conference took the following decisions.

- The central committee for the cooperative education and training should be replaced by a more powerful body by name the National Board for Cooperative Education and Training. The first important event during the post independence period in this field happened in 1953 when the Govt. of India in consultation with the RBI constituted a committee at the national level exclusively for cooperative education and training. And this committee was known as Central Committee for Cooperative Education and Training.
- All India Rural Credit Survey Committee for 1954 in its foremost recommendations namely integrated system of rural credit included cooperative education as one of the important ingredients for the development and success of the cooperative movement in India. The Committee submitted specific schemes and programmes for strengthening, developing and diversifying the education and training activities of the central committee constituted in 1953. The Committee also envisaged an integrated scheme for the training of employees of cooperative department and cooperative institutions and also the cooperators as a whole.

The scheme suggested by the Committee were:

1. Classification of trainees in three categories namely higher, intermediate, and subordinate.
2. Upgradation of the existing training centre at Pune as a national level institute and expanding the training programmes for higher level trainees.
3. Establishment of Regional Training centres for providing training to the intermediate level staff. As a first step the committee suggested for starting 5 such centres.

It is the bounden duty of NCCT to bring out a managerial cadre capable of handling the cooperatives as the most modern business organisation. It has also been the endeavours of NCCT to develop job oriented and need based programmes for all sectors of employees with varied durations. A modular approach has been adopted by NCCT to develop more and more job oriented

training packages for all the categories of employees by upgrading the training technology through diversified training programmes to achieve professional competence and administrative efficiency.

NCCT is having a 3 tier system of cooperative training consisting of

1. *VAMNICOM at the apex level.*
2. *Institute of Cooperative Management (ICM)/co-operative training colleges at the middle level.*
3. *Subordinate training centres or Junior Training Centres at lower level.*

The Vaikunda Mehta National Institute of Cooperative Management (VAMNICOM) and the Institute of Co-operative Management (ICM) are controlled and administered by NCCT directly while the subordinate training centres are governed by

the respective state cooperative unions. But the entire programmes and schemes for training are chartered out and coordinated by NCCT at the national level. Unlike the cooperative training programmes in India, the cooperative education programme is not having a well organized set up in India. Until the Swaminathan Committee of 1973 all the programmes for cooperative education and training were jointly undertaken. As a result of the Swaminathan Committee report, these two schemes were separated and separate programmes were formulated for education and training. It has to be mentioned in this context that both the training and education programmes are formulated and guided by the NCUI. In 1956 a centre was started in New Delhi as a subsidiary to NCUI for providing education and training to the trainers or teachers of cooperation. This centre is known as National Centre for Cooperative Education.

NCCT shall have the following functions :-

- To formulate overall policies and plans relating to cooperative training;
- To organize and direct arrangements in regard to the training of personnel employed in the cooperative departments and cooperative institutions in the country;
- To assess periodically the needs of training for cooperative personnel to facilitate planning and designing of training arrangements (such assessment may preferably be for the Five Year Plan periods);
- To keep effective liaison with and coordinate the activities of Government of India, financing institutions, universities including agricultural universities, University Grants Commission, international agencies like the International Cooperative Alliance, etc., in matters relating to cooperative training;

- To establish and manage cooperative training institutions;
- To identify the problem areas of cooperative requiring research and organize research studies, to establish and manage cooperative research institutions;
- To arrange for training of teaching staff of cooperative training institutions;
- (viii) To ensure maintenance of high academic standards in cooperative education and training in various institutes in the country and suggest syllabi and standards of examinations for different courses;
- To promote education in cooperation in schools and colleges and for this purpose to suggest syllabi and standards of examination and arrange publication of standard text books on cooperation;
- To explore the possibility of obtaining recognition for Vaikunth Mehta National Institute of Cooperative Management as an institution of national importance or explore the possibility of its recognition as deemed to be university;
- To evaluate the various courses in cooperative training and suggest measures for improvement;
- To arrange for provision on consultancy services to cooperatives particularly on problems of management and
- To raise funds by way of grants, fees, subscriptions and contributions from Central Government, Cooperatives and other Institutions.

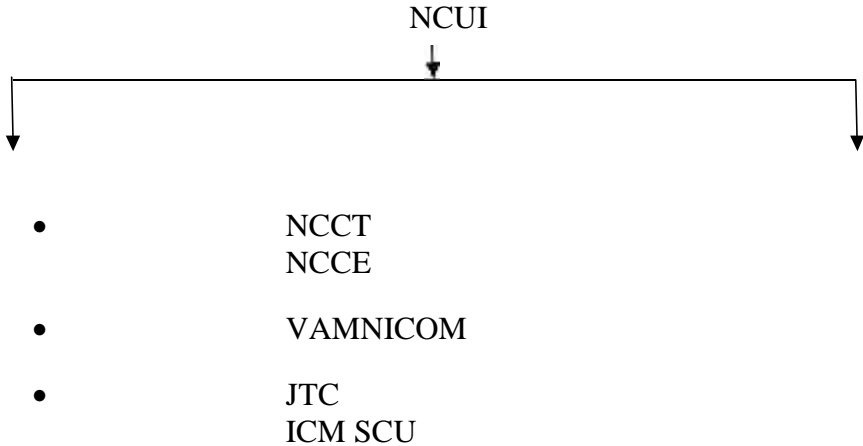
CHAPTER – 3

NATIONAL COOPERATIVE UNION OF INDIA – NCUI

INTRODUCTION: The origin of NCUI dates back to 1949 when a national conference of the Indian Cooperative Congress was held in Bangalore. This conference decided to have a national organisation especially in the non-official sector. The Government of India took steps for implementing this decision in consultation with RBI. Accordingly a national level cooperative union was organized in 1949 by amalgamating the All India Cooperative Institutes Association of 1928 and Indian Provincial Banks Association of 1949. The Union was organized and registered as a cooperative society under the Multi Unit Cooperative Societies Act, 1945. The original name of this union was Indian Cooperative Union with its headquarters in New Delhi. The name subsequently changed as All India Cooperative Union. After the Gorhan Committee Report the name was finally changed as National Cooperative Union of Indi. The NCUI is now having the representation of more than 25 crores of ordinary members. All the state cooperative unions, the state level and national level cooperative federations, the Government of India and the RBI are its members. The administration of NCUI is having a 3 tier system, comprising of General Body, Governing Council and Executive Committee. The President of NCUI will be the head of all these. NCUI is publishing two monthly magazines by name “The Cooperator” and “The Indian Cooperative Review”. The NCUI is the national level apex body in the cooperative movement in India. All the training and educational programmes in cooperation are being guided and

controlled by NCUI.

The following diagram depicts the training and education set up for co-operation in India under NCUI.



NATIONAL CENTRE FOR CO-OPERATIVE EDUCATION- NCCE

The National Centre for Cooperative Education which is commonly known as NCCE was established in 1956 as a subsidiary of NCUI. Originally this centre was to provide training and education to the trainers of cooperation. But subsequently when these two programmes were separated the NCCE continued to provide education to the trainers. The NCCE is considered as a national centre for education. Even though there exists no well knit organizational set up in cooperative education; the NCCE is considered and accepted as the apex level centre in educational set up. The NCCE is now undertaking programmes for teachers on modern methods and techniques of teaching. The activities of the centre have now been diversified to cater to the needs of the fast growing cooperative sector. It has also stepped up its

activities to include leadership development programmes for the leaders of different types of cooperatives. The educational programmes in cooperation in India are not having a middle level organisation. The state cooperative unions are the state level agencies to implement programme at the grass root level and the education programmes are being implemented by the state cooperative union through their instructors.

KERALA STATE CO-OPERATIVE UNION

It was established as per S.89 of the KSC Act. It was a combination of three erstwhile cooperative institutes namely Cochin Cooperative Institute of 1930, North Malabar Cooperative Union of 1932 and Travancore Cooperative Institute of 1947. After the formation of State Cooperative Union in 1969 all the functions hitherto undertaken by 3 separate unions were transferred and carried out by the union.

In Kerala, State Cooperative Union is the state level apex body in the non official cooperative sector for the promotion of the cooperative movement in Kerala. What is NCUI to India is the Kerala State Cooperative Union to Kerala. It is considered as the sole agency for propagating principles and practice of cooperation, protecting the entire interest of cooperatives and there by cooperators in the state of Kerala. The healthy progress of cooperative movement in Kerala is the main lookout of the KSCU. It is the agency to undertake and implement all the training and educational programmes in world cooperative movement. The name of the magazine published by it is “The Cooperative Journal”. The department of cooperation is also having a monthly publication by name “Sahakarana Veedhi”.

The functions of the SCU also include conduct of seminars and conferences, leadership campaign etc, for the overall development in cooperative movement in the state. SCU is

conducting all these activities with the financial assistance received by it through Education Fund, which is created out of the net profit of the cooperatives. The fund of the state union also includes affiliation and renewal fee from the cooperatives and grant from State Govt, and donations from the cooperative institutions.

At present there exists a systematic arrangement for member education programme. The educational activities are monitored at the District level by a committee with the Joint Registrar (Audit) for the district as the convener; the President of DCB will be the Chairman of this committee.

TRAINING PROGRAMMES UNDERTAKEN BY KSCU

The Cooperative training programme under the overall guidance of NCCT is undertaken by KSCU through its cooperative training colleges and centres. At present there are seven cooperative colleges under the direct control of SCU and one at Kottayam in the private sector run by the NSS. There are also nine cooperative training center for the junior diploma in cooperation run by the union.

The method of study, types of syllabus, duration of courses and method of examination are decided by the union in accordance with the broad guidance provided by the NCFT under NCUI. Cooperative training colleges are providing higher diploma in cooperation with 11 months duration consisting of nine months of class room studies and two months of practical study. The first month of practical study centres round the functions of various types of cooperatives in Kerala with special references to the constitution. The second month of the training is expected to obtain a firsthand knowledge t\and information and practical application f the power of officers of the department of cooperation under the KSCU. The training provided by the JTC

comprises of 8 months class room study and 2 months of practical training in the same pattern of the HDC course.

The examination of both these courses up to the publication of results and issue of diplomas are conducted by Central Board of Examination with the Registrar of the cooperatives as its Chairman. The Secretary of the SCU will be the Secretary of the board also. Usually an additional registrar of cooperatives will be the Secretary of the SCU.

H.D.C. Course:

This is a Post Graduate Diploma Course of 11 months duration including two months practical training. The minimum qualification for education to the HDC course is a University Degree. The course is conducted at 8 Cooperative Training Colleges of which one is under the management of NSS at Kottayam. The admission of candidates is purely on merits of marks.

J.D.C. Course:

The course is of 10 months duration of which two months are devoted for practical training. There are 9 junior level training centers in the state out of which 5 are for the student under general sector and four are for SC/ST students. In addition to the SC/ST batches, one general both for the students selected in open merit is being conducted in the SC/ST centers except at Wayanad. 50% seats under general sector are reserved for Institutional and departmental candidates (i.e. 35+15) and the remaining 50% to the candidates selected from private sector.

Member Education Scheme:

The Kerala State Co-operative Union realized this and made extensive arrangements for conducting member education

programme in the state. The staffing pattern discussed earlier has mentioned the position of Co-operative Education Instructors at the various Member Education Units. These Instructors carryout the member education programmes at the district level.

Member Education scheme sponsored by the National Co-operative Union of India was introduced in Kerala in 1957 as a pilot project and it is being implemented by the State Cooperative Union, Kerala as per the guidelines given by the NCUI from time to time. Cooperative Education programme is now being implemented by the State Co-operative Union as per the scheme for the utilization of Cooperative Education Fund approved by the Registrar of Cooperative Societies and as recommended by the Managing Committee of the State Cooperative Union every year. All expenses incurred for this scheme are met from the Cooperative Education fund remitted by the Cooperative Societies out of their net profit. Besides Government of Kerala provides Rs.20 lakhs for the above purpose.

The State of Kerala has 11690 Cooperatives spread over 14 districts. The total membership of these societies comes to 29486445 members. The major activity of the State Cooperative Union is educating the members, Managing Committee Members, prospective members, women and youth, public etc. In order to achieve this, the Union conducts a variety of programmes, such as Cooperative camps, rallies, seminars, conferences, attending general body meetings, conducting managing committee classes, arranging lectures in colleges and Schools on Cooperation, organizing debating and essay competitions, organizing special programmes for women, weaker sections etc.

CHAPTER – 4

NATIONAL COOPERATIVE WEEK, FLAG AND MAGAZINE NATIONAL COOPERATIVE WEEK

National cooperative week is celebrated every year all over the India from 14th of November to 20th of November. Currently, it has become the largest cooperative movement in the world as national cooperative week has been joined by the 6 lakhs cooperative societies. As it has a huge network, it plays an essential role towards the Indian economy, rural credit, fisheries, storage, labor, consumer, housing, fertilizer marketing and etc.

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It is very helpful to overcome all the disadvantageous of the weaker-sections of Indian economy over. It is celebrated in the kathua yearly by the kathua marketing society to make people aware about the goal of the movement and strengthen the movement. It is celebrated in the India at a large scale by organizing a lot of activities where people from all the society take part. It is greatly enhanced by the cooperation for the youth to make their own societies to actively take part in the cooperatives movement to make their livelihood more institutionalized. Cooperative societies of different areas such as consumer business, agriculture, medical, educational, transport, housing, floriculture, dairy, poultry, banking, micro credit women empowerment and etc are getting registered by the cooperative

departments. At this occasion Deputy Registrar, Assistant Registrar, Board of Director and etc authorities are present.

How it is Being Celebrated

The national cooperative week is a week long celebration during which the cooperative societies take part to increase the public awareness by organizing the events like debates, seminars, discussions and etc. All the cooperative institutions are given a new opportunity during the whole week celebrations in India in order to evaluate their growth, problems as well as emphasize the great achievements.

Cooperative movement has been also supported by the Indian leaders such as Mahatma Gandhi, Sardar Vallabh Bhai Patel and etc. A week long celebrations of the national cooperative week is not restricted to the debates and considerations only. It aims the involvement of the general public to get aware about the new economic model.

Purpose of National Cooperative Week

- National Cooperative Week is celebrated every year throughout the India to increase the awareness among general public about the important roles of this event in the Indian society.
- It is organized yearly by cooperating all the Indian societies to make aware the people about the Indian economic model.
- A lot of activities like debates and seminars are organized while celebrating this event in order to assess the development, crisis as well as highlight the immense achievements in the economy.

COOPERATIVE FLAG

A seven-colour rainbow flag is a common symbol of the international cooperative movement. The rainbow flag has been the cooperative emblem since 1921 when the International Co-operative Congress of World Co-op Leaders met in Basel, Switzerland to identify and define the growing cooperative movement's common values and ideals to help unite co-ops around the world. In Essen, Germany in 1922, the International Co-operative Alliance (ICA) designed an international co-op symbol and a flag for the first "Co-operators' Day," which was held in July 1923. After some experiments with different designs, a famous French cooperator, Professor Charles Gide, suggested using the seven colours of the rainbow for the flag. He pointed out that the rainbow symbolized unity in diversity and the power of light, enlightenment and progress. The first co-op rainbow flag was completed in 1924 and was adopted as an official symbol of the international cooperative movement in 1925.

In 2001, the ICA's official flag was changed from a rainbow flag to a rainbow logo flag on a white field, to clearly promote and strengthen the cooperative image, but still use the rainbow image. Other organizations sometimes use the traditional rainbow flag as a symbol of cooperation.

Like the rainbow, this flag is a symbol of hope and peace. The seven colours from flags around the world fly in harmony. Each of the seven colours in the co-operative flag have been assigned the following meaning:

- red: stands for courage;
- orange: offers the vision of possibilities;

- yellow: represents the challenge that GREEN has kindled;
- green: indicates a challenge to co-operators to strive for growth of membership and of understanding of the aims and values of co-operation;
- sky blue: suggests far horizons, the need to provide education and help less fortunate people and strive toward global unity.
- dark blue: suggests pessimism: a reminder that less fortunate people have needs that may be met through the benefits of cooperation.
- violet: is the colour of warmth, beauty, and friendship.

The ICA has been flying a flag with its official logo since April 2001, when its Board decided to replace the traditional rainbow flag. Its use by a number of non-cooperative groups led to confusion in several countries around the world.

COOPERATIVE JOURNAL

The healthy progress of cooperative movement in Kerala is the main lookout of the KSCU. It is the agency to undertake and implement all the training and educational programmes in world cooperative movement. The name of the magazine published by it is “The Cooperative Journal”. The department of cooperation is also having a monthly publication by name “SahakaranaVeedhi”.

MODULE 4

TYPES OF COOPERATIVES AND COOPERATIVE CREDIT CHAPTER -1

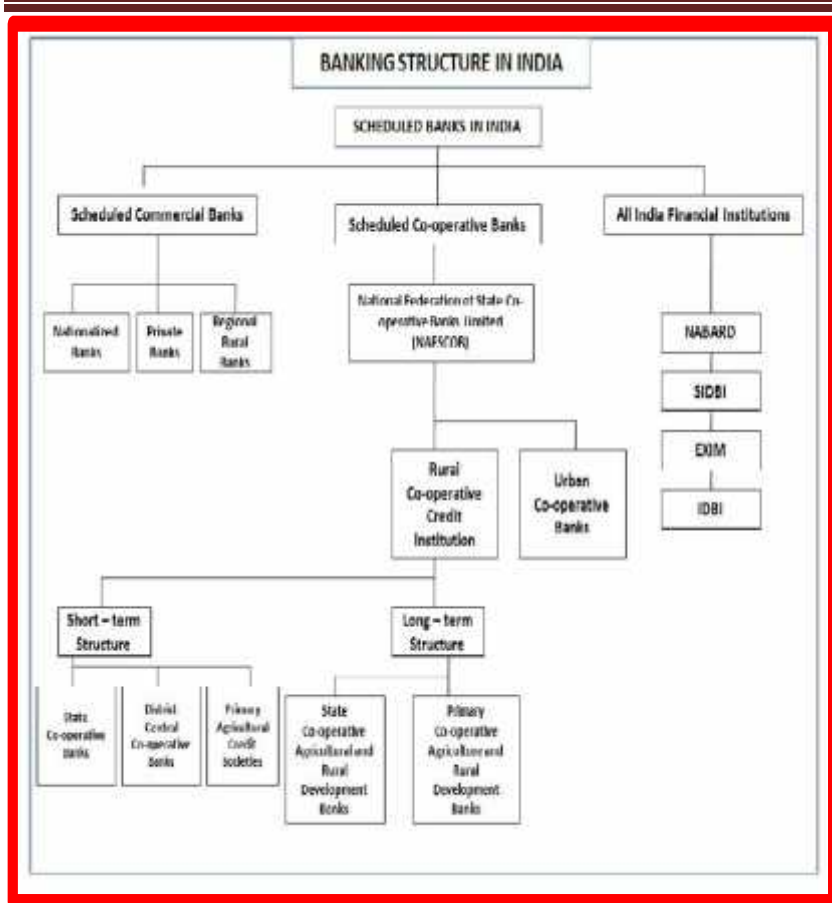
AGRI-BUSINESS CO-OPERATIVES BANKING STRUCTURE IN INDIA

The banking structure in india comprises the following institutions. It includes commercial and cooperative banking institutions and also the specialized financial institutions. The cooperative banking structure serves the rural and urban areas, in the form of short term and long term credit structure.

CO-OPERATIVE BANKING IN INDIA

The origins of the cooperative banking movement in India can be traced to the close of 19th century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Cooperative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. The Anyonya Co-operative Bank Limited in India is considered to have been the first cooperative bank in Asia.

AGRI -BUSINESS CO-OPERATIVES



Introduction

Under the term “agricultural cooperation” we include all those activities which are organized on cooperative lines for helping the farmer in the professional capacity as a producer. This form of cooperation is of immense importance to under-developed countries -where agriculture is the main occupation of the people. In these countries agriculture suffers from a number of weaknesses like majority of the farmers are poor and holding very small units of land. There is a highly imperfect market, perishable

nature of many agricultural products and lack of sufficient and suitable storage and processing facilities owing to which the farmer is forced to sell his produce immediately. There are also difficulties in finance. In the developing countries these difficulties are increased by the predominance of the agricultural sector in the economy, by the frequent lack of diversification, i.e. the dependence on a smaller number of crops and by the envisaged rapid changes in agriculture from subsistence farming to the cultivation of cash crops to supply the growing needs of urban population and to earn foreign exchange through export in order to finance development. According to the traditional school of thought the main aim of agricultural cooperation is to lend a supporting hand to individual effort as far as possible through a variety of services. The socialists, on the other hand, believe in wholesale collectivization because they feel that under this system the marginal producer will ultimately disappear.

The different types of agricultural business co-operatives are production, processing and marketing co-operatives which are discussed below.

.Co-operative Production

The concept of co-operative farming All those activities in agriculture which are undertaken jointly and which directly influence the primary production process are included in cooperative farming. Under this system, all decisions affecting production like joint management and planning or complete control of resources are taken by the cooperative society. Hence, societies which engage in soil conservation, land reclamation, consolidation of holdings, supply of irrigational services, etc., strictly speaking, form part of cooperative farming.

The term “cooperative farming” is not synonymous with collective farming because the latter is generally used to indicate

complete pooling of land and collectivization of resources. Cooperative farming, especially in the form of collective farms has been adopted in socialist and communist countries where collectivization of agriculture has been the main plank of the government policy. But in many developing countries, the introduction of cooperative farming has not seen real success.

THE AIMS/OBJECTIVES/MOTIVES OF COOPERATIVE FARMING

The aims/objectives/motives of cooperative farming are the following.

- i. To apply modern methods of cultivation on marginal or traditionally cultivated farms
- ii. To obtain economies of large-scale production.
- iii. To relieve the tenant farmers from the clutches of the landlord, improving their economic position and status.
- iv. To implement settlement schemes as a measure of land reform
- v. To put into practice certain political or religious ideas.
- vi. To implement the government policy of collectivization.

Types of Cooperative Farming Societies

Cooperative farming societies can be of two types:

(1) Agricultural productive societies.

Agricultural productive societies have a major control over resources and formulation of policies. Risks and profits are shared jointly. Such societies may be organized in more than one form:-

- a) Communal farms in which hardly any personal effects are allowed.
- b) Fully collectivized farms in which a small private property in the form of houses, livestock, etc. is permitted
- c) Collective farms in which private economic activities are permitted on a very limited scale.
- d) Partial collective farms in which cultivation is done jointly while the livestock etc. are individually owned
- e) Partnership farming in which cultivation involves huge investments and large scale mechanization. Under this system even outside labour can be employed.

(2) Cooperative Joint Farming.

These are societies in which members, while retaining their independence, carry on the work of farming on cooperative lines. The risk is borne individually. In this system, the society, more or less, operates as a multi-purpose society, than a productive society.

It is of two types:

- a) Block farms in which the society is authorized to perform certain productive functions.
- b) In which the farmers have authorized the society to undertake certain sectors of production, partly or completely.

Cooperative farming in India.

In India, cooperative farming societies began to be organized only towards the end of the Second World War. Such societies were organized for the settlement of ex-army personnel, for

rehabilitating displaced persons after the partition of the country, for growing more food under the “Grow More Food” campaign and for economizing foreign exchange. In Tamil Nadu, land colonization societies have been organized for the benefit of depressed classes and landless labourers. The members of these societies undertake clearance of jungles, laying of roads, sinking of wells erection of houses etc. besides cultivating the land. Each member is allotted three to four acres of land, the value of which is collected in a period of 20 years, if the land is not given free. They cultivate the land, enjoy occupancy rights but cannot sublet, mortgage or encumber the land. Agricultural, domestic and other requirements of the members, the marketing of produce, the provision of educational facilities and medical aid to the members and their families, and borrowing of loans for development of cottage industries and reclamation of land, all are done on a cooperative basis. In Uttar Pradesh, experiments have been conducted towards “consolidated farming” under which cultivators in a village grow the main crop in one or more consolidated blocks instead of scattered fields. In the field of cooperative farming, the first society was organized in 1958 and by the end of Jun 1966, there were 1274 joint farming societies and 85 collective farming societies in Uttar Pradesh. Joint farming societies have been very popular. In these societies, members pool their land for joint cultivation and management. The ownership of land continues to be in the hands of the individual members and only the control is in the hands of the society.

The cooperative banks provided short-long term loans for seasonal agricultural operations. The government has been helping these societies by giving subsidies and grant-in-aid for taking up irrigation and other development schemes and for meeting the cost of managers of the cooperative farms.

Joint farming and collective farming societies have also been organized in Punjab, Bihar, Orissa, Madhya Pradesh, Rajasthan, and Kerala. Despite the fact that governments have formulated a number of schemes like land reclamation scheme, multi-purpose river valley schemes, introduction of land reforms, etc., there is still considerable scope for the organization of cooperative farming societies in the country.

II. Cooperative Processing of Agricultural Produce.

Processing of Agricultural produce is most essential for successful marketing. Processing implies the transformation of products from their non-usable to usable form. Processing increases the value of the product and makes it possible to store them for longer period. It helps in maintaining a steady supply throughout the year and hence stabilizing the price. In under developed and developing economies processing is of immense advantage since it helps in making agriculture, a profitable profession. The individual farmer cannot undertake processing owing to limited resources, in terms of finance, technical skill and knowledge and limited marketable surplus. Consequently it is being undertaken by middlemen in the private sector. For achieving maximum economies, processing units may be set up in areas close to the source of supply, especially if there is a risk of the loss of weight or quality during transit. In case of commodities which are bulky or perishable, processing units may even be located at the centres of consumption.

The advantages of a cooperative processing society.

The advantages of a cooperative processing society are as follows:

- 1. It can help in decentralization of industries.***
- 2. It may be cheaper because of low wages, low rent of***

buildings and low cost of transportation.

- 3. The by-products can also be used in the rural areas.***
- 4. It would help in reducing unemployment among the rural masses.***

CO-OPERATIVE PROCESSING IN INDIA.

The importance of the cooperative processing to the rural economy of India has been emphasized by all committees and commissions set up to review the status of cooperative movement, but nothing substantial was achieved until the beginning of the Third Five Year Plan. The establishment of such industries was considered important for accelerating the rate of economic growth and for speeding up rural industrialization. Such industries not only create new opportunities for employment but also inspire self-confidence in the farmers from whom new industrial and business leadership is to be built up. The Government of India, in the beginning of the Second Five Year Plan, took a policy decision to support and finance cooperatives for the processing of agricultural produce. In 1958- The Damle Committee recommended that the programme of cooperative processing, especially of food crops, should be enlarged. In 1961 the Saraiya Committee gave many recommendations for improving the prospects of cooperative process industries in India.

The large sized processing units such as sugar factories, spinning mills, solvent extraction plants, cattle feed factories etc, are set up by the cooperatives organized by the growers either in a federal or unitary form depending upon the size and local situation. Medium and small units such as rice mills, oil mills, jute baling units, etc. have been established as adjuncts (attached) to marketing cooperatives. Secondary processing units have also been established by a mill group of primary processing societies,

eg., a cotton spinning mill established by cooperative cotton pressing and spinning societies. The cooperative processing units have organized their federations at State and national levels.

III. Co-operative Agricultural Marketing

In “agricultural marketing” we include all those activities, arrangements and preparations which help the farmer in the disposal of the farm product. In fact, the process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organized; otherwise the farmer runs the risk.

The process of marketing involves a number of activities, eg., collection of the produce at one place, storage, providing finance to the members till the produce is sold; insurance against risks; standardization of the product, and transporting the produce to the market centres. When such activities are undertaken by persons having specialized knowledge, commonly known as middlemen, they charge a high price for their services. Consequently, the marketing of agricultural produce has been undertaken jointly by the farmers through the organization of cooperative societies, not only in developing countries but in advanced countries as well of not getting the full value of his produce.

Co-operative Marketing in India.

The first marketing cooperative was organized at Hubli in the former Bombay Province in 1915. Since then the number of societies has steadily increased, from 31 in 1921 to 5125 general purpose marketing societies and 5585 special commodity marketing societies in the year 2004. There are 390 district marketing federations and 28 general purpose and 29 special commodity state marketing federations with NAFED at the top.

DAIRY CO-OPERATIVE SOCIETIES.

Most of the milk produced in the country is from the rural areas by small farmers who keep one or two animals. They have to face a number of problems in selling milk profitably such as inadequate transport facilities, non-availability of technical advice and absence of proper processing etc. These problems can be solved to a great extent by the formation of Dairy-Co-operatives. Co-operatives can reduce the number of intermediaries in the trade and societies will be in a position to supply milk to consumers, at reasonable price. Any assistance the producers may require for increasing production or improving the breed of cattle can be given more easily and effectively through a cooperative organization. A cooperative milk producers society provides a number of services to the dairy farmers such as provision of credit for purchase of milch animals, or meeting initial investment cost, provides technical advice to the farmers for improving the breed and feed of cattle, making available suitable.

Objectives / Functions of Dairy Co-operatives

1. Arrange for collection center and distribution network.
2. Arrange for processing of milk into milk products.
3. Arrange for selling of milk through their own depot and through licensed vendors.
4. Distribute cattle feed to the milk producers and also provide veterinary services.
5. Provide technical services to member farmers, like artificial insemination, veterinary facilities and supply of quality seeds and root slips for production of green fodder.

6. Protect the hybrid quality of animals.
7. Organize dairy industry on a system of rural milk production and urban marketing.
8. Conduct Research and Development activities to improve the productivity rate.
9. Provide financial assistance to poor farmers to purchase cattle.
10. Encourage co-operation and self-respect among the members.
11. Prepare and undertake necessary projects for dairy development in the area.

PROBLEMS OF DAIRY CO-OPERATIVES.

The major problems faced by dairy cooperatives in India are follows

1. Supply of inputs through the network of dairy co-operatives is not satisfactory.
2. Irregular payments to milk producers have frustrated them.
3. Balance cattle feed and fodder seed is not available regularly, which compelled farmers to use traditional feed.
4. Frozen semen technology to ensure greater productivity is used popularly.
5. Reach and effectiveness of animal health cover is still unlimited.
6. Farmers induction programme is given low priority.
7. Dairy co-operatives are facing cutthroat competition with milk vendors.
8. Lack of proper coordination with district level authorities.

BENEFITS OF DAIRY CO-OPERATIVES FOR MEMBERS

Excludable Benefits:

1. Reliable access to the market for the milk produced.
2. Field services, insurance and market information.
3. Knowledge about the industry costs, returns and practices in the industry.
4. Access to value added margin from dairy processing activities.
5. Representation into legislative process at low cost.
6. Negotiation of overdue premiums.

Non-Excludable Benefits:

1. Balancing milk supplies among dairies.
2. Transporting milk to locations where needed.
3. Providing milk to deficit areas seasonally.
4. Affecting policies and trade practices in favour of milk producers.
5. Providing leadership for effective legislative process

ANAND PATTERN

Anand Pattern is a doctrine of rural development. Mulani has identified 14 key elements of Anand Pattern.

1. Single commodity approach
2. Member ownership and control of the co-operative
3. Democratic control and Decentralized decisions making
4. Three-tiered structure i.e. Village Dairy Cooperative, District Dairy Cooperative Unions and Dairy Federation.
5. Use of professional managers and technologies
6. Accountability of professionals to members.
7. Coordination of milk procurement, processing and marketing
8. Annual audit of village co-operatives and district unions.
9. Daily or weekly payment of milk as per the quality
10. Investment in village social expenses capital
11. Autonomy of unions in fixing of prices
12. Adoption of Anand Pattern byelaws.

PROCESSING CO-OPERATIVES

Co-operative agro-processing is the transformation of agricultural products into consumable form on co-operative basis.

Importance of Agro Processing Co-operatives

Role of co-operatives in the development of agro-processing industry in India (Sugar Cooperatives in Maharashtra)

Problems of Agro Processing Co-operatives

1. Pricing policy of produce like cotton, oil seed, sugarcane etc. is faulty.
2. There is inefficient supply of agricultural produce affecting the functioning of units.

3. In most cases the private traders form co-operative processing units to safeguard their interest. This affects the co-operative principles.
4. Due to stiff competition and price fluctuations processing societies cannot work to the fullest capacity.
5. There is scarcity of experienced personnel for management of the societies.

SUGAR COOPERATIVES

Indian Sugar Co-operative can be broadly classified into:

1. *The organized sector e.g. Sugar Factories.*
2. *The unorganized sector e.g. Manufacture of Gur and Khandsari*

Out of the 453 sugar mills in the country, 252 are in the co-operative sector, 134 are in the private sector and 67 are in the public sector. The government of India has Indian Legislation passed the Sugar Industry Protection Act in 1932.

Problems of Sugar Co-operatives

1. **De-zoning:** Initially zoning were compulsory due to which farmer has to sell sugarcane to the prescribed factory within the zone of its field. But this policy was dismantled in 1996 due to which the factories, which could not give better price to the farmers, had to close down.
2. **Shortage of Sugarcane:** Many sugar factories are located in the main shadow region due to which there is a lack in sugarcane produced.

3. **High Cost of Water and Electricity:** High cost of water and electricity increases the cost of production.
4. **Huge Financial Losses:** Improper irrigation facility, scanty rainfall and also due to improper storage facilities result in huge financial losses.
5. **Corruption:** The main concept of “Self help through mutual help” is lost in corruption.
6. **Political Influence** and Interference in the co-operative society.
7. **Problems of Trade Union:** The trade unions come up with strikes and lockouts, which result in poor functioning of the co-operatives.

CONSUMER FOOD INDUSTRIES

Consumer food industry mainly consists of ready to eat or ready to cook products like cocoa based products, soft drinks, bakery products, biscuits etc. Bakery industry is the largest processed food industry. Annual turnover of bakery products is more than 30 lakhs. Nearly 20 industries are engaged in manufacture of cocoa products like chocolate, malted milk etc. with a production of 3400 tonnes. Production of soft drinks has increased from 5670 million bottles in 1999 to 6230 million bottles in 2000. Wheat based products such as vermicelli; macaroni and noodles are becoming popular.

COOPERATIVE MARKETING

Definition:- According to RBI, “Co-operative marketing is a co-operative association of cultivators formed for the purpose of helping members to market their produce more profitably than is possible through private trade”.

Types of Cooperative Marketing Societies

1. **Single Commodity:** deal only in marketing of only one agricultural commodity e.g. Sugarcane Co-operative Marketing Society, Cotton Co-operative Marketing Society.
2. **Multi-Commodity:** deal in marketing of number of commodities such as food grains, oilseeds etc.
3. **Multi Purpose Multi-Commodity:** deal in marketing of number of commodities and also perform other functions such providing credit, supply of inputs etc.

Structure of Marketing Cooperative

The super structure of cooperative marketing consisted of the National Agricultural Cooperative Marketing Federation (NAFED) at the all India level, State Marketing Cooperative Society in a state, Dist. Marketing Co-operative Society in every district and Primary Marketing Co-operative Society at the Mandi level.

Objectives of Co-operative Marketing Societies

1. To sell the member's products directly in the market that offers best price.
2. To improve economic conditions of produce by strengthening its bargaining power.
3. To help members to produce the best product and those in most in demand.
4. To establish fair trade practices and prevent manipulation of prices.
5. To help farmers to obtain finance at cheaper rate of rate interests.

6. To give the farmers a better understanding of all stages of marketing process.

Advantages of C-operative Marketing Societies

1. **Market Intelligence:** Co-operatives can obtain data on market price, demand and supply and other information.
2. **Reduce Cost:** Co-operative marketing helps to reduce cost and improve service.
3. **Improve Marketability:** It helps to improve marketability of products and reduce all undesirable market charges.
4. **Safeguards against Price Rise:** It safeguards the interests of members against the price rising.
5. **Provides Credits:** It provides credit to the farmers and save them from selling their produce immediately after harvesting.
6. **Storage Facility:** Farmers can wait for better price as these societies have storage facilities.

Limitations / Problems of Co-operative Marketing

1. **Illiterate Farmers:** Farmers are illiterate and do not know about the benefits of selling produce through co-operatives.
2. **Less Price:** Mostly price offered by co-operatives are less than open market price.
3. **New Societies:** Some of the societies are of recent origin and do not have adequate capital to work as efficient unit.
4. **Insufficient Godowns:** Most of the societies do not have

sufficient godowns to keep the produce and pledge loans.

5. **Defective Loan Policy:** 50 to 90% of total loans are given as production and clean loans, which has resulted in high overdues.

6. **Domination of Traders:** Societies are dominated by clever and intelligent traders and non- cultivators.

7. **Shortage of Funds:** Societies are not in a position to provide trade credit to buyers because of shortage of funds.

8. **Untrained Personnel:** Society personnel are not trained, qualified and competent to compete with traders who already have a good hold.

9. **No Encouragement** given by Apex Society like NAFED to primary co-operative marketing societies.

Kerala Co-operative Milk Marketing Federation Ltd (KCMMF-MILMA)

Now well-known by the popular sobriquet 'MILMA', Kerala Co-operative Milk Marketing Federation (KCMMF) was formed in 1980 as a state adjunct of the National Dairy Programme 'Operation Flood'. It is a three-tiered organization. At the grassroots level MILMA has 3059 Anand model primary milk co-operative societies as on 31.03.2012 with 8.6 lakh local milk producing farmers as members. These primary societies are grouped under three Regional Co-operative Milk Producers' Unions viz TRCMPU for Thiruvananthapuram region, ERCMPU for Ernakulam region and MRCMPU for Malabar region. At the apex level KCMMF functions from the headquarters at Thiruvananthapuram. From the different units managed directly by KCMMF and the various units under regional unions MILMA produces and distributes pasteurized Vitamin – A enriched milk

and various milk-based products as well as mango drink throughout the state. MILMA has been instrumental in achieving the national goal of self-sufficiency in milk production in the state. Still the goal is receding as Kerala enjoys one of the highest ranges of per capita milk consumption. KCMMF is totally content in the realization of this vision which was set before it. KCMMF has achieved the distinction in its performance by close association and bond with National Dairy Development Board, Animal Husbandry Department and Dairy Development Department of the State and Kerala Livestock Development Board. Kerala Co-operative Milk Marketing Federation (KCMMF), popularly called 'MILMA' was established in April, 1980 with its head office at Trivandrum for the successful implementation of 'Operation Flood' Programme in Kerala.

OPERATION FLOOD

A Success story on the Dairy scene in India during the sixties was the farmer-owned AMUL Co-operative in Anand (Kaira District, Gujarat) with its integrated approach to production, Procurement, Processing and Marketing on Co-operative line. Over the years, this evolved itself into a model, based on self rule by farmers ensuring maximum returns to them. This model came to be known as '**ANAND PATTERN**'. The efficiency of the Model was worth replication. Therefore, a dairy programme called "**OPERATION FLOOD**" was launched in 1970 under the aegis of the National Dairy Development Board (NDDB). NDDB functioned as the technical consultants and the erstwhile Indian Dairy Corporation as the funding agency. The ideology followed by "**OPERATION FLOOD**" was the remunerative linking of rural milk producing centers with the urban demand centers so as to build up a viable dairy industry. Kerala was included in the second phase of 'Operation Flood' (OF II 1980-1987). The eight southern districts from Trivandrum to Trichur were included in the area of the project which had a total outlay of Rs. 29 Crores. From 1980

KCMMF was involved in concentrated spearhead team activities, identification of potential milk collection, formation of milk Co-operatives and extension activities. MILMA came into its own on 1-4-1983 when it took over the revenue earning activities of Procurement and Marketing from the Govt. in April 1983.

Encouraged by the response of OF-II, the same areas were included in the third phase of 'Operation Flood' (OF III). This phase had an outlay of Rs.18 crores. The growing popularity of the concept of Co-operativisation Section has spurred the authorities into exploring new vistas. The uncovered northern areas from Palakkad to Kasargode were thus brought under the Co-operative umbrella with the inception of the NORTHERN KERALA DAIRY PROJECT. This Project is funded by the Swiss Development Co-operation through the National Dairy Development Board.

The Motto of Co-operation of **“of the people, by the people and for the people”** is foundation of the “three tier system” followed by the Organisation. The Power of the Producer members is felt right from the grass root village Co-operative Society to the Board governing the State level Federation through this system of functioning.

At the village level we have the Village Milk Co-operative Societies which have the local milk producers as its members. The Village Co-operatives unite at Regional level to form Regional Co-operative Milk Producers' Unions. These Unions later federate at the State level to form State Federation.

Objectives of KCMMF (MILMA)

1. To channelize marketable surplus milk from the rural areas to urban deficit areas to maximize the returns to the producer and provide quality milk and milk products to the consumers .

2. To carryout activities for promoting Production, Procurement, Processing and Marketing of milk and milk products for economic development of the farming community.
3. To build up a viable dairy industry in the State.
4. To provide constant market and stable price to the dairy farmers for their produce.

ROLE OF NATIONAL INSTITUTIONS

National Agricultural Cooperative Marketing Federation (NAFED)

The National Agricultural Cooperative Marketing Federation (NAFED), established in 1958 has been playing an important role in the development of cooperative marketing in the country. It functions as a coordinator in the cooperative marketing set up, both for internal trade as well as in the export market.

The NAFED through its branches and State and Primary level cooperative marketing societies undertakes procurement , storage, marketing, processing of agricultural and animal husbandry products singly or jointly with its member institutions. It has expanded and diversified its activities manifold and has emerged as a large institutional agency safeguarding the interests of producers on the one hand and consumers on the other, thus helping the government in its work of price stabilization.

The NAFED has been assigned a pivotal role in the price support operations in the agricultural commodities like onions and potatoes. Besides it has also been playing an important role in the supply of essential commodities to deficit States by undertaking buffer stocking of essential commodities like food grains, onions, potatoes, tea, pulses, eggs, edible oil etc. its also recognized as a

canalizing agency for export of agricultural commodities like onions, ginger seed, sesame seed, HPS groundnut, pulses and large cardamom. The Federation has also set up fruit and vegetable processing unit, cold storages and godowns with financial assistance from NCDC.

NAFED apart from running some fruit and vegetable processing unit, is a canalizing agency for the export of fresh fruits and vegetables. During 1991-92, it exported 4.16 lac tones of onions valued at Rs. 183.54 crore and fresh fruits valued at Rs. 16.12 lac.

National Co- operative Development Corporation (NCDC)

It was setup in 1963 by the Central Government by passing NCDC Act in 1962. NCDC has emerged as developmental and promotional financing institution for the cooperative sector in the country. The strategy of the corporation is to strengthen and develop cooperative institutions to enable them to serve their members and to maintain a sustained growth in their income. NCDC has been implementing a Central Sector/Corporation Sponsored Scheme for providing financial assistance towards setting-up of agro-based processing units.

The major thrust areas financed by NCDC include agro-processing, agro-marketing, integrated cooperative Development Project (ICDP) focusing on micro-level co-operatives, consumer co-operatives, coir, Handloom and promotion of information technology in the cooperative sector.

Role and Functions of NCDC:

1. To provide loans and grants to various co-operative societies.
2. To utilize the National Co-operative Development Fund for various development activities of co-operative societies.

3. To provide technical facilities to agricultural co-operative society through respective state governments.
4. To participate in the share capital of the different co-operatives societies working at the national level.
5. To develop co-operative fields like processing, warehousing, import-export of agricultural commodities etc.
6. To assist state government in Human Resource Development.
7. To provide funds to State Governments for financing co-operative societies for the purchase of agricultural produces and food stuffs.
8. Plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilizers and agricultural implements.
9. Provide outright grant to cooperative credit institutions towards their special bad debts reserve.
10. Help the long term credit institutions through purchase of debentures floated by them.

National Dairy Development Board (NDDB)

National Dairy Development Board (NDDB), an institution of national importance was set up by the Government of India to promote, plan and organize programmes for development of dairy and other agriculture based and allied industries along cooperative lines on an intensive and nationwide basis. During 1951 and 1970 milk production remained stagnant, per capita availability of milk declined from 132 grams per day to 107 grams per day. The creation of National Dairy Development Board (NDDB) in 1965 was a major step towards the organization of dairying on cooperative lines. DB supports the development of

dairy cooperatives by providing them financial assistance and technical expertise.

A village level dairy cooperative society consists of members who are normally milk producers and residents of the same village but committed to sell a portion of their surplus milk after meeting their household needs, to cooperatives. Each village cooperative has a milk collection centre which accepts all milk brought by milk producers, test it and measure the fat content and payment made accordingly.

District union in the second tier is responsible for processing of milk collected by village co-operatives. It also produces milk products after meeting the demand for liquid milk. These unions federated at the State Cooperative Dairy Federations, they in turn market the milk and dairy products produced under a common brand (in Kerala MILMA products).

The state level Dairy Federation have formed the National Cooperative Dairy Federation of India Limited (NCDFI) India constituted NDDB in 1965 under the Ministry of Agriculture. Its head quarters are at Anand, in Gujarat. During 1987 National Dairy Development Board Act was passed to give stationary status to it.

Objects

The main object of NDDB is to organize and oversee the planning and execution of dairy development programmes on a National basis. The Board is responsible to organize Anand Model Dairy Co-operative throughout the country and utilize the service of experts in the dairy industry for the development of co-operative dairies in the country. It also provides technical guidance to various states in setting up of projects for overall development of milk production, processing, procurement and marketing in the country.

The Board is entrusted with the responsibility of organizing dairy cooperatives on the ‘Anand Pattern’ throughout the country which led to the launch of Operation Flood Programmes in 1970.

Working

In 1969-70 NDDDB introduced a scheme for the development of dairy co-operatives known as “operation flood”. This was implemented in three stages- Operation flood I, II, and III. They introduced various schemes for the development of dairy co-operatives like fodder development programmes, artificial insemination, veterinary services and medicines, calf rearing assistance, development of improved milch cattle and procurement of milk from rural areas.

The Amul model became so successful that it was replicated in the ‘70s, after the government recognized the importance of milk cooperatives as a means of promoting socioeconomic development in rural areas while simultaneously increasing milk production in India. The National Dairy Development Board (NDDDB) launched the Operation Flood programme (OF) to create a nationwide milk grid. During the 26 years from 1970 to 1996, OF established linkages between rural milk producers and urban consumers by organizing farmer dairy cooperative societies. An investment of USD 439 million has generated an incremental return of USD 8.778 billion. OF was one of the world's largest rural development programmes that: “helped dairy farmers direct their own development, placing control of the resources they create in their own hands. A National Milk Grid links milk producers throughout India with consumers in over 700 towns and cities, reducing seasonal and regional price variations while ensuring that the producer gets fair market prices in a transparent manner on a regular basis.

CHAPTER – 2

NON-AGRICULTURAL CO-OPERATIVES

Non-Agricultural cooperatives consists of the following institutions:

- Consumer co-operatives- organizational structure, objectives& functions, operations of primary stores, wholesale stores, state federation & NCCF.
- Housing co-operatives, objectives & different types state federation (KSCHF),(NCHF)
- Industrial co-operatives – Different types
- Weaver's co-operatives, (HANTEX),coir-co-operatives Kerala state cooperative coir marketing federation (COIRFED)
- Fisheries co operatives – Kerala state cooperative federation for Fisheries development (MATSYAFED)
- Labour contract cooperatives - objectives, functions
- Hospital cooperatives-objectives& functions

CONSUMER CO-OPERATIVES

Consumer cooperatives are enterprises owned by consumers and managed democracies which aim at fulfilling the needs and aspirations of their members. They operate within the market economy, independently of the state, as a form of mutual aid (organization), oriented toward service rather than pecuniary

profit. Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as Food cooperatives, consumer cooperative. However, there are many types of consumers' cooperatives, operating in areas such as health care, insurance, housing cooperative, utility cooperative and personal finance (including credit union).

According to the Maharashtra Co-operative Societies Act 1960, sec. 2(9) a consumer cooperative society is defined as “a society the object of which is (a) the procurement, production or processing and distribution of goods or services for its members or other customers, and (b) the distribution among members and customers, of profits occurring such procurement, production or processing and distribution”.

In some countries, consumers' cooperatives are known as **cooperative retail societies** or **retail co-ops**. Consumers' cooperatives may, in turn, form Cooperative federation. These may come in the form of Cooperative Wholesale Society, through which consumers' cooperatives collectively purchase goods at wholesale prices and, in some cases, own factories. Alternatively, they may be members of cooperative union.

Need and Importance

1. Supply of goods and services as per need of the consumers.
2. Eradication of malpractices like black marketing, artificial scarcity, hoarding and cheating in measurements.
3. Establishments of proper trading system – consumer co-operatives supply good quality products at reasonable costs.
4. Eradication of trader's chain – There is a long chain of middlemen between producers and consumers who add their

profits making the things costly. Consumer co-operatives purchase things directly from producers at cheaper price.

5. Consumer have to satisfy their needs as per their income – Due to existence of consumer co- operatives consumers automatically learn to satisfy the needs as per income and the habit of savings.

Organizational Structure

The consumer co-operative structure in the country has four tiers.

1. The NCCF at the national level oversees State Co-operative Consumers Organisations affiliated to it.
2. At the Wholesale level, there are Consumer Co-operative Stores which further source the Primary level stores.
3. In the villages, Primary Agricultural Credit Societies and Marketing Societies undertake the distribution of consumer goods along with their normal business.
4. While in urban and semi-urban areas, consumer co-operative societies operate retail outlets to meet the requirements of the consumers.

Objectives of Consumer Cooperatives

1. To educate the consumers and keep their needs within the income limits.
2. To improve the standard of living of consumers
3. To inculcate the habit of savings among the consumers.
4. To stabilize the market rates.
5. To supply the goods and services at reasonable prices.

6. To protect consumers from trade malpractices such as black marketing, hoarding etc.
7. To control the profit making tendency.

Problems Faced by Consumer Co-operatives in India

1. Consumers in India are indifferent to their own needs and still believe in the private trade system.
2. Consumer co-operatives are not well integrated and are scattered isolated.
3. The procurement and purchase operations are technically faulty.
4. They also face problems of low efficiency and low level of quality of products.
5. There is also intense competition from private traders who create various problems for the consumer movement.

National Cooperative Consumers' Federation of India Limited (NCCF)

The National Cooperative Consumers' Federation of India Limited (NCCF) is the apex federation of the consumer cooperatives in the country. NCCF was set up on 16 October, 1965 and is administered under the Multi State Cooperative Societies Act 2002. The present membership of the NCCF is 136 comprising of Primary Co-op. Stores, Wholesale Societies, and State level Consumer Cooperative Federations, National Cooperative Development Corporation and the Government of India. The commercial operations of the NCCF are handled through its headquarters at New Delhi and 34 branches/ sub-branches located in the State Capitals and other important procuring centers in different parts of the country. NCCF also run

a dal processing unit at Bhiwani . It also runs two retail counters at Dak Tar Bhawan, Parliament Street, New Delhi and at Nehru Place, New Delhi.

Objectives of NCCF

The main objectives of the NCCF are to provide supply support to the consumer cooperatives and other distributing agencies for distribution of consumer goods at reasonable and affordable rates besides rendering technical guidance and assistance to the consumer cooperatives. NCCF is the spokesman of the consumer cooperative movement in the country, it provides the following services for strengthening the movement in the country:-

1. Render technical guidance and assistance to its member institutions in particular, and consumer cooperative societies in general in grading, packaging, standardization, bulk- buying, storing, pricing, account keeping, other business techniques and management methods to improve and increase their operation and management efficiency.
2. Create and promote the formation of cadres of employees for the NCCF and member institutions and arrange for their proper training in collaboration with NCUI.
3. Hold seminars, conferences, meetings and to undertake publicity, propaganda and similar other activities as may help the development of consumers' cooperative movement in the country.
4. Establish trade connections with manufacturers, their authorized distributors and suppliers/dealers including Government agencies and cooperative organization and to undertake purchase, sale and supply of, Agricultural commodities like food grains, pulses, spices, oil seeds, pharmaceutical items and other consumer goods.

5. Manufactured and value added items, drugs, medicines, pharmaceutical items and other Consumer Goods.
6. Undertake supply of the above items in wholesale and retail as well as to Govt. departments/State Agencies /Cooperatives small scale industries and private parties.
7. Undertake metal scrap business as also setting up and running of warehouses and cold storages.
8. Establish, run or sponsor processing of agricultural commodities like food grains, pulses, spices, tea, oilseeds, etc., and manufacturing units for the production of consumer goods, if necessary, in collaboration with other agencies.
9. Import and export of agricultural commodities like, food grains, pulses, spices, oilseeds etc; horticultural products, fresh vegetables and fruits, consumer goods and any other item permissible under import and export policy as when necessary.
10. Secure from the Government or other sources requisite facilities, assistance and financial aid, both for self and for its member-institutions.
11. Acquire land, building, warehouse, vehicles, factories, workshops, machinery and equipment for its activities
12. Coordinate the working of its member institutions with other national level cooperative institutions.
13. Collect and disseminate necessary marketing intelligence for the benefit of its member's institutions in particular and consumer cooperative societies in general and to undertake research work and study in connection with the consumer's cooperative movement.

14. Do all such things and take such steps as are incidental or conducive to the attainment of any or all the objects, in collaboration with other cooperatives, public sector undertaking and other Agencies, if necessary, within and outside the country.
15. Establish testing laboratories for testing of consumer goods in general and making such services available for consumers' cooperatives in particular.
16. To act as agents of Central/State Government or undertaking/corporation or cooperative institutions or any business enterprises for the purpose of sale, storage and distribution of consumer goods approved by the Board of Directors from time to time entrusted by Central/State Governments.
17. To subscribe to the share capital of other cooperative institution as well as other public sector enterprises as and when considered necessary for fulfilling the objectives of NCCF.
18. To enter into collaboration with International Agency(s) or Body(s) for undertaking international trade of aforesaid commodities/items and setting up of agricultural & consumer industries.
19. Arrange supplies of various items required by the Central/State Government, Public Sector Undertaking/ Cooperative Organizations and others and to undertake job work including infra-structure development like Housing Projects and any other construction work. Laying of roads, transportation, packaging work etc. entrusted by them.
20. To act as C&F Agent of various organizations/companies.
21. To organize cooperative education programmes for Members, Directors and employees and to provide funds for this purpose.

22. To arrange providing of products related services to the domestic as well as foreign buyers and consumers including setting up of hospitals, hotels and collaborating with the enterprises in joint ventures in the service sector.
23. To solicit/procure insurance business as a corporate agent and/or in association of any insurance company/joint venture insurance company in the country.

Proposed New Line Of Business of NCCF.

The Federation is making all-out efforts and looking for the possibilities of diversifying its activities by adopting new lines:

1. In addition to the Import of Pulses under the Scheme “Distribution of Pulses through PDS at Subsidized Rates” as nominated agency of the Govt. of India, we are looking for possibilities of import/export of other items also.
2. Procurement of Paddy/Wheat as State Agency in different States under Price Support Scheme of the Govt. of India on behalf of FCI.
3. NCCF may enter into the field of direct marketing of Agricultural Produce by opening their own centers of purchases, storage, processing & sales of consumer goods by connecting such players together in an integrated value chain where the individual facilities are owned by the respective private trade.
4. Procurement of Oil-seeds and Pulses under MSP Scheme of the Government of India.
5. Export of Rice & Wheat under Government to Government Business and also under Govt. approved Schemes.

HOUSING CO-OPERATIVES

Housing cooperative has been defined as: “A legally incorporated group of persons, generally of limited means, pursuing the same cause of meeting the common need of housing or its improvement based on mutual assistance. In such a cooperative, the membership is voluntary and control is democratic, and members make an approximately equal contribution to the capital required”.

A housing cooperative is a legally established association that is owned and democratically controlled by its members for the primary purpose of improving their living conditions. Democratic control by residents, open and voluntary membership, limited return on membership investment, the expansion of services beyond merely the supply of housing to the provision of a wide range of community services, and a strong emphasis on self-help and cooperative action are the basic characteristics of housing cooperatives.

Types of Housing Cooperatives

Housing cooperatives at the primary level can broadly be classified into four groups as detailed below:

(a) **Tenant Ownership Housing Societies:**

Under this category the land is held either on leasehold or freehold basis by societies, and houses are owned by members.

(b) **Tenant Co-Partnership Housing Societies:**

These housing societies hold both land and building, either on leasehold or freehold basis and allot flats to their members.

(c) **House Mortgage Societies:**

Such societies lend money to their members for construction of houses. The members have to make their own arrangements for building their houses. These types of societies are really credit societies as distinguished from other credit societies as per the objects for which they lend, the duration of the loan and the security they demand.

(d) **House Construction or House Building Societies:**

Societies of this type spend money on behalf of the members for building the houses, and the houses are handed over to members when ready and the money spent is recovered as loan.

Advantages of Cooperative Housing

Advantages attached to cooperative housing are enumerated below:

- (i) A housing cooperative is neither a public nor a profit seeking organisation. Its principal objective is to eliminate economic exploitation as it is controlled by members only.
- (ii) Contrary to public housing, cooperative housing provides opportunities to its members to control the house designs at the planning stages. Moreover, the maintenance of the estate is also in the hands of members, which leads to maintenance at lesser expenses and in a better way.
- (iii) Cooperative housing satisfies quantitative as well as qualitative aspects of housing. As it incorporates a high degree of participatory involvement of members, the housing stock created is more responsive to user's needs than those supplied through any other sub-system.

- (iv) Housing cooperatives, besides, generating a sense of responsibility amongst users for post-occupancy maintenance, also provide the necessary mechanism for affecting it.
- (v) Project cost efficiency is demonstrated on account of the concerted efforts of members to keep overheads to a minimum and to effect economy in construction by other means as well.
- (vi) Loans are arranged by the cooperatives for their members and the members have a collective responsibility for its repayment. So, a proper check on the repayment of loans and other charges is maintained.
- (vii) The members have got the right to vote and participate in the affairs of the cooperative, and as such they develop a sense of self-reliance and self-respect.
- (viii) A cooperative is a small community by itself and hence can undertake several social activities such as organizing special programmes, arranging health services, improving the ecology of its area, improvement in social behavior and mental health, etc.
- (ix) Other economic activities such as consumer cooperatives, banks, clubs and other common services which are needed by the community can be established by a housing cooperative in an economical manner.

The Kerala State Co-operative Housing Federation (KSCHF)

KSCHF is the apex institution for financing housing through the Primary Housing Co- operatives (PHCs) in the State. The Federation was registered on 23.9.1970 and started work on 24.9.1970. At present there are 207 Primary Housing Co-operative Societies affiliated to it.

The main objective of the Federation is to arrange the flow of funds to the affiliated primary housing co-operatives for advancing housing loan to its members at a minimum possible interest rate on easy repayment terms. The main sources of funds to the federation are share capital contribution from member societies and State Government, borrowings from LIC, HUDCO, NHB and other Commercial Banks. As on 31st March 2006 an amount of Rs.967.59 crore has been disbursed by the federation to enable construction of 1,68,261 houses in the State. Presently, KSCHF is advancing an amount of approximately Rs.6200 lakh a year.

National Co-operative Housing Federation (NCHF)

The National Co-operative Housing Federation (NCHF) was established in 1969 as an apex organization for coordinating, guiding and promoting cooperative housing activities in the country. The basic thrust of its formation was to have an organization at the national level to assume the responsibility of promoting, developing and coordinating the activities of housing cooperatives in the country. The state level and district level housing societies as well as the state level institution financing the housing societies can become a member of the NCHF.

The cooperative housing structure consists of primary housing cooperatives at the grass root level and Apex Cooperative Housing Federations (ACHFs) at the state level. ACHFs at the state level are affiliated to NCHF, which looks after their growth strategies, policy formulations and evolving housing programmes besides inter-facing with various institutions to channel finances for these societies for onward lending to the ultimate borrowers. In addition, NCHF also helps the ACHFs in improving their financial, organizational and technical capabilities. At present there are 26 Apex Cooperative Housing Federations (ACHFs) which are currently members of NCHF.

During the year 2005, NCHF took a number of initiatives for increasing the flow of funds to this sector at affordable rates. Besides, it also organized the national level Cooperative Housing Congress, drafted the Model Cooperative Housing Societies Law and also completed a study on “Assessment of Housing Stock in the Country” and the Report on Capacity Building of ACHFs. The organizational set-up of NCHF as per its bye-laws includes:

General Body consists of 26 members which is the ultimate authority on all matters relating to activities and administration. Each member institution (except nominal members) is represented by one delegate elected/nominated to the General Body by member institution.

Board of Directors consists of 19 elected directors from member institutions, 2 Central Government nominees, one representative of LIC and the Managing Director, NCHF.

Executive Committee consists of 7 members including one representative of the Government of India and headed by the Chairman

Chairman is elected by the Board and presides over all meetings and is the spokesman of the policy of NCHF and competent to take decisions of urgent and important nature.

Managing Director is a full time employee and handles day-to-day affairs.

Objectives

1. To establish financial institution at state level to help the primary housing co-operatives in getting loans at lower rate of interest.
2. To undertake research and development work for reduction in the construction cost.

3. To give technical and legal guidance to member societies.
4. To explain various financial schemes to member societies.
5. To give publicity of co-operative housing movement by publishing books, brochures etc.

KERALA STATE CO-OPERATIVE FEDERATION FOR FISHERIES DEVELOPMENT LTD. (MATSYAFED)

Kerala's fisheries and aquaculture resources are rich and diverse. Many species of fishes, invertebrates, plants, algae and other aquatic living organisms occupy a wide variety of habitats along the inland waters as well as the 590 km of coastline and associated waters. Kerala's coastline accounts for over 10 % of the coastline of the country. The aquatic biodiversity and fish wealth of Kerala sustain more than 10 lakh fisher folk and supports numerous additional activities including commercial fishing, aquaculture, biotechnology applications, tourism, education and recreation. The growing population, diverse culture, and expanding economy will continue to place additional demands on the state's marine resources, and make management of these resources increasingly complex.

Among the maritime states in India, Kerala occupies the foremost position in marine fish production, accounting for about 26 % of the total landings. Out of the EEZ of 2.2 million km² for India, 36,000 km², is adjacent to the Kerala coast. The well-known Wadge Bank is situated within the exploitable limit of Kerala. The mud banks (Chakara) which occasionally occur between Kollam and Kannur, yielding a good catch of fish and shell fish is peculiar to the state.

The potential of the state in terms of marine fisheries is believed to be about 7.5 lakh tones. Besides, this sector contributes around 1.26% to the total GDP and the export of marine products has set

ever time record of 1852.93 million US\$ during the year 2011-12. The total population of fisher folk residing in the state of Kerala is estimated to be 10.02 lakh, which includes 7.712 lakh in the marine sector and 2.304 in the inland sector. Out of this, the number of active fishermen is 2.39 lakh (1.87 lakh in marine sector and 0.52 lakh in the inland sector). Currently, there are 222 fishing villages in the marine and 113 fishery villages in the inland sector, where fishing and relative aspects provide livelihood to a vast majority of the population. Nearly 12% of the fisher folk eke out their living from allied activities like marketing, repairing nets, fish vending, and processing and other fishery related activities.

The State's fisheries sector is an epic one, comprising of 21781 crafts out of which 22% are mechanized, 51% are motorized and the remaining 27% non-motorized crafts. Although the fish catches from Kerala coast include more than 300 different species, the commercially important are forty only. Prominent among them are Sardine, mackerel, seer fish, pomfret and prawn.

The extent of inland water resources of Kerala is highly potential for expanding aquaculture. Kerala's rich fertile coastal waters and enterprising coastal fishing communities would benefit very much through organised planning and implementation of proven and sustainable aquaculture technologies, through HRD measures, selecting appropriate sites and culture systems and species judiciously and providing the needed infrastructure. Recently Kerala declared pearl spot ("Karimeen"), *Etroplus suratensis*, as the state fish and utmost efforts had been taken for making it available to all as a table fish.

The annual per capita consumption of fish in Kerala is very high (18.5 kg) compared to the national average (5 kg). There is no taboo as such that hinders the consumption of fish and fishery products and hence majority of population consume fish.

Although, Kerala boast the highest quality of life in the country as measured by human development indicators, it is a fact that the State's fishing community has largely been left out of the general development experience. Traditional fisher folk who had no other employment option continued to lag behind the rest of the State in all areas of development.

This marginalization poses a challenge to the notion of Kerala being a "model of development".

To change this iniquitous and to bring them to the mainstream of the society, the government and fisheries department has undertaken various projects and programmes viz

- Increasing production and conserving and ensuring sustainable exploitation of fisheries wealth,
- Promoting aquaculture in a sustainable as well as eco-friendly way,
- Developing infrastructures like fishery harbours, landing centers , markets, common facility centers, net factories etc
- Implementation of welfare schemes to the fisher folk.

The Department of Fisheries and its allied sectors viz. Kerala State Cooperative Federation for Fisheries development Ltd (Matsyafed), Agency for Development of Aquaculture, Kerala (ADAK), Kerala Fishermen's Welfare Fund (KFWEB), State Fisheries Resource Management Society (FIRMA), Fish Farmers Development Agency (FFDA), Kerala State Coastal Area Development Corporation(KSCADC), National Institute of Fisheries Administration and Management (NIFAM) and Society for Assistance to fisherwomen (SAF) and Marine Enforcement (ME) implements the Government's visions and schemes in this sector.

Objectives

The objective of Matsyafed as spelt out in its bye-law is to carry out activities for promoting production, procurement, processing and marketing of fish and fishery products for the total development (Economic, Social and Culture) of fishermen community. In order to achieve this Objective Matsyafed has taken various activities which can very broadly be classified as –

I. DEVELOPMENTAL PROGRAMMES

1) **Fish Auction:** Primary scale of fish through 232 Fishermen Development Welfare Cooperative societies with the participation of 43330 fishermen and 52049 ton fish fetched value of Rs. 142.15 Crore during 2010-11.

2) **Integrated Fisheries Development Project:** Matsyafed is implementing IFDP projects with financial assistance from National Cooperative Development Corporation (NCDC) for providing assistance to the fishermen for procuring fishing inputs, working capital and other infrastructure facilities. Assisted 72007 Nos. of beneficiaries and 500 Societies with an investment of Rs. 25725.97 Lakh.

3) **Motorisation of Country Crafts:** Subsidy of Rs. 10000/- for engines below 10 HP for the motorization of country crafts. Rs. 614.75 Lakh given to 7310 Nos. of fishermen.

4) **Subsidy for Suitable Components of Fishing Gear:** Scheme provides a subsidy of Rs.6000/- per craft powered by OBMs below 10 HP for the purchase of suitable components of fishing gear by fishermen. Rs.169.25 Lakh given to 2755 Nos. of fishermen.

5) **Bankable Scheme:** The scheme provides 25% subsidy for loan from bank/financial institutions for the purchase

of fishing inputs by fishermen. Given Rs. 229.30 Lakh as subsidy to 1288 Nos. of fishermen who had availed bank loans for fishing implements

6) **Deep Sea Fishing:** Scheme for equipping traditional fishermen to resource specific deep sea fishing and the project outlay is Rs. 488 Lakh for units having 1000 fishermen.

7) **Value Addition Phase I & II:** Scheme for providing infrastructure facilities for preprocessing near the landing centres. Phase I outlay Rs.99.94 Lakh and Phase II outlay is Rs. 99.95 Lakh.

8) **Fishermen Debt Relief Scheme:** Debt Relief Phase I of Rs. 115.03 Crore given to 48,355 beneficiaries of 421 FDWCS under NCDC Scheme. Debt of Rs. 11.82 Crore waived of 9891 beneficiaries under Housing Scheme. Phase II of Rs. 3.59 Crore given to 1077 beneficiaries under NBCFDC, NMDFC Schemes and 8.18 Crore given to 8455 beneficiaries of 245 FDWCS under Society Own Fund. Phase III (TRP) of Rs. 4.44 Crore given to 1997 beneficiaries under NBCFDC, NMDFC Scheme and 9.32 Crore given to 18623 beneficiaries of 282 FDWCS under Society Own Fund.

II. EMPLOYMENT GENERATION PROGRAMMES

1) Schemes for providing term loan and microfinance loan with financial assistance of National Backward Classes Development & Finance Corporation (NBCFDC): Supported 95504 Nos. and of beneficiaries amounting to Rs. 9505.78 Lakh.

2) Schemes for providing term loan and microfinance loan with the assistance of National Minorities Development & Finance Corporation (NMDFC): 81794 Nos. of beneficiaries. Amount Rs. 8860.05 Lakhs.

III. WOMEN EMPOWERMENT PROGRAMMES

1) **SGSY Project:** Scheme for providing employment to 2500 fishermen families for producing value added fish and fishery products with an outlay of Rs.1127.50 Lakh. Assisted 990 Nos. of beneficiaries under Phase I.

2) **Interest Free Loan:** To prevent the income erosion of women fish vendors due to the high rate of interest charged by the private money lenders for their daily working capital requirement, Matsyafed has launched a new scheme of loan @ Rs. 5,000 to 33,000 women vendors without charging any interest and the interest portion borne by the State Govt. Matsyafed assisted 15,000 women vendors @ Rs.10,000 each in the IInd phase. Phase III Rs. 5,000 each to 20,000 vendors and @ Rs. 10,000/- to 15,000 persons under implementation. Phase IV Rs.15,000/- each to 20,000 fish vendors also under implementation.

IV. SHG & MICROFINANCE

13,794 Nos of SHG formed with 1,68,322 members. Rs. 4691 Lakh generated as thrift. Micro financing through SHGs crossed an investment of Rs. 114.40 Crore @ 6% interest.

V. COMMERCIAL ACTIVITIES

Matsyafed has many commercial units to support the fishermen in getting their inputs and marketing their output. Commercial unit assist fishermen to get best quality inputs at lower cost in their fishing villages. It also gives focus on improving auction system of the primary societies and also on development of secondary marketing activities. Matsyafed has two **Fish Net Factories** at Cochin and Kannur with an installed capacity of 1000 Tons per annum. It has a market share of about 30% of the State requirement and focus is given to the traditional sector webblings.

Matsyafed **Ice and Freezing Plant** having a freezing capacity of 30 Tons per day with a storage capacity of 600 Tons. It mainly focuses on the processing of Tuna and export different fish products to different countries. It export mostly tuna in frozen condition to different countries like Thailand, China, Iran, Turkey, France, Spain, Oman, Dubai, Tunisia, Algeria, Sri Lanka, etc.

Matsyafed **OBM Division** import Out Board Motors mainly Suzuki Motors from Japan and sell it directly to fishermen through Vyasa Stores. It has about 13 workshops in different part of Kerala to take care of the repair and service of the engines. It also deals with different electronic items like Eco Sounder, VHF Radios, Insulated Boxes, Crates, etc.

Matsyafed **Chitin and Chitosan Plant** produce different grades of Chitin and Chitosan from the prawn shell waste. The plant has a capacity of 60 Tons Chitin per annum. Matsyafed has two **Fish Manure Plant** at Azheekode, Thrissur District and at Calicut. It has a manufacturing capacity of 10000 Tons of fish manure per annum. The fish manure is well accepted among the farmers and is used widely under the peoples plan program. The Commercial Division has 6 **Diesel Bunks** in different part of the State and has 12 **Vyasa Stores** to sell fuel as well as fishing equipments. There is joint marketing program with HPCL to sell the 2T Oil to fishermen through primary cooperatives. The total volume of the 2T Oil marketed last year itself is 350KL which forms part of about 10-15% of the total market share.

The Division is implementing many few projects like Fish Meal Plant at Arattupuzha, Alappuzha District, Glucosamine Plant at Paravoor, Alappuzha District, Fish Retailing at Kottayam, Kozhikkode and Ernakulam, Infrastructure creation at landing centres and markets.

VI. WELFARE ACTIVITIES

1) **Fishermen Personal Accident Insurance Scheme:** The scheme provides compensation of Rs. 3 Lakh to the dependents of fishermen who die in accidents. If the accident leads to disability of 50% or more the compensation will be Rs. 1,50,000/- along with hospital expenses limited to Rs. 60,000/- or the actual expense which ever is less.

2) **Matsyafed Input Security Scheme (MISS):** Compensating the loss due to accidents and natural calamities sustained to the fishing implements distributed under Matsyafed schemes. So far Matsyafed has assisted 258 beneficiaries amounting to Rs. 57.87 Lakhs.

3) **Vanitha Bus:** Matsyafed is operating special bus service for the journey of fisherwomen vendors from the landing centres to the market places and back, at nominal rates in Trivandrum & Ernakulam Districts.

4) **Community Peeling Centres:** Matsyafed is running two community peeling centres as a pre-processing facility for the fisherwomen of the area.

5) **Kerala Sustainable Urban Development Project (KSUDP):** It is a joint venture project of Matsyafed with KSUDP. It envisages the livelihood improvement of fishermen community. The project is implemented for the benefit of fishermen groups belong to Fishermen Co-operative Societies functioning under the jurisdiction of Trivandrum, Kollam, Ernakulam and Kozhikkode Corporations.

LABOUR CO-OPERATIVES

Labour co-operatives are those, which work for giving employment to the group of labourers. Generally more number of

labours is required for construction of buildings, roads, and factories, dams' irrigation work. The Concept of labour co-operative had its origin in India in 1948 where the government of Mumbai made special provisions for labour contracts, whereby any contract above Rs. 20,000 was awarded to the co-operatives.

The co-op labour societies directly deal with companies i.e. middlemen are eliminated thus labour are saved from exploitation and every member gets a fair share of return on his investment.

Objectives of Labour Co-operatives

1. To provide instrument to members for carrying out essential job.
2. To ensure that the labour will get regular job.
3. To take contracts of private and public works.
4. To increase the skill of members by imparting them training.
5. To increase the dealing power of labour.
6. To promote self-helped and co-operation amongst members
7. To work for overall welfare of members.

Problems of Labour Co-operatives

1. Shortage of Working Capital: The working capital is limited and the society cannot avail loans because less share capital.
2. Difficulties in Accepting Big Jobs: Due to the weak financial position it is not possible for the society to accept big works.

3. **Competition with Private Contractors:** Due to the weak financial position they cannot compete with private contractors.
4. **Government Indifference:** Government officers are not interested in giving jobs to the cooperative societies.
5. **Lack of Continuity of Work:** These societies do not get work all the times and hence cannot give works to members.

HOSPITAL CO-OPERATIVES

Hospital co-operatives are those cooperatives which aim to provide and promote healthcare to community through a network of hospital.

Kerala cooperative hospital Federation (hospital fed)

It was established in 1999 and the head quarter is in Cochin. The main objectives of hospital cooperatives are;

- To promote healthcare to community through a network of hospitals.
- Provide employment opportunities
- Medical aid to the members at reasonable cost

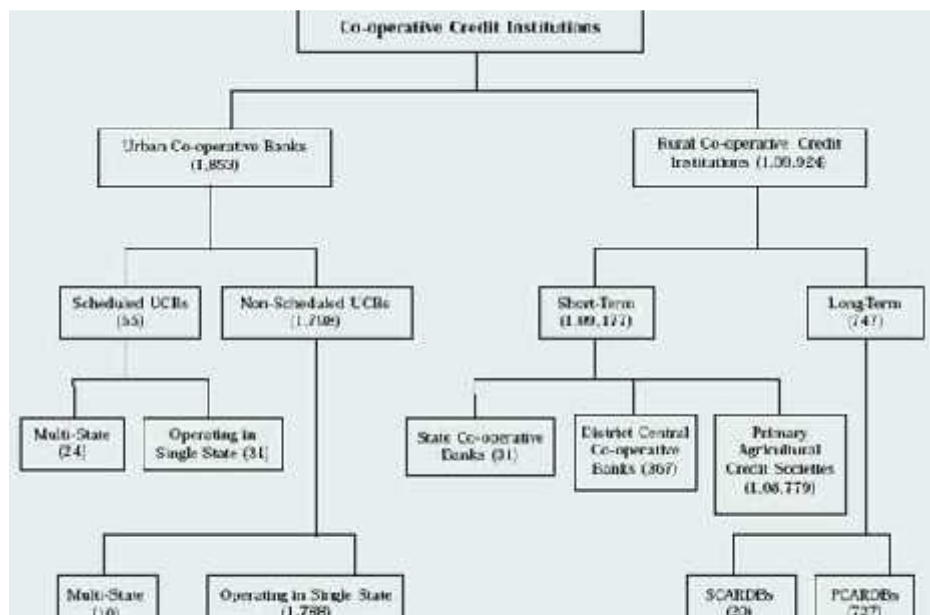
CHAPTER – 3

CO-OPERATIVE BANKS

CO-OPERATIVE BANKING IN INDIA

The origins of the co-operative banking movement in India can be traced to the close of 19th century when, inspired by the success of the experiments related to the co-operative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Co-operative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self- employed workers. The Anyonya Co-operative Bank Limited in India is considered to have been the first cooperative bank in Asia.

CO-OPERATIVE BANKING STRUCTURE IN INDIA.



Co-operative banks are an integral part of the Indian financial system. They comprise urban co-operative banks and rural co-operative credit institutions. Co-operative banks in India are more than 100 years old. Though much smaller as compared to scheduled commercial banks, co-operative banks constitute an important segment of the Indian banking system. They have an extensive branch network and reach out to people in remote areas. They have traditionally played an important role in creating banking habits among the lower and middle-income groups and

in strengthening the rural credit delivery system. Credit cooperatives are the oldest and most numerous of all types of cooperatives in India.

The co-operative credit institutions in the country may be broadly classified into urban credit cooperatives and rural credit co-operatives. There are about 2090 urban credit co-operatives and these societies together constitute for about 10% of the aggregate banking business and therefore regarded as an important segment of the banking system. The Urban Credit Co-operatives are also commonly known as Urban Co-operative Banks. The Rural Credit Co-operatives may be further divided into short-term credit co-operatives and long-term credit co-operatives. With regard to short-term credit co-operatives, at the grass root level there are around 92000 Primary Agriculture Credit Societies (PACS) dealing directly with the individual borrowers. At the central level (district level) District Level Cooperative Banks (DCCB) act as a link between primary societies and State Cooperative Apex Banks (SCB). It may be mentioned that DCCB and SCB are the federal cooperatives and thus the objective is to serve the member co-operatives. As against three-tier structure of short-term credit co-operatives, the long-term co-operative credit structure has two-tiers in many states with Primary Co-operative Agriculture and Rural Development Banks (PCAROB) at the primary level and State Co-operative Agriculture and Rural Development Bank at the state level. However, some states in the country have unitary structure with state level co-operative operative with through their own branches and in one state an integrated structure prevails. The organizational structure of the credit co-operatives in India is as under:

Under the Banking Regulation Act, 1949, only State Co-operatives Apex Banks, District Central Co-operative Banks and select Urban Credit Co-operatives are qualified to be called as banks in the cooperative sector. In other words, only these banks

are licensed to conduct full- fledged banking business. The co-operative banks function in India on State levels. Most of the rural co-operative banks function on three-tier and the Urban Banks function on two-tier. At the national level there is NABARD to organize the Agricultural Co-operatives. Also there is National Co-operative Union of India as an apex institution at national level. The Reserve Bank of India controls the co-operative banks that falls under the banking regulation act of 1949.

Urban Co-operative Banks (UCBs) also referred to as primary co-operative banks play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. UCBs mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. Scheduled UCBs are under closer regulatory and supervisory framework of the RBI. Rural co-operative banks operate mainly for the benefit of rural areas, particularly the agricultural sector.

ORGANIZATIONS UNDER SHORT TERM & MEDIUM TERM CREDIT STRUCTURE

India's co-operative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit - one for short and medium term credit and the other for long term credit.

The co-operative credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the central co-operative bank at the district level and state co-operative bank at the apex level. Over and above these institutions, grain banks are actively functioning as primary societies in certain states. Though the organization of central and state co-operative banks was mainly for the benefit of the agricultural credit sector, they serve non-agricultural societies too.

The long term structure includes Primary and Central Land Development Banks at the state level under Two-Tier Credit structure. The long term loans are provided for purchase of land, permanent improvement on land, Irrigation facilities and so on.

I. Primary Agricultural Credit Societies (PACS)

Primary Agricultural Credit Societies (PACS) are the foundation of the co-operative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members. The share capital of a society is divided into units, called shares, contributed by the members. The most important source of finance of PACS is members' deposits. Borrowings constitute the most important element of their working capital. The criteria for borrowings differ from state to state according to their liability. Punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of overdue all over the country.

In India PACS were organized as per the provisions of Cooperative Societies Act, 1904. During 1904 only rural, small sized and single purpose societies were organized. Later the amendment Act of 1912 opened new avenue to the sector and the movement entered into other walks of life of the farmers which led to the organization of Multipurpose Cooperatives during 1945 onwards.

A large majority of the village banks were first organized in India on the Raiffeisen model. Their chief features were

- i. Limited area
- ii. Shares of small value

- iii. Permanent indivisible reserve fund
- iv. Unlimited liability
- v. Loans for productive purposes
- vi. Loan only to members
- vii. Credit for relatively long periods with facilities for repayment by installments
- viii. Determination of the limit of the maximum credit that may be held by an individual member at any time as well as the maximum total savings, deposits receivable and of loans that may be taken up by the society
- ix. Absence of profit making; dividends being limited to the rate of interest paid by borrowers for loans
- x. Office-holders, except the secretary, were not paid
- xi. Promotion of moral as well as material advancement of the members.

Objectives

The banks had the following objects:

1. To borrow funds from members as well as other to be utilized for giving loans to the members for productive purposes;
2. To act as the agent for the joint supply of agricultural, domestic and other requirements of the members, and for the joint sale of the produce;
3. To purchase and own implements, machinery or cattle for hire to the members;

4. To disseminate knowledge of the latest improvements in agriculture, handicrafts, etc; and
5. To encourage thrift, self-help and cooperation among the members

New rural credit societies are generally organized among the members, such as local cooperative unions with the help and assistance of the departmental officials. These societies are organized either on unlimited or limited liability basis.

Functions of Primary Agricultural Credit Societies

Prior to 1959, the primary credit societies have been mainly the agencies to provide short-term credit to their members for productive purposes. In May 1959, the Government of India appointed a Working Group on Co-operative Policy which indicated the broad

Functions of these societies as under:

1. To accept deposits
2. To provide short and medium term credit
3. To supply agricultural and other production requirements
4. To market agricultural produce
5. To help plan the agricultural production for the village
6. To undertake to educate, advice and work for the welfare of its members.

Broadly speaking, the main function of a primary credit society is to accept deposits and give loans. A cooperative credit society lends only to solvent, credit-worthy and eligible members. In the

beginning, these cooperatives only lent to the peasant proprietors or to the land- holders on the security of their lands. Consequently, very little credit was given to the small and needy cultivators. Then as it was realized that bulk of the agricultural community consists of such small and medium cultivators, the credit policy for agricultural community was shifted from credit-worthiness of person to the credit-worthiness of purpose.

Loans are generally sanctioned to the farmers for short-term, medium-term and long term. Short term loans are given for seasonal agricultural operations, such as purchase of seeds, fertilizers, insecticides, pesticides, transplantation, small repairs, etc. Medium-term loans are given for purchase of cattle, pump-sets, agricultural implements, cattle sheds etc. Long-term loans are given to the farmers either for the redemption of old debts or for effecting permanent improvement and development of lands, for the purchase of lands, for machinery, reclamation of land, sinking of tube-wells, construction of permanent irrigation channels, etc.

Short term loans are given for periods ranging between six months and one year, medium term loans for periods ranging between 3 and 5 years and long term loans for periods ranging between 15 and 24 years. In certain countries, long-term loans are granted even for 30 years and 75 years.

Sources of Funds of PACS

The working capital of a rural primary credit society is composed of

- a) Paid up share capital
- b) Deposits
- c) Borrowings
- d) Surplus assets or reserve funds

(a) **Share capital:** - The primary societies issue only ordinary shares to their members. Nowadays emphasis is being laid on raising sufficient share capital to provide a strong financial base to the society so that the liquidity and financial stability of the organization are not affected by the shock of over dues. Moreover the larger the share capital contributed by the members, the more interest he takes in the affairs of the society.

(b) **Deposits:** - Deposits of members' savings in the most important source of finance of primary credit societies. It is the primary duty of these societies to mobilize rural savings and for this purpose they must be able to inspire confidence and invoke local interest. It is therefore, necessary that they be strengthened and their activities be diversified. It can be possible only when they are made viable units and are managed efficiently and honestly. But in view of the fact that the rural people with some savings are tempted to lend privately to earn higher interest rather than deposits they make with the cooperative societies, the interest rates of society's deposits have to be higher and attractive.

(c) **Borrowings:** - The primary credit societies depend largely on borrowings. It is the most important element of their working capital. The borrowings of the societies are based on some criteria which differ from State to State according to their liability.

(d) **Surplus assets or reserve funds:** - The rest of the fund requirement is met from the surplus assets or reserve funds.

II. District Central Co-operative Banks(DCCB)

District Co-operative Banks (DCBs) occupy the middle level position in the three tier co- operative credit structure of the country. In the beginning of the formation of PACSs, they could not function effectively without gaining financial support from an outside agency. Over and above this, they were in need of

technical guidance and administrative support. At the same time, there were some societies which have gained strength and possess surplus funds as well as talents. As a precondition to get mutual help it became necessary that all these primary societies form a federation for ensuring rational use of their funds and provide a common place to meet for exchange of ideas and co-operative experience. The formation of DCBs was thus a felt need for mutual help.

The Co-operative Societies Act of 1912 permitted the registration of DCBs. Even before the enactment of this Act, some DCBs were established to cater to the needs of primary societies. In 1906, forerunner of the first DCB was established as a primary society in Uttar Pradesh. At Ajmer in Rajasthan the first DCB was established in 1910. But the first full-fledged DCB as per the provisions of the Act of 1912 was started in Jabalpur District of the Central Province.

As recommended by MacLagan Committee (1915) DCBs in India were classified into, (Nakkiran, S., 1980, p.162).

1. **Banks whose membership is open to individuals** – These are banks wherein membership consists entirely of individuals or in which societies are admitted as shareholders on exactly the same footings as individuals, without any special provision for their adequate representation on the board of management. The MacLagan Committee was of the opinion that these types of banks should not be given registration under the Co-operative Societies Act. Hence, no such banks exist in our country at present.

2. **Banking Unions** - wherein only primary societies are allowed to become members under this category. As the shareholders, lenders and borrowers are the same, the clash of interest between the shareholders and borrowing societies can be eliminated.

3. **Mixed type banks** - whose membership includes both individuals and societies. Certain portions of shares are assigned to societies and they also have separate representation in the board of directors. This category is considered to be better as it provides a combination of both rural and urban population. Majority portion of the DCBs in India are of this type.

Objectives of DCBs

The DCBs are formed mainly with the objective of meeting the credit requirements of member societies. As an institution for helping the societies in times of need, they finance agricultural credit societies for production purposes, marketing societies for marketing operations, industrial societies for supply operations and other societies for working expenses.

In short, the major objectives of the DCBs are:

1. *To provide loans to affiliated societies*
2. *To act as a balancing centre of finance for primary societies when they face shortage and by serving as a clearing house for their surplus funds*
3. *To arrange for the supervision and control of the affiliated societies*
4. *To raise deposits from members and non-members*
5. *To provide a safe place for the investment of the resources of primary societies*
6. *To convene conferences of the member societies*
7. *To prescribe uniform procedure for the working of primary societies*

8. *To develop and extend banking facilities in rural areas*

9. *To maintain and utilize state partnership.*

Sources of Funds of DCBs

The central banks derive their working capital from five sources, viz,

- a) *Shares*
- b) *Deposits*
- c) *Loans*
- d) *Reserve funds*
- e) *Government grants.*

They also receive small amounts by way of entrance fees, transfer fees and other miscellaneous items.

Share Capital

The central banks issue shares to individuals and society members. The major portions of the shares are issued to the society shareholders. Nowadays, the States' contribution to the share capital of the central banks is quite substantial. Ordinarily, the share capital to be subscribed by the society members is linked with their borrowings from the central banks.

Deposits

The central cooperative banks may receive deposits in the current account, in the savings account and fixed deposit account. In view of the nature of their operations it has been generally agreed that the central cooperative banks should not increase their deposits in the current account and instead concentrate on their deposits

under savings and fixed deposit accounts. Clientele of the central cooperative banks belongs to the lower middle class and upper middle class. The holders of small savings account would not like to touch their savings unless compelled by circumstances and thus large sums may be available to central co-operative banks for comparatively longer periods.

Fixed Deposits are the safest form of deposits for the co-operative banks and very popular with the public. Since these deposits can be withdrawn only after the expiry of a fixed period, the problem of maintaining fluid resources (cash) becomes insignificant, and the amounts so received can be safely invested in their normal loan operations for financing seasonal agricultural operations.

The central co-operative banks may also accept recurring deposits, day deposits and provident fund deposits. A recurring deposit is one which is made by a person who undertakes to pay the society a fixed amount of money for a certain period. Day deposits are meant for encouraging saving habits among daily wage earners in towns and cities. A person has to pay every day to the bank an agreed fraction of his daily wage for one year, after the expiry of which the entire amount along with the interest is payable to the depositor.

All cooperative societies are required to create a statutory Reserve Fund out of their profits. The manner in which this fund is to be invested differs from state to state. In some states it is invested by way of deposits with the central co-operative bank or higher federal organisations. In some states it is invested in the loan transactions of the society, while in other states it is invested partly in their business and partly in outside investments. The funds of the central co-operative banks are augmented (increased) by the reserve fund deposits of the co-operative societies.

Deposits thus form an important constituent of the working capital of the central co-operative banks. So far as deposits of the central co-operative banks are concerned, the position has not been very satisfactory. The central co-operative banks which are the backbone of co-operative finance need to become self-reliant. The All India Rural Credit Survey Committee and the Mahajan Committee had emphasized that the central cooperative banks, with a view to enhancing their savings, must tap deposits from urban areas so that adequate funds are available for agricultural development in rural areas.

Loans

The borrowing power of the central co-operative banks is fixed: (i) under the rules of cooperative societies (ii) under the bye-laws; and (iii) by the Registrar Co-operative Societies. Under all these systems it is customary to relate the borrowing power to their own owned funds, eg., to fix it at 12 times or 15 times of their paid-up share capital and reserve fund.

The working capital of co-operative banks thus includes the borrowings from 1. State Co-operative Banks 2. Government 3. Reserve Bank of India 4. State Bank of India 5. Other Central Co-operative banks 6. Joint Stock Banks.

The apex bank is the most important source of funds for the central cooperative banks. The central co-operative banks borrow from the state co-operative banks various short and medium term loans at varied rate of interests for various periods. The Reserve Bank charged interest at the rate of 2% below the bank rate for short-term loans and 1 ½ % below the bank rate on medium-term loans.

The central cooperative banks can also obtain advances, overdrafts and cash credit accommodation from the commercial banks on easy terms and conditions on securities acceptable to the

commercial banks. Such borrowings may be for urgent purposes. These form a very negligible part of their working capital. The security offered may be Government Promissory Notes or Central Agricultural and Rural Development Bank Debentures.

Reserve Funds

Generally, it has been the practice to relate the borrowing capacity of central and state cooperative banks to their owned funds.

‘Owned Funds’ is defined differently in different states.

They are :

1. In states like UP, West Bengal, Assam and Punjab it is defined as the total of paid-up share capital and reserves and other funds created out of profits.
2. In Tamil Nadu and Andhra Pradesh it is defined as the total paid up share capital and statutory reserve fund.
3. In Maharashtra, it means the total paid-up share capital and all reserves minus accumulated losses in the case of state cooperative banks and the total paid up share capital, statutory reserve fund and building fund minus the accumulated losses, in the case of central cooperative banks.

Loan Operations of DCCBs

Although the operations of the central cooperative banks do not apparently differ from those of the commercial banks, it should not be forgotten that the commercial banks deal with other individuals for their business and are at liberty to invest their funds at their choice. But the central cooperative banks mainly have to finance their own members and have no choice in the investment of their funds. The central cooperative banks have to invest major portion of their resources in agricultural loans. So

there is a lot of risk for the banks in this situation as Indian agriculture is full of risk and the farmer has no other security to offer than his land which is not easily saleable without any loss. At the same time, the central cooperative banks have to be run on modern banking lines in which deposits have to play a crucial role. But deposits will not flow since the people are not sure of the financial stability of these banks.

III. State Cooperative Banks (SCB)

The State Co-operative Banks (SCBs) or the apex banks occupy a crucial position in the three tier co-operative credit structure in India. These apex banks or State Co-operative Banks are formed by federating DCBs in each state. The apex banks assume a key-position in the co-operative credit structure because the financial assistance from RBI and the National Bank for Agriculture and Rural Development are invariably routed through them.

A State Cooperative Bank is the federation of central cooperative banks in a State. It is the pivot around which all economic activities of the cooperative movement in the State rotate. It is the vertex of the pyramidal structure in a State for the provision of short and medium term credit to agriculturists on cooperative basis. It is the “keystone of the cooperative movement in the State; it links the movement not only with the commercial money market, but also with the Reserve Bank of India as a potential source of credit for seasonal and emergent needs.” It derives physical support from the primary credit societies.

The State Cooperative Banks deals with central cooperative banks, primary societies and individuals. The board of management of the various State Cooperative Banks in the country, today consists of the representatives of individuals, elected by the general body, a few representatives of affiliated societies and cooperative urban banks, a representative each from

the State Cooperative Agriculture and Rural Development Bank and Central Industrial Banks and a few representatives (not exceeding 1/3 of the total strength of the board) of the State Government.

Like central cooperative banks, state cooperative banks are also of two types, one in which the membership is open to societies only and the other in which the membership is open to individuals as well.

Functions of SCBs:

The functions of SCBs are as follows;

1. Borrowing and Lending constitute the main functions of State Cooperative Bank. It borrows from small and medium savers of money in the form of current, savings and fixed deposits. It also borrows directly in the form of loans and advances against agricultural bills or government guarantee from the Reserve Bank of India/NABARD and sometimes also from the State Bank Of India. At times it borrows from State Governments also.
2. State Cooperative Banks lends mainly to the central cooperative banks affiliated to it and to some extent, to other types of cooperative institutions. It gives short and long term loans to the central cooperative banks to finance the farmers through their primary credit societies. This lending takes the form of loans and advances, cash credit and overdraft.
3. A state cooperative bank also acts as a balancing center and clearing house for the central cooperative banks. It borrows surplus funds from the central cooperative banks and lends to deficit central banks and does away with inter-bank lending. Thus, a state cooperative bank is the bankers' bank and custodian of the surplus resources of cooperative banks.

4. It functions as a parent institution to the entire cooperative banking structure in the state. It helps the state government in drawing up cooperative development and other development plans and in their implementation. It coordinates its own policies with those of the cooperative movement and the government. It also supervises and controls the central cooperative banks and societies through regular inspections by its inspection staff and rectifies the defects in their working.

5. The State Cooperative Banks also perform certain general utility functions like issuing drafts, cheques, and letters of credit on various centres and thus help remittance of funds.

6. They also collect and discount bills with the permission of the Registrar.

7. In certain places they also provide safe deposit lockers and facilities for safe custody of valuables, etc.

8. Some of the State Cooperative Banks have also been issuing cash certificates for the benefit of medium investors.

Thus, the state cooperative banks have been promoting the corporatization of the rural economy of the country and have been balancing the finances of the cooperative movement in their area of operation.

Sources of Funds

The sources of the working capital of SCBs are as follows;

1. **Shares:** The State Cooperative Banks raise their capital by issuing shares. These shares are issued to central banks, primary societies and the government. In accordance with the recommendations of the All India Rural Credit Survey Committee, the shares are issued to the state government to the

extent of 51% of the total capital. The share capital of these banks have increased from 18.24 crore in 1960-61 to 1094.24 crore in 2005-06.

2. **Reserves:** The State Cooperative Banks maintain various types of reserves. The statutory reserve fund of these banks increased from Rs.2.66 crore in 1960-61 to Rs.7342.51 crore in 2005-06. The progress in building up of the stabilization funds at the state cooperative banks has also been very encouraging.

3. **Owned Funds:** The share capital and statutory reserves constitute the owned funds. The owned funds are very important for the cooperative organizations as it provides security for the creditors, it is a cushion against over dues and increase their borrowing capacity. The total owned funds of all the state cooperative banks stood at Rs.8,436.75 crore in 2005-06.

4. **Deposits:** Deposits are an important part of the working capital of the state cooperative banks. The state cooperative banks accept current, savings, fixed and call deposits. Deposits are received from members and non-members, individuals and societies. Special deposits are received from local boards, municipalities and institutions. Deposits also include reserve fund deposits of affiliated DCCBs and societies, provident fund deposits of employees and security deposits etc. Major portion of deposits are from the individuals, firms and companies. The confidence of the investing public in the soundness and safety of state cooperative banks is reflected in the low rate of interest at which they are able to attract large amount of deposits. These deposits touched Rs. 47672.21 crores in 2005-06.

5. **Borrowings:** Borrowings from the major source of the working capital of the SCBs. These banks borrow from the Government, NABARD/Reserve Bank of India and other sources. In June 1991, they accounted for about 29% of the total

working capital of all SCBs. The borrowing powers are defined under the rules framed by the various State Governments under the respective Cooperative Societies Act and the ceiling on borrowing varies from 12 times the owned funds to 20 times. They also obtain loans and overdraft facilities against Government Securities from the State Bank of India.

Lending Operations

Generally a State cooperative bank finances the central cooperative banks and other apex societies in its area operation and other affiliated societies. Loans may also be given to depositors on the pledge of their fixed deposit receipts. Loans to individual members may be granted as special cases.

Financing is primarily done for agricultural purposes in the form of (i) loans (ii) cash credit and/ or (iii) overdrafts.

The state cooperative banks have now decided to give preference to short term loans; hence the central banks have been advised to apply more for such loans. The maximum period of short term loans are for 12 months. Such loans are given for (i) meeting cultivation expenses (ii) meeting domestic expenses (iii) payment of rent (iv) holding of produce for a better market (v) purchase of fodder for the cattle (vi) production and sale of animal husbandry and forest produce. Medium term loans are generally for three years and are given for the following purposes; (i) purchase of bullocks and other livestock (ii) purchase of implements, machinery, cans etc. (iii) reclamation of land (iv) sinking and renovation of irrigational wells, tanks and channels (v) building, enclosures and fencing and construction of farm sheds, godowns, etc. (vi) laying down of gardens and orchards and plantations (vii) purchase of machinery and equipment for animal husbandry and dairy farming (viii) repairs, replacements and renewals of machinery and equipment. Diversion of loans for

purposes other than for which they are sanctioned may result in the immediate recall of the loans or refusal of further loans or penal interest on the loans. Cash credit may be sanctioned on the pledge of securities like agricultural produce, finished goods, semi-finished goods, stores, supplies, Government Promissory notes, Central Land Mortgage Bank Debentures, Treasury Certificates, National Saving Certificates, National Defence Bonds etc. Loans may also be given for six months against fixed deposit receipts to any holder. The rates of interest on various loans are fixed in consultation with the Registrar and the Reserve Bank of India.

Liability Management and Non Performing Assets

State cooperative banks have achieved significant success so far as the provision of finance to the central cooperative banks is concerned. The working capital and owned funds of these banks have increased considerably but there are certain weak spots in their liability management on a day to day basis. They are;

1.

It has been observed that in some cases the book adjustments regarding payment of loans have been fictitious. The loans repaid have not been genuinely recovered by some of the SCBs from the DCCBs. Further the SCBs have failed to check the fictitious transactions of the central cooperative banks. Thus these banks have failed to exercise strict supervision and inspection of the central cooperative banks. There is lack of adequate staff and hence compliance reports are neither received nor checked thoroughly. Thus most of the SCBs have not been able to play effectively the role of the caretaker of the DCCBs.

2. Some of the SCBs have not been following a policy of caution in the matter of investment of their funds. They have invested their funds in purchase of shares of other cooperative

institutions, advancing loans to PACSs for cold storage, cinema societies etc. It is advisable for these banks to strictly follow the principles of sound financial management.

3. Despite the objections raised by the Reserve Bank of India/NABARD, some of the SCBs have continued to make large advances to individuals.

4. The overdues of SCBs have also shown a rising trend. Thus the SCBs should take immediate steps to recover their outstanding loans from the DCCBs.

5. The SCBs in some of the states have not been careful in fixing the credit limits of the DCCBs. The credit limits of the DCCBs have been fixed on the basis of the owned funds without taking into consideration the past performance of the bank concerned, the SCBs' own financial position, etc. Thus the SCBs have failed in assessing the genuineness of the borrowings of the DCCBs. Consequently many DCCBs have borrowed funds in excess of their requirement and deposited them with the commercial banks. It was also observed that the borrowing institutions did not deposit the share money before the loans were advanced to them. There are many instances where the SCBs have given loans to the DCCBs whose over dues exceed 20 to 30%. Thus the SCBs have not followed the prescribed loaning procedure and consequently, the over dues have been constantly increasing.

CHAPTER – 4

ORGANISATIONS UNDER LONG TERM CREDIT STRUCTURE INCLUDING STATE COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK (SCARDB)

INTRODUCTION: Long-term loans required by the farmers are taken for purposes which are expected to bear fruits gradually over a considerable period of time. Hence, their repayment is expectedly out of the net savings of the borrowers and not out of their gross income which, otherwise, is bound to disturb his normal business and adversely affect the standard of his living. The success of such loans will, therefore, depend upon; (i) the amount of loan; (ii) the manner of repayment.

The long term loans are always mortgage loans. The security offered for loans must be durable, indestructible, and stable and capable of being used by the borrower even during the period of the loan. Long term loans are peculiar in nature and character and hence it requires a special institution using specialized techniques of raising funds and disbursing them. The money lenders cannot provide long-term credit to the farmers and the commercial banks do not believe in financing agriculture, because the mortgage lending is against the principle of deposit lending. The commercial banks cannot afford to lock up their short term resources in long term loans, and thereby reduce the 'liquidity' of their asset. Insurance companies and other financial institutions also do not undertake this venture because the agriculture industry is very risky and small. Hence, a separate agency, specially constituted for mortgage lending, is necessary and has been set up

in almost all the countries of the world.

Germany is the birth-place of land mortgage banking. Silesian Land Schaft (Association of Farmers) was set up in 1769 after a seven year war and was very successful, which led to many new organisations providing long-term credit to farmers. These land shafts are non-profit making institutions which raise funds by issuing bonds and give loans to members by mortgaging land and immovable property. In 1873 the Central Land Schaft came into existence by merging all these land shafts. Subsequently, a new institution named Ladwrit-schaftliche Renten bank, was started in May 1949 to provide loans on interest to credit institutions providing short-term, or long-term credit in place of the Central Land Schaft.

In France the “Credit Foncier De France” provides long term loans to agriculturists against land and other immovable property, repayable in installments over a period ranging between 10 and 30 years. In England, “The Agricultural Market Corporation” provides long-term credit to the farmers. The corporation gives two types of loans, viz., (i) against mortgage of agricultural land, and (ii) improvement loans for effecting improvements in agricultural land and buildings. The former loans are for a maximum period up to 60 years, and the latter for a period not exceeding 40 years. In the United States farm mortgage credit is provided by the Federal Land Banks and the National Farm Loan Associations which are working under the control and guidance of the Farm Credit Administration of the government. The period of loan ranges from 20 to 30 years. In the same manner there are special institutions in Australia, Sri Lanka, Japan, Switzerland and other countries for long term credit.

LAND MORTGAGE BANKING IN INDIA

The first cooperative land mortgage bank was established in 1920

at Jhang in Panjab. The second such bank was started at Nowgon in Bengal, and the third such bank was established in 1926 at Gauhati in Assam. The Registrars' Conference held in 1926 adopted a comprehensive resolution urging the organization of land mortgage banks based on cooperative principles. In Madras, 12 such banks were started by June 1927. At the instance of the Townsend Committee on Cooperation (1927-28), three primary land mortgage banks were started in 1929 in the Province of Bombay and a Central Land Mortgage Bank was formed in Mysore. Many such banks were started all over India but all these banks paid more attention towards the redemption of old debts and cared little for the improvement of land and agriculture.

Again, the policies and procedures followed by them were cumbersome and suited only the big landlords and agriculturists. It was from the beginning of the Third Five Year Plan that the policies oriented towards development purposes were adopted and these banks were called "Land Development Banks".

Structural Patterns of Land Mortgage Banks

Land mortgage banks have been organized all over the world, either as

- (i) a private shareholders' bank; or
- (ii) a cooperative institution; or
- (iii) a semi-State Bank; or (iv) as Government managed institution.

In India, these banks have been organized on a cooperative basis. These are voluntary association of farmers with the State Governments as partners by subscribing to their share capital. As per the recommendation of various committees, the Land development banks are organized in 3 tiers namely; state, central,

and primary level and they meet the long term credit requirements of the farmers for developmental purposes. The state land development banks oversee, the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India.

Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state government. These banks do not accept deposits from the general public.

From LMBs to CARDBs

Their role was initially confined to providing long term loans to farmers for redeeming old debts. But in the sixties it was expanded to finance agricultural development and hence were renamed Land Development Banks (LDBs). Then responding to the development needs of the country, LDBs operations were further expanded to cover virtually all rural economic activities including financing of non-farm and housing activities. Consequently, they are now known as Cooperative Agriculture and Rural Development Banks (CARDBs).

Operations of PCARDBs

The long term rural cooperative credit structure consists of state cooperative agriculture and Rural Development banks at the top level dispensing investment credit and Primary Cooperative Agriculture and Rural Development Banks at bottom level (PCARDBs). The PCARDBs invest, as required under rules, a certain portion of their paid up share capital in the shares of the Central/State Agricultural and Rural Development Bank to which

they are affiliated. The amount so invested in shares is 3 to 4% of PCARDBs loan outstanding. The balance is advanced as long-term loans to the members. These loans are repayable in 15 to 20 years by annual installments.

If the loans are taken for the repayment of old debts, the primary bank pays the amount direct to the creditor of the borrower. Development banks have started advancing loans for improvement of agricultural lands and for productive purposes in large numbers.

The total share capital of PCARDBs marginally increased from 1515 crore as on 31.03.2009 to 1525 crore as on 31.03.2010. The outstanding borrowings of PCARDBs as on 31 March 2010 were 12690 crore. The deposits of the PCARDBs decreased to 434 crore as on 31 March 2010 from 467 crore as on 31 March 2009. Of the reported 696 PCARDBs, 296 PCARDBs earned profit to the extent of 132 crore and 400 PCARDBs incurred losses of 526 crore during 2009-10. The aggregate NPAs of PCARDBs as on 31 March 2010 estimated at 4840 crore. Percentage of gross NPAs of PCARDBs to total loans outstanding worked out to 42% as on 31 March 2010.

Structure of SCARDBs

The management of a central/state CARDB vests in a Board of Directors numbering from 16 to 18. They hold office generally for three years. Of these members $\frac{2}{3}$ or $\frac{3}{4}$ can be the representatives of primary CARDBs. The Registrar of Cooperative Societies of the State is an ex-officio member. Some representation is also given to the debenture holders. The representatives of debenture holders are generally nominated by the Registrar. The sanctioning of loans and disposal of administrative matters are done by an Executive Committee consisting of President, Vice President, treasurer, Registrar, and two or three directors of the board.

Objectives of Cooperative Agriculture and Rural Development Banks (CARDs)

The objectives of CARDs are as follows;

1. The chief objective is to provide long-term loans to its members against the security of land and immovable properties. The primary CARD obtains funds from the State CARD (SCARD) and lends it to its members for:

- i. The settlement of old debts
 - ii. Improvement of agricultural lands
 - iii. Redemption of mortgage on agricultural lands
 - iv. Purchase of land and machinery
 - v. Non-land based activities like animal husbandry, fisheries, goar gas plants etc
 - vi. Farm mechanization
 - vii. Waste land/dry land development
 - viii. Non-farm sectors and rural housing
2. SCARD raises long-term funds for financing the PCARD by floating debentures on the security of its assets and of mortgage bonds transferred by primary banks to it.
3. Granting loans to primary banks
4. Setting up branches offices, etc for facilitating smooth conduct of its business.
5. Acquiring immovable properties and constructing buildings

6. Appointing suitable staff for the day-to-day management of its affairs.
7. Inspecting the primary banks.

Briefly, the functions of a Central/State CARDB are to provide long-term finances to its affiliated societies, to arrange for the inspection, supervision and guidance of its members, to develop long-term banking in the country, to act as a link between long-term banking and the government, to mobilize rural savings and to stimulate capital formation in the agriculture sector by issue of debentures, to protect the farmers from moneylenders, and from the alienation of land, to help them in affecting permanent improvements on their lands. The central/state PCARB is thus, the axis around which the entire long-term banking structure in the state revolves.

Sources of finance of Central/State Cooperative Agriculture and Rural Development Banks (SCARDBs)

Sources of finance of SCARDBs are:

1. These banks raise capital by issuing shares to their members. The subscribers to the shares of SCARDBs are primary banks and the State Governments.
2. The SCARDBs accept long-term deposits from primary banks. They are also allowed to accept deposits to a limited extent from special sources and with special objects.
3. The central/SCARDBs in India issue Registered Debenture Bonds on the basis of mortgages collected from the borrowers through the primary banks.

MODULE 5

NABARD AND ITS ROLE IN COOPERATIVE MOVEMENT

CHAPTER – 1

ROLE OF NABARD IN CO-OPERATIVE CREDIT

INTRODUCTION :One of the recommendations of the CRAFICARD (Committee to Review Arrangements For Institutional Credit for Agricultural and Rural Development) under the chairmanship of Sri B Sivaraman who was appointed by the Government of India in 1979 was the establishment of National Bank for Agricultural and Rural Development (NABARD) by integrating the functions of RBI (Agricultural Credit Department-ACD) and the Agricultural Refinance and Development Corporation-(ARDC) The National Bank for Agricultural and Rural Development (NABARD) was setup on 12th July 1982 under the National Bank for Agricultural and Rural Development Act, 1981.

NABARD is an apex institution for making policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. NABARD has paid up capital of Rs. 2000 crores, which was contributed by the Government of India and RBI in equal proportion.

Functions/Objectives NABARD:

1. It works as an apex body, which looks after the financial needs of agriculture and rural development.

2. Provides short-term loans to state cooperatives for seasonal agricultural operations
3. Provides medium-term loans to state cooperatives and RRBs for approved agricultural operations.
4. Provides long-term loans to state cooperatives, RRBs and commercial banks for investment in agriculture.
5. It develops policy and plans relating to agriculture and allied activities.
6. It prepares rural credit plans for all districts in the country.
7. It maintains research and development funds for research in agriculture and rural development.
8. It inspects the central and state cooperative banks and RRBs.

NABARD and Rural Credit

1. Production Credit Refinance

It provides Short-Term Credit to State Cooperative Banks, and Regional Rural Banks and other Financial Institutions approved by the Reserve Bank. This is usually for a period of 18 months for the following purposes

- a) Seasonal Agricultural operations
- b) Marketing of crops
- c) Marketing and distribution of fertilizers, seeds, pesticides etc.
- d) Production and marketing activities of village and cottage industries and SSI

2. It provides Medium Term Credit to State Cooperative Banks, State Land Development Banks, Regional Rural Banks, Commercial Banks and other Financial Institutions approved by RBI. This loan is extended for a period of up to 7 years for the following purposes

a) Investment in agriculture and allied activities, e.g. irrigation, land development, soil conservation, dairy, sheep, poultry, fishery, horticulture, forestry.

b) Investment activities of village and cottage industries and SSI.

3. It provides Long Term Credit to State Land Development Banks, Regional Rural Banks, Commercial Banks, State Cooperative Banks and other Financial Institutions approved by RBI. This loan is extended for a period up to 25 years for the purposes like:

a) Re-finance for investment in agriculture and allied activities. (Minor irrigation, Land Development, Soil Conservation etc.).

b) Re-finance for Artisans/Small Scale Industries/Tiny Industries/Village and Cottage Industries etc.(non-farm sector)

c) Loans to State Government, for Share Capital contribution to Co-operative Institutions.

d) Investment in Share Capital/ Securities of Institutions concerned with agriculture and rural development.

4. It provides refinance to eligible institutions, normally to SCBs and RRBs for conversions and re-scheduling of loans under conditions of drought, famine or other national calamities and so on.

5. Financing Cottage/Village/Small Scale Industries, etc. located in rural areas are also eligible for re-finance from NABARD.

6. Cooperative Development Fund ie., National Agricultural Credit Stabilization Fund and National Long Term Operations Fund for the development of Co-operative Institutions. **Cooperative Development Fund**

NABARD had constituted Co-operative Development Fund during 1992-93 with the objective of supporting cooperative credit institutions in undertaking various developmental activities such as Human Resource Development, building up Management Information System, Infrastructure Creation, Setting up of Business Development Department with technical, personnel, etc. The fund is augmented every year through contribution from NABARD. Disbursements during the year 2005-06 were Rs.5.63 Crores including withdrawals pertaining to the sanctions in previous years.

CHAPTER – 2

CONSUMER CO-OPERATIVES

INTRODUCTION: **Consumer co-operatives** are enterprises owned by consumers and managed democracies which aim at fulfilling the needs and aspirations of their members. They operate within the market economy, independently of the state, as a form of mutual aid (organization), oriented toward service rather than pecuniary profit. Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as Food cooperatives, consumer cooperative. However, there are many types of consumers' cooperatives, operating in areas such as health care, insurance, housing cooperative, utility cooperative and personal finance (including credit union).

According to the Maharashtra Co-operative Societies Act 1960, sec. 2(9) a consumer cooperative society is defined as “a society the object of which is (a) the procurement, production or processing and distribution of goods or services for its members or other customers, and (b) the distribution among members and customers, of profits occurring such procurement, production or processing and distribution”.

In some countries, consumers' cooperatives are known as **co-operative retail societies** or **retail co-ops**. Consumers' co-operatives may, in turn, form Cooperative federation. These may come in the form of Co-operative Wholesale Society, through which consumers' co-operatives collectively purchase goods at wholesale prices and, in some cases, own factories. Alternatively, they may be members of co-operative union.

Need and Importance

1. Supply of goods and services as per need of the consumers.
2. Eradication of malpractices like black marketing, artificial scarcity, hoarding and cheating in measurements.
3. Establishments of proper trading system – consumer co-operatives supply good quality products at reasonable costs.
4. Eradication of trader's chain – There is a long chain of middlemen between producers and consumers who add their profits making the things costly. Consumer co-operatives purchase things directly from producers at cheaper price.
5. Consumer have to satisfy their needs as per their income – Due to existence of consumer co- operatives consumers automatically learn to satisfy the needs as per income and the habit of savings.

Organizational Structure

The consumer co-operative structure in the country has four tiers.

1. The NCCF at the national level oversees State Co-operative Consumers Organisations affiliated to it.
2. At the Wholesale level, there are Consumer Co-operative Stores which further source the Primary level stores.
3. In the villages, Primary Agricultural Credit Societies and Marketing Societies undertake the distribution of consumer goods along with their normal business.
4. While in urban and semi-urban areas, consumer co-operative societies operate retail outlets to meet the requirements of the consumers.

Objectives of Consumer Co-operatives

1. To educate the consumers and keep their needs within the income limits.
2. To improve the standard of living of consumers
3. To inculcate the habit of savings among the consumers.
4. To stabilize the market rates.
5. To supply the goods and services at reasonable prices.
6. To protect consumers from trade malpractices such as black marketing, hoarding etc.
7. To control the profit making tendency.

Problems Faced by Consumer Co-operatives in India

1. Consumers in India are indifferent to their own needs and still believe in the private trade system.
2. Consumer co-operatives are not well integrated and are scattered isolated.
3. The procurement and purchase operations are technically faulty.
4. They also face problems of low efficiency and low level of quality of products.
5. There is also intense competition from private traders who create various problems for the consumer movement.

National Co-operative Consumers' Federation of India Limited (NCCF)

The National Co-operative Consumers' Federation of India Limited (NCCF) is the apex federation of the consumer cooperatives in the country. NCCF was set up on 16 October, 1965 and is administered under the Multi State Cooperative Societies Act 2002. The present membership of the NCCF is 136 comprising of Primary Co-op. Stores, Wholesale Societies, and State level Consumer Co-operative Federations, National Co-operative Development Corporation and the Government of India. The commercial operations of the NCCF are handled through its headquarters at New Delhi and 34 branches/ sub-branches located in the State Capitals and other important procuring centers in different parts of the country. NCCF also run a dal processing unit at Bhiwani . It also runs two retail counters at Dak Tar Bhawan, Parliament Street, New Delhi and at Nehru Place, New Delhi.

Objectives of NCCF

The main objectives of the NCCF are to provide supply support to the consumer cooperatives and other distributing agencies for distribution of consumer goods at reasonable and affordable rates besides rendering technical guidance and assistance to the consumer co-operatives. NCCF is the spokesman of the consumer co-operative movement in the country, it provides the following services for strengthening the movement in the country:-

1. Render technical guidance and assistance to its member institutions in particular, and consumer cooperative societies in general in grading, packaging, standardization, bulk- buying, storing, pricing, account keeping, other business techniques and management methods to improve and increase their operation and management efficiency.

2. Create and promote the formation of cadres of employees for the NCCF and member institutions and arrange for their proper training in collaboration with NCUI.
3. Hold seminars, conferences, meetings and to undertake publicity, propaganda and similar other activities as may help the development of consumers' cooperative movement in the country.
4. Establish trade connections with manufacturers, their authorized distributors and suppliers/dealers including Government agencies and cooperative organization and to undertake purchase, sale and supply of, Agricultural commodities like food grains, pulses, spices, oil seeds, pharmaceutical items and other consumer goods.
5. Manufactured and value added items, drugs, medicines, pharmaceutical items and other Consumer Goods.
6. Undertake supply of the above items in wholesale and retail as well as to Govt. departments/State Agencies /Cooperatives small scale industries and private parties.
7. Undertake metal scrap business as also setting up and running of warehouses and cold storages.
8. Establish, run or sponsor processing of agricultural commodities like food grains, pulses, spices, tea, oilseeds, etc., and manufacturing units for the production of consumer goods, if necessary, in collaboration with other agencies.
9. Import and export of agricultural commodities like, food grains, pulses, spices, oilseeds etc; horticultural products, fresh vegetables and fruits, consumer goods and any other item permissible under import and export policy as when necessary.

10. Secure from the Government or other sources requisite facilities, assistance and financial aid, both for self and for its member-institutions.
11. Acquire land, building, warehouse, vehicles, factories, workshops, machinery and equipment for its activities
12. Coordinate the working of its member institutions with other national level cooperative institutions.
13. Collect and disseminate necessary marketing intelligence for the benefit of its member's institutions in particular and consumer cooperative societies in general and to undertake research work and study in connection with the consumer's cooperative movement.
14. Do all such things and take such steps as are incidental or conducive to the attainment of any or all the objects, in collaboration with other cooperatives, public sector undertaking and other Agencies, if necessary, within and outside the country.
15. Establish testing laboratories for testing of consumer goods in general and making such services available for consumers' cooperatives in particular.
16. To act as agents of Central/State Government or undertaking/corporation or cooperative institutions or any business enterprises for the purpose of sale, storage and distribution of consumer goods approved by the Board of Directors from time to time entrusted by Central/State Governments.

17. To subscribe to the share capital of other cooperative institution as well as other public sector enterprises as and when considered necessary for fulfilling the objectives of NCCF.
18. To enter into collaboration with International Agency(s) or Body(s) for undertaking international trade of aforesaid commodities/items and setting up of agricultural & consumer industries.
19. Arrange supplies of various items required by the Central/State Government, Public Sector Undertaking/ Cooperative Organizations and others and to undertake job work including infra-structure development like Housing Projects and any other construction work. Laying of roads, transportation, packaging work etc. entrusted by them.
20. To act as C&F Agent of various organizations/companies.
21. To organize cooperative education programmes for Members, Directors and employees and to provide funds for this purpose.
22. To arrange providing of products related services to the domestic as well as foreign buyers and consumers including setting up of hospitals, hotels and collaborating with the enterprises in joint ventures in the service sector.
23. To solicit/procure insurance business as a corporate agent and/or in association of any insurance company/joint venture insurance company in the country.

Proposed New Line Of Business of NCCF.

The Federation is making all-out efforts and looking for the possibilities of diversifying its activities by adopting new lines:

1. In addition to the Import of Pulses under the Scheme

“Distribution of Pulses through PDS at Subsidized Rates” as nominated agency of the Govt. of India, we are looking for possibilities of import/export of other items also.

2. Procurement of Paddy/Wheat as State Agency in different States under Price Support Scheme of the Govt. of India on behalf of FCI.

3. NCCF may enter into the field of direct marketing of Agricultural Produce by opening their own centers of purchases, storage, processing & sales of consumer goods by connecting such players together in an integrated value chain where the individual facilities are owned by the respective private trade.

4. Procurement of Oil-seeds and Pulses under MSP Scheme of the Government of India.

5. Export of Rice & Wheat under Government to Government Business and also under Govt. approved Schemes.

CHAPTER -3

DAIRY COOPERATIVES

INTRODUCTION: Most of the milk produced in the country is from the rural areas by small farmers who keep one or two animals. They have to face a number of problems in selling milk profitably such as inadequate transport facilities, non-availability of technical advice and absence of proper processing etc. These problems can be solved to a great extent by the formation of Dairy-Co-operatives. Co-operatives can reduce the number of intermediaries in the trade and societies will be in a position to supply milk to consumers, at reasonable price. Any assistance the producers may require for increasing production or improving the breed of cattle can be given more easily and effectively through a cooperative organization. A cooperative milk producers society provides a number of services to the dairy farmers such as provision of credit for purchase of milch animals, or meeting initial investment cost, provides technical advice to the farmers for improving the breed and feed of cattle, making available suitable.

Objectives / Functions of Dairy Co-operatives

1. Arrange for collection center and distribution network.
2. Arrange for processing of milk into milk products.
3. Arrange for selling of milk through their own depot and through licensed vendors.

4. Distribute cattle feed to the milk producers and also provide veterinary services.
5. Provide technical services to member farmers, like artificial insemination, veterinary facilities and supply of quality seeds and root slips for production of green fodder.
6. Protect the hybrid quality of animals.
7. Organize dairy industry on a system of rural milk production and urban marketing.
8. Conduct Research and Development activities to improve the productivity rate.
9. Provide financial assistance to poor farmers to purchase cattle.
10. Encourage co-operation and self-respect among the members.
11. Prepare and undertake necessary projects for dairy development in the area.

PROBLEMS OF DAIRY CO-OPERATIVES.

The major problems faced by dairy cooperatives in India are follows

1. Supply of inputs through the network of dairy co-operatives is not satisfactory.
2. Irregular payments to milk producers have frustrated them.
3. Balance cattle feed and fodder seed is not available regularly, which compelled farmers to use traditional feed.

4. Frozen semen technology to ensure greater productivity is used popularly.
5. Reach and effectiveness of animal health cover is still unlimited.
6. Framers induction programme is given low priority.
7. Dairy co-operatives are facing cutthroat competition with milk vendors.
8. Lack of proper coordination with district level authorities.

BENEFITS OF DAIRY CO-OPERATIVES FOR MEMBERS Excludable Benefits:

1. Reliable access to the market for the milk produced.
2. Field services, insurance and market information.
3. Knowledge about the industry costs, returns and practices in the industry.
4. Access to value added margin from dairy processing activities.
5. Representation into legislative process at low cost.
6. Negotiation of overdue premiums.

Non-Excludable Benefits:

1. Balancing milk supplies among dairies.
2. Transporting milk to locations where needed.
3. Providing milk to deficit areas seasonally.
4. Affecting policies and trade practices in favour of milk producers.
5. Providing leadership for effective legislative process

. ANAND PATTERN

Anand Pattern is a doctrine of rural development. Mulani has identified 14 key elements of Anand Pattern.

1. Single commodity approach
2. Member ownership and control of the co-operative
3. Democratic control and Decentralized decisions making
4. Three-tiered structure i.e. Village Dairy Cooperative, District Dairy Cooperative Unions and Dairy Federation.
5. Use of professional managers and technologies
6. Accountability of professionals to members.
7. Coordination of milk procurement, processing and marketing
8. Annual audit of village co-operatives and district unions.
9. Daily or weekly payment of milk as per the quality
10. Investment in village social expenses capital
11. Autonomy of unions in fixing of prices
12. Adoption of Anand Pattern byelaws.

CHAPTER – 4

MARKETING COOPERATIVES COOPERATIVE MARKETING

Definition:- According to RBI, “Co-operative marketing is a co-operative association of cultivators formed for the purpose of helping members to market their produce more profitably than is possible through private trade”.

Types of Cooperative Marketing Societies

1. **Single Commodity:** deal only in marketing of only one agricultural commodity e.g. Sugarcane Co-operative Marketing Society, Cotton Co-operative Marketing Society.
2. **Multi-Commodity:** deal in marketing of number of commodities such as food grains, oilseeds etc.
3. **Multi Purpose Multi-Commodity:** deal in marketing of number of commodities and also perform other functions such as providing credit, supply of inputs etc.

Structure of Marketing Cooperative

The super structure of cooperative marketing consisted of the National Agricultural Cooperative Marketing Federation (NAFED) at the all India level, State Marketing Cooperative Society in a state, Dist. Marketing Co-operative Society in every district and Primary Marketing Co-operative Society at the Mandi level.

Objectives of Co-operative Marketing Societies

1. To sell the member's products directly in the market that offers best price.
2. To improve economic conditions of produce by strengthening its bargaining power.
3. To help members to produce the best product and those in most in demand.
4. To establish fair trade practices and prevent manipulation of prices.
5. To help farmers to obtain finance at cheaper rate of rate interests.
6. To give the farmers a better understanding of all stages of marketing process.

Advantages of C-operative Marketing Societies

1. **Market Intelligence:** Co-operatives can obtain data on market price, demand and supply and other information.
2. **Reduce Cost:** Co-operative marketing helps to reduce cost and improve service.
3. **Improve Marketability:** It helps to improve marketability of products and reduce all undesirable market charges.
4. **Safeguards against Price Rice:** It safeguards the interests of members against the price rising.
5. **Provides Credits:** It provides credit to the framers and save them from selling their produce immediately after harvesting.

6. **Storage Facility:** Farmers can wait for better price as these societies have storage facilities.

Limitations / Problems of C-operative Marketing

1. **Illiterate Farmers:** Farmers are illiterate and do not know about the benefits of selling produce through co-operatives.

2. **Less Price:** Mostly price offered by co-operatives are less than open market price.

3. **New Societies:** Some of the societies are of recent origin and do not have adequate capital to work as efficient unit.

4. **Insufficient Godowns:** Most of the societies do not have sufficient godowns to keep the produce and pledge loans.

5. **Defective Loan Policy:** 50 to 90% of total loans are given as production and clean loans, which has resulted in high overdues.

6. **Domination of Traders:** Societies are dominated by clever and intelligent traders and non- cultivators.

7. **Shortage of Funds:** Societies are not in a position to provide trade credit to buyers because of shortage of funds.

8. **Untrained Personnel:** Society personnel are not trained, qualified and competent to compete with traders who already have a good hold.

9. **No Encouragement** given by Apex Society like NAFED to primary co-operative marketing societies.

CHAPTER -5

SCHEDULED CASTE COOPERATIVES AND SCHEDULED TRIBE COOPERATIVES

It is a society to provide financial assistance for creation of income generating assets to the poor scheduled caste and scheduled tribe households for social and economic development

Objectives of SC/ST cooperatives

1. To provide financial assistance for creation of income generating assets.
2. To offer training programmes for Skill up-gradation leading to Self / Wage employment.
3. To plug critical gaps of finance in economic support scheme

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION AND SCHEDULED CASTE COOPERATIVES

Liberal assistance is provided to Scheduled Caste Cooperatives, which have 40% or more membership from scheduled caste communities with minimum of 20% active members, for development of marketing, processing, supplies and storage activities in agricultural and other notified commodities. The Chairman or the Vice-Chairman of the beneficiary cooperative has to be a scheduled caste member. Assistance is also provided by NCDC to State Scheduled Caste Cooperative Development Corporations/Federations, marketing/processing societies and Large Sized Agricultural Multi-purpose Cooperative Societies (LAMPS).

As a result of amendment of NCDC Act, the Corporation has started providing financial assistance under direct funding subject to fulfilling of eligibility criteria laid down.

- LAMPS, Marketing and Processing Cooperatives and other cooperatives having pre- dominant membership of scheduled caste (more than 40%).
- Scheduled Caste Development Cooperative Corporations with positive net worth (losses, if any not exceeding own funds) and having potential for development of trading activities, especially in MFP will be eligible for assistance from NCDC.
- The Society seeking financial assistance should be functional and working efficiently.
- A newly registered Society can also be considered for assistance provided it has a well designed programme for expansion of its trading activities.

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION AND SCHEDULED TRIBE COOPERATIVES

Assistance is provided by NCDC to Tribal Development Cooperative Corporations/Federations, marketing/processing societies and Large Sized Agricultural Multi-purpose Cooperative Societies (LAMPS). As a result of amendment of NCDC Act, the Corporation has started providing financial assistance under direct funding subject to fulfilling of eligibility criteria laid down for this purpose.

- LAMPS, Marketing and Processing Cooperatives in Tribal Sub-Plan areas and other cooperatives having pre-dominant membership of tribals (more than 50%).

- Tribal Development Cooperative Corporations (TDCCs) with positive net worth (losses, if any not exceeding own funds) and having potential for development of trading activities, especially in MFP will be eligible for assistance from NCDC.
- The Society seeking financial assistance should be functional and working efficiently.
- A newly registered Society can also be considered for assistance provided it has a well designed programme for expansion of its trading activities.

Various studies about tribal Co-operatives

The tribals in India had been suffering too much due to their exploitation by the professional money-lenders, private traders and forest contactors. In order to save the tribals from the age old exploitation, many committees and commissions recommended the cooperatisation of tribal economy. It was expected that the co-operatives would be able to bring about radical changes in the socio-economic condition of the tribal population.

The Kaka Kalelkar Commission (1955), recommended that in order to save the backward class people from the exploitation of money-lenders and mandi-merchants it was necessary to establish co-operative marketing societies.

The Study Team on Social Welfare and Welfare of Backward Classes (Renuka Ray Commission) recommended that commercial exploitation of forests should be entrusted to Forest Labour Co-operatives rather than to contractors and the operation profits to be utilised for tribal welfare. The Committee on Special Multipurpose Tribal Blocks (Verrier Elwin Committee, 1960), made the following recommendations: "The tribal must have a direct share in the profits of the forest. For this, really

remunerative coups should be reserved for allotment to Tribal Co-operative Societies on a fixed upset price which should be calculated so as to allow a substantial margin of profit. The Co-operative Society should be confined to tribals and no outsider should be permitted to become a member."

The Dhebar Commission (1961), recommended that the marketing of produce and supply of the tribal people's requirements at reasonable prices should receive special attention through co-operatives. The Commission also recommended that every village should be served by a co-operative society with at least one person from each family as a member.

The Special Working Group on Co-operation for Backward Classes observed "for the small man, be he a tribal or a member of the Scheduled Caste (SC), who is unorganised and dispersed, co-operative form of organisation provides opportunities for getting the benefits of large scale operation and management without curtailing individual freedom. The pace of economic rehabilitation of backward classes can be made more rapid and sustained through co-operatives."

The Adhoc Committee on Export of Minor Forest Products (Hari Singh Committee, 1967), made the recommendation that co-operatives should be established for collection and grading of myrobalans in the raw form and for export to foreign countries.

The Report of the National Commission on Labour (1969), suggested "Forest Labour Co-operative Societies through which workers are trained and equipped to organise themselves should be encouraged and streamlined. In any case they should be kept away from the influence of contractors."

Following the recommendations of the Dhebar Commission in the early 1960s, co-operative societies exclusively for members of the Scheduled Tribes were established in different parts of

India. The standard pattern was to establish primary multipurpose societies with a great deal of freedom to innovate in response to the specific situation of the tribal community concerned. Later in 1973, K.S. Bawa Committee recommended the organisation of Large Size Multipurpose Societies in tribal areas. Accordingly, large size multipurpose societies came into existence in different states in India. In Kerala, because of the dispersed character of the small tribal communities it was not suitable to form many such LAMPS. The Federation of SC/ST societies is now considered the LAMPS in Kerala. Co-operative societies for the depressed and backward communities were functioning in the old Travancore-Cochin State.

Multipurpose Co-operatives exclusively for the tribals were started in Kerala in 1960s. Since these societies were not refinanced by the Reserve Bank of India (RBI), the High Level Committee on Co-operative Credit in Kerala recommended the restructuring of the societies on the lines of service co-operatives. At present ST Co-operative Societies are functioning in all the fourteen districts in Kerala

CHAPTER -6

URBAN CO-OPERATIVE BANKS

INTRODUCTION: The primary co-op. banks commonly called Urban Cooperative Banks are small sized co-operatively organized banking units. The unit of deposit and advances of this bank is small as compared to that of the commercial banks. They do not depend on higher financial agencies for their resources by way of refinance or other loans but mobilise their own resources based on their owned funds and deposit mobilized by them.

The first study of Urban Co-operative Banks was taken up by RBI in the year 1958- 59. The Report published in 1961 acknowledged the widespread and financially sound framework of urban co-operative banks; emphasized the need to establish primary urban cooperative banks in new centers and suggested that State Governments lend active support to their development. In 1963, Varde Committee recommended that such banks should be organized at all Urban Centers with a population of 1 lakh or more and not by any single community or caste. The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban centre where UCBs were incorporated.

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the cooperative movement in Britain and the co-operative credit movement in Germany, such societies were set up in India. They mainly rely upon deposits from members and nonmembers.

The following types of deposits are there in Urban Cooperative Banks:

- (i) Fixed Deposit
- (ii) Savings Bank Deposit
- (iii) Current Deposit
- (iv) Recurring Deposit
- (v) Home Safe Deposit

The banks are also giving certain agency services to its customers. Eg:-Collection and payment of the cheques. Modern utility services are also rendered by these banks to its customers. Eg:-the safe custody of valuables and securities. The Urban Banks provide financial assistance mostly to small scale industrialists, education, salaried employees, and other urban and semi-urban residents. Loans are advanced against tangible securities for house maintenance, purchase of consumer durables like TV and fridge etc. They also provide loans to service type of industries, cottage industries, and allied agricultural activities. Urban banks are also providing gold loans and loans on the security of FD receipts.

Advantages of UCBs

The advantages enumerated by a Study Group on Credit Cooperatives appointed by the Government of India are as follows

1. They can organize and bring together middle and working classes in urban and semi urban areas and inculcate in them the habit of thrift and self-help and acquaint them with the ordinary banking principles.
2. The mobilization of savings by urban cooperative banks and the consequent drawing of urban resources into the apex and central cooperative banks which are in need of funds to finance the rural, industrial and other functional cooperatives, can contribute to general economic development.
3. By providing credit on reasonable terms to the middle classes, they can rescue them from the exploitation of moneylenders and other unscrupulous agencies, which is particularly important in the context of rising prices and cost of living. This has consequential effects also on non-co- operative holdings.
4. By financing individual industrialists and artisans working in urban areas they can make a significant contribution to industrial development.
5. They can make certain essential banking facilities such as remittance of funds etc., available in areas not suitable for commercial banking and to persons not able to get such facilities from commercial banks.
6. They can provide intelligent, experienced and active leadership to the cooperative movement including the central and apex cooperative banks, which in view of the federal character draw their directors from member institutions.

Objectives of UCBs

The following are the main objects of an urban cooperative bank:

1. To borrow funds from members and others to be utilized for giving loans to members for useful purposes.
2. To act as an agent for the joint purchase of domestic and other requirements of the members.
3. To undertake collection of bills drawn, accepted or endorsed by members and discount cheques and bills of approved members.
4. To encourage thrift, self-help and cooperation among members.
5. To arrange for the safe custody of valuables and documents of members
6. To carry out other instructions for periodical collections, remittances, etc. of the members and depositors, to act as agents for the collection of the value of incoming Railway Receipts and parcels on behalf of the members and remittance of the same.

A feature of the urban banking movement has been its heterogeneous character and

Its uneven geographical spread with most banks concentrated in the states of Gujarat, Karnataka, Maharashtra, and Tamil Nadu. While most banks are unit banks without any branch network, some of the large banks have established their presence in many states when at their behest multi-state banking was allowed in 1985. Some of these banks are also authorized dealers in Foreign Exchange.

Among the non-agricultural credit societies Urban Cooperative Banks occupy an important place. The role of Urban Banks is becoming more and more important in the development of the urban economy of our country.

Urban Banking Structure

Generally, the Urban Banks have unitary structure. It was based on the presumption that the urban banks will be affiliated to the district central cooperative banks and therefore, there was no necessity of organizing separate district and apex organisations for such banks. In actual practice, since most of the Urban Banks were self-sufficient, they did not require any substantial funds from the district central cooperative banks. It was only when the societies were weak, that they required help from the central cooperative banks. In fact, some of the urban banks were stronger than the central cooperative banks. In Maharashtra, however, a District Central Cooperative Urban Bank has been established at Ahmednagar. It is a mixed type of federal structure. It raises funds mainly through deposits, and finances its affiliated units as well as the individual members. The bank is efficiently managed and has achieved a commendable success. It is a solitary example of a federal structure in the field of Urban banking in the country.

Under the general structure, UCBs are liked with the District Central Banks and State Cooperative Banks which engage mainly in financing the agriculturists. The main arguments advanced against the formation of separate financing agencies for urban banks were: (i) the central cooperative banks might lose the surplus funds tapped from urban banks after meeting their demands out of such funds; (ii) it will mean competition at the district level and will result in diffusion of funds available for the cooperative movement and might create a dearth of honorary workers to manage the cooperative institutions. In actual practice the example of Ahmednagar District Central Bank has proved that the above arguments are not always everywhere applicable.

Methods of Raising Funds Share Capital

Every Urban Bank must raise adequate share capital to serve as the main foundation and a security to the depositors and other

creditors. This can be possible only when membership is large and denomination of shares slightly higher. Urban Banking is more or less like deposit banking.

Deposits

Like commercial banks, Urban Banks also raise a large proportion of their working capital by way of deposits. The following types of deposits are accepted by these banks. (i) current (ii) fixed (iii) savings (iv) recurring (v) home safe (vi) chit funds (vii) provident fund deposits of staff (viii) provident deposits and (ix) day deposits.

Borrowings

The urban banks can borrow either from members or non-members or from other institutions. Their borrowings are limited to certain times of their paid up share capital and reserve fund. In actual practice, direct borrowings form a nominal part of the working capital of these banks. These banks do not come under the purview of the Reserve Bank's concessional finance to cooperative banks.

Loan Operations

In Urban Cooperative Banks, the deposits are mainly short-term and medium-term and hence their investments are also short-term and medium-term. Their lending policy is laid down in their bye-laws. The urban cooperative banks have to maintain liquidity of their funds by investing a certain proportion of their resources in such assets as can be easily and quickly converted into cash without any loss. The standard and form of fluid resources as laid down by the Reserve Bank for the cooperative financing agencies are also applicable to these banks. Broadly speaking, the urban banks maintain their liquid resources in cash and government and other approved securities. After the passage of the Banking Regulation Act, the urban banks have also to maintain 3% cash reserve and liquid resources to the extent of 20% in regard to time

and demand liabilities.

Loans

Urban banks also advance loans to their members. After meeting the demands of the members they give loans to the non-members on the security of their deposits for a number of useful purposes. These purposes can be : (i) advances to artisans for the purchase of implements and raw materials. (ii) advances to traders (iii) payment of prior debts (iv) purchase of food grains and other necessary requirement (v) ceremonial purposes (vi) educational purposes (vii) payment of insurance premium (viii) medical expenses (ix) payment of rent, taxes etc (x) building, buying or repairing of dwelling houses (xi) improvements on land and purchase of land (xii) manufacture or purchase of country carts (xiv) purchase of seeds, manures or agricultural implements, etc.

The loans are granted for a period not exceeding 3 years. Loans are generally given on the following securities (i) fixed deposit receipts up to 90% of their face value (ii) on the guarantee given by solvent members (iii) un-encumbered immovable property not exceeding 40 to 50% of the market value of the hypothecated property (iv) Government securities and life insurance policies (v) Central land mortgage bank debentures up to 80% of their market value agricultural produce and finished products up to 60 to 70% of their market value.

Discounting of Bills

The urban banks also undertake business of discounting bills and cheques. For this purpose a list of banks and member approved by the Board is prepared from time to time. A maximum limit is fixed up to which cheques of a single member can be discounted. Such members have to execute a letter of guarantee to the bank with one or two sureties. They may also invest surplus funds in current deposits with the commercial banks, in shares of cooperative bank, in shares of the State Cooperative Bank, etc.

CHAPTER – 7

EMPLOYEES COOPERATIVES/ EMPLOYEES CREDIT SOCIETIES

INTRODUCTION: Indebtedness among the industrial workers is widely known fact. Industrial employees have been a prey to the atrocious activities of the professional money- lenders chiefly owing to the absence of any institutional agency for providing them with cheap credit facilities. Although sporadic attempts have been made by employers to help their employees, a permanent solution was found in organizing workers into cooperative societies. Such societies are also known as labour banks. Separate employees' credit societies have been organized for separate categories of workers. There are separate credit societies for each department or section even in the same undertaking. There are separate credit societies for railway men, government servants, big public undertakings, etc. A good majority of these societies have made satisfactory progress. But their progress has been commendable in Tamil Nadu, Maharashtra, West Bengal, Uttar Pradesh and Hyderabad area of Andhra Pradesh.

Objects and Function

These societies have the following objects:

- (i) to raise funds by means of issuing shares, borrowing money, accepting money as deposits on interest or otherwise;
- (ii) to lend money to shareholders

- (iii) to encourage thrift, self-help and cooperation among the members
- (iv) to invest money or funds of the society
- (v) to prevent the shareholders from falling into permanent indebtedness and
- (vi) to carry on trade for the benefit of the members.

Lending operations

They give loans only to members, whose credit limits are fixed with reference to the value of fully paid up shares held by them. They may be allowed loans up to the value of 10 times of the value of the shares. In certain societies the limit of loans is also linked with the pay or salary of the members. Generally, personal security is not acceptable to these societies. Therefore, Loans are sanctioned on the security of one or two members. Sometimes loans are granted on the assignment of an insurance policy, the surrender value of which covers the amount of the loan. The loan is repayable in monthly installments which are deducted at source. This is the key of the success of these societies.

Advantage of employees cooperatives

1. Efficient management system
2. Enlightened leadership
3. Educated membership
4. Well paid and trained staff
5. Timely recovery of loans
6. Operational efficiency
7. Viability of societies

CHAPTER – 8

INDIAN FARMERS FERTILISER COOPERATIVE LIMITED (IFFCO)

INTRODUCTION: Indian Farmers Fertiliser Cooperative Limited, also known as IFFCO, is the world's largest fertiliser cooperative federation based in India which is registered as a Multistate Cooperative Society. IFFCO has 40,000 member cooperatives.^[2] IFFCO has been ranked #37 in top companies in India in 2011 by Fortune India 500 list.

During mid- sixties the Co-operative sector in India was responsible for distribution of 70 per cent 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 Co-operative Societies created this new institution to safeguard their interests. The number of Co-operative Societies associated with IFFCO have risen from 57 in 1967 to 39,824 at present. Indian Farmers Fertiliser Co-operative Limited (IFFCO) was registered on November 3, 1967 as a Multi-unit Co-operative Society. On the enactment of the Multistate Co-operative Societies act 1984 & 2002, the Society is deemed to be registered as a Multistate Co-operative Society. The Society is primarily engaged in production

and distribution of fertilisers. The byelaws of the Society provide a broad frame work for the activities of IFFCO as a Co-operative Society.

IFFCO commissioned an ammonia - urea complex at Kalol and the NPK/DAP plant at Kandla both in the state of Gujarat in 1975. Another ammonia - urea complex was set up at Phulpur in the state of Uttar Pradesh in 1981. The ammonia - urea unit at Aonla was commissioned in 1988.

In 1993, IFFCO had drawn up a major expansion programme of all the four plants under overall aegis of IFFCOVISION 2000. The expansion projects at Aonla, Kalol, Phulpur and Kandla were completed on schedule. All the projects conceived as part of VISION 2000 had been realised without time or cost overruns. All the production units of IFFCO have established a reputation for excellence and quality. Another growth path was chalked out to realise newer dreams and greater heights through Vision 2010. As part of this vision, IFFCO has acquired fertiliser unit at Paradeep in Orissa in September 2005. As a result of these expansion projects and acquisition, IFFCO's annual capacity has been increased to 3.69 million tones of Urea and NPK/DAP equivalent to 1.71 million tones. In pursuit of its growth and development, IFFCO had embarked upon and successfully implemented its Corporate Plans, 'Mission 2005' and 'Vision 2010'. These plans have resulted in IFFCO becoming one of the largest producer and marketer of Chemical fertilisers by expansion of its existing Units, setting up Joint Venture Companies Overseas and Diversification into new Sectors.

IFFCO has now visualized a comprehensive plan titled 'Vision-2020' which is presently under implementation.

IFFCO has made strategic investments in several joint ventures. Indian Potash Ltd (IPL) in India,

Industries Chimiques du Senegal (ICS) in Senegal, Oman India Fertiliser Company (OMIFCO) in Oman and Jordan India Fertiliser Company(JIFCO) are important fertiliser joint ventures. As part of strategic diversification, IFFCO has entered into several key sectors. IFFCO- Tokio General Insurance Ltd (ITGI) is a foray into general insurance sector. Through ITGI, IFFCO has formulated new services of benefit to farmers. 'Sankat Haran Bima Yojana' provides free insurance cover to farmers along with each bag of IFFCO fertiliser purchased. To take the benefits of emerging concepts like agricultural commodity trading, IFFCO has taken equity in National Commodity and Derivative Exchange (NCDEX). IFFCO Chattisgarh Power Ltd (ICPL) which is under implementation is yet another foray to move into core area of power. IFFCO is also behind several other companies with the sole intention of benefitting farmers.

The distribution of IFFCO's fertiliser is undertaken through over 39824 Co-operative Societies. The entire activities of Distribution, Sales and Promotion are co-ordinated by Marketing Central Office (MKCO) at New Delhi assisted by the Marketing offices in the field. In addition, essential agro-inputs for crop production are made available to the farmers through a chain of 158 Farmers Service Centre (FSC). IFFCO has promoted several institutions and organisations to work for the welfare of farmers, strengthening cooperative movement, improve Indian agriculture. Indian Farm Forestry Development Cooperative Ltd (IFFDC), Cooperative Rural Development Trust (CORDET), IFFCO Foundation, IFFCO Kisan Sewa Trust (IKST) belong to this category. An ambitious project 'ICT Initiatives for Farmers and Cooperatives' is launched to promote e-culture in rural India. IFFCO obsessively nurtures its relations with farmers and undertakes a large number of agricultural extension activities for their benefit every year..

At IFFCO, the thirst for ever improving the services to farmers and member co-operatives is insatiable, commitment to quality is insurmountable and harnessing of mother earths' bounty to drive hunger away from India in an ecologically sustainable manner is the prime mission. All that IFFCO cherishes in exchange is an everlasting smile on the face of Indian Farmer who form the moving spirit behind this mission.

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.

OBJECTIVES OF IFFCO

- To serve the cause of IFFCO's mission as stated in the mission document available on the homepage of IFFCO. To make strategic use of IFFCO's website to promote the mission of the organisation to improve the welfare of Indian farmers.
- Provide information on all aspects of IFFCO to visitors from both within and outside the country.
- Extend IT enabled services to farmers and cooperatives to promote IT penetration and improve IT comfort levels in rural India.
- To evolve appropriate dissemination strategies for effective use of IT Enabled Services in Rural India.
- To extend e-services to cooperative members of IFFCO and in a phased manner, extend e-commerce through the website.
- Provide latest and reliable information and extend other services to all those actively involved in the development of Indian agriculture and rural development.
- Provide necessary information / services for suppliers to IFFCO and achieve e- procurement in a phased manner.

CHAPTER – 9

KRISHAK BHARATI COOPERATIVE LTD (KRIBHCO)

INTRODUCTION: Krishak Bharati Cooperative Ltd (KRIBHCO) is a Multi-State Cooperative Society deemed to be registered under the Multi-State Cooperative Societies (MSCS) Act, 2002. The Government of India through the Department of Fertilizers was a member of KRIBHCO but its equity holding was reduced to NIL on 4th July 2013 under the provisions of the MSCS Act 2002. KRIBHCO is not owned nor controlled nor financed by the Government of India / Any State Governments.

KRIBHCO was incorporated on 17th April 1980 as a national level Multi State Cooperative Society to implement first gas based “state-of-the-art” high capacity Fertilizer Complex consisting of 2 x 1350 MTPD Ammonia plants and 4 x 1100 MTPD Urea plants each with annual installed capacity of 8.91 Lakh MT Ammonia and 14.52 lakh MT of Urea at Hazira District-Surat, Gujarat, Indiabased on natural gas from Bombay High/ South Bassein. Hazira fertilizer complex was commissioned in 1985 in record time with saving of Rs. 90 crore in project cost.

In an endeavor to make constant improvements, KRIBHCO implemented various schemes to enhance its capacity and improve the energy consumption. Capacities of ammonia & urea plants were reassessed to 2x1520 MTPD Ammonia and 4x 1310 MTPD Urea with annual installed capacity of 10.03 Lakh MT ammonia and 17.29 lakh MT of urea.

The Hazira Fertilizer Complex was subsequently revamped in 2013 to increase its production capacity by 4.65 LMTPA of Urea. After the revamp, the rated capacity has been enhanced to 2x3325 MTPD Urea (21.95 LMTPA) and 2 x 1890 MTPD Ammonia (12.47 LMTPA). With this, the Hazira fertilizer complex has become largest single location urea plant in India.

KRIBHCO'S MISSION, VISION AND OBJECTIVES

Mission:

To act as a catalyst to agricultural and rural development by selecting, financing and managing projects that are both socially desirable and commercially profitable.

Vision:

To become a world class organization that represents the farmer community and maximizes their returns through specialization in agricultural inputs, rural need based products and other diversified businesses that maximize stakeholders' value.

Objectives of KRIBHCO

- To strengthen cooperative system
- To enhance the urea installed capacity and increasing its market share
- To ensure optimum utilization of existing plant and machinery
- To diversify into other core sectors like Power, Port, Infrastructure, Rural Retail, etc
- Transfer of technology for modern farming and improving farmers livelihood

- To educate and train farmers, provide free testing facilities for soil nutrients and irrigation water

Expansion & Diversifications:

KRIBHCO has also made realignment in its corporate strategy and internal operations revamping to meet the challenges in the liberalized/globalized economy. As a part of above initiative, KRIBHCO entered into overseas Joint Ventures, diversification into Power Sector, Logistics Business, etc:

- In 2005, KRIBHCO's Joint Venture project with Oman Oil Company came on stream in

Sultanate of Oman. KRIBHCO holds 25% equity in OMIFCO.

- In 2006, KRIBHCO acquired Sahajanpur Fertiliser Complex through its joint venture company KSFL. KRIBHCO holds 85% of the share in the JV. KRIBHCO has management control and marketing rights of total production.

- KRIBHCO has diversified into power sector by investing in Gujarat State Energy Generation (GSEG).

- KRIBHCO incorporated Kribhco Infrastructure Limited, a 100% subsidiary to venture into logistics business.

- KRIBHCO holds 2.34% equity in Nagarjuna Oil Refinery Limited and 1.84% in Nagarjuna Fertilizers and Chemicals Ltd.

- KRIBHCO holds 5% equity in Indian Commodity Exchange (ICEX).

New Products and Marketing Initiatives:

- KTRIBHCO has been promoting the use of Bio-Fertilisers since many years. The society has three units to manufacture Bio-Fertilisers at Hazira (Gujarat), Varanasi (Uttar Pradesh) and Lanjha (Maharashtra).
- Keeping in view importance of the Quality Seeds in enhancing the agricultural production, KTRIBHCO initiated Seed Multiplication Programme in the year 1990-91 to provide quality certified seeds of the crops.
- KTRIBHCO is also marketing high yield Hybrid seeds of various crops like Bt Cotton.
- KTRIBHCO imports and markets other fertiliser like DAP, DAP-Lite and MOP etc from time to time.
- Organic Agriculture has emerged as a feasible option to address concerns relating to land degradations. KTRIBHCO regularly undertakes marketing of compost made from city waste.

In a nut shell KTRIBHCO, World's Premier Fertilizer producing Cooperative has an outstanding track record to its credit in all spheres of its activities. KTRIBHCO has fully imbibed the cooperative philosophy and has made sustained efforts towards promoting the cause of modern agriculture and cooperatives in the country. KTRIBHCO stands for commitment, sincerity and high standards of excellence. In our endeavor towards achieving our goals we are impelled by the ideals set by our predecessors and the devotion and dedication of our employees. We are ISO 9001, ISO 9002, and ISO 14001 certified organization.

CHAPTER – 10

KERALA STATE COOPERATIVE FEDERATION FOR FISHERIES DEVELOPMENT LTD. (MATSYAFED)

INTRODUCTION: Kerala's fisheries and aquaculture resources are rich and diverse. Many species of fishes, invertebrates, plants, algae and other aquatic living organisms occupy a wide variety of habitats along the inland waters as well as the 590 km of coastline and associated waters. Kerala's coastline accounts for over 10 % of the coastline of the country. The aquatic biodiversity and fish wealth of Kerala sustain more than 10 lakh fisher folk and supports numerous additional activities including commercial fishing, aquaculture, biotechnology applications, tourism, education and recreation. The growing population, diverse culture, and expanding economy will continue to place additional demands on the state's marine resources, and make management of these resources increasingly complex.

Among the maritime states in India, Kerala occupies the foremost position in marine fish production, accounting for about 26 % of the total landings. Out of the EEZ of 2.2 million km² for India, 36,000 km², is adjacent to the Kerala coast. The well-known Wadge Bank is situated within the exploitable limit of Kerala. The mud banks (Chakara) which occasionally occur between Kollam and Kannur, yielding a good catch of fish and shell fish is peculiar to the state.

The potential of the state in terms of marine fisheries is believed to be about 7.5 lakh tones. Besides, this sector contributes around 1.26% to the total GDP and the export of marine products has set

ever time record of 1852.93 million US\$ during the year 2011-12. The total population of fisher folk residing in the state of Kerala is estimated to be 10.02 lakh, which includes 7.712 lakh in the marine sector and 2.304 in the inland sector. Out of this, the number of active fishermen is 2.39 lakh (1.87 lakh in marine sector and 0.52 lakh in the inland sector). Currently, there are 222 fishing villages in the marine and 113 fishery villages in the inland sector, where fishing and relative aspects provide livelihood to a vast majority of the population. Nearly 12% of the fisher folk eke out their living from allied activities like marketing, repairing nets, fish vending, and processing and other fishery related activities.

The State's fisheries sector is an epic one, comprising of 21781 crafts out of which 22% are mechanized, 51% are motorized and the remaining 27% non-motorized crafts. Although the fish catches from Kerala coast include more than 300 different species, the commercially important are forty only. Prominent among them are Sardine, mackerel, seer fish, pomfret and prawn.

The extent of inland water resources of Kerala is highly potential for expanding aquaculture. Kerala's rich fertile coastal waters and enterprising coastal fishing communities would benefit very much through organised planning and implementation of proven and sustainable aquaculture technologies, through HRD measures, selecting appropriate sites and culture systems and species judiciously and providing the needed infrastructure. Recently Kerala declared pearl spot ("Karimeen"), *Etroplus suratensis*, as the state fish and utmost efforts had been taken for making it available to all as a table fish.

The annual per capita consumption of fish in Kerala is very high (18.5 kg) compared to the national average (5 kg). There is no taboo as such that hinders the consumption of fish and fishery products and hence majority of population consume fish. Although, Kerala boast the highest quality of life in the country

as measured by human development indicators, it is a fact that the State's fishing community has largely been left out of the general development experience. Traditional fisher folk who had no other employment option continued to lag behind the rest of the State in all areas of development.

This marginalization poses a challenge to the notion of Kerala being a "model of development".

To change this iniquitous and to bring them to the mainstream of the society, the government and fisheries department has undertaken various projects and programmes viz

- Increasing production and conserving and ensuring sustainable exploitation of fisheries wealth,
- Promoting aquaculture in a sustainable as well as eco-friendly way,
- Developing infrastructures like fishery harbours, landing centers , markets, common facility centers, net factories etc
- Implementation of welfare schemes to the fisher folk.

The Department of Fisheries and its allied sectors viz. Kerala State Cooperative Federation for Fisheries development Ltd (Matsyafed), Agency for Development of Aquaculture, Kerala (ADAK), Kerala Fishermen's Welfare Fund (KFWEB), State Fisheries Resource Management Society (FIRMA), Fish Farmers Development Agency (FFDA), Kerala State Coastal Area Development Corporation(KSCADC), National Institute of Fisheries Administration and Management (NIFAM) and Society for Assistance to fisherwomen (SAF) and Marine Enforcement (ME) implements the Government's visions and schemes in this sector.

Objectives

The objective of Matsyafed as spelt out in its bye-law is to carry

out activities for promoting production, procurement, processing and marketing of fish and fishery products for the total development (Economic, Social and Culture) of fishermen community. In order to achieve this

Objective Matsyafed has taken various activities which can very broadly be classified as –

I. DEVELOPMENTAL PROGRAMMES

1) **Fish Auction:** Primary scale of fish through 232 Fishermen Development Welfare Cooperative societies with the participation of 43330 fishermen and 52049 ton fish fetched value of Rs. 142.15 Crore during 2010-11.

2) **Integrated Fisheries Development Project:** Matsyafed is implementing IFDP projects with financial assistance from National Cooperative Development Corporation (NCDC) for providing assistance to the fishermen for procuring fishing inputs, working capital and other infrastructure facilities. Assisted 72007 Nos. of beneficiaries and 500 Societies with an investment of Rs. 25725.97 Lakh.

3) **Motorisation of Country Crafts:** Subsidy of Rs. 10000/- for engines below 10 HP for the motorization of country crafts. Rs. 614.75 Lakh given to 7310 Nos. of fishermen.

4) **Subsidy for Suitable Components of Fishing Gear:** Scheme provides a subsidy of Rs.6000/- per craft powered by OBMs below 10 HP for the purchase of suitable components of fishing gear by fishermen. Rs.169.25 Lakh given to 2755 Nos. of fishermen.

5) **Bankable Scheme:** The scheme provides 25% subsidy for loan from bank/financial institutions for the purchase of fishing inputs by fishermen. Given Rs. 229.30 Lakh as subsidy to 1288 Nos. of fishermen who had availed bank loans for fishing

implements

6) **Deep Sea Fishing:** Scheme for equipping traditional fishermen to resource specific deep sea fishing and the project outlay is Rs. 488 Lakh for units having 1000 fishermen.

7) **Value Addition Phase I & II:** Scheme for providing infrastructure facilities for preprocessing near the landing centres. Phase I outlay Rs.99.94 Lakh and Phase II outlay is Rs. 99.95 Lakh.

8) **Fishermen Debt Relief Scheme:** Debt Relief Phase I of Rs. 115.03 Crore given to 48,355 beneficiaries of 421 FDWCS under NCDC Scheme. Debt of Rs. 11.82 Crore waived of 9891 beneficiaries under Housing Scheme. Phase II of Rs. 3.59 Crore given to 1077 beneficiaries under NBCFDC, NMDFC Schemes and 8.18 Crore given to 8455 beneficiaries of 245 FDWCS under Society Own Fund. Phase III (TRP) of Rs. 4.44 Crore given to 1997 beneficiaries under NBCFDC, NMDFC Scheme and 9.32 Crore given to 18623 beneficiaries of 282 FDWCS under Society Own Fund.

II. EMPLOYMENT GENERATION PROGRAMMES

1) Schemes for providing term loan and microfinance loan with financial assistance of National Backward Classes Development & Finance Corporation (NBCFDC): Supported 95504 Nos. and of beneficiaries amounting to Rs. 9505.78 Lakh.

2) Schemes for providing term loan and microfinance loan with the assistance of National Minorities Development & Finance Corporation (NMDFC): 81794 Nos. of beneficiaries. Amount Rs. 8860.05 Lakhs.

III. WOMEN EMPOWERMENT PROGRAMMES

1) **SGSY Project:** Scheme for providing employment to 2500 fishermen families for producing value added fish and fishery products with an outlay of Rs.1127.50 Lakh. Assisted 990 Nos. of beneficiaries under Phase I.

2) **Interest Free Loan:** To prevent the income erosion of women fish vendors due to the high rate of interest charged by the private money lenders for their daily working capital requirement, Matsyafed has launched a new scheme of loan @ Rs. 5,000 to 33,000 women vendors without charging any interest and the interest portion borne by the State Govt. Matsyafed assisted 15,000 women vendors @ Rs.10,000 each in the IInd phase. Phase III Rs. 5,000 each to 20,000 vendors and @ Rs. 10,000/- to 15,000 persons under implementation. Phase IV Rs.15,000/- each to 20,000 fish vendors also under implementation.

IV. SHG & MICROFINANCE

13,794 Nos of SHG formed with 1,68,322 members. Rs. 4691 Lakh generated as thrift. Micro financing through SHGs crossed an investment of Rs. 114.40 Crore @ 6% interest.

V. COMMERCIAL ACTIVITIES

Matsyafed has many commercial units to support the fishermen in getting their inputs and marketing their output. Commercial unit assist fishermen to get best quality inputs at lower cost in their fishing villages. It also gives focus on improving auction system of the primary societies and also on development of secondary marketing activities. Matsyafed has two **Fish Net Factories** at Cochin and Kannur with an installed capacity of 1000 Tons per annum. It has a market share of about 30% of the State requirement and focus is given to the traditional sector webbing.

Matsyafed **Ice and Freezing Plant** having a freezing capacity of 30 Tons per day with a storage capacity of 600 Tons. It mainly focuses on the processing of Tuna and export different fish products to different countries. It export mostly tuna in frozen condition to different countries like Thailand, China, Iran, Turkey, France, Spain, Oman, Dubai, Tunisia, Algeria, Sri Lanka, etc.

Matsyafed **OBM Division** import Out Board Motors mainly Suzuki Motors from Japan and sell it directly to fishermen through Vyasa Stores. It has about 13 workshops in different part of Kerala to take care of the repair and service of the engines. It also deals with different electronic items like Eco Sounder, VHF Radios, Insulated Boxes, Crates, etc.

Matsyafed **Chitin and Chitosan Plant** produce different grades of Chitin and Chitosan from the prawn shell waste. The plant has a capacity of 60 Tons Chitin per annum. Matsyafed has two **Fish Manure Plant** at Azheekode, Thrissur District and at Calicut. It has a manufacturing capacity of 10000 Tons of fish manure per annum. The fish manure is well accepted among the farmers and is used widely under the peoples plan program. The Commercial Division has 6 **Diesel Bunks** in different part of the State and has 12 **Vyasa Stores** to sell fuel as well as fishing equipments. There is joint marketing program with HPCL to sell the 2T Oil to fishermen through primary cooperatives. The total volume of the 2T Oil marketed last year itself is 350KL which forms part of about 10-15% of the total market share.

The Division is implementing many few projects like Fish Meal Plant at Arattupuzha, Alappuzha District, Glucosamine Plant at Paravoor, Alappuzha District, Fish Retailing at Kottayam, Kozhikkode and Ernakulam, Infrastructure creation at landing centres and markets.

VI. WELFARE ACTIVITIES

1) Fishermen Personal Accident Insurance

Scheme: The scheme provides compensation of Rs. 3 Lakh to the dependents of fishermen who die in accidents. If the accident leads to disability of 50% or more the compensation will be Rs. 1,50,000/- along with hospital expenses limited to Rs. 60,000/- or the actual expense which ever is less.

2) Matsyafed Input Security Scheme (MISS):

Compensating the loss due to accidents and natural calamities sustained to the fishing implements distributed under Matsyafed schemes. So far Matsyafed has assisted 258 beneficiaries amounting to Rs. 57.87 Lakhs. 3)**Vanitha Bus:** Matsyafed is operating special bus service for the journey of fisherwomen vendors from the landing centres to the market places and back, at nominal rates in Trivandrum &Ernakulam Districts.

4) Community Peeling Centres: Matsyafed is running two community peeling centres as a pre-processing facility for the fisherwomen of the area.

5) Kerala Sustainable Urban Development Project

(KSUDP): It is a joint venture project of Matsyafed with KSUDP. It envisages the livelihood improvement of fishermen community. The project is implemented for the benefit of fishermen groups belong to Fishermen Co-operative Societies functioning under the jurisdiction of Trivandrum, Kollam, Ernakulam and Kozhikkode Corporations.

CHAPTER – 11

HOUSING CO-OPERATIVES

INTRODUCTION: Housing cooperative has been defined as: “A legally incorporated group of persons, generally of limited means, pursuing the same cause of meeting the common need of housing or its improvement based on mutual assistance. In such a cooperative, the membership is voluntary and control is democratic, and members make an approximately equal contribution to the capital required”.

A housing cooperative is a legally established association that is owned and democratically controlled by its members for the primary purpose of improving their living conditions. Democratic control by residents, open and voluntary membership, limited return on membership investment, the expansion of services beyond merely the supply of housing to the provision of a wide range of community services, and a strong emphasis on self-help and cooperative action are the basic characteristics of housing cooperatives.

Types of Housing Cooperatives

Housing cooperatives at the primary level can broadly be classified into four groups as detailed below:

(a) Tenant Ownership Housing Societies:

Under this category the land is held either on leasehold or freehold basis by societies, and houses are owned by members.

(b) Tenant Co-Partnership Housing Societies:

These housing societies hold both land and building, either on leasehold or freehold basis and allot flats to their members.

(c) **House Mortgage Societies:**

Such societies lend money to their members for construction of houses. The members have to make their own arrangements for building their houses. These types of societies are really credit societies as distinguished from other credit societies as per the objects for which they lend, the duration of the loan and the security they demand.

(d) **House Construction or House Building Societies:**

Societies of this type spend money on behalf of the members for building the houses, and the houses are handed over to members when ready and the money spent is recovered as loan.

Advantages of Cooperative Housing

Advantages attached to cooperative housing are enumerated below:

- (i) A housing cooperative is neither a public nor a profit seeking organisation. Its principal objective is to eliminate economic exploitation as it is controlled by members only.
- (ii) Contrary to public housing, cooperative housing provides opportunities to its members to control the house designs at the planning stages. Moreover, the maintenance of the estate is also in the hands of members, which leads to maintenance at lesser expenses and in a better way.
- (iii) Cooperative housing satisfies quantitative as well as qualitative aspects of housing. As it incorporates a high degree of participatory involvement of members, the housing

stock created is more responsive to user's needs than those supplied through any other sub-system.

(iv) Housing cooperatives, besides, generating a sense of responsibility amongst users for post-occupancy maintenance, also provide the necessary mechanism for affecting it.

(v) Project cost efficiency is demonstrated on account of the concerted efforts of members to keep overheads to a minimum and to effect economy in construction by other means as well.

(vi) Loans are arranged by the cooperatives for their members and the members have a collective responsibility for its repayment. So, a proper check on the repayment of loans and other charges is maintained.

(vii) The members have got the right to vote and participate in the affairs of the cooperative, and as such they develop a sense of self-reliance and self-respect.

(viii) A cooperative is a small community by itself and hence can undertake several social activities such as organizing special programmes, arranging health services, improving the ecology of its area, improvement in social behavior and mental health, etc.

(ix) Other economic activities such as consumer cooperatives, banks, clubs and other common services which are needed by the community can be established by a housing cooperative in an economical manner.

CHAPTER - 12

HOUSING COOPERATIVES/THE KERALA STATE CO-OPERATIVE HOUSING FEDERATION (KSCHF)

INTRODUCTION: KSCHF is the apex institution for financing housing through the Primary Housing Co-operatives (PHCs) in the State. The Federation was registered on 23.9.1970 and started work on 24.9.1970. At present there are 207 Primary Housing Co-operative Societies affiliated to it.

The main objective of the Federation is to arrange the flow of funds to the affiliated primary housing co-operatives for advancing housing loan to its members at a minimum possible interest rate on easy repayment terms. The main sources of funds to the federation are share capital contribution from member societies and State Government, borrowings from LIC, HUDCO, NHB and other Commercial Banks. As on 31st March 2006 an amount of Rs.967.59 crore has been disbursed by the federation to enable construction of 1,68,261 houses in the State. Presently, KSCHF is advancing an amount of approximately Rs.6200 lakh a year.

National Co-operative Housing Federation (NCHF)

The National Co-operative Housing Federation (NCHF) was established in 1969 as an apex organization for coordinating, guiding and promoting cooperative housing activities in the country. The basic thrust of its formation was to have an organization at the national level to assume the responsibility of

promoting, developing and coordinating the activities of housing cooperatives in the country. The state level and district level housing societies as well as the state level institution financing the housing societies can become a member of the NCHF.

The cooperative housing structure consists of primary housing cooperatives at the grass root level and Apex Cooperative Housing Federations (ACHFs) at the state level. ACHFs at the state level are affiliated to NCHF, which looks after their growth strategies, policy formulations and evolving housing programmes besides inter-facing with various institutions to channel finances for these societies for onward lending to the ultimate borrowers. In addition, NCHF also helps the ACHFs in improving their financial, organizational and technical capabilities. At present there are 26 Apex Cooperative Housing Federations (ACHFs) which are currently members of NCHF.

During the year 2005, NCHF took a number of initiatives for increasing the flow of funds to this sector at affordable rates. Besides, it also organized the national level Cooperative Housing Congress, drafted the Model Cooperative Housing Societies Law and also completed a study on “Assessment of Housing Stock in the Country” and the Report on Capacity Building of ACHFs.

The organizational set-up of NCHF as per its bye-laws includes:

General Body consists of 26 members which is the ultimate authority on all matters relating to activities and administration. Each member institution (except nominal members) is represented by one delegate elected/nominated to the General Body by member institution.

Board of Directors consists of 19 elected directors from member institutions, 2 Central Government nominees, one representative of LIC and the Managing Director, NCHF.

Executive Committee consists of 7 members including one representative of the Government of India and headed by the Chairman

Chairman is elected by the Board and presides over all meetings and is the spokesman of the policy of NCHF and competent to take decisions of urgent and important nature.

Managing Director is a full time employee and handles day-to-day affairs.

Objectives

1. To establish financial institution at state level to help the primary housing co-operatives in getting loans at lower rate of interest.
2. To undertake research and development work for reduction in the construction cost.
3. To give technical and legal guidance to member societies.
4. To explain various financial schemes to member societies.
5. To give publicity of co-operative housing movement by publishing books, brochures etc.

CHAPTER – 13

INDUSTRIAL CO-OPERATIVE SOCIETIES

Meaning and Definition

An industrial cooperative is an association of workers & craftsmen involved in cottage or village industries, which come to gather to undertake collective production, processing & marketing of goods manufactured by the members & provide them with the necessary services & assistance.

It can be defined as ‘A cooperative organized by workers, controlled by worker & managed by workers for meeting their common purpose’. Thus, the prime objective of an industrial co-operative is to benefit the workers socially and economically.

Aims and Objectives

In 1904 the British Government passed the Co-operative Credit Societies Act.

The objective of this Act is,

1. To encourage thrift, self-help and co-operation amongst persons of limited means and increase their productive capacity and financial resources
2. To grant advances if needed by member workers against the securities of raw materials and finished products. Funds for industrial co-operative societies are available from co- operative banks and private entrepreneurs. Government provides subsidies, grants-in-aid and loans for the purchase of machinery, equipment,

raw materials etc.

3. To develop self-reliance, co-operation and self-respect among the members.
4. To purchase and supply raw materials, tools and equipments needed by workers.
5. To obtain contacts from the govt. and other organizations.
6. To purchase machinery and other equipments required by members and to hire them to the members for quality production.
7. To construct take-on rent godowns for finished products and raw materials.
8. To undertake all such activities needed for the welfare and well-being of the member and the society.

CHAPTER – 14 INDUSTRIAL COOPERATIVES

(WEAVERS AND COIR COOPERATIVES)

WEAVER’S CO-OPERATIVES

The main thrust of Handloom Weavers’ Cooperative Societies is to promote the working of handloom industry as well as economic conditions of the weavers by providing infrastructural support.

Objectives of Weave’s Co-operatives:

1. To safeguard the interests of the weavers from the exploitation of and clutches of the middlemen;
2. To supply of raw materials, equipments and other facilities to the members according to their capability of production;
3. To provide finance for promoting industrial activities of the members;
4. To provide technical assistance for raising and maintaining quality in texture, dyeing and production of standard goods;
5. To provide training in new and sophisticated designs which have high demand; and
6. To dispose reasonable wages regularly to the weaving members to enable them to continue in the weaving profession thereby improving their standard of living as well as improving the handloom production.

HANTEX

The Kerala State Handloom Weavers Co Operative Society Ltd. “Hantex” was formed in the beginning of 1961 for the Weavers in the Co-Operative Sector of Kerala. Hantex comprises of 440 production centers situated across the length and breadth of the state. Lakhs of weavers who can create any type of intricate designs with their magical craft and are capable of meeting present day global standards, are the members of Hantex. It has a large marketing network of 150 showroom located at almost all-important places in the state with an annual turnover of around Rs.300 millions. It has a fully computerized Design Department capable of evolving and creating sophisticated intricate design-be it for weaving or printing for domestic or international market. Hantex has the most modern infrastructure to produce handcrafted fabrics, garments, furnishing, made-ups, sarees, traditional wears etc. strictly in tune and harmony with global eco friendly norms.

COIR-CO-OPERATIVES

COIR industry is an important agro-based employment-oriented traditional cottage industry in India. Kerala is the largest producer of coir and coir products in India. Coir Board (Cochin) is the pioneer government agency in the coir sector established for the overall development of the industry in the country. The state level government agencies working in the coir sector are the Directorate of Coir Development (Thiruvananthapuram), the Kerala State Coir Corporation (Alappuzha) and the Kerala State Co-operative Coir Marketing Federation (Alappu/ha). All these government agencies gave attention to the development of the industry through the organised sector, viz, co-operative sector. There are also Private, Public, Government undertakings and unorganized manufacturing units. In every Five-Year Plan, there are various schemes for coir development in the cooperative sector through these agencies. The government agencies

undertake a number of schemes for the development of coir industry in the cooperative sector. However, the private sector has a dominant place in the industry and is working without any sort of assistance from these agencies. The industry provides direct employment to more than 3.5 lakhs workers, majority of whom are female. It is mainly concentrated in coastal districts of the State.

Kerala State Co-Operative Coir Marketing Federation (COIRFED)

The Kerala State Co-operative Coir Marketing Federation (Coirfed), the Apex Federation of Co-operative Societies engaged in the manufacture of coir and coir products is entrusted with the task of marketing the product of the Co-operative Societies. It provides sustenance to workers especially women. Coirfed and its member societies provide higher employment, better wages and better living conditions to the coir workers by eliminating middlemen. At present 628 coir primaries are affiliated to Coirfed. Coirfed has set up an array of 47 showrooms and more than 100 retail outlets to sell the materials produced by the member societies. The procurement of the produce of the member societies is done through four regional offices and one central store. Coirfed has set up a number of factories for the manufacture of coir products.

Coirfed is making efforts to sell the materials to serve a noble cause of providing employment to around 4 lakh coir workers. Most of these workers are women. It is estimated that around 20 Lakhs people are indirectly supported by this industry. The product range of Coirfed include Coir fiber, Coir pith fungus, Coir pith soil conditioner, 80 odd varieties of coir yarn, coir geo-textiles, alluring range of coir products like mats, mattings, rugs, coir tiles and Rubberised coir products like Mattress, Pillows, PVC tufted mats, Pith Briquettes, Garden materials like Pots,

Climbers etc. The products of Coirfed are marketed under the brands Cocofert, Cocoplus, Cocogeo fabric, Dustout and Deepsleep Coirfed is facing stiff competition from the other natural fibres and synthetic materials. At present Coirfed is making efforts to expand the reach of eco friendly and biodegradable Coir products through the help and assistance of all good citizens with care for nature and mankind.

Coirfed is instrumental in implementing the novel schemes of Govt. of Kerala like Distress purchase scheme, Fibre subsidy scheme, Price fluctuation fund, Purchase price stabilization scheme etc. Rs.2100 lakh Income support scheme and 145 lakhs SGSY scheme in coir industry.

Kerala State Coir Co-operative Marketing Federation (Coirfed) is the apex body of Cooperative units working in the coir sector. There are different categories of Coir Cooperative Societies in Kerala. They are:

1. Primary Coir Co-operative Societies
2. Manufacturing Societies
3. Small scale Producers Co-operative Societies
4. Husk Procurement and Distribution Societies
5. Fibre Societies (Defibring Mill Societies)
6. Co-operative Coir Marketing Federation.

The major constituents in the coir sector are Co-operatives, Private, Public, Government undertakings and unorganized manufacturing units. But, over a period of time, the coir sector has not grown appreciably and has remained almost stagnant. In order to ascertain the causes for the present unsatisfactory situation, Coir Board decided to conduct a Status Study of the

industry, which will identify the problems of the various segments of the industry and arrive at likely solutions so that necessary policy measures can be initiated and further promotional and other schemes intended to mitigate the current problems in the industry can be launched.

CHAPTER - 15

NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION OF INDIA LTD. (NAFED)

INTRODUCTION: **National Agricultural Cooperative Marketing Federation of India Ltd.(NAFED)** was established on the auspicious day of Gandhi Jayanti on 2nd October 1958. Nafed is registered under the Multi State Co-operative Societies Act. Nafed was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. Agricultural farmers are the main members of Nafed, who have the authority to say in the form of members of the General Body in the working of Nafed.

OBJECTIVES OF NAFED

The objects of the NAFED shall be to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-State, import and export trade, wholesale or retail as the case may be and to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India. In furtherance of these objectives, the NAFED may undertake one or more of the following activities :

1. to facilitate, coordinate and promote the marketing and trading activities of the cooperative institutions in agricultural and other commodities, articles and goods;

2. to undertake or promote on its own or on behalf of its member Institutions or the Government or Government Organisations, Inter-State and international trade and commerce and undertake, wherever necessary, sale, purchase, import, export and distribution of agricultural commodities, horticultural and forest produce, other articles and goods from various sources for pursuing its business activities and to act as the agency for canalisation of export and import and interstate trade of agricultural and other commodities or articles under any scheme formulated by the Government of India or other Government agencies and to facilitate these activities, wherever necessary, to open branches/sub-offices and appoint agents at any place within the country or abroad;
3. to undertake purchase, sale and supply of agricultural products, marketing and processing requisites, such as manure, seeds, fertiliser, agricultural implements and machinery, packing machinery, construction requisites, processing machinery for agricultural commodities, forest produce, dairy, wool and other animal products;
4. to act as warehouseman under the Warehousing Act and own and construct its own godowns and cold storages;
5. to act as agent of any Government agency or cooperative institution, for the purchase, sale, storage and distribution of agricultural, horticultural, forest and animal husbandry produce, wool, agricultural requisites and other consumer goods;
6. to act as insurance agent and to undertake all such work which is incidental to the same;
7. to organise consultancy work in various fields for the benefit of the cooperative institutions in general and for its members in particular;

8. to undertake manufacture of agricultural machinery and implements, processing, packing, etc. and other production requisites and consumer articles by setting up manufacturing units either directly or in collaboration or as a joint venture with any other agency, including import and distribution of spare-parts and components to up-keep of the machinery/implements;
9. to set up storage units for storing various commodities and goods, by itself or in collaboration with any other agency in India or abroad;
10. to maintain transport units of its own or in collaboration with any other organisation in India or abroad for movement of goods on land, sea, air etc.;
11. to collaborate with any international agency or a foreign body for development of cooperative marketing, processing and other activities for mutual advantage in India or abroad;
12. to undertake marketing research and dissemination of market intelligence;
13. to subscribe to the share capital of other cooperative institutions as well as other public, joint and private sector enterprises if and when considered necessary for fulfilling the objectives of NAFED.
14. to arrange for the training of employees of marketing/processing/supply cooperative societies;
15. to maintain common cadres/pools of managerial/technical personnel required by the marketing/processing/supply cooperative societies;

16. to establish processing units for processing of agricultural, horticultural and forest produce and wool;
17. to undertake grading, packing and standardisation of agricultural produce and other articles;
18. to acquire, take on lease or hire, lands, buildings, fixtures and vehicles and to sell, give on lease or hire them for the business of NAFED.
19. to advance loans to its members and other cooperative institutions on the security of goods or otherwise;
20. to guarantee loans or advances or give undertakings to any Society or Company in which the Federation has a shareholding or financial involvement as a promoter to be able to assist its development or expansion or for starting any industrial undertaking by such societies/companies;
21. to guarantee loans or advances or give undertakings on behalf of any such society or company as mentioned above to any financing institutions;
22. to do all such things or undertake such other business or activities as may be incidental or conducive to the attainment of any or all of the above objects.

CHAPTER – 16

KERALA CO-OPERATIVE MILK MARKETING FEDERATION LTD (KCMMF- MILMA)

INTRODUCTION: Now well-known by the popular sobriquet ‘MILMA’, Kerala Co-operative Milk Marketing Federation (KCMMF) was formed in 1980 as a state adjunct of the National Dairy Programme ‘Operation Flood’. It is a three-tiered organization. At the grassroots level MILMA has 3059 Anand model primary milk co-operative societies as on 31.03.2012 with 8.6 lakh local milk producing farmers as members. These primary societies are grouped under three Regional Co-operative Milk Producers’ Unions viz TRCMPU for Thiruvananthapuram region, ERCMPU for Ernakulam region and MRCMPU for Malabar region. At the apex level KCMMF functions from the headquarters at Thiruvananthapuram. From the different units managed directly by KCMMF and the various units under regional unions MILMA produces and distributes pasteurized Vitamin – A enriched milk and various milk-based products as well as mango drink throughout the state. MILMA has been instrumental in achieving the national goal of self-sufficiency in milk production in the state. Still the goal is receding as Kerala enjoys one of the highest ranges of per capita milk consumption. KCMMF is totally content in the realization of this vision which was set before it. KCMMF has achieved the distinction in its performance by close association and bond with National Dairy Development Board, Animal Husbandry Department and Dairy Development Department of the State and Kerala Livestock Development Board.

Kerala Co-operative Milk Marketing Federation (KCMMF), popularly called 'MILMA' was established in April, 1980 with its head office at Trivandrum for the successful implementation of 'Operation Flood' Programme in Kerala.

OPERATION FLOOD

A Success story on the Dairy scene in India during the sixties was the farmer-owned AMUL Co- operative in Anand (Kaira District, Gujarat) with its integrated approach to production, Procurement, Processing and Marketing on Co-operative line. Over the years, this evolved itself into a model, based on self rule by farmers ensuring maximum returns to them. This model came to be known as '*ANAND PATTERN*'. The efficiency of the Model was worth replication. Therefore, a dairy programme called "*OPERATION FLOOD*" was launched in 1970 under the aegis of the National Dairy development Board (NDDB). NDDB functioned as the technical consultants and the erstwhile Indian Dairy Corporation as the funding agency. The ideology followed by "*OPERATION FLOOD*" was the remunerative linking of rural milk producing centers with the urban demand centers so as to build up a viable dairy industry. Kerala was included in the second phase of 'Operation Flood' (OF II 1980-1987). The eight southern districts from Trivandrum to Trichur were included in the area of the project which had a total outlay of Rs. 29 Crores. From 1980 KCMMF was involved in concentrated spearhead team activities, identification of potential milk collection, formation of milk Co-operatives and extension activities. MILMA came into its own on 1-4-1983 when it took over the revenue earning activities of Procurement and Marketing from the Govt. in April 1983. Encouraged by the response of OF-II, the same areas were included in the third phase of 'Operation Flood' (OF III). This phase had an outlay of Rs.18 crores.

The growing popularity of the concept of Co-operativisation Section has spurred the authorities into exploring new vistas. The uncovered northern areas from Palakkad to Kasargode were thus brought under the Co-operative umbrella with the inception of the **NORTHE KERALA DAIRY PROJECT**. This Project is funded by the Swiss Development Co-operation through the National Dairy Development Board.

The Motto of Co-operation of **“of the people, by the people and for the people”** is foundation of the “three tier system” followed by the Organisation. The Power of the Producer members is felt right from the grass root village Co-operative Society to the Board governing the State level Federation through this system of functioning. At the village level we have the Village Milk Co-operative Societies which have the local milk producers as its members. The Village Co-operatives unite at Regional level to form Regional Co-operative Milk Producers’ Unions. These Unions later federate at the State level to form State Federation.

Objectives of KCMMF (MILMA)

- 1.
2. constant market and stable price to the dairy farmers for their produce.

CHAPTER – 17

HANTEX

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government agencies gave attention to the development of the industry through the organised sector, viz, co-operative sector. There are also Private, Public, Government undertakings and unorganized manufacturing units.

In every Five-Year Plan, there are various schemes for coir development in the cooperative sector through these agencies. The government agencies undertake a number of schemes for the development of coir industry in the cooperative sector. However, the private sector has a dominant place in the industry and is working without any sort of assistance from these agencies. The industry provides direct employment to more than 3.5 lakhs workers, majority of whom are female. It is mainly concentrated in coastal districts of the State.

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Coirfed has set up an array of 47 showrooms and more than 100 retail outlets to sell the materials produced by the member societies. The procurement of the produce of the member societies is done through four regional offices and one central store. Coirfed has set up a number of factories for the manufacture of coir products. Coirfed is making efforts to sell the materials to serve a noble cause of providing employment to around 4 lakh

coir workers. Most of these workers are women. It is estimated that around 20 Lakhs people are indirectly supported by this industry

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CHAPTER – 18

KERALA STATE COOPERATIVE FEDERATION FOR FISHERIES

DEVELOPMENT LTD. (MATSYAFED)

INTRODUCTION: Kerala's fisheries and aquaculture resources are rich and diverse. Many species of fishes, invertebrates, plants, algae and other aquatic living organisms occupy a wide variety of habitats along the inland waters as well as the 590 km of coastline and associated waters. Kerala's coastline accounts for over 10 % of the coastline of the country. The aquatic biodiversity and fish wealth of Kerala sustain more than 10 lakh fisherfolk and supports numerous additional activities including commercial fishing, aquaculture, biotechnology applications, tourism, education and recreation. The growing population, diverse culture, and expanding economy will continue to place additional demands on the state's marine resources, and make management of these resources increasingly complex.

Among the maritime states in India, Kerala occupies the foremost position in marine fish production, accounting for about 26 % of the total landings. Out of the EEZ of 2.2 million km² for India, 36,000 km², is adjacent to the Kerala coast. The well-known Wadge Bank is situated within the exploitable limit of Kerala. The mud banks (Chakara) which occasionally occur between Kollam and Kannur, yielding a good catch of fish and shell fish is peculiar to the state.

The potential of the state in terms of marine fisheries is believed to be about 7.5 lakh tones. Besides, this sector contributes around

1.26% to the total GDP and the export of marine products has set ever time record of 1852.93 million US\$ during the year 2011-12. The total population of fisher folk residing in the state of Kerala is estimated to be 10.02 lakh, which includes 7.712 lakh in the marine sector and 2.304 in the inland sector. Out of this, the number of active fishermen is 2.39 lakh (1.87 lakh in marine sector and 0.52 lakh in the inland sector). Currently, there are 222 fishing villages in the marine and 113 fishery villages in the inland sector, where fishing and relative aspects provide livelihood to a vast majority of the population. Nearly 12% of the fisher folk eke out their living from allied activities like marketing, repairing nets, fish vending, and processing and other fishery related activities.

The State's fisheries sector is an epic one, comprising of 21781 crafts out of which 22% are mechanised, 51% are motorized and the remaining 27% non-motorized crafts. Although the fish catches from Kerala coast include more than 300 different species, the commercially important are forty only. Prominent among them are Sardine, mackerel, seer fish, pomfret and prawn.

The extent of inland water resources of Kerala is highly potential for expanding aquaculture. Kerala's rich fertile coastal waters and enterprising coastal fishing communities would benefit very much through organised planning and implementation of proven and sustainable aquaculture technologies, through HRD measures, selecting appropriate sites and culture systems and species judiciously and providing the needed infrastructure. Recently Kerala declared pearl spot ("Karimeen"), *Etroplus suratensis*, as the state fish and utmost efforts had been taken for making it available to all as a table fish.

The annual per capita consumption of fish in Kerala is very high (18.5 kg) compared to the national average (5 kg). There is no taboo as such that hinders the consumption of fish and fishery

products and hence majority of population consume fish. Although, Kerala boast the highest quality of life in the country as measured by human development indicators, it is a fact that the State's fishing community has largely been left out of the general development experience. Traditional fisher folk who had no other employment option continued to lag behind the rest of the State in all areas of development. This marginalization poses a challenge to the notion of Kerala being a "model of development".

To change this iniquitous and to bring them to the mainstream of the society, the government and fisheries department has undertaken various projects and programmes viz

- Increasing production and conserving and ensuring sustainable exploitation of fisheries wealth,
- Promoting aquaculture in a sustainable as well as eco-friendly way,
- Developing infrastructures like fishery harbours, landing centers , markets, common facility centers, net factories etc
- Implementation of welfare schemes to the fisher folk.

The Department of Fisheries and its allied sectors viz. Kerala State Cooperative Federation for Fisheries development Ltd (Matsyafed), Agency for Development of Aquaculture, Kerala (ADAK), Kerala Fishermen's Welfare Fund (KFWEB), State Fisheries Resource Management Society (FIRMA), Fish Farmers Development Agency (FFDA), Kerala State Coastal Area Development Corporation(KSCADC), National Institute of Fisheries Administration and Management (NIFAM) and Society for Assistance to fisherwomen (SAF) and Marine Enforcement (ME) implements the Government's visions and schemes in this sector.

Objectives

The objective of Matsyafed as spelt out in its bye-law is to carry out activities for promoting production, procurement, processing and marketing of fish and fishery products for the total development (Economic, Social and Culture) of fishermen community. In order to achieve this objective Matsyafed has taken various activities which can very broadly be classified as –

I. DEVELOPMENTAL PROGRAMMES

1) **Fish Auction:** Primary scale of fish through 232 Fishermen Development Welfare Cooperative societies with the participation of 43330 fishermen and 52049 ton fish fetched value of Rs. 142.15 Crore during 2010-11.

2) **Integrated Fisheries Development Project:** Matsyafed is implementing IFDP projects with financial assistance from National Cooperative Development Corporation (NCDC) for providing assistance to the fishermen for procuring fishing inputs, working capital and other infrastructure facilities. Assisted 72007 Nos. of beneficiaries and 500 Societies with an investment of Rs. 25725.97 Lakh.

3) **Motorisation of Country Crafts:** Subsidy of Rs. 10000/- for engines below 10 HP for the motorization of country crafts. Rs. 614.75 Lakh given to 7310 Nos. of fishermen.

4) **Subsidy for Suitable Components of Fishing Gear:** Scheme provides a subsidy of Rs.6000/- per craft powered by OBMs below 10 HP for the purchase of suitable components of fishing gear by fishermen. Rs.169.25 Lakh given to 2755 Nos. of fishermen.

5) **Bankable Scheme:** The scheme provides 25% subsidy for loan from bank/financial institutions for the purchase of fishing inputs by fishermen. Given Rs. 229.30 Lakh as subsidy to 1288 Nos. of fishermen who had availed bank loans for fishing implements

6) **Deep Sea Fishing:** Scheme for equipping traditional fishermen to resource specific deep sea fishing and the project outlay is Rs. 488 Lakh for units having 1000 fishermen.

7) **Value Addition Phase I & II:** Scheme for providing infrastructure facilities for preprocessing near the landing centres. Phase I outlay Rs.99.94 Lakh and Phase II outlay is Rs. 99.95 Lakh.

8) **Fishermen Debt Relief Scheme:** Debt Relief Phase I of Rs. 115.03 Crore given to 48,355 beneficiaries of 421 FDWCS under NCDC Scheme. Debt of Rs. 11.82 Crore waived of 9891 beneficiaries under Housing Scheme. Phase II of Rs. 3.59 Crore given to 1077 beneficiaries under NBCFDC, NMDFC Schemes and 8.18 Crore given to 8455 beneficiaries of 245 FDWCS under Society Own Fund. Phase III (TRP) of Rs. 4.44 Crore given to 1997 beneficiaries under NBCFDC, NMDFC Scheme and 9.32 Crore given to 18623 beneficiaries of 282 FDWCS under Society Own Fund.

II. EMPLOYMENT GENERATION PROGRAMMES

1) Schemes for providing term loan and microfinance loan with financial assistance of National Backward Classes Development & Finance Corporation (NBCFDC): Supported 95504 Nos. and of beneficiaries amounting to Rs. 9505.78 Lakh.

2) Schemes for providing term loan and microfinance loan with the assistance of National Minorities Development & Finance Corporation (NMDFC): 81794 Nos. of beneficiaries. Amount Rs. 8860.05 Lakhs.

III. WOMEN EMPOWERMENT PROGRAMMES

1) **SGSY Project:** Scheme for providing employment to 2500 fishermen families for producing value added fish and fishery products with an outlay of Rs.1127.50 Lakh. Assisted 990 Nos. of beneficiaries under Phase I.

2) **Interest Free Loan:** To prevent the income erosion of women fish vendors due to the high rate of interest charged by the private money lenders for their daily working capital requirement, Matsyafed has launched a new scheme of loan @ Rs. 5,000 to 33,000 women vendors without charging any interest and the interest portion borne by the State Govt. Matsyafed assisted 15,000 women vendors @ Rs.10,000 each in the IInd phase. Phase III Rs. 5,000 each to 20,000 vendors and @ Rs. 10,000/- to 15,000 persons under implementation. Phase IV Rs.15,000/- each to 20,000 fish vendors also under implementation.

IV. SHG & MICROFINANCE

13,794 Nos of SHG formed with 1,68,322 members. Rs. 4691 Lakh generated as thrift.

Micro financing through SHGs crossed an investment of Rs. 114.40 Crore @ 6% interest.

V. COMMERCIAL ACTIVITIES

Matsyafed has many commercial units to support the fishermen in getting their inputs and marketing their output. Commercial unit assist fishermen to get best quality inputs at lower cost in their fishing villages. It also gives focus on improving auction system of the primary societies and also on development of secondary marketing activities.

Matsyafed has two **Fish Net Factories** at Cochin and Kannur with an installed capacity of 1000 Tons per annum. It has a market share of about 30% of the State requirement and focus is given to the traditional sector webbing.

Matsyafed **Ice and Freezing Plant** having a freezing capacity of 30 Tons per day with a storage capacity of 600 Tons. It mainly focuses on the processing of Tuna and export different fish products to different countries. It exports mostly tuna in frozen condition to different countries like Thailand, China, Iran, Turkey, France, Spain, Oman, Dubai, Tunisia, Algeria, Sri Lanka, etc.

Matsyafed **OBM Division** imports Out Board Motors mainly Suzuki Motors from Japan and sells it directly to fishermen through Vyasa Stores. It has about 13 workshops in different parts of Kerala to take care of the repair and service of the engines. It also deals with different electronic items like Eco Sounder, VHF Radios, Insulated Boxes, Crates, etc.

Matsyafed **Chitin and Chitosan Plant** produces different grades of Chitin and Chitosan from the prawn shell waste. The plant has a capacity of 60 Tons Chitin per annum.

Matsyafed has two **Fish Manure Plants** at Azheekode, Thrissur District and at Calicut. It has a manufacturing capacity of 10000 Tons of fish manure per annum. The fish manure is well accepted among the farmers and is used widely under the Peoples Plan program.

The Commercial Division has 6 **Diesel Bunkers** in different parts of the State and has 12 **Vyasa Stores** to sell fuel as well as fishing equipments. There is a joint marketing program with HPCL to sell the 2T Oil to fishermen through primary cooperatives. The total volume of the 2T Oil marketed last year itself is 350KL which forms part of about 10-15% of the total market share.

The Division is implementing many few projects like Fish Meal Plant at Arattupuzha, Alappuzha District, Glucosamine Plant at Paravoor, Alappuzha District, Fish Retailing at Kottayam, Kozhikkode and Ernakulam, Infrastructure creation at landing centres and markets.

VI. WELFARE ACTIVITIES

1) **Fishermen Personal Accident Insurance Scheme:** The scheme provides compensation of Rs. 3 Lakh to the dependents of fishermen who die in accidents. If the accident leads to disability of 50% or more the compensation will be Rs. 1,50,000/- along with hospital expenses limited to Rs. 60,000/- or the actual expense which ever is less.

2) **Matsyafed Input Security Scheme (MISS):** Compensating the loss due to accidents and natural calamities sustained to the fishing implements distributed under Matsyafed schemes. So far Matsyafed has assisted 258 beneficiaries amounting to Rs. 57.87 Lakhs.

3) **Vanitha Bus:** Matsyafed is operating special bus service for the journey of fisherwomen vendors from the landing centres to the market places and back, at nominal rates in Trivandrum & Ernakulam Districts

4) **Community Peeling Centres:** Matsyafed is running two community peeling centres as a pre- processing facility for the fisherwomen of the area.

5) **Kerala Sustainable Urban Development Project (KSUDP):** It is a joint venture project of Matsyafed with KSUDP. It envisages the livelihood improvement of fishermen community. The project is implemented for the benefit of fishermen groups belong to Fishermen Co-operative Societies functioning under the jurisdiction of Trivandrum, Kollam, Ernakulam and Kozhikkode Corporations.

CHAPTER - 19

The National Cooperative Union of India, (NCUI)

INTRODUCTION: The National Cooperative Union of India, (NCUI) is the apex organisation representing the entire cooperative movement in the country. It was established in 1929 as All India Cooperative Institutes Association and was re-organised as Indian Cooperative Union through the merger of Indian Provincial Cooperative Banks' Association with All India Cooperative Institutes Association and later in 1961 as National Cooperative Union of India. The National Cooperative Union of India has travelled a long way since then to now emerged as the sole representative of the Cooperative movement in the country. Being the apex organisation of the Indian cooperative movement in the country, the NCUI is committed to lend dynamism and vibrancy to the cooperative sector in the twenty first century. To make the voice of cooperation as strong as ever is NCUI's supreme motto.

Objectives

The objectives of the Union are "to promote and develop the cooperative movement in India, to educate, guide and assist the people in their efforts, to build up and expand the cooperative sector and to save as an exponent of cooperative opinion in accordance with cooperative principles". In furtherance of these objectives, the Union may either by itself or in collaboration with other cooperative institutions

1. express opinion on matters of cooperative policy and act as the accredited representative of the Indian Cooperative Movement in the national and international spheres;
2. Organise cooperative education and training programmes and popularise the principles and practices of cooperation;
3. organise, conduct, collaborate and assist in carrying out research, investigations of cooperative problems and formulation of projects for cooperative development;
4. arrange for the production and publication of literature and audio-visual aids including films, filmstrips on cooperation and allied subjects;
5. give publicity to the achievements of cooperatives through periodicals, journals, newspapers, pamphlets, brochures, books, films, broadcasts, T.V. and the like for creating favourable atmosphere for the development of the cooperative movement;
6. maintain an information bureau and a library;
7. convene and hold the National Cooperative Congress and Cooperative Seminars, Meetings, Conferences, Exhibitions etc.;
8. select delegates, representative and observes on behalf of the Union for participation in the International, National and State Conferences;
9. facilitate the promotion of cooperative institutions and assist the member societies in resolving their problems and difficulties and formulation of programmes and their implementation and preserve and safeguard the democratic character of the cooperative movement in the country;

10. confer/honour on the eminent cooperators;
11. promote international cooperative relations through active collaboration with ICA, UNO, FAO, ILO, UNDP, UNIDO and other international agencies involved in cooperative development;
12. help, promote international marketing on cooperative to cooperative basis by documenting necessary information and to act as nodal agency for the benefit of Indian Cooperative Movement; and
13. provide consultancy services to the cooperatives.

The functioning

The working of NCUI reflects the democratic yearnings of the cooperators and the cooperative institutions involved in cooperative development. The membership of NCUI is broad-based comprising of cooperative institutions at national level, state level and multi-state cooperative societies representing all sectors of the Indian cooperative movement. At present, there are 207 institutions which are members of NCUI. The supreme authority of NCUI vests with its General Body which meets once in a year to decide the policy and programmes for cooperative development and also elects the Governing Council of NCUI once for a period of five years. The Governing Council meets once in every quarter and functions through the Executive Committee and other functional committees. The President is the head of the organisation and is supported by the Chief Executive who operates through various functional divisions of the NCUI Secretariat.

CHAPTER – 20

National Horticulture Board (NHB)

National Horticulture Board (NHB) was set up by Government of India in April 1984 on the basis of recommendations of the "Group on Perishable Agricultural Commodities", headed by Dr M. S. Swaminathan, the then Member (Agriculture), Planning Commission, Government of India. The NHB is registered as a Society under the Societies Registration Act 1860, with its headquarters at Gurgaon.

Aims & Objectives

The main objectives of the NHB are to improve integrated development of Horticulture industry and to help in coordinating, sustaining the production and processing of fruits and vegetables.

Detailed objectives of the Board are as under:-

1. Development of hi-tech commercial horticulture in identified belts and make such areas vibrant with horticultural activity, which in turn will act as hubs for development of horticulture.
2. Development of modern post-harvest management infrastructure as an integral part of area expansion projects or as common facility for cluster of projects.
3. Development of integrated, energy efficient cold chain infrastructure for fresh horticulture produce.

4. Popularization of identified new technologies / tools / techniques for commercialization / adoption, after carrying out technology and need assessment.
5. Assistance in securing availability of quality planting material by promoting setting up of scion and root stock banks / mother plant nurseries and carrying out accreditation / rating of horticulture nurseries and need based imports of planting material.
6. Promotion and market development of fresh horticulture produce.
7. Promotion of field trials of newly developed/imported planting materials and other farm inputs; production technology; PHM protocols, INM and IPM protocols and promotion of applied R&D programmes for commercialization of proven technology.
8. Promotion of Farm Mechanization in Horticulture through demonstration and its uses at farmers field level to reduce labour cost and increase the productivity of Horticulture crops.
9. Promotion of applied R & D for standardizing PHM protocols, prescribing critical storage conditions for fresh horticulture produce, bench marking of technical standards for cold chain infrastructure etc.
10. Transfer of technology to producers/farmers and service providers such as gardeners, nurserymen, farm level skilled workers, operators in cold storages, work force carrying out post harvest management including processing of fresh horticulture produce and to the master trainers.
11. Promotion of consumption of horticulture produce and products.

12. Promoting long distance transport solution for bulk movement of horticulture produce through rail etc.
13. Carrying out studies and surveys to identify constraints and develop short and long term strategies for systematic development of horticulture and providing technical services including advisory and consultancy services.

CHAPTER – 21

TYPES OF CREDIT

Types of cooperative credit is classified in to:

Short term loans Medium term loans and Lon term loans.

SHORT TERM LOANS

The period of short term loans is 15 month.

This loan is allowed to :

1. To purchasing seed, fertilizer, agricultural equipments etc.
2. To buying the cattle and cattle feeds.
3. To buying the raw materials and other instruments to rural small scale industries.
4. For small scale industries
5. Providing sub employments to farmers.
6. To purchasing food grains and other necessary things.
7. To for agricultural crop purpose.
8. To buying vehicle.

2.MEDIUM TERM LOANS

The period of medium term loans are 5. Medium term loans are in two types. (a). mortgage loans and

(b).NAMT loans.

a) Mortgage loans

This loan is allowed to under the security of immovable properties of land.

b) NAMT loans

Non agricultural medium term loans are issued to employee on the security of salary certificates. Now this loan is not issued because most of the employee do not refunded the loan amount and they leave the jurisdiction of the bank through transfers.

LONG TERM LOANS

It includes loans above the term of 5 years and up to the period of 10 years. The long term loans are granted for the following purposes.

- Housing
- Construction of plants and sheds
- Purchasing of machineries
- Construction and repairing of wells
- Preparation of land for irrigation
- Drainage, reclamation from rivers and other water sources
- Bunding, leveling and terracing etc.
- Horticulture and plantation including forest plantation
- Purchase of tractors, trillers and other agriculture machineries.
- Construction of cattle sheds, etc..

CREDIT STRUCTURE OF COOPERATIVES

