

## **Executive Summary of the Report of Study on**

### **Status of Self-Reliant Cooperatives**

#### **A study in furtherance of**

#### **The Resurgence of A Vibrant Cooperative Movement Across India**

**Introduction** - In early 2010, the late Shri LC Jain<sup>1</sup> reached out to a number of activists and institutions to initiate thinking on how to rekindle interest in the cooperative movement. He felt strongly that India's growth story could be a happy one, only if the country was full of vibrant, member controlled, member sensitive cooperative businesses. In response, the current study was initiated, to form the basis for promoting a positive legal environment for self reliant cooperatives in the states where such an environment does not exist, and to encourage cooperatives, to form state level federations to protect their interests, and to scale up the success they have already achieved.

**Study Resources** - In response to Shri LC Jain's concern over large numbers of Indians being marginalised by the current economic environment, Hivos offered to sponsor a study of self reliant cooperatives in resource poor areas across the country. WASSAN offered to manage the study project, and Access Livelihoods Consulting India was asked to undertake the study.

**Approach to Study** - The tasks undertaken as part of the study are outlined below -

1. Desk review of self reliant cooperatives laws in the nine states and Multi State Cooperatives Societies Act, 2002 was carried out. MSCS 2010 Bill placed in Parliament was also reviewed. Old cooperative Acts in the nine states, as well as in six other states which did not have a parallel liberal cooperative law were also looked at.
2. One-on-one consultations with key stakeholders including heads of state cooperative departments and bankers were held.
3. Field visits were made to study seventeen self reliant cooperatives in nine states.
4. State level consultations were held with a cross section of stakeholders in all nine states where the liberal cooperative law is currently operational. These consultations were focused on understanding the current status and developing the way forward for the resurgence of a vibrant cooperative movement.
5. A national level conference was held to present the report and discuss further the way forward.

**Constraints in Undertaking Study** - One key constraint that the team faced was the lack of a database (on the location, functioning and even numbers) of registered self reliant cooperatives, as departments of cooperation in some states did not collate data.

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<sup>1</sup> Freedom fighter, Gandhian economist, former Planning Commission Member, Magsaysay Award winner, former High Commissioner to South Africa, and a leading cooperative activist.

**Overall Growth** - The growth of self-reliant cooperatives (registered under liberal union and state cooperative laws) over the past 5 years has been significant, recording a 190% increase (from 23,232 to 67,555) in numbers, although much of the growth was in a single state.

**Legal Environment** - Between 1995 and 2003, nine states adopted a parallel cooperative law which respected the autonomy of cooperatives and the internationally recognised definition of what a cooperative is. In 2002, the Multi-State Cooperative Societies Act, 1984 was amended to provide significant levels of autonomy to multi-state cooperatives. In 2005, the Vaidyanathan Committee recommended a model liberal cooperative law for adoption by every state.

However, in the past couple of years, there appeared to be retrograde steps being taken at union and state levels. While some states have begun to make attempts at having a "unified" cooperative law, which keeps the interests of state dependent cooperatives and the departments of cooperation more at heart, than the interests of self-reliant cooperatives, at the union level, the Multi State Cooperative Societies Bill 2010, was introduced in Parliament. The contents of the latter have reversed the 2002 position, influenced primarily by a handful of national level federations, which should never have, in the first place, been provided with the autonomy available under the 2002 Act, as they were state dependent organisations.

While twenty states did bring about some reforms in their older cooperatives laws, in response to the Vaidyanathan Committee recommendations, cooperatives in quite a few of these states have had no elections. Further, the "reformed" laws retain certain older provisions, which provide the government/registrars/ with powers to act against the amendments made, if they so desired to.

In addition, twice, in the 14<sup>th</sup> and the 15<sup>th</sup> Lok Sabha, an attempt was made to bring in a Constitutional amendment purportedly for the purpose of protecting the interests of cooperatives. However, both the Bills are drafted in a manner that reinforces the misconception that cooperatives are part of governance structures.

**Key Findings** - The most striking finding was that where self-reliant cooperatives had succeeded, they had created new employment opportunities locally, increased the purchasing power of large numbers of people, increased the income of their members, had significant impact on agricultural production and created a large cadre of highly competent and accountable women and men who had the vision to lead their cooperatives with business acumen and political wisdom.

Cooperatives with significant stake of members flourished well and have met the needs of their members, while cooperatives, which received easy money from promoting agencies rarely functioned as sound business enterprises.

Despite constraints, most cooperators were happy to use the opportunity of operating under the liberal and autonomous self reliant cooperative Acts. Most were also very clear that they would not have chosen to work as cooperatives under the older oppressed Cooperative Laws.

All cooperatives promoted by members ran profitably. In government or voluntary development agency promoted cooperatives, the stakes of members in funds, design, decision making, resource mobilisation, business management and planning were suppressed through external funding and controls.

The result was that the cooperative business was often developed, not keeping member benefit as prime objective, but keeping in mind the need to meet expensive staff and establishment costs. Where member promoted businesses, by and large, chose modest and appropriate accommodation for their business, those promoted by external agencies added to costs and to the difficulty in attaining viability by locating key centres in areas perhaps distant from members, but providing the facilities that external agencies were used to.

Good promoting agencies have played crucial role in (i) spreading awareness about the existence of the liberal law and in (ii) enabling members to think through the design of their cooperatives and providing training and advisory support.

**There are sufficient examples of thrift and credit, dairy and poultry cooperatives running successfully with surpluses. Federations of cooperatives (in thrift, in dairy, in poultry, in mixed types of cooperatives) dependent entirely on member contributions and member fee, appeared to have played a key role in the propagation of the self-reliant cooperative movement.**

**Way Forward** - There is a need for enlightened activists truly interested in self reliant cooperatives, who appreciate their role as pure external facilitators, to come together as a strong advocacy group to protect the interests of cooperatives. There is a need to systematically educate state governments, donor organisations and voluntary development agencies on the need for self reliant cooperatives and their potential contribution to revive deprived rural economies. Effort is needed.

- to prevent current attempts to merge self reliant Cooperative Laws with the state controlled ones;
- to introduce liberal self reliant cooperative Acts in states where such an Act does not exist;
- to engage with courts and reverse the effects of earlier judgments that were based on a misinterpretation of what a cooperative is.

Advocacy for promotion of large numbers of self reliant cooperatives (especially those of thrift and credit) in contiguous areas has to be undertaken. Such promotion effort, however, requires the activists themselves to revisit their current approach to

promoting democratically controlled successful enterprises which are intergenerational. Processes used must that ensures that does not infringe on the right of cooperators to design, manage, control and grow their own cooperatives.

**The effort should result in primary cooperatives in large numbers in contiguous areas, federating for mutual support, quality enhancement and to obtain benefit of economies of scale.** It is also important that different types of federations network in each state to voluntarily form apex federations for protection and promotion of the cooperative form of business.

**Conclusion** - The India growth story, remarkable as it is, has not quite dealt with the vulnerability of large sections of disadvantaged communities across the country. This paradox has been recognised, and concerted efforts are being made by governments and civil society to bring about a more balanced growth. Central to the effort is the need to promote self reliant cooperatives which are democratically controlled, user-sensitive, usage-rewarding and user-managed cooperatives.