

Leadership Role in Preserving Co-operative Identity

Yashavantha Dongre
Akira Kurimoto
Purushothaman Nair



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Dedicated to
Mr. M.V. Madane
Remembering his Commitment to
Co-operative Research

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Foreword

Akira Kurimoto
ICA Asian Co-operative Research Forum

The Asian and the Pacific region has witnessed a dynamic evolution, both in terms of market economy and civil society, since the late 1980s, which brought unprecedented impact to government-sponsored co-operative organizations. A number of researchers started to investigate the changing trends of the co-operative sector in this region on the eve of the new millennium. The ICA's Asian Co-operative Research Forum was founded in 1998 to facilitate communication among researchers, and the first Asian Co-operative Research Conference was organized in Singapore in 2000 in conjunction with the ICA Regional Assembly. Succeeding Conferences were held in Cebu, Philippines (2003), Chiangmai, Thailand (2004) and Colombo, Sri Lanka (2006). Through these events, step by step, a network of researchers from 14 countries has been created although it is still in the initial stage, both in terms of number of involved researchers and its impact on co-operative practices.

Asian co-operative organizations were created under the strong influence of colonial powers. This does not mean, however, that they are just a copy of their European forerunners; rather they have evolved into Asian entities that have adapted to the existing political regimes, socio-economic structures and traditional cultures. Furthermore, they have evolved into distinct Asian models which have impacted other regions. For example, multi-purpose agricultural co-operatives in Japan and Korea are ranked amongst the top

group in the ICA's Global 300 co-operatives and have been praised for their successful formula to enhance farmers' living standards and facilitate rural development. Consumer co-operatives in Japan have also demonstrated their vitality since the 1970s and have grown to be the world's largest organization in terms of membership and turnover by combining active member participation and efficient business operations. In addition, in India, the Amul dairy co-operatives have been the model for a development program that began in 1965 termed the "white revolution." These co-operatives which are highly integrated at the village, district and state levels, and are under members' control, have proved the worth of a co-operative system, which offers every necessary service to small farmers. Its model has been diffused to many developing nations.

In addition to these traditional types of co-operatives, there are other examples of specific co-ops in Asia. Medical co-ops, for example, have been organized by service users (India, Japan, Korea and Singapore) or service providers (Malaysia, Mongolia and Sri Lanka) to provide medical services at hospitals and clinics. They have proved to be effective providers of indispensable health services, which otherwise would not be accessible to the local population. University/college co-ops have been organized mainly by faculty members to provide textbooks, food, appliances and credit/insurance in more than ten countries, thus playing a significant role in supporting campus communities. These co-ops are encouraged to involve students as full-fledged members as in the cases of India and Japan, Women's co-ops have been formed exclusively by women in India, Iran and Malaysia to encourage women to take leadership positions, which would be difficult in co-ops with mixed membership.

Thus, we can identify some distinct Asian models of co-operation. However, there is a growing gap between co-operative practices and research. Although the significance of Asian co-operatives is growing, research to support this growth is not adequate. Furthermore, case study research has not been well coordinated among different organizations and researchers while the theoretical

approaches and methodologies have not necessarily been well applied. This was the reason for establishing the co-operative research network in the region a decade ago.

Taking this opportunity, I would like to pay special tribute to the late Mr. Madhav Madane who passed away on February 5th last year in Pune, India. He had been actively involved in the process of the formation and continuation of the Asian co-operative research network. I had the privilege to know him personally and establish very friendly relations with him over the decades. So I am very sad, not only for the passing away of a great co-operative missionary, who contributed significantly to the development of the Co-operative movement at the national and international levels, but also because I have lost a good friend.

Remembering Mr. Madane, many recollections come to mind. I came to know him in the 70's when he was working with the ICA Regional Office. Having stayed in Japan for months every year to oversee the ICA/IDACA Management Training Project in the 80's, he could speak Japanese to some extent and he published a book entitled *Agricultural Co-operatives in Japan* in 1990. He took part in the ICA's International Co-operative Research Conferences since mid nineties. He joined me in organizing the ICA Asian Co-operative Research Conferences since 2000. He then took over for me as Chair of the ICA Asian Research Forum in 2001. In 2004, he hosted the International Colloquium in Pune to celebrate a centenary of the Indian Co-operative Credit Societies Act 1904. He also contributed a chapter 'A Century of Indian Co-operatives' to a volume entitled *The Emergence of Global Citizenship: Utopian Ideas, Co-operative Movements and the Third Sector* published by the Robert Owen Association in 2005. Thus he devoted his life to co-operative development and studies. I was enriched by our exchange of views about the co-operative movement and many other global issues affecting the world.

This book contains 11 papers presented at the 4th Conference held in Colombo on August 15-16, 2006. We have included papers on only one theme, "The Role of Co-operative Leadership in

Reservation of Co-operative Identity,” to ensure that the book had consistency and also because the majority of papers were presented on this theme. Further we included some of the papers that were accepted, but not presented at the conference by authors who could not attend.

I look forward to the next ICA Asian Co-operative Research Conference to be held in Hanoi in December 2008 where we expect to establish the ICA-AP Committee on Co-operative Research. The Consumer Co-operative Institute of Japan is prepared to play an active part in organizing a network for researchers and providing a limited number of scholarships.

Last but not least, I would like express my sincere gratitude to Mr. Shil Kwan Lee, Regional Director and Mr. P. Nair Communication Officer at the ICA-AP for their strong support in organizing these conferences.

Preface

Shil Kwan Lee
Regional Director, ICA-AP

Co-operative Researchers were active in the Asia-Pacific region from the very beginning. Since the time of setting up co-operatives in this region, in the 1900s, co-operative practitioners and scholars both have shown keen interest in studying various aspects of co-operation, especially in the prevailing market conditions. These researchers have meticulously studied and recorded their findings and ideas.

Since the year 2000, the researchers have formed themselves into a regional group and have been holding Co-operative Research Conferences in conjunction with the Regional Assemblies of ICA-AP. The first such conference was held in Singapore, the second in Cebu, the Philippines, the third in Chiangmai, Thailand, and the fourth Conference was organized in Colombo, Sri Lanka. The group will be organizing the fifth Research Conference in Hanoi, Vietnam, during December 2008, at the time of ICA Regional Assembly.

While some of the research papers produced by these researchers may be available with a few persons and organizations, a majority of them are not available for use by the co-operative community. In this scenario, it was felt that selected papers of the conference should be published in the form of a book. With this view, 14 papers presented at the Colombo Research conference were selected for inclusion in this book. I hope these papers will be of immense use for the co-operatives and co-operators in the region as well as globally as valuable resources for use in future.

Dr. Yeshwantha Dongre, Professor at the University of Mysore, who himself is a co-operative researcher, has spent a lot of his time and energy in editing these papers. He has also written a well studied introduction to the book. I wish to thank Dr. Dongre for his support.

Mr. Akira Kurimoto and late Mr. Madhav V. Madane, were associated with work of the group and were instrumental in organizing these conference. Unfortunately, Mr. Madane, who organized the Conference in Colombo and who was the Chair of the Research Group passed away last year. Mr. Kurimoto, Managing Director of the Japanese Consumer Co-operative Institute, has been associated with the Global Research Committee for a long time. He was also the Chair of the Committee for some time. Mr. Kurimoto was also working as the Vice Chair of the group. With the sad demise of Mr. Madane (may his soul rest in peace), Mr. Kurimoto function as the Chair of the Research Group in this region. He was instrumental in organizing some financial resources from the Japan Consumer Co-operative Institute and was instrumental in instituting few scholarships for selected papers. I wish to extend my sincere appreciation and thanks to Mr. Kurimoto for his enthusiasm and hard work in organizing the Research Conferences.

A large number of co-operative researchers have participated in the past Research Conference, most of them at their own cost. I wish to place on record my appreciation and thanks to these researchers.

Finally, though all presentations at the Colombo Research Conference could not be included in the book, as we had taken a thematic approach. I hasten to add here that the papers which are not included in this book are equally well researched, well written and well presented. I wish to thank all these researchers for their time and efforts. All researchers could be proud that their efforts have been and will be useful to the co-operative movement in their organization and business.

I hope co-operators and co-operatives globally will be glad to read these presentations and make use of the valuable ideas and views expressed by the presenters.

Leadership and Co-operative Identity: – An Introduction

Yashavantha Dongre*

Preserving the identity and philosophy of a movement amidst changing conditions is indeed an important but hard task. In a complex market situation with competing economic enterprises operating, this task becomes still more difficult. Cooperatives are obviously under tremendous pressure to retain their identity and still not loose out to the market forces that dominate the scene today. It looks as though the context today is different from the time that led to the genesis of the cooperative movement. A lot of things are indeed very different – our knowledge, technology, global governance systems, availability of alternatives and an internationalized production and marketing system. However, it is important to note that the basic issues remain the same – markets that serve only sectarian interest, large masses remaining impoverished, capital gaining advantage over labour and a State which seem to be increasingly working subservient to market. Therefore, going by the logic of cooperative endeavours, time is ripe for the cooperative movement to thrive better. But as we all know, the world doesn't or need not always behave or respond logically or rationally. So the cooperative movement finds itself in a tricky situation. The movement seems to be getting sidelined amidst the neo-liberal push that global capital exerts. What then is the future of cooperative movement? Is cooperative identity in danger? What do we expect the leadership to do

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in terms of governance of cooperatives? Does the wave of market economy sweep aside the cooperative rationale? How to facilitate retention of cooperative identity and convert it in to cooperative advantage? These issues need immediate deliberation.

Under the internationalized situation cooperatives are called upon to function under a different market structure. They are seen as one among the many types of business organizations operating in a level playing field and hence asked to follow the new rules. Obviously this calls for change in the modus operandi of a cooperative's operations. But many times there is a danger of understanding this change as a force that necessitates changes in basic cooperatives ideals and need for becoming more market friendly than member friendly. The argument is that they cannot survive if they do not transform in this direction. The need for becoming more professional seems to be misunderstood as becoming more commercial. Threatened by the market conditions the cooperative leadership tends to feel they need to either compromise with market or exit. For instance, many leaders believe that cooperatives should cater to the needs of the non members also in order to expand the market opportunities and gain a better share of the market. Similarly, operating with competitive pricing is preferred over offering fair prices. Internal democracy could be compromised, in order to retain so called continuity of policy makers leading to better stability. In other words the cooperative leadership seems to feel that sticking to cooperative principles/values (retaining cooperative identity) will make it difficult to thrive in the market. This trend clearly demonstrates that the basic tenets of governance are being sacrificed in a wrongly conceived notion of catching up with the market. In some cases these are done with a genuine feeling that such compromises are required while in most other cases these tactics are a method of continuing to remain in power and serving vested interest.

Member centrality or Members' sovereign control is primarily aimed at facilitating self help and consumer sovereignty. It seeks to protect the consumer against the ills of profit seeking producers and suppliers. It is a value that ensures that cooperatives are member driven organizations and members' interest is of foremost concern for the cooperatives. Unfortunately, this value is often seen as a restriction in terms of expanding business. As a member driven organization coop-

eratives are expected to confine their business dealings with members only. Further, members often interfere in the running of the business activities. Both these hinder the process of strengthening business. This complaint is seen especially among producers' cooperatives, co-operative credit institutions and consumer cooperatives. However, let us consider the other side of the coin. Member centrality is a fine tool to win the confidence of member customers. They would remain captive customer group and normally do not go anywhere else for their needs. Imagine having a few thousand captive and permanent customer households! How many private retail houses can boast of this? What is needed is to continuously patronize and nurture this customer group. Member centrality also provides scope for developing business avenues based on member needs. Need based business activities always make an enterprise remain relevant in the market and adds to long run sustainability. As the membership increases there is scope for retaining the earlier business along with developing new business areas based on the needs of the existing business. Hence, member centrality – if used properly could be an excellent business proposition.

Cooperation among Cooperatives is a very significant cooperative principle. This cooperation is often seen to be absent. Even where it is present, it is confined to peripheral issues. The madness of capturing a share in the market, has always promoted rugged individualism. Cooperatives are no exception to this. One cooperative looking at the other as a competitor and therefore keeping it at a distance same as that of a private enterprise, is the common practice. There are other vested interests too in maintaining this distance. This principle is also seen to be coming in the way of autonomy of cooperative enterprises. Such an attitude is again nothing but missing an excellent business opportunity. Cooperation among cooperatives should be used as an instrument for sharing capital, facilitating joint buying, storing and transportation, developing common brand products, negotiating with private producers and distributors to get benefits of economies of scale and even exchange of human and technical expertise such as appointing common personnel, sharing production capacities and even using same equipments and other material requirements. This has been already proved to be a success wherever efforts have been made in this direction. I

have argued elsewhere that retaining autonomy and achieving economies of scale are a possibility through horizontal integration of cooperatives. In actuality the freedom and autonomy are to be sacrificed when cooperatives opt for a vertical integration of federated structures. But horizontal integration, which is nothing but cooperation among cooperatives, could be the most timely and sustainable approach in today's market conditions.

The above examples demonstrate that retaining cooperative identity and success in business domain are not contradictory but are very much complementary to each other. Hence cooperatives need to pursue this path in all earnestness. It is indeed possible to look at the whole problem from the opposite end. What generally looks to be difficult and of lesser value could actually be argued out as the most important need of the hour. The ICA Asia Pacific Regional Research Conference held in Colombo therefore addressed this issue as one of the major themes of the conference. We are using a select group of papers here to demonstrate the nature of academic focus on the issue of cooperative identity and the role of leadership.

The first article by Dr. Rita Rhodes is a theorization through an archive based research. The article tells us as to how the sense of history becomes crucial for the leaders, in the process of preserving cooperative identity. The second article, by Dr. Veena Nabar deals with the issue of collective leadership and emphasizes on the need for a new generation of cooperative leadership that ensures maintenance of cooperative identity along with ensuring strong business. Dr. Sushila Kaul's paper illustrates a statistical model of assessing the match between cooperative identity and cooperative performance. This is followed by an illustration of Thai experience by Dr. Prasert and Dr. Ratana which brings in the recent experience of cooperatives in Thailand and demonstrates the need for strengthening cooperative business through adherence to cooperatives values. We also have some interesting empirical evidences brought home by Dr. Paranjothi and Dr. Ravichandra in their article on perceptions about the role of federations in preserving cooperative identity and by Dr. Sudha in her article on nurturing human resource in particular the members in the cooperatives. Ms. Geetha Sharma and Dr. Ganesh Kawadia have carried out a DEA analysis with empirical details from the world of Urban Cooperative Banks

in India to drive home the importance performance based assessment of cooperative leadership while, Dr. Amitha Yadwadkar's paper gives us empirical evidences of water distribution cooperatives to illustrate the significance of cooperative values in the functioning of cooperatives. The next paper in this collection deals with leadership's approach in internal governance practices of cooperatives. Here the author, Dr. Shanthi Gopalan, discusses based on empirical evidences as to how governance practices would determine the distinct features of cooperatives in India. The paper by Inder Kaur deals with internal audit practices among cooperatives in Malaysia and makes concrete recommendations to ensure that there is a proper internal audit mechanism in place to ensure that cooperatives operate within the cooperative value system. The paper by Dr. Taghi Mahdilou is a discussion of experiences of agricultural cooperatives from Iran. In this article the author uses cooperative principles as parameters for assessing the performance of agricultural cooperatives from the western Azerbaijan region.

The last paper by Ms. Hilda illustrates a case example from the Philippines to demonstrate the power of adherence to cooperative principles. The paper gives us enough evidence to believe that cooperative identity and success in business can go hand in hand.

The collection of papers in this volume have diversity in terms of countries, issues of theory and practice as well as a variety of factors affecting cooperative identity. Together they provide us a kaleidoscope of the ongoing thinking on retaining cooperative identity along with demonstrating good operational/business efficiency.

Co-operative History and Contemporary Co-operative Leadership

Rita Rhodes*

1. Introduction

This paper relates to the Conference's second theme, namely The Role of Co-operative Leadership in Preservation of Co-operative Identity. Its starting point is that knowledge of the Movement's history is important, particularly among co-operative leaders, if we are to retain a distinctive co-operative identity.

The situation was well summed up by Will Watkins, co-operative leader, author and Director of the International Co-operative Alliance (ICA) between 1951 and 1963 who wrote that:

"Social institutions, such as the International Co-operative Alliance, which lose sight of their past are in danger of losing control over their future. Like a man suffering from amnesia they know neither where they came from nor where they set out to go. The best safeguard against this loss of identity and direction is knowledge of their history."¹

Similar sentiments were recently expressed Prof. Anthony O'Hear when he observed that

"The ignorance of the past makes us impotent before the present"²

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The main aim of this paper is therefore to show how lessons from co-operative history may assist contemporary co-operative leaders and will make particular reference to international inter-co-operative trade.

2. A Modern Co-operative Dilemma

We have seen the recent growth of the Fairtrade Movement. Many co-operatives have welcomed this and offered practical support. However, there must be some element of regret that Fairtrade seeks to achieve what had earlier been a co-operative goal, namely that producers should receive a just rewards of their labour. This idea, together with that of labour being rewarded before capital, was advanced in Britain by Robert Owen (1771-1855) and the mid-19th century Christian Socialists and in France by thinkers such as Saint Simon (1760-1824), Philippe Buchez (1796-1865), Charles Fourier (1771-1837) and Louis Blanc (1811-1882). Today we may even overlook the fact that the International Co-operative Alliance (ICA) was initially envisaged as an Alliance for Friends of Co-operative Production and as an organisation to advance such ideas.

For co-operatives the issue of a just price to producers was somewhat eclipsed by the success of large-scale consumer co-operatives in the late 19th century and early 20th centuries. Some of these continued to acknowledge labour's central role in economic activity by paying a double dividend to their employees: one a patronage dividend and the other a dividend on wages. Most consumer societies eventually transferred responsibility for the negotiation of the wages and conditions of their workers to trades unions. Large-scale, mass membership consumer co-operatives are now in decline and the number of different types of co-operative has multiplied. Yet there has been little recent debate on the question of fair returns for producers within the international co-operative movement. A vacuum has resulted which Fairtrade, quite justifiably, is attempting to fulfil.

Fairtrade's activities could also impinge on another earlier co-operative goal, namely that of maximising international inter-co-operative trade. Like the debate on fair returns to producers, interest in this seems to have declined in recent years. Although discussed in one form or another at 19 of the first 24 Congresses of the International Co-operative Alliance, there has been little formal debate on the question

since 1969. This is despite the fact that it is an important practical expression of co-operation between co-operatives and thus a major component of co-operative identity.

Such a decline in interest is all the more surprising given that co-operatives constitute a global network, exist in virtually every economic sector and thus enjoy the basic ingredients for inter-co-operative trade. As Prof. Alex Laidlaw once observed:

“It is hard to think of an economic function, apart from a railroad system, that is not carried on by co-operatives somewhere in the world. Production and distribution of goods, agriculture, marketing, credit, transportation, manufacturing, banking, insurance, housing, forest industries, fisheries, and services of all kinds – co-operatives are engaged in all these and many more
“Co-operatives are also found in all countries, in every type of economy and culture, and wherever there is human settlement, in some of the most remote corners of the earth...

“The concept of Co-operation is so versatile and universal that co-operators from a certain type of co-operative in one part of the world, quickly feel and understand a completely different kind of co-operative in another culture and country when they visit it”.³

There are, of course, internal and external reasons why we have not used these advantages more productively including patterns of trade, free trade versus protectionism, government policies, currency exchange problems and the impact of institutions such as the International Monetary Fund and the World Bank. Internally there appears to have been a loss of vision.

The rest of this paper is devoted to exploring how issues relating to international inter-co-operative trade might be given more prominence on the agendas of contemporary co-operative leaders.

2. Accessing Co-operative History

Awareness of the issues might be strengthened by reference to past debates on the subject. These can be accessed in various ways, including numerous co-operative histories but a more direct source will be the archive of the International Co-operative Alliance or others which house reports of ICA Congresses. The ICA collection is

particularly valuable because its Congress Reports are buttressed by correspondence, Reports and Minutes of ICA Authorities and Committees.

In 1996 access to ICA Congress Reports was assisted when the International Co-operative Alliance published its Thematic Guide to ICA Congresses, 1895-1995.⁴ The first part of this comprises synoptic accounts of the Alliance's first 31 Congresses while the second lists the major issues debated and the frequency with which they recurred. The Guide reveals that major themes discussed were inter-co-operative trade, co-operation and the state, co-operative principles, values and identity, women and co-operatives, co-operatives and the press, co-operative legislation, co-operative education, co-operatives and trade unions, co-operative development, and changes to ICA Rules. The debates which recurred most frequently were those on international inter-co-operative trade and their headings give some idea of their range:

- a) Developing Inter-Co-operative Trading Links
- b) Relations between Consumer and Agricultural Co-operative Societies
- c) The Marketing, Pooling and Financing of Co-operative Production in Relation to the Consumer's Movement
- d) Direct Exchange of Goods between distributive societies, agricultural and other productive societies; also between the Wholesale Societies in different countries
- e) Relations to be established between the ICA and an International Co-operative Wholesale Society
- f) The Development of International Exchange
- g) The Policy of International Co-operation: The International Exchange of goods from the consumer's point of view
- h) International Co-operative Trade: the possibilities of practical collaboration between national organisations and its development by the Alliance
- i) International co-operative trade: Its difficulties and possibilities and exchange of experiences
- j) Co-operative Trade in SE Asia
- k) Inter-Co-operative Trade in Developing countries

3. What The Debates Reveal

Such headings reflect the prominence of consumer co-operatives between 1895 to 1969 particularly in debates on the formation of an International Co-operative Wholesale Society (ICWS) and an International Co-operative Trading Agency (ICTA). The subsequent decline of consumer co-operative movements and the diversification of types of co-operatives mean that such bodies would be less relevant today. Analysing the internal and external difficulties they encountered, however, could help contemporary leaders establish modern inter-co-operative trading systems.

An internal problem appears to have been a lack of solidarity and of will. Moves to form an International Co-operative Wholesale Society were tortuous, if not tortured and illustrate that the ideal of co-operation between co-operatives is sometimes difficult to achieve. In 1919 a Committee of Wholesale Societies was formed but took five years to agree its rules and to seek approval for them. In 1924 the Association of Co-operative Wholesale Societies was formed and became popularly known as the International Co-operative Wholesale Society (ICWS). Many wanted it to become a trading body but its objects were limited to collecting and distributing information, fostering development and promoting trading relations and interests between co-operative societies in all parts of the world.⁵

It is interesting to speculate why it failed to become a trading body. Several sources, including Henry May, General Secretary of the ICA, blamed British co-operative interests. Writing privately to ICA President, G.J.D.C. Goedhart in May 1922, he said:

“I cannot tell you of the depression I feel since....our meetings at Milan. I regard the position of the co-operative leaders of Britain as being exactly comparable with the attitude of M. Poincare* towards the Genoa Conference, that is to say, they are all the time protesting their sympathy with the ideal and their decision to make progress, but much more strenuously standing in the way of any advance.”⁶

Whereas British co-operators appear to have been cautious, Nordic

* French Prime Minister

co-operative movements went ahead and set up their own trading body, the Scandinavian Wholesale Society. W.P. Watkins refers to this in his history of the International Co-operative Alliance. On the report to the ICA's Congress in Ghent in 1924 about the Rules of the ICWS, Watkins observed that:

“It was curious that no one took the floor in Congress to comment on this report, for it must have been known that the Scandinavian Wholesale Society, which had started trading in the year that the Wholesale Committee (1919) had been set up, had more than doubled its turnover by 1924”.⁷

However, the formation of an International Co-operative Wholesale Society was not the only form of inter-co-operative trading that was proposed during the inter-war years. There were also discussions about how closer relations could be encouraged between consumer and agricultural co-operatives,⁸ including links between the ICA and the Canadian Wheat Pools.⁹ Under active consideration also was the possibility of forming a co-operative international trading organisation. In 1938 the International Co-operative Trading Agency was set up in London¹⁰ but its activities were soon halted by the outbreak of the Second World War.¹¹

That War illustrated how external factors could impact on international co-operative aims but others had already occurred during the 1930s. They included depression, currency fluctuations and increasing protectionism. We should note that the ICA took strong positions on each. It opposed protectionism, advocated free trade, criticising the “dumping” of surplus commodities as a great deterrent to free trade¹² and castigated the growing strength of trusts and cartels.

After the Second World War the ICA became concerned with wider issues including the control of and access to the earth's natural resources. At its Congress in Zurich in 1946 it adopted an American resolution calling for the world's oil resources to be brought under the authority of the United Nations.¹³ American delegates spoke with some authority. Their societies had become the largest independent distributors of petroleum products in the United States and owned almost 50 oil wells. They had also formed the Co-operative Oil Association through which they had considerably reduced American petrol prices. In 1947, they

became the prime movers in establishing the International Co-operative Petroleum Association (ICPA) with co-operative member organisations in Belgium, China, Cuba, France, Scotland, Sweden, Switzerland, Canada, Australia, South Africa, Iceland, Norway, Finland, Egypt, Palestine, (Israel) Italy, Tunisia Thailand and the United States.

Speaking at the Zurich Congress, the American co-operative leader, Howard A. Cowden, said:

“...the oil combines are not all-powerful, that they are not as powerful as they would have us think they are, and that the common people themselves have in their own hands the tools to shape their own destiny....¹⁴

“I hope the time will come when tankers with the Rainbow Flag at the masthead will sail the seven seas, carrying a message of peace and goodwill and Co-operation, as contrasted with the exploitation of cartels”.¹⁵

This is a notable statement for a number of reasons. First, it shows strong vision. Secondly, Cowden’s use of the phrase “tankers with the Rainbow Flag at the masthead” clearly refers to co-operative identity. Thirdly, it links co-operative trade with “a message of peace and goodwill and Co-operation” and fourthly, it reflects the belief that ordinary people through their co-operatives could oppose “cartels” and monopoly capitalism. Linked to the last point, it is interesting to note that between 1951 and 1964 the ICA published a quarterly review, *Cartel*, in which it tracked and attacked cartels and monopolies.¹⁶

Against such a proactive background the apparent decline in interest in international inter-co-operative trade is to be regretted.

4. Decline Or Not?

Whether in fact there has been a decline is not clear. Certainly the issue has not been debated at formal levels as it once was. Neither do there seem to have been attempts to establish international co-operative trading organisations of the kind seen in earlier decades. Against this, however, there do seem to be numerous examples of bi-lateral co-operative trade. The trouble is that we do not know their extent or nature. One reason for this lack of knowledge is a decline in research and statistical capacities within the movement but particularly within

the International Co-operative Alliance.

In earlier years the ICA had a far stronger research capability than it has today. Throughout the inter-war and immediate post-war years its Head Office had a Research Department whose functions were closely linked to the extensive ICA Library and Archives. It produced valuable statistical information such as *Statistics of the Affiliated National Organisations for 1928-29*, *International Co-operation 1927-1929*, *International Co-operation 1930-1936* and *International Co-operation 1937-1949* each carrying reports of the activities of national co-operative organisations affiliated to the ICA. Earlier we referred to the ICA's publication of a quarterly review, *Cartel*. Material for that was produced by the Alliance's Research Department which was never large, consisting for much of the time of a Research Officer and an Assistant. It was nevertheless a specialist department of the kind that is needed today if we are to aggregate the number of trading agreements between co-operatives and to assess what kind of future trading arrangements could benefit co-operatives. At this time of globalisation aggregation must be a Head Office function with inputs from the ICA's Regional Offices.

However, statistical and research capacities are unlikely to be restored to earlier levels within the ICA's Head Office until economic pressures ease and a clear need for them is shown. It is hoped that this paper has helped to exhibit such a need.

In the meantime, however, there is a potential and complementary role for sympathetic university researchers which might roughly be divided into three parts. The first would be to identify and list current inter-co-operative trading ventures and estimate their economic strength. The second would be to revisit debates within the ICA on international inter-co-operative trade between 1895 and 1969 and assess more methodically and in greater depth than this paper, the lessons they offer contemporary co-operative leaders. Recalling the international co-operative movement's traditional support of free trade as opposed to protectionism, a third line of university research could be an exploration of the position the International Co-operative Movement might take on the failure of the recent world trade talks. The apparent victory of protectionism in the collapse of the Doha Round should make co-operatives uneasy. The International Co-operative Movement needs to

take a position on this failure and on world trade today. It also needs to determine its attitude to the World Trade Organisation and the International Monetary Fund and other institutions that shape world trade today. This line of enquiry might also consider whether the time might not have come to establish a World Co-operative Bank to facilitate international inter-co-operative trade.

5. Conclusion

This paper has argued that international inter-co-operative trade is at the heart of co-operative identity, being a practical expression of co-operation between co-operatives. We do not have a clear idea of its extent and nature mainly because of a decline in the research and statistical capacity of the International Co-operative Movement. This needs to be improved not only for reasons of co-operative world trade but to allow the International Co-operative Movement to take informed positions on world trade and on the international institutions that influence it.

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Collective Action Through Cooperatives: The Role of Leadership in Crafting and Preserving Cooperative Identity

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Discussion of Leadership, its role in building, nurturing and sustaining cooperatives finds inescapable mention in the literature on cooperatives. Cooperatives attach importance to “institutional” values, adherence to which distinguish them from Investor Owned Firms (IOF) and give them a distinct identity. It is in the maintenance of these values and not just the “enterprise” values that leadership emerges as a critical factor in the success of cooperatives.

Since unlike IOF, most cooperatives pass on the difference between total revenue and total cost to their members, it is difficult to measure the contribution of leaders to cooperative success in terms of entrepreneurial indicators in the same manner as in the case of IOF. Likewise, welfare arising out of nurturing institutional values is also difficult to measure. Nevertheless, with surrogates such as estimation of dividends declared, bonus prices and other welfare activities, it is possible to work out, however imperfectly, the contribution of leadership in successful cooperatives.

The underlying values of the cooperative format and its “institutional” aspects require skilful management that naturally makes the leadership factor important. The present paper seeks to examine the role played by leadership in crafting and preserving cooperative identity.

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The various schools of thought analyzing factors responsible for cooperative success have dealt with the leadership factor in different ways, veering between two extreme viewpoints. At one end is the "leadership school", which accords to leadership, a central role in the success of cooperative organizations. At the other, is what we might call the "institutional school", which identifies successful cooperative drive in the presence of a basic design, which produces factors of "saliency" favourable to this drive. According to it "once a good blue print is ready, the rise of good leadership itself would be a product of design; stable alliances too will forge themselves as credible opportunities for a beneficial organization become evident"¹.

In between these two, we have the so-called "Cooperative Principles School" and the "Domain-Context School". The former deals with creating cooperatives which follow as far as possible the principles laid down by the International Cooperative Alliance (ICA). The Domain-Context School is based on the hypothesis that whether or not a cooperative succeeds "depends primarily on the contextual socio-economic and political conditions, rather than what cooperative leaders and managers do. Indeed, it suggests implicitly that the attitude and the behaviour of the actors, members, managers, leaders etc. – are also governed by the peculiar features of the domain within which the cooperative is embedded"². The validity of all these schools has been questioned in recent writings³ as "learning only from successes".

It was pointed out earlier that the difference between cooperatives and IOF lies in the fact that besides promoting enterprise values such as profitability, expansion, diversification, organization and human resource development, which all IOF basically do, cooperatives tend to attach importance to institutional values such as member prosperity, member growth, member participation, self regulation and leadership development. It is adherence to these values that gives them a distinct identity. Cooperative success then is adjudged on the basis of success of this distinct combination of enterprise and institutional values and it is in the management of both sets of functional parameters that the cooperative leadership has a role to play.

While the different schools propound different theories about the determinants of cooperative success, in the ultimate analysis, it can be safely said that even where cooperatives are functioning well due to

good “design”, it is by itself not a sufficient condition. It is well known that cooperatives like all other organizations suffer from the problem of an apathetic majority and committed minority and it is the initiative and resources of exceptional individuals, which plays a crucial role in guiding cooperatives to success.

2. Leadership Issues in Cooperatives

Leading implies a common direction or path, shared or compatible goals, to achieve which the role of the person who leads involves several activities. These are coordination, control, directing, guiding, mobilizing, counseling etc. and have a temporal dimension. Leadership by implication is in relation to groups, which are affected differently, by different stimuli, in different situations. Accordingly, leadership roles and perhaps leaders themselves can change with different situations.

Factors influencing leadership can be many, apart from those that can be classed as personal traits and qualities, the current developmental status of the followers, their consciousness, value priorities, and their skills; the characteristics of the organization (group), the nature of the task to be performed; and the environment (situation) of both the leader and the followers with structures and climate reinforcing certain values⁴.

A substantial body of literature exists on leadership categories, traits, qualities and styles and different categories of leadership have been identified at different times. Leadership styles in themselves can vary.

Various leadership qualities have been listed in literature, and while many of them are by and large common to all organizations, cooperative leadership differs from others owing to some special features characterizing cooperatives as formal organizations. Members of a cooperative are common and equal owners and any residual surplus accordingly belongs to them, to be accordingly appropriated by them in accordance with, and proportional to, their use of the cooperative's services.

3. Cooperative Identity, Values and Principles

A value system is an “enduring organization of beliefs concern-

ing preferable modes of conduct or end-state of existence along a continuum of relative importance”⁵. Values serve as criteria for selection in action and “when fully conceptualized become criteria for judgment, preference and choice”⁶

Cooperatives have been historically variously defined, but the definition given by ICA Manchester Congress (1995), however, now has universal acceptance. Its Statement on Cooperative Identity includes a formal definition, explains the core values and also brings out the essence and tradition of cooperatives enshrined in the principles of

There are criticisms to this⁷. The major issues raised are the definition itself, where the inclusion of words such as “common cultural needs” and common economic, “social and cultural aspirations” is questioned inasmuch as to find homogenous groups with these qualities would render the task of cooperative formation a tall order, if not, well nigh impossible. The removal of the specific inclusion of “accountability of appointed persons” in addition to elected persons in the Principles has also been questioned. Similarly, the practice of “voting in proportion to patronage of or interest in a non-primary cooperative” by primary cooperatives, who are its members, has been termed a non-democratic feature. This is also found to contradict the third principle, which states that members “democratically” control the capital of their cooperative. The use of collective capital set aside by the members for “other activities”, the fact that it is non-distributable to its members even at the time of dissolution of the cooperative also are found to need re-thinking, as also the need to include the acceptance of deficit management on terms similar to surplus management. The “verb form” of the Statement has also been criticized, since it misleads and lulls readers into a false sense of security and well-being, which may not be, and often is not, the case.

The role of the cooperative leader thus is not only to ensure that the economic goals of the cooperative are met, but that they are met keeping in view the underlying values and the principle which form its very basis.

The first set of values, which a cooperative leader must promote and protect, is to ensure that cooperatives are truly open and voluntary. The second principle of democratic governance enunciates the rights and responsibility of members of a cooperative to govern its affairs

through leaders they elect. The third principle is that of member economic participation. The leader has to ensure that the cooperative members treat the organization as their own and utilize its services in as full a manner as possible. The fourth principle of autonomy and independence would involve ensuring that the cooperative is not under pressure from any quarter to act in a manner contrary to its members' interests and that it is free to take its own decisions in respect of matters affecting its well being. The fifth principle focuses on the need to educate the general public about the nature and benefits of cooperation. This is particularly important in the present day contexts where privatization and the market are being emphasized to the exclusion of cooperatives. Cooperatives must be seen to be a form of private enterprise in their own right. The sixth principle of cooperation with other cooperatives is necessary to the extent that it serves members' interest, not just in terms of immediate, narrow, financial gain, but also in terms of long-term strategic interests. The newly added seventh principle, of concern for community, casts upon the leader the responsibility of seeing that member interests are not promoted to the detriment of the environment or larger community and that they should seek ways by which they can where possible, contribute to environmental protection and promotion.

The cooperatives along with their noted aim of common good there are also potential sources of conflict. These conflicts in cooperatives¹² arise from:

- Diverse social, economic, religious, political etc. background of members
- Difference in perceptions towards fulfilling cooperative objectives
- External influences interfering with the functioning of cooperatives

For working across these various sources of dissensions and conflicts, and ensuring that the cooperative goes ahead with meeting its objectives, the key to cooperative success lies in the evolution and implementation of an appropriate set of action plans, consistent with the available resources and technology, leading to long term viability. The action plans have a demand and supply side and constant adjust-

ments to ensure equilibrium between the two are required. This is where the leadership role becomes crucial.

At least three levels of collective action have been identified⁸. Firstly, the attributes of the leaders are crucial during the preliminary stage of conception of the cooperative. Success at this stage by competent and spontaneous local leadership alone has been shown to go a long way to bring success in the future. Secondly, the collective action is necessary among major players on the inside (members, input suppliers, employees and higher tier bodies) to evolve appropriate bilateral, contextual relations with respect to each activity: and the third level collective of action is the development of relationship between the cooperative and the outside environment. The role of leadership is called for at the second and third level particularly to obviate the problem of “free riders” arising in the course of evolving suitable rules.

Very often political leaders as well as cooperative leaders can perform the role during the initial conditions, but there is the risk that the role of the former may go beyond being a temporary one or that it may even end up in “rent” seeking. The smaller and more homogenous the group, the greater the chances of success. However, given the members’ qualities, the effectiveness will further be heightened depending on the quality of leadership.

Selection and management of the core activity is a critical factor in the success and sustainability of a cooperative since this would constitute its major business. It is only with a successful core business that supplementary activities through integration, vertically or laterally, can be taken up in a meaningful manner, as also the provision of welfare services to members.

4. Contribution of Leaders in Co-operative Success

There are several success stories of cooperatives where a combination of factors has contributed to the success. However, the leadership factor has been almost invariably present in most such cases, and particularly in those in which there has been outstanding success.

Twenty cooperative societies in Gujarat, a relatively congenial area for cooperative development and West Bengal, a not so favourable area, were studied in terms of various factors affecting cooperative success, particularly direct and indirect role of leadership⁹. The vari-

ous leadership characteristics found to have worked include:

- existence of internal “interest-cum-entrepreneurial group”;
- access to members;
- capability for envisioning cooperative activities compatible to members’ resources and endowments;
- back-up knowledge and grasp over application of modern technology;
- vision and capacity to conceptualize paternalistic/welfare activities for strengthening member loyalty and rope in potential members;
- ability and willingness to groom future leadership;
- evolution and institutionalization of a governance structure so as to
 - ❑ minimize opportunistic behaviour on the part of each of the following internal stakeholders:
 - ✓ Various categories of members (including nominal members),
 - ✓ Non-members,
 - ✓ Employees (including professionals),
 - ✓ Board,
 - ✓ Higher-tier bodies,
 - ✓ Outside suppliers of inputs/services,
 - ❑ tap the following economies:
 - ✓ economies of scale/bargaining power,
 - ✓ economies of scope,
 - ✓ economies of value addition,
 - ❑ achieve autonomy/independence in functioning of the cooperative vis-à-vis the outside environment, and
 - ❑ be able to generate allies for lobbying in the interest of safeguarding and promoting its interests.

In addition, activity characteristics, contextual features, member profiles affecting the demand side of the cooperative’s collective action process, internal organizational design and the supply side were also studied. Seven out of the twenty cooperatives were found to have a high overall cooperative performance rating. In many of these cases, there are deficiencies with regard to the characteristics other than the leadership characteristics, but all these cases have strong direct leader-

ship and internal organizational design, which have helped them, overcome these limitations.

5. Towards New Generation Leadership in Cooperatives

The increasing trend towards globalization of the country's economy has resulted in all enterprises, cooperatives included, being exposed to international competition and its pressures. To face emerging challenges, cooperatives and their leaders would need to take a fresh look at themselves, their processes, tasks and also various issues, at a fundamental level.

The role of cooperative leaders has to accordingly change in line with the new paradigms and demand for new entrepreneurial initiatives and also innovative involvement of members. A mindset change is one of the daunting tasks. Here small teams for spear-heading change may be useful. Building in continual innovation is necessary: questions, not answers leading to creative searches, use of innovative management tools, dumping of obsolete activities, involving members in change, suggestions through stake holders groups, net-working for strategic advantage, forging wider alliances and networks with other cooperatives and so on would be the new methods.

The importance of professional management in modern day enterprise cannot be over-emphasized. It is important to get and retain good managers for taking care of the enterprise aspects of a cooperative. But the leadership has to keep itself updated about various activities and be totally clued up on all aspects of the enterprise, for which there has to be willingness to go through appropriate training.

New forms of cooperative management, joint ventures with private concerns, cooperative contract farming, and cooperative producer companies are some of the newer formats which have also to be given some thought. It is important that the underlying values and principles of cooperatives are not lost sight of in the process, but equally it is important to recognize that the new environment needs new ways of looking at things and making new choices, which should not be dismissed off hand.

The importance of updated information in the new regime has to be recognised. IT based reporting and net-working should be a priority for all cooperatives, although, in the short run this may be seen by

many, particularly where the levels of business do not presently warrant such investments, as a non-productive and hence avoidable expenditure. On the other hand, these tools should not be seen as status symbols but as essential business requirements, leading eventually to quantifiable tangible and intangible gains. As complexities of data and operations increase, these tools are indispensable for building in and capitalizing on efficiencies of time and cost.

Listing the various requirements of cooperative enterprises and their leaders, which would enable them to find their place and survive and grow in an increasingly complex environment, is outside the scope of this paper. The important thing is to recognize the need to change and to be equipped for dealing with the challenges likely to be thrown up in future.

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Improvement Guidelines of Consumer Co-operative Administration In Thailand

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Introduction

Since 1997, the economic crises in Thailand have affected widely both the private and government sectors. Some of the small stores or traditional traders have been highly affected by modern retail and wholesale stores from both within and outside the Country. The cooperative stores too were affected by the same factors leading to a decrease in revenue and volume of sales and consequent closure of a number of cooperative stores.

Statement of the Problem

The problems faced by cooperative stores are both complex and interconnected to each other. For instance inconvenient lay out and improper display of goods is the result of lack of skill and knowledge of staff and management. This in turn is related to the problem of lack of training and poor staff selection process. It is also interwoven with low salaries and welfare measures to staff, which fails to attract good talent. All these are further connected to the presence of non transparent Boards and faulty government policies. Therefore, there a need for systematic research to identify the problem areas and find solutions by

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taking in to confidence all the stake holders, so as to enable better administration and improved levels of performance by the consumer cooperatives in Thailand.

Objective of the Research

This research work is carried out keeping in mind the following specific objectives.

1. To study in depth, the current operation of cooperative stores as well as their problems.
2. To propose an appropriate model of operating system.
3. To suggest networking strategies among cooperatives or with other private business.

Theoretical and Conceptual Framework

This research used systems theory and contingency theory of management to setup the conceptual framework. The following diagram illustrates the framework.

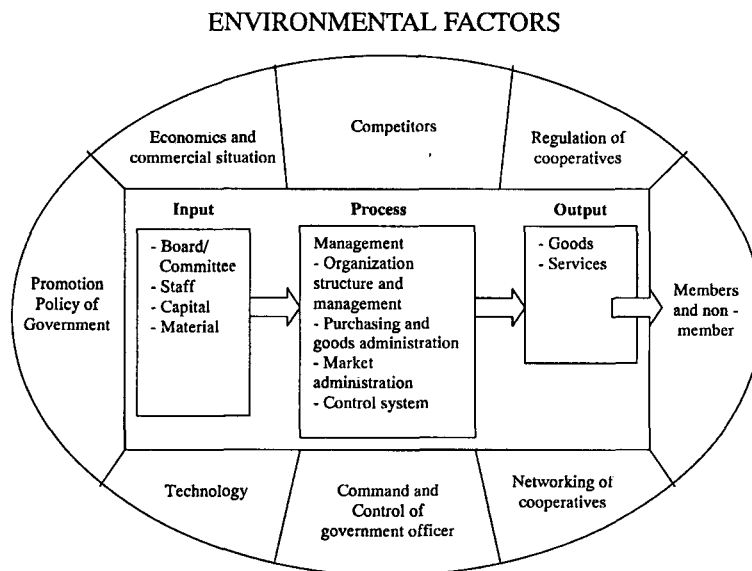


Figure 1: Conceptual Framework of the Research

Methodology

1. Population and Sample

This study is a qualitative research. However, empirical data is used in support of our analysis. The study used representatives from 13 cooperative stores as sample respondents. The respondents were selected based on 7 variables namely: 1) type of cooperative stores [closed and open cooperative stores] 2) number of membership 3) sales volume 4) profit and loss position 5) Age of the cooperative 6) goods and services and 7) location (urban and rural). Further the sample accommodates performance criteria also by selecting representatives from both bad performing and best performing cooperatives. 4 experts from 4 organizations, 6 chiefs of the cooperative promotion division, 21 staff members from the Cooperative Promotion Departments and 2 staff members from the Cooperative Auditing Department too are included.

2. Data Collection

In depth interview, focus group discussion and seminar were the methods used. A Four-tier data collection method as mentioned below was used.

Step 1. Forum of discussion between 2 researchers and 6 chiefs of the Cooperative Promotion Division to set the objective of this research.

Step 2. In depth Interview with 4 experts from the Cooperative Promotion Department, the Cooperative Auditing Department, the Cooperative League of Thailand and the Bangjak Cooperation Ltd., to investigate the problems faced by the cooperative stores.

Step 3. Focus group discussions among 2 researchers and 13 representatives from cooperative stores, 21 staff members from the Cooperative Promotion Department, and 2 staff members from the Cooperative Auditing Department, to investigate the problems faced by the cooperative stores as well as to propose an appropriate 'operating system model' and 'networking strategies' among cooperatives or with other private business.

Step 4. Seminar to discuss and review the operational issues of cooperative stores, the problems faced by them and to suggest measures for improvement.

3. Data Auditing

This research used triangulation data auditing (Denzin, 1970, referred by Supang Jantavanich, 1994) viz., data triangulation, investigator triangulation and methodology triangulation.

4. Analysis of Data

This study used one on one hypothesis and solution setting by analytic induction to establish relationship between cause and effect of cooperative stores situation. The system dynamic (Tosaporn Sirisampan, 1988) method is used to explain the relationship between various variables.

5. Findings and Conclusions

The study showed that there are 2 causes related to the problems and obstacles of operating system :

Firstly, a high impact is visible from private retail and wholesale stores such as, Seven – Eleven, Makro, Big C, Tesco Lotus etc. However, the close cooperative stores (closely held stores) still have better financial status compared to the open ones. This indicated that competing with those big private investors is not the solution. But, using the cooperative strength e.g. networking among cooperatives, the government support, having the members' personal information, ability to charge the bill payment from members' salary, support from members' bosses is the better solution of this problem.

Secondly, the problems related to cooperative structure, inefficiency of business management, and the nature cooperative promotion by government are as follows :

1. **Cooperative Structure:** There are three critical issues related to cooperative structure. First, it is found that the business participation of members (buying goods and services from the cooperative) is not encouraging. Lack of motivation to buy due to reduced dividend and lack of sense of ownership since the share holdings are very small and inconsequential. Second, the Board ignores facts such as qualification for becoming a board member and providing an adequate motivational compensation model for the administrative staff. Third and probably most crucial is that the managerial staff are generally bogged down with questions

related to human resource issues like recruitment, compensation, motivation and staff development than focusing on business development..

2. **Business Management :** In addition to the problem of competition with private retails and wholesales companies as aforementioned, the other common problems are lack of scientific purchase and inventory policies, leading to pilferage of goods, sales staff not being proactive in their selling approach, and gross lack of sales promotion and public relation skills. It is also glaring that each cooperative tries to be independent, never attempts for networking for business efficiency because there is lack of trust and faith among cooperative institutions.
3. **Cooperative Promotion by Government:** The support from the government is both small and inconsistent. More over the Government officers too lack retail business management skill, knowledge of rules and regulations etc., and sometimes create rigidity and bureaucratic hurdles. This is especially visible in Accounting and Audit areas. Lack of honesty among the investigating staff is yet another factor that infuses inefficiency among the cooperatives.

This research suggests that the Business Management of Cooperative Stores should focus on networking of cooperatives in order to achieve the advantages of economies of scale. But, if the organization structure is not changed it is quite difficult to improve the situation. So, to merge all cooperatives into one with the Government's strong support seems to be the long term and best action for long run sustainability. Next step is to increase the efficiency of business management by providing long term and short term training to staff. For a long term method, the Education/ Training Institute is to be made directly responsible for Cooperatives Development by doing continuous research and producing competent students of this field. As a short term measure 3-4 cooperative stores are to be selected as the pilot model and be supervised or coached by the experts from any related organizations and institutes. If successful this model should then be replicated in different parts which would then creates demonstration effects and a better and stronger network of cooperatives.

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Assessment of Role of Leadership in Dairy Co-operatives of India

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1. Introduction

The co-operative movement of India has witnessed history of about 100 years. Co-operatives are one of the means of bringing about striking changes in the rural economy. Co-operation has been known and practiced in India and has been largely dependent for its origin and development on the Government. The co-operative sector in India has emerged as one of the largest in the world and is playing an important role in socio-economic development of the country. Co-operatives play an important role in animal husbandry and dairying sector, which contributes about one-fourth of agricultural GDP of the country. There are 75,000 dairy co-operative societies, spread all over the country with a membership of 10 million. Dairy co-operatives all over India help small and marginal farmers to take initiatives in shaping their destiny. They serve more than 10 million farmers in over 80,000 villages. The structure of dairy co-operatives consists of primary milk producer societies at the primary level and milk supply unions at the district level. The primary milk societies are federated into unions, while state federations are functioning in some states. At the national level, there is a National Co-operative Dairy Federation. The progress of co-operatives in dairy sector is not uniform throughout the country. In some regions and states, this sector has shown promising progress, whereas in others

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it is not so. This variation in growth may be attributed to several economic and non-economic factors including role of leadership. The present paper aims at examining the role of leadership in promoting the dairy co-operative movement in various states. The progress and performance of dairy co-operatives in recent years have also been examined. The second part of this paper presents the methodology for estimation of leadership index. The third section describes the leadership index in various states and the factors affecting the same. The fourth section deals with the development of dairy co-operatives and the impact of leadership on their development and the conclusions have been presented at the end. The results on the growth and regional variation in dairy co-operative and role of leadership in this context will be quite helpful in evolving a sound policy for the development of this sector. This will help the policy makers, milk producers in general and co-operators in particular.

2. Data and Methodology

The data on different variables have been obtained from a Report entitled, "Some Aspects of Farming", (2005) published by NSSO, Govt. of India. Secondary data have also been obtained from various issues of the publications of NABARD and CSO, New Delhi.

With a view to examine the role of leadership in the growth and promotion of dairy co-operative societies, an effort has been made to develop an appropriate leadership index. In evolving this index, it is hypothesized that leadership is positively influenced by the level and extent of education, the level of general awareness of people and their affiliation with registered and other organizations. Keeping this in view, it was assumed that states with better educational level of farmers will show better leadership. Similarly, in states with larger proportion of farmers having knowledge of minimum support prices as well as world trade organization will show better leadership traits. State-wise information was also obtained on the association of farmers with registered organizations and self-help groups. Proportion of farmers in a state with membership of co-operatives was also taken into consideration. An equal weight was assigned to all these variables and an index was worked out. The equations using least square technique have been estimated. This leadership index was analysed and the impact of various

variables were obtained using the following regression model:

$$L_1 = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e$$

Where, L_1 = Leadership Index (no.)

X_1 = Proportion of male farmer's literacy

X_2 = Proportion of household knowing minimum support prices

X_3 = Proportion of farmers knowing WTO

X_4 = Proportion of farmers belonging to registered organizations

X_5 = Proportion of farmers belonging to self help groups

X_6 = Proportion of farmers who are members of co-operatives

a and b are constant and coefficients respectively ,e is error term.

Impact on Leadership

For estimating the impact of different variables on Leadership, the following equations have been estimated:

$$L_1 = a + b_6X_6 + e \quad (1)$$

$$L_1 = a + b_4X_4 + b_5X_5 + b_6X_6 + e \quad (II)$$

$$L_1 = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e \quad (III)$$

Impact of Leadership on Dairy Co-operatives:

In order to study the role of leadership on the development of dairy co-operatives, the regression equations have been estimated using the following model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + u$$

Where Y is dependent variable defined as follows;

(1) Number of members per DCS (No.)

(2) Volume of milk procured per DCS (Kg.)

(3) Volume of milk marketed per DCS (Kg.)

And the dependent variables are as:

X_1 = Leadership Index

X_2 = Proportion of literate milk farmers

X_3 = Proportion of farmers having knowledge of MSP

X_4 = Proportion of farmers belonging to registered organizations

X_5 = Proportion of farmers belonging to self help groups

X_6 = Proportion of farmers who are members of co-operatives

a and b are constant and coefficients respectively ,e is error term.

The following equations have been estimated using Y as dependent variable:

- (1) Number of members per DCS (No.)

$$Y = a + b_1 X_1 + u \quad (\text{IV})$$

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + u \quad (\text{V})$$

- (2) Volume of milk procured per DCS (Kg.)

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + u \quad (\text{VI})$$

- (3) Milk Marketed per DCS (kg.)

$$Y = a + b_1 X_1 + u \quad (\text{VII})$$

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + u \quad (\text{VIII})$$

3. Results and Discussion

The growth of dairy co-operatives is impressive in India. However, there are state-wise variations. This is evident from the following Table.

Table 1: Status of Dairy Co-operatives in different States of India (2003-04)

S.No.	Name of State	DCS Organised (No.)	Farmer Members ('000)	Rural Milk Procurement (000kg./Day)	Milk Marketing (000 L/day)
1.	Andhra Pradesh	5072	756	950	898
2.	Assam	65	3	4	8
3.	Bihar	4737	241	402	451
4.	Goa	169	19	43	89
5.	Gujarat	11400	2360	5102	2101
6.	Haryana	4219	230	331	153
7.	Himachal Pradesh	283	21	25	15
8.	Karnataka	9293	1737	2243	1518
9.	Kerala	2578	706	614	738
10.	Madhya Pradesh	5132	250	312	324
11.	Maharashtra	18349	1582	2680	1421
12.	Nagaland	76	3	2	4
13.	Orissa	1654	122	127	132
14.	Pondicherry	96	32	54	53
15.	Punjab	6892	402	744	496
16.	Rajasthan	9643	534	1036	855
17.	Sikkim	189	7	9	7

18.	Tamil Nadu	7578	1988	1664	511
19.	Tripura	84	4	2	9
20.	Uttar-Pradesh	18104	824	814	436
21.	West-Bengal	2287	172	324	30
Total		107891	11993	17482	10249

Available evidence indicates that the number of dairy co-operative societies was maximum in Uttar-Prades(18104). This was second highest in Gujarat. The states in the eastern part of the country had relatively smaller number of such societies. The states of Karnataka, Tamil Nadu, Maharashtra, Punjab and Rajasthan showed good growth of societies. In terms of membership of these societies, the state of Gujarat ranked first. This was followed by Tamil Nadu, Karnataka and Maharashtra. The membership was very less in all states located in eastern India. As for the procurement of milk was concerned, about one-third of total milk procured by these co-operatives comes from Gujarat. It was followed by Maharashtra, Karnataka and Tamil Nadu.

The results pertaining to the leadership index, as defined in the Methodology (Section 2) are presented below. The no. of observations was 15.

$$L_1 = 0.683 + 2.625X_6^{**} \quad (1)$$

(0.194) (0.530)

$$R^2 = 0.653$$

$$L_1 = 0.681 + 4.858X_4 + 0.873X_5 + 2.083X_6^{**} \quad (II)$$

(0.172) (3.042) (1.557) (0.529)

$$R^2 = 0.770$$

$$L_1 = 0.093 + 0.824^{**}X_1 + 1.113^{**}X_2 + 0.770^{**}X_3 + 1.818X_4 + 0.685X_5 + 1.095^{**}X_6 \quad (III)$$

(0.129) (0.226) (0.144) (0.258) (1.071) (0.350) (0.120)

$$R^2 = 0.993$$

It is evident from the results of regression analysis that when the variables pertaining to male farmer's literacy, household knowing minimum support prices and WTO, farmers belonging to registered organizations and self-help groups and proportion of farmers who are members of co-operatives are included in the analysis, as independent variables, the leadership index, which is the dependent variable, has R^2 of 0.993. This implies that all those variables taken together explain more than 99 percent of variation in the leadership index. The co-efficients

of education level, farmers knowing WTO and proportion of number of co-operatives are statistically highly significant.

In another set of analysis, 77 percent variation in the leadership index was explained by proportion of farmers belonging to registered organizations and self-help groups, as well as farmers who are members of co-operatives in the state. The co-efficient associated with the last variable is statistically highly significant.

When regression of leadership index on proportion of members of co-operatives was studied, the variable R^2 was 0.65 and co-efficient was statistically significant. Leadership plays a big role in better organization and management of co-operative societies in general and dairy co-operatives in particular.

(1) Number of Members per DCS as dependent variable:

$$Y = -48.582 + 102.211 X_1 \quad (IV)$$

(59.079) + (36.084)

$$R^2 = 0.380$$

$$Y = 44.45 + 251.435 X_1 + (-)306.464 X_2 + (-)373.275 X_3 + 55.864 X_4 \quad (V)$$

(125.674) (104.198) (234.38) (194.241) (313.243)

$$R^2 = .559$$

(2) Milk Procured per Society:

$$Y = 441.787 + (-)917.648 X_1 + 181.801 X_2 + 983.535 X_3 + 717.845 X_4$$

(200.133) (529.044) (552.023) (622.777) (562.47)

$$+ 5176.604 X_5 + 90.966 X_6 + 1397.172 X_7 \quad (VI)$$

(1869.55) (637.325) (606.963)

$$R^2 = 0.733$$

(3) Milk Marketed

$$Y = -11.003 + 72.932 X_1 \quad (VII)$$

(57.691) + (35.23)

$$R^2 = 0.247$$

$$Y = 188.459 + (-)86.595 X_1 + (-)139.628 X_2 + (-)89.180 X_3 + 465.858 X_4 \quad (VIII)$$

(121.531) (321.26) (335.217) (381.218) (341.486)

$$+ 1076.459 X_5 + 397.938 X_6 + 214.757 X_7$$

(1135.263) (387.016) (368.579)

$$R^2 = 0.791$$

A perusal of regression equations for number of members per Dairy Co-operative Society (DCS) in the states indicates that the variable of

leadership explains 38 percent of variation in it. Independent variable of leadership index, literacy, knowledge of MSP and WTO explained about 56 percent variation in number of members in state.

Milk Procured per dairy co-operative society was studied using similar variables. Leadership variable could explain more than 14 percent of variation in it, while all seven variables taken together, could explain more than 73 percent of variation in milk procured per society.

It is also evident from the analysis that, amount of milk marketed in the state is positively affected by the independent variables mentioned in the earlier analysis. The leadership index variable could explain more than one fourth of variation in the milk marketed in the state. This shows that the leadership is an important contributory factor in the development of dairy cooperatives.

4. Conclusions

It has been observed from the analysis that dairy co-operatives have done well in Western and Northern part of the country. The study further indicated that literacy rate and better general awareness as well as association of people with registered organizations in the state affected the leadership index in a positive manner. In turn the leadership trait could help in better spread and development of dairy co-operative activities in the states. In future, with the improvement in general awareness of people and better socio-economic conditions, there is a strong possibility of more efficient and better managed dairy co-operatives in rural India.

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Role of Cooperative Federations in Preservation of Cooperative Identity

A Comparative Study of two States in India

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Co-operatives grew in five distinct traditions, i.e. Consumer Cooperatives in England, Workers Cooperatives in France, Credit Cooperatives in Germany, Agricultural Cooperatives in Denmark and Germany and Service Cooperatives such as Housing and Health in many parts of industrial Europe. These traditions flourished in European countries in the 19th century and spread to other parts of the world in the 20th century. The statement on Cooperative Identity adopted by the International Cooperative Alliance in 1995 formulated, affirmed and welcomed as equals all five of these traditions. The statement on Cooperative Identity speaks about the definition, Values and Principles of Cooperation. The statement was intended to serve equally all cooperatives in all kinds of economic, social and political circumstances. The statement provided a general framework within which all kinds of cooperatives could function. The statement recognized that the International Movement as a unique opportunity to assist in the harmonization of interest among groups of people organized as consumers of

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food and service, as savers and investors, as producers as workers. It was visualized the statement should foster understanding, joint activities and expanded horizons for all kinds of cooperative endeavour.

The preservation of cooperative identity vested or rests with the policy makers and leaders. In the Indian context, the Government of India has recognized the National Policy on Cooperatives and also amended the Multi State Cooperative Societies Act. The objective of the National Policy is to facilitate all-round development of the cooperatives in the country. Under this policy cooperatives were to be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions, accountable to their members. The Government of India has enunciated to uphold the distinct identity of cooperatives, its values and principles by providing an appropriate environment and taking the required administrative and legislative measures. The State Governments are also bringing changes in their respective State Cooperative Societies Act. Once the State comes out with the liberalized Act, it is left to the leaders to preserve the identity of the cooperatives.

Empirical research focusing on the role of Cooperative Federation has not been carried out in the Indian context. A comparison of two States in India i.e. Karnataka and Kerala is undertaken to study the role of leaders in preserving the Cooperative Identity. The reasons for selecting these two States is that in both the states cooperatives have elected boards. Further, Kerala is a state where the movement is dominated by non-officials, whereas in Karnataka the officials as well as non-officials play a prominent role. The objective of the study is to find out the perception of the leaders in preserving the cooperative identity or otherwise. The field survey was undertaken in the State of Karnataka and Kerala, covering 60 non-officials, 30 in Karnataka and 30 in Kerala. The primary survey covers aspects such as background of the leaders, their perception towards the definition of Cooperatives, role of Government, Registrar of Cooperative Societies and members, accountability and relationship with NGOs and Third Sector Organisations. The collected data was analysed and the findings are presented.

In Kerala the Government as per the Kerala Cooperative Societies Act established the State Cooperative Union and there are 23 mem-

bers in the Management Committee out of which 2 are Government nominees. The Secretary of the Union is a Government Officer nominated by the Government. The functions of the Kerala State Cooperative Union are :

- (a) to organize, assist and generally develop Cooperative Societies
- (b) to carry on cooperative propaganda
- (c) to spread education on Cooperative principles and practices
- (d) to participate in the developmental activities and decentralized planning of the local authorities
- (e) to organize training programmes for the employees of the societies and for the members of the committee and to ensure their participation in such programmes

In Karnataka the State Cooperative Federation is a federation of District Cooperative Union, Apex Federal Cooperatives, Cooperative Sugar Factories, Cooperative Spinning Mills, Cooperatives where the area of operation is two districts. The Governing Council manages the business of the Federation and it consists of 15 members. The Managing Director as well as the Secretary is appointed by the Government and drawn from the Department in both the States. The objects of the Federation among other things are :

- (i) To function as the accredited representative of the Cooperative Movement in Karnataka State with a view to further its progress and to safeguard its interests
- (ii) To propagate Cooperative principles and practices for the purpose of ensuring their adoption by all cooperative organizations throughout the State
- (iii) To serve as the exponent of cooperative opinion and function as a focusing center of non-official opinion on various subjects affecting the movement and for representing it in proper forum and to carry on propaganda and create public opinion on such subjects and also advise Government on all matters affecting the cooperative movement.

Thus we find that in Kerala the Cooperative Union is created by the Act whereas in Karnataka it is organized as a federal body. In both the States the Departmental Officers are posted as the Chief Executive.

When we look at the functions and the objects specified in the case of Karnataka it appears to be more focused to preserve the Cooperative Identity.

Findings

Background of Leaders:

In Kerala the leaders were either self-employed or connected with the cooperative or private sector whereas in Karnataka majority of them had agriculture as their main occupation (Table: 1).

The educational qualification in Cooperative was very low in Karnataka as well as Kerala. However, it was noticed that majority of the leaders have undergone short-term training in Cooperation and it was comparatively higher in Kerala (Table:1).

Majority of the directors in Kerala as well as Karnataka represent the agricultural credit or non-agricultural credit sector. However in Kerala the respondents in other sectors such as dairy, marketing and housing was more when compared with Karnataka (Table:1).

In Kerala as well as Karnataka about 36.67 per cent of the leaders were connected with the cooperative movement for the last 14 years. In Karnataka majority of the leaders were associated with the movement for a period ranging from 14 to 24 years. In Kerala about 10 per cent of the leaders were associated with the cooperative movement during the last 4 years. From this it appears in Kerala the new generation is taking up the leadership in cooperatives (Table: 2).

Majority of the leaders had association with political parties and it was very high in Karnataka. In Kerala a few leaders were associated with religious associations, scientific cultural associations trust and NGOs (Table: 2).

PERCEPTION

Autonomous Association of Persons:

83.34 per cent of the respondents in Karnataka wanted complete independence in decision making while in Kerala it is 53.33 per cent. In Kerala about 41.94 per cent felt that cooperatives should make adjustments to accommodate public policies (Table:3).

Voluntarism:

Majority of the leaders in Karnataka as well as Kerala favoured free entry and exit. About 27 per cent of the leaders in Karnataka as well as Kerala favoured free entry but a condition on exit. A few leaders favoured automatic membership to weaker sections (Table:3).

Economic and Cultural Association:

Majority of the leaders in Karnataka felt that activities should be confined to members while in Kerala majority wanted to extend benefit to non-members. Majority of the leaders in both States wanted to focus on social and cultural activities (Tables:3).

Jointly Owned and Democratic Management:

Majority of leaders in Karnataka and Kerala are having faith in the democratic form of management, which is practiced through one member one vote system. It shows positive attitude of the leaders towards Cooperative Identity (Table: 3).

Enterprise:

A few leaders in both the States were of the opinion that a cooperative should aim for profit like other business. 50 per cent of the leaders and 26.66 per cent felt income should be earned to cover cost and leave some surplus in Kerala and Karnataka respectively. 26 per cent of the leaders in Kerala and 23.34 per cent of the leaders in Karnataka favoured maximizing the benefit to member without considering cost (Table: 3A).

Self-Help:

Majority of the leaders in both the States wanted the Cooperative to function on the principles of self-help and mutual aid. A few leaders were in favour of availing external aid. In Karnataka as well as Kerala a few leaders wanted external aid without affecting autonomy and independence (Table:3A).

Power of Government:

Majority of the leaders in both the States were against supersession and nomination to the board by Government. It is interesting to

note that majority of the leaders favoured Government directives (Table:4).

Power of RCS

In case of Kerala the leaders have favoured the Power of RCS relating to prior approval on operational decision, accounts and audit and appointment of returning officer and they did not favour the Power of RCS relating to vetoing/rescinding the resolution. In the case of Karnataka, the leaders are not in favour of Power of RCS relating to prior approval for operational decision and vetoing/rescinding the resolution. However, they have favoured the decision of RCS relating to accounts and audit matter and appointment of Returning Officer (Table:4).

Relationship with NGO and Third Sector:

The leaders were asked to express their opinion about the nature of relationship with NGO and Third Sector as they are emerging as one of the powerful organizations at the grass root level. The leaders were against the Cooperatives identifying with NGOs and the percentage was very high in Karnataka. The leaders both in Karnataka as well as in Kerala were against considering SHGs and NGOs as Cooperatives. In Karnataka majority of the leaders were in favour of giving weightage to SHGs and voluntary agencies. Majority of the leaders were optimistic that SHGs and NGOs will become a formal organization. In Karnataka the leaders were for promoting SHGs in Cooperatives whereas in Kerala majority were against the formation of SHGs by Cooperatives. In Karnataka majority of the leaders recognized that the Cooperatives can learn from voluntary agencies while in Kerala only 43 per cent of the leaders recognized the same (Table:5).

Member Oriented Organisation:

The leaders were asked to express how cooperative can be made as a member oriented organization. The leaders in both the States opined that the voting rights should be limited to one member one vote to retain the cooperative identity. They were in favour of the concept of active member and felt that their participation in the business of the Society should be the criteria for active membership. The leaders were

against imposing penalty for making them to be active. However, they suggested for providing incentive. A few members expressed that inactive members should be expelled so that the cooperative institution will serve the purpose for which it is organized.

Accountability of Board towards members:

All the leaders were of the view that the board meeting should be convened regularly. The leaders in general felt that it is the prerogative of the board to decide about election. The leaders expressed the view that all information in general and information relating to Audit Report, Amendment of Bye-laws, Annual report and election in particular are to be placed at the General Body meeting.

Each sector of our economy whether it may be public, private or cooperative has its own distinct identity in terms of objects and purpose, organizational framework and management pattern, responsibility towards members, stakeholders and community, etc. The study used various attributes that have a bearing on cooperative identity and it was observed that the cooperative identity as advocated by ICA is being observed. However, to ensure that the cooperative identity is completely kept in tact to withstand competition legislative reforms and attitudinal transformation among the leaders is required.

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Table - 1
Occupation, Qualification and Sector Represented

Particulars	Kerala	Karnataka
I Occupation		
Agriculturist	7 (23.33)	21 (70.00)
Artists	-	01 (3.33)
Self Employed	8 (26.67)	-
Professional	-	03
	(10.00)	
Private Sector	3 (10.00)	01 (3.33)
Cooperative	4 (30.33)	04 (13.34)
Others	8 (26.67)	-
Total	30 (100)	30 (100)
II QUALIFICATION		
Post Graduate	1 (3.33)	01 (3.33)
Degree	1 (3.33)	08 (26.67)
Diploma in Cooperation	3 (10.00)	-
Certificate Programme	1 (3.34)	01 (3.33)
Short-term Training in		
Cooperation	15 (50.00)	09 (30.00)
Others	9 (30.00)	11 (36.67)
Total	30 (100)	30 (100)
III SECTOR REPRESENTED		
Credit	15 (50)	12 (40)
Dairy	7 (23.33)	5 (16.67)
Consumer and Marketing	2 (6.67)	4 (13.33)
Housing	2 (6.67)	4 (13.33)
Others	4 (13.33)	5 (16.67)
Total	30 (100)	30 (100)

[Figure in parenthesis denotes percentage]

Table - 2
Length of Service and Nature of Association of Leaders

Particulars	Kerala	Karnataka
I LENGTH OF SERVICE		
0-4	3 (10.00)	-
4-14	11 (36.67)	11 (36.67)
14-24	9 (30.00)	14 (46.66)
24-34	4 (13.33)	03 (10.00)
34-44	3 (10.00)	02(6.67)
Total	30 (100)	30 (100)
II NATURE OF ASSOCIATION OF LEADERS		
Caste	-	04 (13.34)
Religious Associations	2 (6.67)	02 (6.66)
Scientific and Cultural Association	2 (6.67)	-
Environmental Group	-	02 (6.66)
Political Organisation	9 (30.00)	12 (40.00)
Trade Union	3 (10.00)	-
NGOs	2 (6.66)	-
Economic, Professional Association	-	10 (33.34)
Not mentioned	12 (40.00)	-
Total	30 (100)	30 (100)

[Figure in parenthesis denotes percentage]

Table - 3
Perception

Particulars	Kerala	Karnataka
I AUTONOMOUS ASSOCIATION OF PERSONS		
Complete independence in decision-making	16 (53.33)	25 (83.34)
Adjustments to accommodate public policies	13 (41.94)	02 (6.66)
Toe with public policy even if it hurt	1 (3.33)	03 (10.00)
Total	30 (100)	30 (100)

II VOLUNTARISM		
Free Entry and Exit	18 (60.00)	15 (50.00)
Entry Free and condition on Exits	08 (26.67)	08 (26.66)
Automatic membership to weaker section	04 (13.33)	07 (23.34)
Disagree for the above	-	-
Total	30 (100)	30 (100)
III MEMBER ACTIVATOR		
Activities confined to members	6 (20)	15 (50)
Extend benefits to Non-members	21 (70)	12 (40)
Disagree	3 (10)	03 (10)
Total	30 (100)	30 (100)
IV ECONOMIC AND CULTURAL ASSOCIATION		
Focus only on Economic Activities	04 (13.33)	05 (16.66)
Focus not on cost even it undertakes	25 (83.33)	19 (63.34)
Social and Cultural Activities		
Disagree	01 (3.34)	06 (20)
Total	30 (100)	30 (100)
V JOINTLY OWNED AND DEMOCRATICALLY MANAGED		
Equal control over Cooperative – one member one vote	26 (86.67)	23 (76.66)
Vote linked to volume of business	01 (3.33)	-
Balancing of the above two	-	05 (16.67)
Disagree	01 (3.33)	02 (6.67)
Not mentioned	02 (6.67)	-
Total	30 (100)	30 (100)
[Figure in parenthesis denotes percentage]		

Table - 3A
Perception

Particulars	Kerala	Karnataka
I ENTERPRISE		
Aim for Profit like other business	04 (13.33)	11 (36.66)
Earn income to Cover Cost and leave some surplus	15 (50.00)	08 (26.66)
Maximize the benefit to member without considering the cost	08 (26.67)	07 (23.34)
Disagree	03 (10.00)	04 (13.34)
Total	30 (100)	30 (100)
II SELF HELP		
Work on the principles of self-help and mutual aid	18 (60.00)	11 (36.66)
Availing External Aid	04 (13.33)	10 (33.34)
Avail External without affecting autonomy and independence	05 (16.67)	06 (20.00)
Disagree	03 (10.00)	03 (10.00)
Total	30 (100)	30 (100)

[Figure in parenthesis denotes percentage]

Table - 4
Nature of Relation with Government/Registrar

Particulars	Kerala			Karnataka		
	Required Required	Not Total	Total	Required Required	Not Total	Total
A. Power of Government						
1. Supersede the Board	8 (36.36)	14 (63.64)	22 (100)	11(36.66)	19 (63.34)	30 (100)
2. Give directives	19(86.36)	03(13.64)	22(100)	11(36.66)	19(63.34)	30(100)
3. Nomination in the Board	04(18.18)	18(81.82)	22(100)	8(26.66)	22(73.34)	30(100)
Total with %	31(46.97)	35(53.03)	66(100)	30(33.33)	60(66.64)	90(100)
B. Power of RCS						
1. Prior approval for operational decision	14(63.64)	08(36.36)	22(100)	11(36.66)	19(63.34)	30(100)
2. To rescind Veto the Coop. Resolution	07(31.82)	15(68.18)	22(100)	5(16.66)	25(83.84)	30(100)
3. To audit the Accounts	18(81.82)	04(18.18)	22(100)	22(73.34)	8(26.66)	30(100)
4. To appoint Returning Officer	18(81.82)	04(18.18)	22(100)	19(63.34)	11(36.66)	30(100)
Total with %	57(64.77)	31(35.23)	88(100)	57(47.50)	63(52.50)	120(100)

Table - 5
Relationship of Cooperative with the NGO and Third Sector

Particulars	Kerala			Karnataka		
	Yes	No	Total	Yes	No	Total
Identify themselves with voluntary Agency and NGO	8 (36.36)	14 (63.64)	22 (100)	8 (26.66)	22 (73.34)	30 (100)
Cooperative should consider Voluntary Agency and NGO	10 (45.45)	12 (54.55)	22 (100)	14 (46.66)	16 (53.34)	30 (100)
Strive to make SHG and Voluntary Agencies into formal sector	13 (59.09)	09 (40.91)	22 (100)	15 (50)	15 (50)	30 (100)
Decentralize and decision making and promote SHG	07 (31.82)	15 (68.18)	22 (100)	19 (63.33)	11 (36.67)	30 (100)
Learning from voluntary Agency	10 (45.45)	12 (54.55)	22 (100)	21 (70)	9 (30)	30 (100)
Total with %	48 (43.64)	62 (56.36)	110 (100)	77 (51.33)	73 (48.67)	150 (100)

[Figure in parenthesis denotes percentage]

Nurturing Human Capital to Intellectual Capital for Co-operative Identity

– Strategic Approach for Effective Leadership in Cooperatives in India

Dr. Sudha K*

1. Introduction:

The global changes with the regulatory role of the State and the domineering market, ridden with competition, have posed challenges to the cooperative leaders to relocate and refocus the organization towards the attainment of the twin purpose of social and economic aims on the tenets of democracy. They need to shift focus from market-oriented business to strengthening of internal capabilities with an inward looking approach and forward looking culture. In the years ahead, the growth and survival of cooperatives are likely to depend on how faithfully they adhere to certain characteristics that identify them as cooperatives and base their practice on the concept of association (Laidlaw, 1980). Hence leaders should evolve pragmatic ways to reconcile the democratic aspirations of their members and organizational values with imperatives of professional management. Leaders should incrementally expand the horizon for their members.

2. Member-A Human Capital:

A cooperative society is a unique system having a socio-economic

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cause laying more emphasis on individuals. The members are the pivots around whom the whole cooperative structure and the functions revolve. They are the decisive factors in all cooperative endeavours and constitute the whole management (Lambert, 1963). Without members, cooperatives would not have existed today. Every member is a revenue-producing asset and drives the cooperative's economic growth. Hence members are the human capital of the cooperatives, as they are the most important and valuable assets of the organisation.

3. Intellectual Capital - A Strategic Resource

Intellectual Capital in a cooperative context includes knowledge, skills, expertise, and experience, collective action of human resources, unique organisational systems (participatory democracy and governance, customer/member relationships), assets like brands, patents, trademarks, and intellectual property rights. It is an untapped, unmapped knowledge of the organisation that is found in the talents of the people, and loyalty of the customer members it serves (Stewart, 1999). Intellectual capital is the intangibles of the business that underpin future growth. Knowledge and expertise of members needs to be seen as strategic resource to build and sustain the competitive advantage that helps the organisation stand above the competition (Taylor, 2001).

3.1 Intellectual Capital for Cooperative Identity

Members are the core force in a member driven organisation. Every member is a knowledge potential and has a differing ability. Many members have a tacit knowledge that is unidentified, unrecognised, unmanaged and harder to evaluate and leverage (Jhaveri, 2004). In today's knowledge driven society, cooperatives need to provide space for HRD interventions, uncover the opportunities for sharing the tacit knowledge, traditional yet productive skills, experience based expertise, creative insights, which cannot be obtained either in the market or on the web pages. "Intellectual Capital is the new wealth of the organisations" (Stewart, 2001, p.1). The cooperative should nurture this human capital through member development strategies and transform into intellectual capital so as to win their long term relationship that would promote productive efficiency and long term revenue growth. Because the quality of the cooperative community is

judged by the quality of the individual members, which is intricately linked with the quality of the activities initiated towards member development.

4. Role of Leaders

Leadership in cooperatives is largely a matter of teamwork (Laidlaw, 1980). Leaders should be the pioneers filling the gap between the trade mark and the trust mark. They should share the knowledge that is critical to business success, provide a motivating environment to the member customers to showcase their talent and commitment to the organisation. "The best leaders are those who can get extraordinary results through ordinary people" (Ramani, 2004, p. 4). If cooperatives were to retain their identity and emerge as potent means of collective social action, the role of leadership is vital that prioritize development of members in their developmental agenda. It is this interest of the leaders that nurture the ability of the human capital that unleash human potential to develop as intellectual capital resulting in more efficient use of physical capital and qualitative participatory democracy.

5. Methodology used

Focusing on the role of cooperative leadership in nurturing the human capital to intellectual capital, the present paper attempts to devise effective strategies for the development of members, reflecting in the efficient governance of the cooperatives. It also intends to analyse the extent of the interest of the management (leaders) towards the development of members. The findings of the empirical survey conducted for the purpose reveals how nurturing initiatives conducted by the leaders of the cooperatives have paved a long way in developing the members and renders pragmatic suggestions towards this end.

The study is descriptive and exploratory in nature. Both primary and secondary sources of data are used in the study. Statistical methods such as scaling technique, percentages, averages, chi-square, correlation, and non-parametric statistics are the tools used in the analysis, interpretation and presentation of the data.

The study is confined to the primary cooperatives working in eight sectors in five different States in India. For the purpose of this study, multi stage stratified random sampling was used for the selection of

area, sectors and units. One office bearer, two members of Managing Committee and five ordinary members were selected at random from each of the sample society taking into consideration the fair representation in terms of gender, literacy, age, occupation and location. Totally, 37 office bearers, 74 Committee members, 185 members from 37 units were selected for the interview.

6. Member Development Strategies

An attempt is made here to design pragmatic and specific strategies for the effective development of members, keeping in view the need for a holistic approach that may supplement and serve as handy in the current developmental efforts. The integration of both micro (primary cooperative level) and macro efforts (federation level) predominantly arranged at the base level are of fundamental necessity to develop the members. Different types of strategies and the level at which they should be conducted is explained here below:

A. Member Social Activities:

The member social activities are instrumental in attracting member participation. It appeals to the social nature of human beings and transform them from individualism to the group solidarity. Organizing of member social activities are of utmost importance for establishing the spirit of togetherness and strengthening the understanding, which is otherwise difficult to secure. As every cooperative is accessible to members and in a position to build acquaintance with them, it is capable of establishing field of activities corresponding to the member requirements more efficiently than any macro institutions.

B. Education Activities:

“Education in relation to the cooperatives means imparting of knowledge about the principles, methods, aims and practice of cooperation among people and developing in them cooperative spirit and abilities to work together” (Krishnaswami and Kulandaiswamy, 1992, p.229). Educational activity aims to inform, educate and lead the members to participate in business, democratic functions and all other cooperative affairs and thereby surmount the problem of ignorance.

C. Training Activities:

Training activities are designed to develop the know-how and skills

that create functional ability, productivity and proficiency and include extension services and all vocational guidance (Prakash, 1986). Training strengthens the capability for self-development and provides an initiative to take up income generating activities.

Both education and the training activities are ongoing and gradual processes, hence they must be designed and conducted by the primary cooperatives frequently, depending on the level of member's literacy, comprehension capacity and warranted need. However, in a country like India, education and training of huge and scattered membership is a herculean task requiring infrastructure support, manpower, technical and financial inputs. This can be supplemented by the macro organisations, particularly with the active involvement of the federations. Hence these strategies should be implemented by collaborative approach of both the micro and macro efforts.

D. Need fulfillment Activities:

Need fulfillment activities are those that respond to varying and demanding needs of the members, which are beyond their rudimentary commercial or conventional business activities. The radical change of the life style of the people influenced by the changing socio-economic conditions and the market situation have necessitated cooperatives to place a high premium on need fulfillment activities, to make them relevant both to the present and the prospective members. Proximity to members and the community, their varied needs, diverse objectives and functional difference of cooperatives makes it imperative to initiate need fulfillment strategies at the unit level itself.

E. Interaction/Information:

Both inter cooperative and intra cooperative interaction with members is instrumental for the development of members and assumes human relation dimensions. If the former promotes effective utilisation of resources and exchange of technical know-how, the latter is vital in view of widespread membership and centralised management. Intra cooperative interaction as a powerful sinew for member development, gains its strength at the base level. But inter cooperative interaction must be strengthened by the macro network. Hence the integrated effort of both micro and macro organisations is vital to utilise the optimum benefits of interaction/information for the member development.

F. Community Development Activities:

Participation in community-oriented activities essentially reinforces the social instinct in members whereby they feel that they are a part of the community leading to egalitarian social order. These may include providing social infrastructure, organising programmes for the community, encouraging members to participate or sponsoring such activities. They focus on equity, inclusion and progress, which help them surmount social barriers like caste, creed and socio-economic inequalities. Being rooted in the community, a cooperative is in a fitting position to read the pulse of the society and identifies itself with the basic concerns of the society, reflecting in the socio-economic development of the locale.

G. Networking for Human Resource Development:

Networking is an institutional initiative that establishes joint efforts towards human resource development without losing their individual autonomy. This collaboration is vital for regional development, generation of employment and exchange of benchmarking practices. It aids in the joint development of training materials, education and training efforts. The stability of the networking programme for HRD demands financial strength, technical competence and built-in mechanism for ongoing renewal of the structure and modalities to attune them to the fast changing environment. Macro organisation, particularly Apex institution and its functionaries have this stability to ensure sustainable networking at different levels.

7. Analysis of extent of management (leaders') interest towards development of members

Human resource mindset is very crucial for the management to devise good profile of activities, which helps members acquire multi skills making them versatile. It is this concern towards the members that makes the development of intellectual capital a reality. Hence an attempt was made to assess the level of interest of the leaders comprising both the executives (37) and the committee members (74), who are totally 111 in number, based on the scores of fifteen identified parameters, measured on the four point scale as high, medium, low and least.

The relevant data are tabulated and presented in Table 1.

The data in the Table 1 depict that only 13.52% of the members of the management show high interest and 21.62% show medium interest in the development of members. They belong to Agriculture Credit (80%), Dairy (66.66%), Consumer (50%), Banking/Thrift (37.50%) and Producer/Workers societies (33.34%), when analysed on the percentage basis. Analysis based on GPA reveals poor trend particularly

Table 1: Extent of Management Interest in Member Development - Sector wise

No. of Mgt. Members	Agriculture Credit	Producer/Workers	Marketing	Dairy	Banking/Thrift	Service	Consumer	Fisheries	Total
High	6 (40.00)	3 (16.67)	-	3 (33.33)	-	-	3 (25.00)	-	15 (13.52)
Medium	6 (40.00)	3 (16.67)	-	3 (33.33)	9 (37.50)	-	3 (25.00)	-	24 (21.62)
Low	-	6 (33.33)	6 (50.00)	3 (33.34)	9 (37.50)	6 (50.00)	3 (25.00)	3 (33.33)	36 (32.43)
Least	3 (20.00)	6 (33.33)	6 (50.00)	-	6 (25.00)	6 (50.00)	3 (25.00)	6 (66.67)	36 (32.43)
Total	15 (100.00)	18 (100.00)	12 (100.00)	9 (100.00)	24 (100.00)	12 (100.00)	12 (100.00)	9 (100.00)	111 (100.00)
Gr. Point Average	3.00	2.17	1.50	3.00	2.13	1.50	2.50	1.33	2.16

Note: 1) Grade Point Averages are calculated by assigning weights as follows:

High-4 Medium-3 Low-2 Least-1

2) Values in parenthesis in each cell denote percentage to column total.

Source: Survey Data

in Banking/Thrift (2.13), Marketing and Service (1.50 each) and Fishermen (1.33) societies, which is below the overall GPA of 2.16.

The reason for the poor trend is that, most of the members of the management (64%) have considered business activities as central to the progress of the members and the organisations. The management members do not seem to understand the basic concept of cooperation and run mainly on the Government/Official dictum rather than reflecting the voice of the members. Some of the directors (72%) expect immediate economic returns from the investment on the initiatives. 'They are more interested in the ends rather than the means'. The general presumption among the management of primary cooperatives is that the responsibility of educating the members is solely of the Union, for they contribute to its education fund. The study reveals that 44.86% of the management members showed their passivity towards member development initiatives, suspecting their feasibility at the micro level due to poor infrastructure facilities and lack of time.

However, management of the units that show high and medium level of interest towards member development have discerned the importance of member development, developed the strategic initiatives and linked them with the organizational objectives. According to them, these need based strategies have elicited the member participation, nurtured their relationship with the members and built their fortitude helping them to manage the transition. It has helped them to establish joint accountability for leveraging financial, technological and human resources to have a cutting edge over others. They differ from other cooperatives as they linked the leadership with organizational capability and the performance drivers (members' talent and productivity). Thus there is a realisation among the cooperatives that they should move beyond 'structure and system' to the 'purpose and people' in the organisational philosophy.

8. Glimpses of the Activities initiated towards nurturing of human capital and the perception of the participant members at the Surveyed Cooperative Societies

The study reveals that some of the progressive surveyed societies though are few in number, have initiated the above mentioned strategies besides their conventional trade terms. The units in Dairy, Pri-

mary Agriculture Credit (PACs), Producer/Workers, and Consumer sectors in the States of Maharashtra, Andhra Pradesh and Karnataka have performed satisfactorily at varying degrees. The highlights of some transformational activities initiated as reflected in the perception of the participant members in those societies are given below:

Some primary agriculture credit societies in Agriculture Credit Sector (MCRB at Mulukanoor in Andhra Pradesh, Tattisar and Hulgol at Sirsi in Karnataka State) have transformed into 'Learning Organisation'. The diversified activities initiated by the leaders have created a farmers' talent pool that have differentiated them from their competitors and enhanced their brand value.

It is found that 61% of the total participant members, who had availed good exposures to the training activities (Warana sugar cooperative in Maharashtra, MCRB at Mulukanur, Andhra Pradesh, Tattisar and Hulgol agricultural cooperatives in Karnataka) have expressed that they have helped them to react positively to the changing events. The farmer respondents have brought their cultivable land under irrigation with improved agricultural practices, changed their cropping pattern from the food crops to the cost effective cash crops. The members have affirmed that all this has impacted on their efficiency and led to the manifold increase in production, marketable surplus and income.

The members (29%) exposed to field visits, study tour, farmers' fair, agricultural and horticultural exhibition (MCRB, Punacha Pacs, Idkidu, Handattu and Karkada milk cooperatives) have found them highly useful to improve their productivity. They were glad that they had exposure to the benchmarking practices of the top performers in agriculture and niche marketing, scientific dairy management along with the benefit of human network. Some farmer members (20%) who visited Watershed Development Programme of Anna Hazare at Ralegaon in Maharashtra, adopted the similar technique to irrigate their crops in a drought prone area.

A fourth of Producer/Worker members felt that they have enhanced stress-free productivity, unleashing enduring influence on the work environment. The producer members of honey bee keepers' society at Puttur in the Karnataka State have discerned the importance of workshops and training imparted to them that impacted on the exportable high quality production of honey, earning good income both to them-

selves and the cooperative. Similarly business acumen of leaders of Indian Coffee Workers' Cooperative Society, production skill and marketing acumen of the leaders of Belthangady Rubber growers' cooperative society and Lokanath Weavers Industrial Cooperative Society at Kannur in Kerala State is really laudable that won them many laurels and trade space in national and international markets.

Two-third of the sample members of the Dairy societies have opined that they became aware of their hidden potentials and improved their shared experiences. Besides bringing positive changes in the health and hygiene practices, they perceived measurable changes in their socio-economic status. The extension activities found to have inspired them to take decisions and act independently. Thus, the majority of the members felt more self-confident about the vocational advancement, discerning the real benefit of the training.

In response to a question on the need fulfilment measures, 81% of the participant respondents were on the affirmative. They showed their sense of identification, for having devised many need based welfare schemes for both themselves and their family (APSRTC Employees' Thrift Co-operative); and for diversified socio-economic services with the focus on integrated rural development (Warana Sugar Industry and MCRB). They commended on the efficient networking of varied marketing services (Shetkari Sahakari Sangh) and the provision of all services from the "cradle to the grave" (Tattisar and Hulgol Coop).

In the survey, 50% of the consumer members have asserted that the activities at the store have increased their quantity of purchasing. Members of the "Grahak Peth at Pune lauded the cooperative's consumer redressal grievance activities that strengthened the concept of Consumerism in the State of Maharashtra. The survey also showed that 68% of the participant members (Agriculture, Dairy and Producer/Worker societies) acknowledged to have increased their frequency of visit to the cooperatives, proving that there is a strong correlation between the member participation and the ratio of purchase.

From the above delineation it can be inferred that the management who had the 'will' to develop the members have created the 'way', by accommodating good programmes for member participation in their business agenda and vice versa. This shows that actions of the coop-

erative members are governed not by the economic impulse alone, but by the social and cultural realities (Attwood, 1989).

9. Effect of Participation in Micro Initiatives on the Development of Members

An attempt has been made here to assess the extent of development effected among the sample members. In order to measure the impact of the participation of members on their development per se, some member development indicators were selected. They include: cooperative consciousness, democratic involvement, economic participation, motivation, communication and general participation in cooperative affairs. The nature of relationship between the participation of members in the initiatives (independent variable) and the member development indicators (dependent variables) are found through correlation analysis and the values are given in the Table 2 shown as below:

Table 2 : Correlation Between Participation in Micro Activities and Member Development Indicators

Sl. No.	Development Indicators	Participation in Micro Activities
1.	Cooperative consciousness	r=0.90 P<0.001 V.H.S.
2.	Democratic participation	r=0.69 P<0.001 V.H.S.
3.	Economic participation	r=0.89 P<0.001 V.H.S.
4.	Communication	r=0.78 P<0.001 V.H.S.
5.	Motivation of members	r=0.87 P<0.001 V.H.S.
6.	General participation in cooperative affairs	r=0.79 P<0.001 V.H.S.

The Table 2 shows that the correlation coefficient ranges from 0.69 for democratic participation to 0.90 for cooperative consciousness. There exists a significant and the strong relationship between the participation of members in the primary level activities and the member development indicators. This shows that the participation in the micro initiatives enhances cooperative consciousness, motivation and communication of the members and promotes their democratic, economic and general participation in the cooperative affairs.

9. Suggestions

The analysis carried out based on empirical data gathered, shows that the culture of nurturing human capital through member development initiatives at the unit level are yet to gain priority in the cooperative culture. The survey also shows that in progressive cooperatives, leaders with a knowledge management mindset have woven developmental activities into the organization and achieved the spectacular results from the ordinary members reflecting in their increased participation. The following suggestions are worth considering for nurturing member capital at the level of primary cooperatives.

1. The responsibility of the development of members should be at the level of primary cooperatives. Hence the top down approach that is in vogue today needs reorientation and reorganisation. While member development activities at the regional/Apex organisational level have its importance, the focus should be more in realising it at the primary level.
2. The Member Development Strategies devised in this study may be used by all the primary cooperatives for the development of members.
3. The cooperatives should make a provision in the budget for the member development activities and should utilise the fund for the proper cause. The Cooperative Federations also should essentially fund the activities of their affiliated primary cooperatives.
4. Member development must become a policy matter for all the primary cooperatives. It is nevertheless the task of the NCUI to set the well-defined policy and guidelines for the same. This ensures compulsory implementation of member development activities at the base level with necessary structural and managerial reforms.

Conclusion

Cooperatives are inward looking organisations and hence member centrality is the crux of any cooperative enterprise that upholds cooperative identity. Cooperatives succeed only when they are member driven. Members can drive a cooperative only when they are 'Developed Members', equipped with the vital ingredients such as knowledge,

commitment, values, good human relationship and trust on the cooperative cause. In other words, it is this internal intellectual capital, an empowered factor of production that facilitates cooperative to deliver. This indeed necessitates a paradigm shift both in the leadership focus and the management strategy that underpin talent management of members in the cooperatives. The leaders should support the members through their human resource development activities that reflect on stable, motivated and loyal member base. It is only then the cooperative movement will become sustainable and credible movement for a sizeable market of 200 million members who are the potential creators of wealth of our Nation.

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Leadership Through Performance: A DEA Analysis of Urban Cooperative Banks of Maharashtra (India)

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I. INTRODUCTION

In recent years, fundamental changes have occurred in the Indian banking industry. To a large degree this change has been a consequence of deregulation that has led to the creation of a more market competitive environment within the banking sector in India. Survival and success in competitive markets demand achieving the highest levels of performance through continuous improvement. The performance of the banks is crucial for the well being of the whole economy. A measure of relative efficiency provides a good indicator of the success or otherwise of a bank in a competitive market; in fact, it also reflects the potentiality for failure of a banking institution. According to Saha and Ravishankar (1999), efficiency indices could also be used in identifying the areas of inefficiency of bank and formulating suitable strategies to improve its relative position in the market. It can also provide a framework to the regulators to assess the health of individual banks and to work out appropriate interventions to prevent systemic failures.

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II. LITERATURE SURVEY:

In competitive industries, production units can be separated by some standard into those that perform relatively well and those that perform relatively poorly. Financial economists have done this separation by applying non-parametric and parametric frontier efficiency analysis. The parametric approach includes stochastic frontier analysis, the free disposal hull, thick frontier and the distribution free approaches. While the non-parametric includes Data Envelopment Analysis (DEA), DEA is a linear programming based technique for measuring the relative performance of organizational units where the presence of multiple inputs and outputs makes comparisons difficult (Bauer 1990, Berger and Humphery 1997). All over the world, number of studies have applied DEA to the question of efficiency in banking but very little empirical research can be observed in case of India. Bhattacharayya et al. (1997) Saha and Ravishankar (1999), Avinandan et al. (2002), Kumbhakar and Sarkar (2004), Ram Mohan and Ray (2004), Inderjeet Singh and Pramod Kumar (2004) are among those few researchers who have examined performance of the Indian commercial banks. They have mainly considered the reform impact and different ownership groups e.g. Public, private and foreign.

Therefore to fill the gap, the present study is mainly confined to the Indian Urban Co-operative banks primarily because no empirical data are available on the performance of the sector. Moreover, despite the UCBs account for a considerable share of business (deposits 11.25% and advances 15.72%) they are the weakest link in the Indian banking system as their aggregate performance has been relatively poor. Several committees have, in the recent past, explored the possibilities for rejuvenation of co-operative banks through appropriate initiative and suitable reforms.

Though DEA is based on the pioneering work of Farrell (1957), Charnes Cooper and Rhodes (1978) developed technique. Several different mathematical programming DEA models have been proposed in the literature (Charnes et al, 1994 Seiford and Thrall 1990). Charnes, Cooper and Rhodes (1978) proposed a model, which had an input orientation and assumed constant return to scale (CRS) commonly known as CCR model. Banker, Charnes and Cooper (1984) proposed a model

considering variable return to scale (VRS) commonly known as BCC model.

Input-Output Variable for a bank

There is a considerable debate in the empirical literature regarding this choice of input and output. The literature addresses these issues using a variety of approaches (Berger and Humphrey (1997)). The most widely employed in empirical analysis are: the production approach, which emphasizes the role of banks as providers of services for account holders, and the intermediation approach, which views banks mainly as mediator of funds between savers and investors.

Both the approaches offer different solutions as regards the definition of inputs and outputs and their measurement. The production approach considers inputs to be only physical entities, such as labour and capital, which are properly measured by data on physical quantities. This approach has been adopted for analysing bank branch performance. The intermediation approach argues that the funds raised and their cost should be included as inputs in the analysis, and that it is therefore appropriate to use monetary data. (Thanassoulis 1999).

Other studies (Berger and Humphrey, 1991); Bauer et al. 1993) propose a dual approach which enables consideration of both the input and output characteristic of deposits. Under this approach, the interest paid on deposit are input, while the quantities of deposits are considered to be an output, on the assumption that they are able to approximate the amount of service provided to customers.

Sealey and Limdley (1977) considered that the output of the financial firm is produced with capital, labour, material and loanable fund (borrowed from depositors and serviced by the firm) input where loanable funds are produced through the production operation of the financial firm.

The choice of input-output variables in the present study are primarily guided value added approach (Berger and Humphrey (1992)). In value added approach, banks are treated as service providers; deposits and loans are treated as outputs because these services are responsible for the great majority of value added, and physical resources are treated as input.

III. OBJECTIVE

The objective of this study are :

- i. To measure and compare the financial performance of Urban Cooperative Banks of India using BCC model of Data Envelopment Analysis.
- ii. To calculate technical efficiency of sample banks and decompose the same into Pure Technical Efficiency and Scale Efficiency for the purpose of categorizing the banks into strong bank group and weak bank group.
- iii. To identify and investigate the relationship between size and efficiency of sample bank data.

IV. METHODOLOGY:

1. The efficiency of a banking institution:

Performance of a bank is generally conceptualized as the extent to which the bank is able to utilize its resources to generate business transaction, and it is measured by its ratio, which is called efficiency. Efficiency is measured by the ratio of outputs to inputs, where larger value of this ratio indicates better performance.

The concept of productivity/efficiency is meaningful in the case of banking operations. In the literature pertaining to performance evaluation of banks, various measures of efficiency have been proposed, like scale efficiency, scope efficiency, allocative efficiency, productive efficiency, technical efficiency, etc. Berger et al.(1993).

Economically, efficiency refers to the relationship between scarce factor inputs and outputs of goods and services. This relationship can be seen and evaluated in terms of either physical output or cost. Technological or technical efficiency identifies and determines the best possible (optimal) combination of inputs to produce a given level of output in physical term. With regard to technical inefficiency it is caused by the failure to achieve the best possible output levels and/or usage of an excessive amount of input. On the other hand, economic efficiency or cost efficiency determines the optimal combination of inputs that will minimize the cost of producing a given level of output. This kind of efficiency requires the availability of input prices like price of labor and capital. Due to the absence of accurate data on the input prices, in

the present paper we mainly deal with technical efficiency for analyzing the performance of banks.

2. Mathematical Foundations of DEA:

DEA is a nonparametric mathematical programming model used to evaluate the relative efficiency of a group of entities or decision-making units (DMUs) in their use of multiple inputs to produce multiple outputs. In our case co-operative bank unit is referred to as a DMU.

The DEA approach uses a linear programming (LP) model to construct a hypothetical composite unit based on all units in the reference group. That is, the performance of each DMU is measured relative to the performance of all other DMUs. The unit being evaluated can be judged relatively inefficient if the composite unit requires less input to obtain the output achieved by the unit being evaluated, or judged relatively.

CCR Model : Let us assume there are a data on K inputs and M outputs on each of N banks or DMU's. For the i^{th} DMU these are represented by vectors x_i and y_i respectively. The $K \times N$ input matrix, x and the $M \times N$ output matrix, y represent the data of all N DMU's. For each DMU a measure of the ratio of all output over all inputs, such as $u' y_i / v' x_i$ is obtained where u is an $M \times 1$ vector of output weights and v is a $K \times 1$ vector of input weights. To select optimal weights we specify the mathematical programming problem.

$$\begin{aligned} & \text{Max}_{u,v} (u' y_i / v' x_i), \\ & \text{s.t. } u' y_j / v' x_j \leq 1, j=1,2,\dots,N \\ & u, v \geq 0 \end{aligned}$$

This involves finding values for u and v , such that the efficiency measure of the i -th DMU is maximized, subject to the constraint that all efficiency measures must be less than or equal to one. One problem with this particular ratio formulation is that it has an infinite number of solutions. To avoid this one can impose the constraints $v' x_i = 1$, which provides:

$$\begin{aligned} & \text{Max}_{\lambda, \hat{v}} (\hat{v}' y_i), \\ & \text{s.t. } \hat{v}' x_i = 1, \\ & \hat{v}' y_j - \hat{v}' x_j \leq 0, j=1,2,\dots,N, \\ & \lambda, \hat{v} \geq 0, \end{aligned}$$

Where the notation change from u and v to λ and θ reflects the transformation. This form is known as the multiplier form of the linear programming problem.

Using the duality in linear programming, one can derive an equivalent envelopment form of this problem:

$$\begin{aligned} & \text{Min } \theta \\ & \text{s.t. } -y_i + \theta Y_i \geq 0, \\ & \quad q x_i - \theta X_i \geq 0, \\ & \quad \theta \geq 0, \end{aligned}$$

Where θ is a scalar and θ is a $N \times 1$ vector of constants. This envelopment form involves fewer constraints than the multiplier form ($K + M < N + 1$), and hence is generally the preferred form to solve. The value of θ obtained will be the efficiency score for the i -th DMU.

BCC Model: The CRS assumption is only appropriate when all the DMU's are operating at an optimal scale. Imperfect competition, constraints on finance, etc. may cause a DMU to be not operating at optimal scale. Banker, Charnes and Cooper (1984) suggested an extension of the CRS DEA model to account for variable returns to scale (VRS) situations. The use of the CRS specification when not all DMU's are operating at the optimal scale will result in measures of technical efficiency, which are confounded by scale efficiencies (SE). The use of VRS specification will permit the calculation of the TE devoid of these SE effects.

The CRS linear programming problem can be easily modified to account for VRS by adding the convexity constraint: $\sum \theta = 1$ to provide:

$$\begin{aligned} & \text{Min } \theta \\ & \text{s.t. } -y_i + \theta Y_i \geq 0, \\ & \quad q x_i - \theta X_i \geq 0, \\ & \quad \theta \geq 0, \end{aligned}$$

Where θ is an $N \times 1$ vectors of ones. This approach forms a convex hull of intersecting planes which envelope the data points more tightly than the CRS conical hull and thus provides technical efficiency scores which are greater than or equal to those obtained using the CRS model.

V. AN OVERVIEW OF URBAN COOPERATIVE BANKS OF INDIA

Cooperatives banks enlarge the reach of banking, both geographically and socio-economically in terms of high levels of loan delinquency due to its large numbers. Cooperative banks are organised and managed on the principle of cooperation, thus function on “no profit, no loss” basis. Although the main aim of the co-operative bank is to provide cheaper credit to their members and not to maximize profits, they may access the money market to improve their income for better survival.

Most of the Cooperative Banks are highly politicised and the situation has been further complicated by the system of dual control. Administrative aspects including registration are under State Cooperative Acts whereas financial supervision and regulation is with the RBI.

Since FY01, the RBI has been seeking greater parity between commercial banks and cooperative banks in terms of prudential norms, capital adequacy, asset classification, provisioning norms, individual and group exposure norms, ALM framework, disclosures, supervision, etc. Co-operative banks have been historically enjoying niche in the market share of deposits and credits. But in the recent years there has been a dip in their share of deposit from 14.29% in FY01 to 11.25% in FY05. Also their share of loans has correspondingly fallen from 23.05% percentage to 15.72% during the same period.

The co-operative credit structure in the country can be divided into two broad segments: the urban cooperative banks and the rural cooperative credit institutions.

Urban (primary) cooperative banks: UCBs play an essential role in meeting the increasing credit needs of urban and semi-urban areas. UCBs mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society.

The urban cooperative banks can be categorized as scheduled and non-scheduled. A co-operative bank having deposits of more than 250 crores is included in the Second Schedule of RBI and is classified as a Scheduled UCB.

At the FY05 the number of UCBs was 1,872 which accounted for more than 60% of the total number of co-operative banks and out of

which 55 are scheduled UCBs. UCBs hold majority of market share of cooperative deposits (46%) and advances (32%).

Various entities in the urban co-operative banking sector display a high degree of heterogeneity in terms of deposits/asset base, areas of operation and nature of business. The spatial distribution of UCBs is highly skewed, as they are concentrated mainly in few states viz., Maharashtra, Gujarat, Karnataka, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh.

Financial Performance of Indian UCBs :

Profitability: After three-year consecutive losses, the scheduled UCBs registered net profit in FY 04 and FY05 due to a sharper decline in expenditure vis-à-vis income. The return on total assets (RoA) of banks, defined, as the ratio of net profit to total assets, is one of the most widely employed measure of profitability. A bank performing on sound commercial lines is expected to exhibit a healthy RoA. Globally, the RoA of the banking sector for 2004 ranged between -1.2 percent and 6.2 per cent. The RoA of SCBs in India for 2004-05 was 0.9 per cent. RoA of UCBs is low as compared to SCBs of India and stood at 0.4 and 0.3 in FY 04 and FY 05 respectively.

Asset Quality: The aggregate asset quality of UCBs deteriorated significantly in last few years. At the end of FY00 gross NPA as % of total asset was 12.2% and it increased to 23% as at FY05. Few instances of operational irregularities and even fraud in capital market lending have boosted the figures of last 6 years. The asset quality of UCBs is expected to remain under pressure due to stricter asset classification norms and inadequate risk management system in most UCBs.

Net Interest Margin: The net interest margin (NIM) of a bank reflects the efficiency of its intermediation process, a lower margin being indicative of higher efficiency. Most countries in developed and even several emerging economies have NIM of around 2 per cent of total assets. In the Indian context, NIM for scheduled commercial banks was 2.9 per cent in 2004-05. In case of UCBs, Net interest margin is showing a decreasing trend from 3.15 in FY 00 to 1.88 in FY05.

About 39 per cent, or around 725 of the 1,872-odd UCBs in the country are in a stressed to very stressed condition, in parameters like capital adequacy and non-performing assets (NPAs) and they are alive

only through a life-support system. All of them will have to be liquidated sooner than later. Another 340 can carry on business with some extensions of deadlines for capital adequacy. The trouble signals of UCBs may be judged best from the outflow of funds from the Deposit Insurance and Credit Guarantee Corporation (DICGC). Individual bank deposits of up to Rs 1 lakh are insured with the DICGC, which is paid to depositors when banks fold up. Till 2000-01, the total money paid by the DICGC was Rs 262 crore with UCB depositors accounting for a major chunk. By 2003-04, this rose to Rs 1,044 crore and by 2004-05 to Rs 1,484 crore. In the last two years, all the outflows have been to cooperative banks only.

VI. EMPIRICAL RESULT

Data: As already said that the spatial distribution of UCBs is highly skewed, as they are concentrated mainly in few states. As at end-March 2005, nearly two-thirds of total UCBs operated in three States, viz., Maharashtra, Karnataka and Gujarat. Considering density of UCBs in Maharashtra, we selected urban cooperative banks of Maharashtra for definition and selection of the banking output and inputs. We considered financial year-end data of 2005 Data, which were collected from the Business Standard banking annual, November 2005 issue.

We have considered VRS output oriented DEA using 40 observations, which use three inputs to produce four outputs. The input and output are summarized as below:

Input: 1. Owned fund (capital plus reserves) 2. Operating Expenses. 3. Physical asset

Output: 1. Deposit 2. Advances 3. Interest spread 4. Net profit

Descriptive statistics of variables are presented in appendix table I.

RESULTS:

Output oriented VRS model was run on DEAP software and results are presented in appendix table II. In a homogeneous sample some banks may be operating at constant return to scale (CRS) while others at variable return to scale (VRS). CRS implies a proportionate rise in outputs when inputs are increased. That is, the scale of operation does not influence the efficiency of the unit. It was observed that majority

of the banks in sample are operating at variable return to scale (VRS). VRS implies a disproportionate rise or fall in output when inputs are increased. That is, as a unit grows in size, its efficiency would either fall or rise.

The technical efficiency (TE) has been presented in table II. As mentioned earlier the technical efficiency score reflects the degree of slack in the utilization of the physical, financial and human resources. In the context of a service industry like banking, it investigates how well the production process converts input into output e.g. effective implementation of the production plan. The table also decomposes technical efficiency scores into Pure Technical Efficiencies (PTE) and Scale Efficiencies (SE). Decomposing TE into PTE and SE allows an insight into the source of inefficiencies. Mathematically technical efficiency is the product of the scale efficiency and the pure technical efficiency. The nature of technical inefficiency can be due to the ineffective implementation of the production plan in converting input to outputs (pure technical inefficiency) or/and divergence of the banks from the most productive scale size (scale inefficiency).

The appendix Table II is also showing whether banks have been operating at Optimal return to scale (ORS), increasing return to scale (IRS) or Decreasing return to scale (DRS). Most productive scale size as per Banker (1984), is that size of operations where a DMUs production of outputs is maximised per unit of inputs i.e. operating at optimal returns to scale. Returns to scale are technical properties of the production function. If we increase the quantity of all factors employed by the same (proportional) amount, output will increase. The resulting output may increase by the same proportion, more than proportionally, or less than proportionally. In other words, when we double all inputs, does output double, more than double or less than double? These three basic outcomes can be identified respectively as increasing returns to scale (doubling inputs more than doubles output), constant returns to scale (doubling inputs doubles output) and decreasing returns to scale (doubling inputs less than doubles output).

The nature of returns to scale in table I indicates there are only 10 branches having SE equal to 1 and operating at optimal return to scale (ORS.), which means rise in inputs in these banks will lead to a proportionate rise in outputs. It should be noted that ORS banks do not

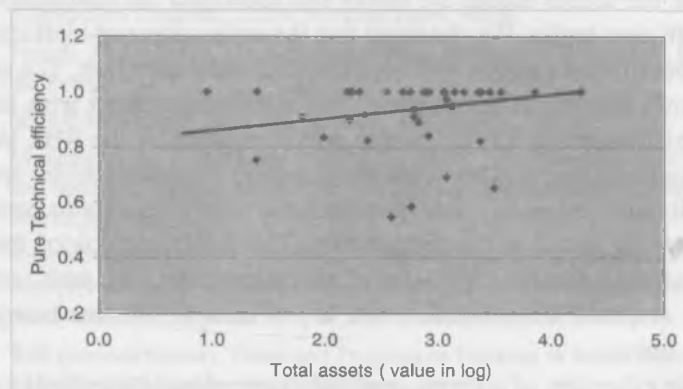
necessarily share a common size. That is branches can attain ORS at different sizes depending on the configuration of their inputs and outputs.

Under the assumption of VRS we found that the average PTE is 92.4%. This implies that the sample cooperative banks could have produced, on an average the same amount of output with approximately 7.6% fewer resources than they actually employed. For scale efficiency the average score is 92.7%. This implies that the actual scale of production has diverged from the most productive scale size by 7.3%

We observed that only 10 banks were having TE score of one and could be classified as very strong group bank. These banks are operating at optimal scale. There are 13 more banks that are efficient but in pure technical sense. Being scale inefficient, they are unable to achieve technical efficiency score equal to one and categorize themselves as very strong banks. This implies that these banks are efficiently converting input into out but have difficulty in finding an optional combination between various inputs to produce the desired output.

Hence, based on their pure technical efficiency scores, we may divide our sample into two groups - strong bank group comprising of twenty-three efficient banks and weak bank group comprising of seventeen inefficient banks (Table II). It appears that strong bank group is characterized by its size. Since the mean size of the efficient banks (0.034) is larger than the mean size of weak banks (0.013). This suggests that stronger banks are relatively larger than the weak banks.

Fig 1 : Bank Size and Pure Technical Efficiency Score



In fig 1, we have reported the plot of total assets in logarithms versus technical efficiency scores. The scattered diagram suggests that the dispersion of the efficiency scores is quite high, thus implying that in many cases similar sized banks have different efficiency levels. From a general viewpoint, a slight proportionate trend between total assets and efficiency seems to prevail. Which confirms that strong banks are characterized by their size.

The close association between the efficient banks and the size of assets seems to lay down some support for the merger policy pursued by the RBI. The RBI is encouraging consolidation through merger and acquisition in cooperative sector. Our findings employ that as the banks get larger in terms of their size their technical efficiency will improve hence justifying the consolidation policy. Strong cooperative banks can take over weak cooperative banks and even two strong banks could come together.

VII. CONCLUSION

It is important for policymaker and bank management to estimate the efficiency of institutions that operate in different market segments, especially as changing macroeconomic conditions and financial deregulations are making banking markets more competitive and contestable.

In our study we measured technical efficiency of Urban Cooperative Banks of Maharashtra using basic model of DEA. We then broke down the composition of technical efficiency into PTE and SE and compare the scores across the banks and identified the characteristics of the efficient banks. We observed that the main source of inefficiency in number of banks originated from inappropriate operation. The study also shows that the efficient banks are closely associated with larger size, which supports for the merger policy pursued by the RBI. In the changing economic and business environment characterized by speed, flexibility and responsiveness to customers, 'size' has a lot to contribute to staying ahead in the competition. The future outlook of the Indian banking industry is that a lot of action has to be seen with respect to M & A's, with consolidation as a key to competitiveness being the driving force.

The extension of reforms, particularly prudential standards to co-

operative banking institutions, an important component of the banking system was a natural corollary as the weaknesses in cooperative segment could pose systemic risks. The full extension of the reforms in cooperative banks is very important and urgent, keeping in view of their reach and scale of operations.

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**Appendix Table I: Statistics of Variable
Maharashtra Co-operative Banks Figures as on 31 March, 2005**

Code	Name of the Bank	Output 1 Deposit	Output 2 Advance	Output 3 Np	Output 4 Int. Spread	Input 1 Own Fund	Input 2 Op Exp	Input 3 Other Asset
1	Abhyudaya Co-op Bank	1646.80	784.11	22.17	105.32	496.37	98.71	116.72
2	Ahmedabad Mercantile Co-op Bank	307.92	134.02	3.00	21.00	195.47	19.46	56.60
3	Akola Janata Commercial Co-op Bank	619.35	374.52	2.55	17.01	64.72	20.81	46.45
4	Apana Sahakari Co-op Bank	479.79	362.68	5.05	21.98	91.12	19.52	47.90
5	Basin Catholic Co-op Bank	916.09	496.58	23.11	41.96	162.18	23.13	57.16
6	Bharat Co-op Bank	1090.75	709.20	14.07	54.25	154.29	47.43	141.54
7	Bombay Mercantile Co-op Bank	1621.24	769.59	2.33	63.20	381.46	79.52	1340.51
8	Citizencredit Co-op Bank	686.53	255.02	8.22	21.36	78.16	15.14	54.44
9	City Co-op Bank	141.50	92.05	0.61	6.05	13.92	6.57	14.37
10	Cosmos Co-op Bank	2851.28	1581.27	39.79	93.71	427.89	76.51	399.02
11	Dombivali Nagri Sahakari Co-op Bank	606.69	401.18	7.07	30.36	103.26	24.89	105.60
12	Excellent Co-op Bank	68.42	25.67	0.98	4.37	18.99	3.44	6.71
13	Greater Bombay Co-op Bank	728.64	461.73	7.01	26.22	148.13	33.56	111.45
14	Jalgaon Janata Sahakari Co-op Bank	356.17	253.09	0.17	14.22	39.13	15.49	87.56
15	Janata Sahakari Co-op Bank	1605.38	950.59	0.35	28.63	287.27	55.92	621.12
16	Janseva Sahakari Co-op Bank	178.13	92.38	1.70	5.63	17.57	4.90	8.25
17	Kalapur Commercial Co-op Bank	938.43	566.61	18.27	35.57	512.26	21.05	258.29

18	Kapol Co-op Bank	416.41	183.55	1.83	12.21	58.30	9.75	23.68
19	Karad Urban Co-op Bank	407.83	252.03	0.36	12.82	42.09	15.92	34.48
20	Kokan Mercantile Co-op Bank	193.32	124.49	0.74	10.42	31.72	12.81	17.96
21	Maharashtra State Co-op Bank	13401.03	7642.77	23.97	444.74	2044.78	472.91	1042.01
22	Mandvi Co-op Bank	528.96	265.28	1.68	14.57	60.27	16.49	36.75
23	Mangal Co-op Bank	18.84	12.85	0.22	0.92	4.14	1.04	2.08
24	Mapusa Urban Co-op Bank	221.05	109.40	0.00	0.00	58.20	8.47	227.77
25	Maratha Sahakari Co-op Bank	133.03	113.95	1.04	5.70	18.70	5.22	2.47
26	Model Co-op Bank	143.34	48.23	1.12	4.31	9.98	3.58	6.15
27	Mumbai District Central Co-op Bank	2167.13	691.51	11.10	72.79	285.44	71.67	194.42
28	New India Co-op Bank	620.73	224.53	10.51	34.45	125.55	25.33	43.25
29	North Canara GSB	967.39	506.87	12.08	36.32	103.19	25.22	68.05
30	Parsik Janata Sahakari Co-op Bank	520.43	217.62	7.53	26.54	90.31	20.93	44.12
31	Patan Co-op Bank	50.92	23.78	0.82	1.88	8.79	1.56	3.44
32	Punjab and Maharashtra Co-op Bank	1082.54	722.99	12.57	38.13	116.88	35.58	175.83
33	Raidag Sahakari Co-op Bank	20.10	13.03	0.08	0.79	4.18	0.86	0.75
34	Saraswat Co-op Bank	4786.14	3247.23	70.38	160.61	672.80	182.47	1396.36
35	Shamrao Vithal Co-op Bank	2006.83	1243.99	20.10	99.80	256.93	82.53	143.61
36	Shreeji Bhatia Co-op Bank	6068.00	3.60	0.00	0.22	1.29	0.24	1.23
37	Thane Janata Sahakari Co-op Bank	938.82	582.47	15.94	44.67	152.00	33.35	68.34
38	Vasai Vikas Co-op Bank	172.56	114.20	3.32	8.33	41.11	5.70	11.33
39	Veerashaiva Co-op Bank	139.62	98.49	0.55	4.82	19.56	5.15	14.67
40	Zoroastrian Co-op Bank	286.74	145.72	7.85	12.81	44.55	5.28	26.02

Appendix Table II : Efficiency Results Deap version 2.1

Code	Name of the Banks	Technical Efficiency	Pure Technical Efficiency	Scale Efficiency	Operating Scale
1	Abhyudaya Co-op Bank	0.791	1.000	0.791	DRS
2	Ahmedabad Mercantile Co-op Bank	0.561	0.584	0.961	DRS
3	Akola Janata Commercial Co-op Bank	0.986	1.000	0.986	DRS
4	Apana Sahakari Co-op Bank	0.806	0.911	0.885	DRS
5	Basin Catholic Co-op Bank	1.000	1.000	1.000	OS
6	Bharat Co-op Bank	0.907	0.948	0.956	DRS
7	Bombay Mercantile Co-op Bank	0.490	0.653	0.750	DRS
8	Citizencredit Co-op Bank	0.985	1.000	0.985	DRS
9	City Co-op Bank	1.000	1.000	1.000	OS
10	Cosmos Co-op Bank	0.887	1.000	0.887	DRS
11	Dombivali Nagri Sahakari Co-op Bank	0.833	0.842	0.989	DRS
12	Excellent Co-op Bank	0.811	0.836	0.969	IRS
13	Greater Bombay Co-op Bank	0.626	0.692	0.905	DRS
14	Jalgaon Janata Sahakari Co-op Bank	1.000	1.000	1.000	OS
15	Janata Sahakari Co-op Bank	0.740	0.823	0.899	DRS
16	Janseva Sahakari Co-op Bank	1.000	1.000	1.000	OS
17	Kalapur Commercial Co-op Bank	0.975	1.000	0.975	DRS
18	Kapol Co-op Bank	1.000	1.000	1.000	OS
19	Karad Urban Co-op Bank	0.977	1.000	0.977	DRS

20	Kokan Mercantile Co-op Bank	0.786	0.824	0.955	DRS
21	Maharashtra State Co-op Bank	0.770	1.000	0.770	DRS
22	Mandvi Co-op Bank	0.860	0.941	0.914	DRS
23	Mangal Co-op Bank	0.645	0.754	0.855	IRS
24	Mapusa Urban Co-op Bank	0.529	0.546	0.969	DRS
25	Maratha Sahakari Co-op Bank	1.000	1.000	1.000	OS
26	Model Co-op Bank	1.000	1.000	1.000	OS
27	Mumbai District Central Co-op Bank	0.702	1.000	0.702	DRS
28	New India Co-op Bank	0.929	1.000	0.929	DRS
29	North Canara GSB	1.000	1.000	1.000	OS
30	Parsik Janata Sahakari Co-op Bank	0.872	0.890	0.980	DRS
31	Patan Co-op Bank	0.816	0.911	0.896	IRS
32	Punjab and Maharashtra Co-op Bank	1.000	1.000	1.000	OS
33	Raidag Sahakari Co-op Bank	0.791	1.000	0.791	IRS
34	Saraswat Co-op Bank	0.862	1.000	0.862	DRS
35	Shamrao Vithal Co-op Bank	0.978	1.000	0.978	DRS
36	Shreeji Bhatia Co-op Bank	0.662	1.000	0.662	IRS
37	Thane Janata Sahakari Co-op Bank	0.909	0.975	0.932	DRS
38	Vasai Vikas Co-op Bank	0.905	0.918	0.985	IRS
39	Veerashaiva Co-op Bank	0.893	0.900	0.992	IRS
40	Zoroastrian Co-op Bank	1.000	1.000	1.000	OS

DRS: Decreasing Return to Scale, IRS: Increasing Return to Scale, OS: Optimum Scale

Appendix Table III: Strong bank group comprising of efficient banks and weak bank group comprising of inefficient banks

No.	Bank Code	Technical Efficiency	Pure Technical	Scale Efficiency	Total Assets Efficiency	No.	Bank Code	Technical Efficiency	Pure Technical	Scale Efficiency	Total Assets Efficiency
1	21	0.77	1.00	0.77	18093.4	1	37	0.91	0.98	0.93	1180.4
2	34	0.86	1.00	0.86	7151.8	2	6	0.91	0.95	0.96	1329.6
3	10	0.89	1.00	0.89	3629.9	3	22	0.86	0.94	0.91	617.1
4	27	0.70	1.00	0.70	2856.5	4	38	0.91	0.92	0.99	225.3
5	35	0.98	1.00	0.98	2402.4	5	4	0.81	0.91	0.89	614.1
6	1	0.79	1.00	0.79	2269.0	6	31	0.82	0.91	0.90	62.8
7	17	0.98	1.00	0.98	1683.2	7	39	0.89	0.90	0.99	165.1
8	32	1.00	1.00	1.00	1400.6	8	30	0.87	0.89	0.98	674.4
9	29	1.00	1.00	1.00	1144.1	9	11	0.83	0.84	0.99	817.9
10	5	1.00	1.00	1.00	1121.4	10	12	0.81	0.84	0.97	97.3
11	8	0.99	1.00	0.99	830.5	11	20	0.79	0.82	0.96	239.2
12	28	0.93	1.00	0.93	769.1	12	15	0.74	0.82	0.90	2365.7
13	3	0.99	1.00	0.99	749.7	13	23	0.65	0.75	0.86	24.7
14	18	1.00	1.00	1.00	568.3	14	13	0.63	0.69	0.91	1176.9
15	14	1.00	1.00	1.00	489.7	15	7	0.49	0.65	0.75	3130.4
16	19	0.98	1.00	0.98	485.8	16	2	0.56	0.58	0.96	580.4
17	40	1.00	1.00	1.00	349.3	17	24	0.53	0.55	0.97	385.0
18	16	1.00	1.00	1.00	201.7						
19	9	1.00	1.00	1.00	174.7						
20	25	1.00	1.00	1.00	169.6						
21	26	1.00	1.00	1.00	156.4						
22	33	0.79	1.00	0.79	25.0						
23	36	0.66	1.00	0.66	9.0						

Impact of Leadership on the Success of Co-operative Ventures in Sunrise Areas: Study of a Co-operative in Water Distribution in India

Dr. Amita Yadwadkar*

The Background

The cooperative model has been extensively used in India with governmental initiative to ensure peoples' participation in solving their problems, rather than relying only on the State. Currently, cooperatives are undergoing fundamental changes and public policies accept that markets are better suited to initiate development. (Taimni, K., 1999, p.19). This policy change is reflected in lot of areas of state intervention being privatized, such as roads, ports, airlines, telecom, power etc. (Datta and Sundaram, 2004, p.153). These changes are challenging the role and relevance of the cooperative as an institution. If the market is going to prevail everywhere, are cooperatives needed at all? Is this privatization and the prevalence of markets going to render cooperative ventures irrelevant? This privatization drive is challenging the institution of cooperatives to redefine its role, mode of areas of operation. A fresh vigour is called for in the cooperative sector to demonstrate the efficacy of the cooperative in new/sunrise areas.

In India, the cooperative model has been applied in some areas like credit, dairy, sugar, consumers, marketing, fishing etc. These efforts have borne fruits in some, like dairy, credit etc. where as in some other

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areas they have proved not so successful. Much of the success of the cooperatives ventures in specific areas has been mainly due to an acute need for an all inclusive institution and quality leadership. Therefore, leadership and its quality become all the more important when cooperatives are being introduced in new areas or are redefining their sphere of operation. This is demonstrated by the following case study, which this research aims to examine in detail. The case study is of a cooperative in the area of water distribution.

Co-operative endeavours in provision or distribution of public goods or common property resources are rare. Even if they exist they are not very prominent in literature or discussions. With more and more privatization of public utilities in India, it is now imperative to study these efforts, if any, to see what the co-operative as an institution can contribute to the complex question of producing and distributing common property resources. Water supply, which has so far been in the realm of the public sector in India, is now being mooted for privatization. (Dharmadhikary, S, 2002). Hence a cooperative venture in this area becomes a unique experiment, which calls for analysis and study.

Water is a national property in India. Its harnessing and distribution are in the hands of the government. However, there is disenchantment with the performance of the public sector with respect to surface irrigation development. (Narain, 2003). This has led to the recent attempts to address this problem through instituting water user association (WUA). These WUA were present during the pre Independence period too at two places one at Kopergaon in Ahmednagar district and another at Aklus in Sholapur district of Maharashtra. In more recent times, these types of associations are seen in Haryana and Maharashtra. (Narain, 2003). Of these, a pioneering effort was seen at the Chanda village of Ahmednagar district in Maharashtra.

Emergence of Cooperative Venture in Water Distribution

The Water User Association at village Chanda, district Ahmednagar, near Pune in Maharashtra state of India is a pioneering effort in Maharashtra which has now spawned similar such associations/societies at other places in the state like Nashik.

Chanda is a small agricultural village, which relies for its water needs on rainfall, underground water (wells) as well as on government's

canal irrigation. It falls under the command area of the Mula river.
Population of Chanda

Working of the Government System

The government's canal irrigation system worked somewhat as follows: The farmers had to fill in a form, specifying the water they would require in the coming agricultural season; many times this was in the nature of the acreage of the type of crop they would be cultivating. This annual cultivation pattern had to be communicated by all farmers who wanted to use the surface irrigation in the coming season. All this demand of the various farmers would be put together, and on the basis of this, the irrigation department would allocate the amount of the water to the village. The water from the main canal would be released according to a schedule prepared by the irrigation department officials. This schedule took into account the different demands of the farmers. Once the schedule was notified to the farmers in the section office the farmers had to prepare their fields accordingly to receive the water.

The rates at which water usage is to be charged are decided at high level government committees at the state government. The water rates are set on acreage of crop with different rates for different crops: food crops attract lower rates than cash crops. For instance the canal water rates for sugarcane were fixed by the state government at Rs. 1200 for 2.5 acres or approximately at Rs. 400 /acre. (Water rates for other crops like wheat, jowar, harbara (staple cereals) were lower).

This was broadly the existing system before the advent of the WUA. The water rates in this system were found to be too high (especially for sugarcane) by the farmers and therefore a parallel market in water had emerged here. The local government officials and the village farmers were happily trading in canal water at rates much lower than those prescribed by the government. This led to very low revenue trickling in, in the government coffers, although water from the canal was being lifted. So the government faced a major problem in terms of recovery of dues.

Moreover, all farmers could not participate in this parallel market. Specifically, in the dry periods when water was scarce, the trade was restricted to between the rich farmers and government officials;

the poorer/small farmers could not get water. Thus, there was exclusion in the market. Also, the one man in charge of the distribution of the water to different users, the patvari, could not handle and control so many users and their varied requirements. This used to lead to a lot of theft of the water.

Another problem faced by the farmers in using the government managed system was that if they planned to grow crops other than the staple crops in their farms, they had to apply for prior permission. They found this very cumbersome.

Formation of a Cooperative Society For Water Distribution

It was to address all these problems that the cooperative venture for water distribution was proposed. There was a need to remove the black market and substitute it with something in which all stakeholders (all farmers) could participate and benefit. To this end a cooperative was started in 1989. The objective of this cooperative as stated in the MOU between the society and the government was, "to ensure farmer participation in water management so as to optimize the use of the available water and raise agricultural productivity in the command". (Lele, p. 147).

The proposal of a society came from the government's end. It was at the instance of the government and an active NGO, the Center of Applied System Analysis in Development (CASAD) which is now Society for the Peoples' Participation in Ecosystem Management (SOPPECOM) that the WUA took shape. The government's Irrigation Research Development Center and CASAD were directly instrumental in the formation of the society. The process began in 1987, when CASAD and the government representatives held several discussions with the farmers about forming such a society. (Shete, ex-President, Field trip). Initially there was some opposition to this idea. All the farmers were not very keen on this, especially the big farmers as they were already getting water at relatively cheap rates. Nevertheless, the society, named, 'Shri Datt Sahakari Pani Vatap Sauntha Maryadit (SDSPVSM) was formed with 80 to 85 members after a long and protracted process of registration in 1989.

Deciding the Leader

The first board of directors/governors, was appointed or selected by CASAD and the government. CASAD undertook the exercise by listing 5 to 6 potential candidates and considering each one from the point of view of making the venture a success. (Chapter Lele, 1994). The President was appointed by the catalyst agencies and he along with advice of the catalyst agency representatives, selected the other eight office bearers (field trip). The total strength of the society at the inception was 92 members.

Working of the Society for Water Distribution: The New System

The new system worked as follows: The society bought water from the irrigation department of the government at volumetric rates. It was entitled to receive water on a volumetric basis, broken in three phases on the basis of the agricultural seasons as shown in Table 1. If the sanctioned water in the Rabi season is not fully utilized it can be stored and carried over by the society and drawn in the next season. The maximum amount of water allotted to the society for each season is shown in the table 1 and the rates at which the government or the irrigation department would charge the society are shown in table 2.

This water was then sold by the society to its members and non-members according to predetermined rates, which were crop area based and not volumetric. The water rates for staple crops were continued as the earlier government rates but the water rate for sugarcane was decided by the members of the society collectively. This was now pegged at a much lower rate than the earlier government rate of Rs. 400 per hectare at Rs. 100 per hectare.

Table 1 : Water Allocation Season-wise

Sl. No.	Season	Duration	% allocation	Amount 000 cum
1.	Kharif (monsoon)	1st July-15th Oct.	24 %	433
2.	Rabi (winter)	16th Oct.-28th Feb.	60 %	1058
3.	Summer	1st Mar. -June end	16 %	283
4.	Total		100	1774

Source: Compiled from Lele, 1994.

Table 2 : Water Charges to Society (per 1000 cum)

Season	Rate in Rs.	Max. Allocation	Total Amount	Current Rate 31.3.06	Total Amt as per new rate
Kharif	10	433	4330	47.60	20610.8
Rabi	15	1058	15870	71.40	75541.2
Summer/HW	37.50	283	10612.50	144.80	40978.40
Total		1774	30812.50		137130.40

Source: Compiled from Lele, 1994., field visits.

As earlier, the members had to apply for water but now they had to apply to the society office and not the section office of the irrigation department, which is located approx. 6 km from the village. Once all the applications for the season were collected, the office bearers of the society worked out the total water requirement and its schedule. This quantity and schedule was conveyed to the section office of the irrigation department.

Once the schedule was conveyed to the ID, they would release the water in the minor canal. The schedule of release of water by the ID into the main canal was communicated to the society. The society would then decide which gates were to be opened and when. This detailed schedule was put up in the society office so that members could come and check. On the day their field was to be irrigated, they would have to keep their field channels ready to receive the water.

**Table 3 : Water Rates Charged by Society to Members
(Rate in Rs. Per Acre)**

Crop	Rate Before Society	After Society		
		Kharif (Monsoon)	Rabi (Winter)	Summer
Sugarcane	400	100		
Bajri		60		
Sunflower/Soyabean			60	
Wheat		60		
Green Gram harbara		60		

Impact of Society and the New System

The society bought the water from the government and sold it to its members. In terms of water rates, society was able to charge water rates from its members at less than the government rates. So members now had to pay only Rs.100/acre for sugarcane as against Rs.400/acre earlier. For other crops water rates were much less at Rs. 60/acre. Society also managed the price differences and water availability well. For instance, during the Rabi (winter) season the society did not use the water allotted to it because of high water table and therefore of an alternative available. Instead they used it in the summer season when there was general water scarcity. The society was probably able to provide lower water rates to its members because of the initial subsidy given to it by the government as also because they could sell water to non-members at 30 percent higher charges. The government also provides for maintenance funds upto three years. These funds were used for repairing field channels.

Another change that the society brought about was the freedom that the farmers got to cultivate any crop they wanted. They did not have to ask for permission.

On the whole the society worked well for the initial three years. In fact, it worked so well that whatever income was generated was distributed. Thus members' incomes increased due to improved agricultural conditions, namely availability of cheap water, freedom to choose crops and decrease in paper work.

Although working on the basis of no profit the cooperative managed to create surplus funds, all its members were happy about the water distribution and the society was able to ensure some bit of infrastructure development in terms of improvements of the village roads. It was seen that the village roads used to get damaged mainly due to the trucks of the sugar factories coming to the farms to collect the sugarcane. The society was able to impress upon the sugar co-operatives that this was their responsibility and were able to get several of the village roads repaired. This was possible because the farmers were under one umbrella and with a competent leader. They were also able to secure some funding for further infrastructure development from an international agency because of their work.

The society also undertook regular cleaning of the canals, which did not happen very often during the government management.

The apprehensions of the farmers before the society was formed were allayed after the Managing Committee (MC) took charge, because transactions were now more transparent, the MC was more vigilant and did not allow for misquoting of acreage on the demand form as against the actual acreage irrigated. (In a village, all members generally know about each other farm sizes. So there was minimal theft involved. Moreover, the MC maintained good discipline in supplying water to members by adhering to schedules etc.)

The functioning and the general success of the water distribution society led to many visitors coming and studying this pioneering experiment. This was also because of the involvement of the NGO and the government. Seeing this experiment the Samaj Parivantan Kendra of Nashik were impressed and started advocating this model in their region. An IMF grant, reportedly, of around Rs. 65 lakhs was also promised to the society through the Central government.

Elections and Change of Leadership 1994

However, this golden period came to an end after 3-5 years around 1991-1994. Once the subsidy was removed, the water rates charged from the members had to be revised. The rates at which the society bought water from the government at volumetric rates too were increased every year. This was when the internal differences started cropping up. Elections took place in 1994 and the initial body was voted out. There may have been disillusionment with the first governing body but there is also a view that states that this disillusionment was limited to a few who had their own vested interest in getting a new body elected and they influenced the members. It was rumoured that the patvari and the secretary wanted increase in their pay and so they campaigned for a different board. There was supposedly some interference from the government servants as well.

**Table 4 : Water Rates Charged by Society to Members
(Rate in Rs. Per Acre)**

Crop	Rate Before Society 1987	After Society 1989		After Election 1994	
		Kharif	Kharif	Rabi	Summer
Sugarcane	400	100	250	350	350
Bajri		60	150	-	-
Sunflower/ Soyabean		60	150	-	-
Wheat		60	-	300	-
Green Gram harbara		60	-	250	-

Note: Crops other than sugarcane are seasonal crops.

Table 5 : New Water Charges to Society (per 1000 cum)

Season	Rate in Rs.	Max. Allocation	Total Amount	Current Rate 31.3.06	Total Amt as per New Rate
Kharif	10	433	4330	47.60	20610.8
Rabi	15	1058	15870	71.40	75541.2
Summer/HW	37.50	283	10612.50	144.80	40978.40
Total		1774	30812.50		137130.40

Source: Compiled from Lele, 1994., field visits.

Leadership and Working of the New Managing Committee:

The result of all these pulls and pressures was that a new governing committee was elected. Initially the new body worked fairly well. But soon problems started surfacing. It was a popularly elected committee but it lacked the competence to administer the distribution of a common property resource like water. They were not well equipped to understand concepts like cusecs, measurements, flows etc. Due to a leadership like this, it was reported that the three paid people of the society took advantage of the situation and misused the society for their own ends. The distribution of water was no longer honest and fair as before; they could not be as disciplined and vigilant as the earlier body was.

This change of leadership, from a competent one to a popular one, coupled with the stoppage of the subsidy led to all sorts of problems like the society being in debt and on the verge of liquidation. The promised IMF grant, languished/lapsed because the committee members were unable to comply with the formalities in time.

The water rates applicable to the members had to be increased. Moreover, now the water is available only for two seasons and is not available in summer. Due to lack of management there are problems of water distribution using a cooperative model. The farmers farther away from the canal would get less water and this led to internal fights and differences.

Currently, as we gathered in our field visits, the society is facing a problem in its working because it does not have technically qualified people. So, the society now realizes the importance of having a technically qualified leadership rather than only a popular one. One reason put forth by the people for the poor functioning of the water cooperative is that the water to every member cannot be metered. Water is measured only when the government releases it into the sub canal, in this case, Minor 7. However, the distributaries after that and the field channels do not have metering devices at their heads, because of which it is difficult to keep an account of how much water is let out and how much is to be paid for.

Summary and Conclusions

From all of the above it is obvious that the water distribution society at Chanda could work well in the initial years due to two main reasons: one that the governing body was selected by concerned state irrigation department personnel and an NGO like SOPPECOM. The other reason was the initial government help that it received in terms of the subsidy and the maintenance fund. Since the initial office bearers were selected, they were mostly competent people who understood the nuances of not only farming but also of canal irrigation, water measurement etc. This competence in no small terms helped the society to function well. In fact one can say that had a similar competent committee taken charge of the society, it could have continued the good work despite other drawbacks like the withdrawal of the subsidy. This is because, due to its competence the society could have attracted funds

from other sources, like the IMF grant they were to be getting.

The main problem in distributing canal water for irrigation seemed to be that the water distributed to each individual farmer cannot be metered. This leads to problems of extracting the fair and proper price for the used water. As Shete shared with us this concern he said that if water can be supplied through underground pipes it can be properly metered. Moreover this can also save evaporation and other losses that are substantial in open canals.

The cooperative model can be useful in addressing the problem of proper distribution of a common property resource like water, specifically, canal water, provided some enabling conditions are provided. One is that infrastructure should be adequate for distributing the water from the main canal to the sub canals. That is the sub-canals and field canals should be properly lined and maintained so that there are minimum seepage losses. Moreover, some system of metering the water is necessary to measure how much water is drawn by each farmer. If not meters at every canal head what is needed is competent persons who can calculate the approximate area that gets irrigated by studying the flow of the water and the width of the canals etc. One suggestion here was that pipes should be used so that measuring is possible and evaporation losses too are minimized. This need not be a difficult proposition only it could require big investment and a will to bring about the change.

If these technical changes are carried out so that water can be metered adequately, the quality of leadership will not be a cause for concern. But till such changes are effected and the system is made free of human error, the type and quality of leadership of such a cooperative society is of utmost importance. The above case study vividly brings out the fact that when measuring devices were missing the earlier leadership which was competent to measure water, could better manage the resource, it was also more disciplined or strict in maintaining schedules and vigilant so that there was minimal misallocation of water and water could be drawn by most members. Thus the contribution of a good quality leadership is vital to the success of cooperatives enterprises especially in new areas such as distribution of canal water without proper measuring devices and well made canals.

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*Annexure I***Rules of Water Distribution in the Shri Datta Water
Distribution Co-operative Society**

The committee will invite applications for supply of canal water one month prior to the start of the season in the prescribed form. Applications from non-members will be accepted but they will be charged 30 percent more than the normal rates.

Applications will be scrutinized as per ID current norms and passes will be issued. In case of rejection of any application, irrigator will be informed the reasons in writing.

The water to the field will be delivered indicating the time allocation with a constant discharge of one cusec as per rotations fixed by the department. A water delivery schedule will be prepared by the committee for this.

Water Charges:

- Irrigators will be charged according to the prevailing crop area rates.
- Each member and non member will have to pay Rs. 25 per ha. As service charge.
- Water charges will be recovered in advance and on such payments 5 percent rebate will be given.
- Small farmers (upto one acre) and members of backward committees will be exempt from advance payment but they will not receive the rebate above.
- Irrigators are responsible for maintaining field channels.
- Committee will supply water to crops dependent on well irrigation according to water availability. But they will be charged as per committee's decision. Non members will be charged 30 percent extra.

Governance and Cooperative Identity: Empirical Evidences on Impact of Leadership Approach¹

Dr. Shanthi Gopalan*

Introduction

Cooperative movement in India is the world's largest in terms of the number of cooperative institutions functioning and is identified as the most diverse in their functions. At the same time Indian cooperative movement is probably one of the world's most politicized movements. Nonetheless, cooperatives continue to be major players in many sectors of the economy especially agriculture and related areas. Caught between the state sponsorship on the one hand and the pressure of internationalization of markets on the other, cooperatives in India are searching for a foothold. There are questions of their relevance in the economy and their identity is at stake. Indeed the role of leadership especially in the issues of governance is a determining factor on how these institutions succeed or fail in the new economic environment.

Methodology

The present study looks into the issues of internal governance practices of a select group of cooperatives in India. The primary objective is to explore the governance practices and the role of leadership. Through empirical evidences, the study attempts to examine as to how

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the cooperatives maintain or sacrifice their identity and examine the overall impact of such a move.

The data used for this paper is drawn from a larger six country study 'Asia's Third Sector: Governance for Accountability and Performance'. The discussions in this paper are based on primary data gathered from 10 cooperatives across five states (Karnataka, West Bengal, Madhya Pradesh, Gujarat & Delhi) of India. They also represent structural and functional diversity. In all, 38 cooperative leaders were consulted and their opinions gathered. Apart from this primary data the study draws extensively from different secondary sources for the purpose of comparison and substantiation.

Issues of Governance

Governance is a comprehensive process and involves a whole chain of events ranging from the understanding about the concept of governance up to the day-to-day practices in relation to the activities undertaken (Dongre and Shanthi, 2005)

The cooperative laws make it mandatory for the organisations to have a formal board constituted from among the members of the cooperative and a CEO to address the day-to-day activities. Governance is a decision-making process that involves grassroots' expectations, needs and activism. How these processes are translated in formulating the objectives and developing appropriate modes to reach is governance. Understanding governance in the light of the cooperative principle becomes more meaningful as cooperative philosophy is based on democratic principles along with participation and provision of space within the organisation to grow. This philosophy of growth lays stress on the aspect of sharing of knowledge.

Governance is understood in this paper as the process of decision-making that addresses the issues of who decides. How are decisions made? How is authority vested in a small group to take decisions and what kind of relation exists between the authority discharging members and the body of the organisation? These are some questions that this paper addresses.

The constitution of India has bestowed on its citizens the right to associate which has a long tradition. This has evolved out of our heritage of cooperative existence. The formal body of cooperative had emerged during the British period in India. The present cooperative

structure in India requires the formation of a Board/Committee. The laws pertaining to the cooperatives have also clearly laid down the responsibilities of the Board, members and the process of constitution of the Board. These issues vary from state to state, since the cooperative laws are not uniform in India (Bhat, 2003). The extent of participatory decision-making, seen in terms of the role of Board and the involvement of different stakeholders would speak prominently of the nature of governance.

The present study derives data from 8 incorporated and 2 unincorporated cooperatives. Irrespective of the incorporation status of the cooperative, all the 10 cooperatives have a formal body for decision-making.

Decision-Making Process

Presence of a formal Board or Managing Committee is seen as an important prerequisite to ensure collective decision-making leading to better governance. The Board is supposed to have a role in Policy formulation, implementation, feedback and follow-up (Aarti, et al., 2003; Tandon & Mohanty, 2002). This paper explores the nature of Boards, the extent of participation of Board members and general members in the decision-making process.

All the 10 cooperatives under study noted that the board members were the elected representatives of the general membership of the cooperatives. The board members were chosen through a formal election process where the members elect the board members. Among the 10 cooperatives under study, 2 cooperatives are federated organisations on linear lines, 7 are non-federated, and 1 cooperative is horizontally associated. The federated cooperatives have a three tier structure where the primary cooperatives send their leaders to the second level of federation and from among them members will be chosen to represent the cooperatives at the third level of federation and from among them a board will be constituted. Further, the sample has 1 cooperative with a large membership, which undertakes regional selection of the members to vote to form the board and the other 7 have direct election.

In our study 6 cooperatives have missions stated and documented whereas 4 cooperatives did not have a written mission. All the 10 cooperatives undertake formal planning. Planning is the method adopted

to reach the missions set for the organisations. Further only 5 cooperatives have strategic planning and long range vision of action developed. 3 cooperatives have just recently started to work on strategic planning. On the other hand 2 cooperatives are working on a day-to-day basis. The governance implications of these are very important for us to note. Of the 10 cooperatives 7 cooperatives regularly review the strategic plans while the other 3 cooperatives do not do so.

Who develops and reviews the strategic plan? This is the most crucial question in understanding the governance issue of cooperatives. The membership and its role in governance of cooperatives is the most vital and is the distinct feature that sets it apart from other forms of companies and economic ventures. Membership participation and democratic member control are the major principles on which the cooperatives are identified.

Among the sample units in the study, 4 cooperatives have the exemplary practice of membership participation, and a democratic approach to addressing the issues concerning the cooperative. The membership has been very systematically educated and the principles of cooperatives have been effectively internalized. Very interestingly, it emerged in the course of our interaction with the members of these cooperatives that when their leaders started inviting people working with other cooperatives and cooperative leaders the approach of membership towards cooperatives changed. These contacts provided exposure to cooperative values and ideologies and made the membership look at cooperatives not as a government project but rather perceive it as their institution.

In 3 cooperatives the membership participation is present to the extent that they attend the general body meets in good percentage, (45 % on an average), but are not very active in providing inputs in policy formulation and decision-making process. The members had only chosen to be with the particular cooperative as it addressed initially some of their economic needs. All that they expected from the cooperative was economic returns. The absence of an understanding of the philosophy of the organisation was all the more perceivable in these four organisations.

The other 3 cooperatives have very little space for their membership voice to be heard.

Resources

As cooperatives are membership driven organisations, membership fee is one of the major sources of fund generation. In our study of the 10 cooperatives, all the cooperatives generate funds through membership fees. In 7 cooperatives the proportion of this fund is more than one third of the funds generated. 6 cooperatives have government funds as a source and interestingly only one cooperative has this fund which accounts for more than one third of the total funds generated by the cooperative. On the other hand 9 cooperatives have sales of goods and services as the major source of fund raising and in 8 cooperatives the share of this source is more than one third. What is of importance for us in understanding governance issues and the leadership dimensions in cooperatives is the way cooperatives negotiate the balancing act of conducting business and at the same time adhere to cooperative principles and values. On which side does the scale tilt and to what degree, needs to be carefully considered.

Governance Models

The analysis of the study units indicates the existence of three sets of cooperatives. In the first set, we have 3 cooperatives that have business activities which are very efficiently developed and could be at the outset declared as the best cooperatives. The second set has 2 cooperatives, which are moving towards insolvency, the third set on the other hand has 5 cooperatives that have effective turnover from the business and service activity, but cannot be identified as very great business proposals.

Addressing the governance issues of these three sets of cooperatives in the study brings forth different approaches to governance.

The first set has 3 cooperatives of which one is federated while the second one is a very big cooperative with 50,000 and above membership working more like a federated cooperative. The third is a workers' cooperative where there is direct election. All the 3 have linear hierarchical power structures.

The first cooperative is a very big success as a business enterprise but the examination of the decision-making mechanism and the democratic space within the cooperative indicates that the cooperative principles are to a very great extent lost in this cooperative. Most of the

primary cooperatives that form the first tier are closer to the cooperative principles and values. The second tier in the federation could not incorporate the first tier's values and principles and more often it was money and muscle power that directed the representation. In the third tier, the most politically influential and active of the representatives with greater purchasing power were in the decision-making positions. The very principles of cooperative that could be identified as the most recommendable parameters for governance thus leading to good governance have been at stake in this organisation. Still this organisation has been identified as a good cooperative and well performing organisation. The board in this organisation is reconstituted once in three years and a majority of the members on the board did not change their positions except for a few members whose positions were reshuffled. This has very serious implications for governance against the backdrop of the cooperative principles of democracy and participation.

The second cooperative due to its large membership does not have direct election. It follows representative voting. In course of our interaction with the members it emerged that the members did not know the basic doctrines and values of the cooperative. Their role in cooperatives was only to seek the services that the organisation was offering by paying for the services and payment of membership to retain the eligibility to continue to get the services offered. The members have never asked questions and have let a few persons take policy decisions and they don't attend annual meetings. But the business aspect is addressed efficiently. In the light of the cooperative ideology this is not an acceptable mode of governance.

The third cooperative in the first set also has a very successful business turnover but the membership has no effective participation. The chair of the board who is the founder leader is also the CEO since the inception of the cooperative. The capability of the chair and the other members of the board to take the cooperative towards profit making is a commendable quality. It is worth remembering that this is a cooperative institution not a corporate venture. The organisation was recording high administrative and overhead costs. While co-operatives have to be financially successful, their real value comes from their ability to keep alive the membership involvement at all stages and not

just reporting at the end of the business. They have to be committed to the “social contract” that arises out of the cooperative principles.

The second set of organisations has 2 cooperatives both on the verge of closure unless they drastically revamp their approach to governance. One cooperative has been so intently passionate about some cooperative values that it has regrettably not been able to take decisions keeping the changing world in which they trade. The board has not been effective in retaining the membership through its decisions. With the initial target of the cooperative met, the members have been demanding a shift in the activity. This has not been acceptable to the founder members and has caused a rift in membership. This has led to a situation where the members are not using their cooperative but bypass it for a small gain elsewhere. The over enthusiastic board thus sticks to what it initially perceived and visualized. It does not acknowledge the members’ concerns and their choices and dissenting voices are not seriously taken.

The second cooperative in this category has been a total failure both as an economic effort and also as a cooperative. The cooperative should be member driven and the funds raised by the membership should form the greater percentage than funds from other sources. In this particular cooperative the membership fee is very meagre, while it is the government funds which augment to the funds of the cooperative. In this situation it is anybody’s guess as to who controls the cooperative. The government representatives have the final say despite a few board members’ objection. The frequent transfer of government officials has added to the problem. The interests of the members are not guarded but a few board members have been heavily drawing advantages from the cooperative position held by them. The membership on the other hand is not educated on the lines of cooperative ideologies and very easily gets influenced by the competitive market fluctuations and look for quick individual centred returns than the collective expression.

The third category has 5 cooperatives. These cooperatives have boards that are reconstituted every second year and the board members as a rule cannot hold important decision-making positions for more than one term. They can always come back after a gap of one term. This has created ample space for new members to come into the board. The maintenance of an open line of communication with members has

resulted in individual members becoming more influential and the collective thus is very strong. The cooperatives in this category have been to a very great extent able to address the linear hierarchical power dimensions so that the basic democratic participation of the members has been possible. Through participative governance, these cooperatives have been able to combine entrepreneurial and social objectives. Participative governance has encouraged internal checks and balances and general transparency. These cooperatives have heavily invested in time and effort to bring a majority of the cooperative members together. While seemingly a burden, a veteran co-operative leader notes that the extra effort is far outweighed by the quality of decisions made. Of these 5 cooperatives, 3 cooperatives have been following the internal self-assessment process. This, the members have noted has tremendous value. The process has provided an opportunity for the board, the members, and staff to place issues on the table for open discussion. In the other two cooperatives the members return those members who have the capability to maintain member loyalty to the cooperative by drawing the skills and entrepreneurial experiences in running the cooperative to the board.

Leadership issues

Good governance draws immensely from the enlightened behaviour and responses of leadership. For instance, participative and democratic leadership can give a big boost to cooperative identity. On the other hand the leadership that fails to imbibe in the governance process the element of political neutrality and concern for members' interest is sure to put cooperative identity at stake. Assuming that retaining the cooperative character is an essential requisite for cooperatives in any type of market structure, the leadership responses are very vital. Like any other organisation the cooperatives also depend on the vision and capability of the leader. By and large these leaders are charismatic in nature.

In our sample of 10 Cooperatives 4 are found to be Individual Leader Centred and these leaders are the founders of the cooperative. These leaders are recognized as individuals with expertise and competence to address the business issues of the cooperative. 4 cooperatives noted that the leaders were democratic and had strategic planning ca-

pability. These leaders the members noted had internalized the right mixture of business and cooperative principles. The other 2 cooperatives has leaders who were noted to be charismatic individuals but unprepared for the market shifts and business ventures.

An analysis of the qualities of leadership and an effort to place them under different models revealed that that among 10 cooperatives 5 cooperative leaders exhibit qualities of a democratic leader and 5 cooperatives have leaders tending to be autocratic in nature.

Dependence on one or a few persons may have serious implications for ensuring continued better governance and sustainability of cooperatives. It might be true that many of these organisations are recognized as 'well performing' at present. However, there is no guarantee that this will help in the long run. For it is here that the issue of second line leadership becomes crucial as they have direct bearing on the sustenance of the organisation. In our study 4 cooperatives have trained second line leaders. These organisations have created spaces and opportunities for new set of people to assume leadership positions both within and outside the organisation so that the sustenance of these organisations are not affected. Here again the cooperatives that have developed second line leadership are the ones having democratic leaders. They have been able to decentralize the decision-making process and delegate responsibilities to different groups of people in the organisation. The cooperatives without a second line leadership and the ones with autocratic leaders have exhibited strain in intra-organisational relationships. We may therefore say that there exists a positive correlation between the nature of leadership and governance.

Analysis

The necessity to see the possible link in the governance pattern and the kind of leadership that are conducive for the cooperatives to survive and thrive without compromising on its philosophy and values is very important for understanding the possible directions for cooperatives.

The empirical data and our analysis on governance mode and leadership practices in cooperatives in India establish that there are four distinct approaches to governance. They are (1) Democratic Leaders with Participative Board, (2) Democratic Leaders with Participative

Board and Membership, (3) Authoritative Leadership with limited member participation, (4) Autocratic Leadership as the sole decision-making authority.

The first category, 2 cooperatives have boards as a cohesive group. This seems to be an effective pattern for the cooperatives to survive and thrive, keeping the business and economic component in view. 3 cooperatives in the study fall under the second category. This mode of governance is an ideal setting to realize good governance. In other words, a third of our sample organizations have the potential to be governed well. Under the third category we can identify 2 cooperatives. These cooperatives are highly individual centric and scored medium to low on the scale of chances of survival of the cooperatives with its principles and philosophies. The fourth group has 3 cooperatives that are at the moment performing on the economic front well. But if we link them to cooperative principles one will be able to identify that they are a total failure. The future of these cooperatives to be identified as people's collective is highly precarious.

Looking Ahead

The cooperative principles lay the base for developing a holistic understanding of governance. The future directions for cooperatives have to reconsider the prevalent modes of governance and the leadership issues. In India cooperatives are the most politicized and individual centric. And yet there are examples of cooperatives that do not look at cooperatives as exclusive business ventures but have been effective in identifying and translating the cooperative principles. The examples in the study have shown that the cooperatives can effectively thrive as business ventures and at the same time be able to cherish cooperative values. The linear hierarchical structure that is most common in cooperatives gives tremendous power and strength in the hands of a few. However, as one of the cases in the study indicates, the inter-cooperative linking will provide effective membership activism, freedom and also business viability. Studies also have documented the operation of such horizontal cooperative associations (Dongre, 2005 Sudha, 2003). The horizontal cooperative federations provide ample space for individual innovations and group strength to face the changing market. The interlinking of different cooperatives creates effective

interdependence and also provides the advantages of the collective to each cooperative. These efforts are not stray instances that ought to be considered as ideal situations and hence unachievable. We have many such cooperatives in India that needs to be explored and documented. The state and corporate governance and leadership models have clouded our perceptions of cooperatives and their governance. It is necessary to look at the possibilities of a cooperative model of governance that reinforces the collective existence and also caters to the individual members' need.

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A study of the Internal Audit Committee (IAC) in the Co-operative Movement in Malaysia

Ms. Indar Kaur*

1. Introduction

Audit, both external and internal audit form an important component of good corporate governance. External audit has long been a legal requirement for most businesses to provide assurance on the reliability of information contained in financial statements. Internal audit, though traditionally not mandatory, is now being recognized as an important element in enhancing governance, accountability and transparency. In Malaysia, the 1990's witnessed internal audit and audit committees being made a necessary best practice in companies as well as cooperatives through relevant legislation and administrative circulars.

In August 1993 it was made mandatory for all companies listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia) to form an 'Audit Committee', comprising of a minimum of 3 independent directors. The concept of internal audit was introduced into the cooperative sector with the enforcement of the Cooperatives Societies Act (CSA) 1993 on January 22, 1994.

2. Internal Audit Committee in Co-operatives

Under the CSA 1993 it was made mandatory for every cooperative to appoint at its Annual General Meeting (AGM) an Internal Audit

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Committee (IAC) comprising of not less than three and not more than six members. As at 31st December 2005 there were 4771 cooperatives in Malaysia with a membership of 5.68 million people and assets worth RM 34.86 billion. If each of the 2951 cooperatives (excluding 1820 school cooperatives) were to appoint the minimum of 3 members to its IAC there would be at least 8853 IAC members in the cooperative sector in Malaysia.

Section 49 of the CSA 1993 lists the powers and functions of the IAC. Among others the functions of the IAC are to:

- examine all accounting and other records for determining whether the affairs of the cooperative are conducted in accordance with its objectives, the provisions of its by-laws and the resolutions adopted at its general meeting, and, in particular, shall –
 - a) ascertain the authority and validity of all expenditures;
 - b) examine the accounts, or appoint competent persons to examine such accounts, at regular intervals which shall not in any case be less than once every three months; and
 - c) communicate to the board any discrepancies that may occur in the management of the coop.
- present at the annual general meeting a report on the management and affairs of the society, including any violations of its by-laws .
- Regulation 32(2) requires that: “the Internal Audit Committee shall meet and table its recommendations not less than twice every year in any registered society and reports shall be submitted to the Registrar-General”.

3. Objectives of the Study

The objectives of this study are to appraise the extent to which the IAC in co-operatives has performed its duties in compliance with provisions of Section 49, CSA 1993 and related regulations and to gain a better understanding of current audit practices in cooperatives. Specifically, the research aims to :

- i) ascertain the degree of compliance to provisions of the CSA 1993 in respect of the composition of the IAC, timely conduct of audit work and submission of audit reports
- ii) obtain an insight into the demographic profile, experience and training background of the Internal Audit Committee

- iii) study the IAC's level of knowledge and understanding of their functions .
- iv) identify the current audit practices of the IAC

4. Significance of the Study

This research is the first study on the IAC since its introduction into the cooperative movement in 1994. The findings could provide valuable feedback to the Ministry of Entrepreneur and Co-operative Development (MECD) and the Department of Co-operative Development (DCD) for policy planning and legislative changes that will enhance the functioning of the IAC. It would also help training providers like the Cooperative College of Malaysia (CCM) and National Cooperative Organisation of Malaysia (ANGKASA) to design appropriate training to cater for gaps in auditing knowledge and skills of the IAC.

5. Research Methodology

The study was carried out through a survey using a self administered questionnaire. The research instrument comprised of 5 sections. Section A gathered data on the IAC's knowledge of their functions, Section B on respondent's perception of the importance of the IAC's role. Section C obtained data on audit practices and Section D the demographic data, experience and training attended by respondents. Section E obtained data on size of IAC and regularity of audit reports as required by the CSA 1993.

As at 31st December 2005 there were 2,332 active cooperatives (excluding school cooperatives) in Peninsular Malaysia which were selected as the total population of this study. From this population a sample of 274 cooperatives representing five areas i.e., north, south, east, west and central regions were randomly selected as our sample of study. In each selected cooperative the chairman and two other randomly selected IAC members were chosen as respondents (3 per cooperative).

6. RESEARCH FINDINGS

6.1 Sample Characteristics

Completed questionnaires were received from 473 IAC members from 176 different cooperatives. The majority of sample cooperatives

are found to be small in terms of total assets. As seen in Table 1, almost 40% of the sample have less than RM500,000 in assets of which 11.4% have less than RM100,000. Another 26.7% of the sample have assets ranging from RM500,001 to RM1.5 million. Nearly 35% or one third of the sample has assets exceeding RM1.5 million which can be considered as large cooperatives.

Table 1 : Sample Size : Total Assets

Total Assets (RM)	No. of Co-operatives	%
< 100,000	20	11.4
100,000 – 500,000	48	27.3
500,001 – 1,000,000	34	19.3
1,000,001 – 1,500,000	13	7.4
>1,500,000	61	34.7
Total	176	100

6.2 Demographic Profile of the IAC

The demographic statistics of the respondents show, the majority (82.2%) of internal auditors in cooperatives are males (see Table 2). The respondents' age ranges from 19 to 78 years. The mean age is 51 years with the largest proportion or 71% falling into the 40-59 years age group. Only 10% of the IAC are below 39 years. This indicates that generally the IAC is comprised of experienced, matured individuals and still in the employed age group.

In terms of the level of education, 58.7% of the IAC members possess only the Malaysian Certificate of Education (O level), Higher School Certificate (A levels) or Diploma level qualification. A substantial 28.3% of the respondents only have lower secondary education or primary education. Only about 13 % of the IAC possess any tertiary or professional qualifications. This low level of education among a large number of the IAC can affect the ability of the IAC to conduct quality and comprehensive audit work.

Table 2 : Demographic Characteristics of Respondents

Gender	N	Percent (%)
Male	389	82.2
Female	84	17.8
Total	473	100
Under 39 years	48	10.1
40 – 49 years	162	34.2
50 – 59 years	174	36.8
60 – 69 years	67	14.2
70 years and above	22	4.7
Total	473	100
Education Level		
Lower Secondary	134	28.3
O-Level	196	41.4
A-Level	82	17.3
Degree and Professional	61	12.9
Total	473	100

6.3 Length of Membership and Experience as IAC

The majority of IAC have been members of their cooperative for more than 10 years with 37.4% having been members for between 11 - 20 years (Table 3). Nearly one fourth or 23.5 % are long serving members with more than 21 years of involvement with the cooperative. Interestingly, a significant 16.3 % are relatively new members (1 -5 years membership). The mean membership with cooperatives is 15.7 years.

Table 3 : Length of Membership with Cooperative

No. of years as member	N	Percent (%)
1 – 5	77	16.3
6 – 10	108	22.8
11 – 15	105	22.2
16 – 20	72	15.2
> 20	111	23.5
Total	473	100

Table 4: Experience of IAC

No. of years	No. of respondents	%
≤ 1 year	128	27.1
1- 3 years	189	39.9
>3 years	156	33.0
Total	473	100.0

As seen in Table 4 more than one fourth or 27% of the respondents have been on the IAC for one year or less, indicating they are relatively new to this job. The majority or 39.9% have been on the IAC for between 1 - 3 years, while one third or 33% have held this position for more than three (3) years. This shows that the majority of IAC members have been reappointed at the annual general meeting.

6.4 Training of IAC

The Registrar General of Cooperatives has through a circular issued in 2002 made it mandatory for all IAC members to attend a specially designed two day training programme on Cooperative Accounting and Auditing Procedures within ten months of their appointment to the IAC. This research is also aimed at finding out the extend to which this directive has been complied with and whether attending this mandatory training has any relationship with good audit practices.

Table 5 : Training Attended by IAC

Type of Course	Mandatory Course		Other Training	
	N	%	N	%
Attendance				
Yes	305	64.5	336	71
No	168	35.5	137	29
Total	473		473	

Only 64.5% of the IAC have undergone this mandatory training (Table 5). It is disheartening to note that one third or 35.5% have yet to attend this course, though it is already more than 3 years since this

circular come into force. Also to be noted is that 29% of the IAC have not attended any other training either.

6.5 Knowledge of the IAC’s Functions & Duties

A primary objective of this study is to ascertain whether the IAC know their functions as provided for in the CSA 1993 and Cooperative Societies Regulations 1995. To assess this, 14 questions were formulated relating to provisions in Section 49 of the CSA which specifies the functions and powers of the IAC.

The percentage score of correct answers obtained by the respondents is tabulated in Table 6. A score of less than 64% is considered as not having enough knowledge regarding the functions and duties of the IAC. Only about half the respondents or 53.3% obtained a score of 85% and above, reflecting a good understanding of their functions while another 126 respondents or 26.6% have only a fair level of knowledge of their functions (65- 84% score). Sadly nearly one fifth or 20.1% of the IAC do not know their functions as reflected by the score of 64% and below. Obviously the IAC will not be able to perform their job if they do not know what they are supposed to do.

Table 6 : Knowledge of IAC’s Functions

Level of Knowledge (% score)	N	%
0 - 64	95	20.1
65 – 84	126	26.6
85 - 100	252	53.3
Total	473	100.0

Comparison of Level of Knowledge and Mandatory Training

Cross tabulation between attendance of mandatory training and score for knowledge of IAC functions is carried out to study the relationship of training with level of knowledge. Those who attended mandatory training have a higher score for knowledge compared to those without such training (Table 7). Nearly two thirds (62%) of those who attended mandatory training have a high level of understanding of their functions (> 85% score), compared to only 37.5% of non trained IAC

members with such a high score. While only 12.8% of trained IAC members still have little knowledge of their functions a substantial one third or 33.3% of non trained IAC members do not know their functions (score < 64%). Training thus seems to have a direct effect on increasing the knowledge of the IAC members.

Table 7 : Comparison of Knowledge and Mandatory Training

Training Score of knowledge	Attended		Did Not Attend	
	Mandatory Course		Mandatory Course	
	N	%	N	%
0-64	39	12.8	56	33.3
65-84	77	25.2	49	29.2
85-100	189	62.0	63	37.5
Total	305	100	168	100

Factors Related to Level of Knowledge

Further statistical analysis was carried out for a comparative study of the relationship between IAC's level of knowledge and the following 5 factors: mandatory training, length of experience as IAC, length of cooperative membership, other training attended and educational level. The findings are tabulated in Table 8.

As can be seen from table 8, three of the five factors (mandatory training, length of membership and number of years as IAC) are highly significant, while attendance of other training programmes is significant. Though the mean score for knowledge is higher for those with higher educational level, the difference is not significant.

IAC members who have attended the mandatory course have a significantly higher mean score for knowledge (83.89) compared to those who have not attended mandatory training (73.98). The results indicate attending the mandatory course has a positive influence in improving the IAC's knowledge of their duties. Similarly, IAC members who have held this position for more than 3 years have a higher mean (83.15) for knowledge compared to those with less than one year's experience (77.4) and this difference is highly significant.

Table 8 : Factors Related to Level of Knowledge

Characteristic	Mean by category	Test Statistics	P-value
Mandatory Training	Attended = 83.89	7.113	0.000**
	Did not attend = 73.98		
Number of years experience as IAC	< 1 year = 77.40	5.627	0.000**
	1 - 3 year = 80.08		
	> 3 years = 83.15		
Length of membership in cooperative	1 - 5 years = 75.33	4.534	0.001**
	6 - 10 years = 78.57		
	11 - 15 years = 80.91		
	16 - 20 years = 81.46		
	> 20 years = 84.17		
Other training attended	Yes = 80.67	2.313	0.021*
	No = 73.81		
Educational Level	Primary/LCE = 79.21	2.141	0.094
	MCE/SPM = 79.30		
	STPM/HSC/ = 81.79		
	Diploma		
	Tertiary = 81.7		

* Significant at 0.05 level of significance

** Significant at 0.01 level of significance

IAC members who have been long term members of the cooperative also have a significantly higher mean for knowledge of their duties. From a mean of 75.33 for those with less than 5 years membership, the mean increases to 84.17 for those with more than 20 years membership. This is probably because longer membership provides greater member education opportunities. There is also a significant difference in the mean score for knowledge between those who have attended other training (80.6) and those without other training (73.81). Educational level, though not significant is still a contributing factor to level of knowledge.

These findings clearly show that the most important contributory factor towards improving IAC's knowledge of their functions is attendance of mandatory training and length of service as IAC members. In

third place of importance is length of cooperative membership followed by 'other training attended'. Educational level, though not significant is still a contributing factor at fifth place.

6.6 Audit Practices in Cooperatives

One of the objectives of this research is to gain an insight into current audit practices in cooperatives. IAC members are asked how frequently they carried out audits and attended IAC meetings, their areas of audit focus and allowances paid to them. Information on size of the IAC and audit reports is obtained from the chairman of the IAC.

Frequency of Audit

Only two thirds or 66.8% of the respondents carry out audit at their cooperative in compliance with provisions of the cooperative law (Table 9). About 40% audit once in three months which is the minimum required under the CSA 1993. It is heartening to note that 20.3% audit monthly, while another 7% once in two months which should be the best practice in all cooperatives. However it is disheartening to note that one third or 33.2% of the respondents are in non compliance with provisions of the CSA 1993 with 3.2% not carrying out any audit at all. This high level of non compliance defeats the very purpose of establishing the IAC in cooperatives, i.e. to enhance accountability, governance and internal control.

Table 9: Frequency of Audit

Frequency	Audit Performed	
	N	%
Every 1 – 2 months	129	27.3
Once in three months	187	39.5
1 – 2 times per year	142	30.0
Never	15	3.2
Total	473	100.0

Relationship between Frequency of Audit and Level of Knowledge

A comparison of the frequency of audit and level of knowledge regarding IAC duties is carried out. The results (Table 10) clearly indicate that respondents with a high mean for knowledge carry out significantly more frequent audits than those with lower mean for knowledge. Those who audit once in 3 months (minimum required) or more frequently (every 1-2 months) have a high mean for knowledge of 82.77 and 84.94 respectively. IAC members who only audit once or twice a year, (non compliance) have a mean of 74.49 only for knowledge. Those with lower mean of 66.67 have never undertaken any audit.

Table 10 : Comparison of Frequency of Audit and Knowledge

Frequency of Audit	Mean	Test Statistic	P - value
Every 1 - 2 months	84.939		
Once in 3 months	82.773	18.296	0.000**
1- 2 times per year	74.497		
Never	66.667		

** Significant at 0.01 level of significance

Factors Related to Frequency of Audit

A comparative analysis is done to find out whether frequency of audit is associated with other factors such as attendance of mandatory course, number of years of experience as IAC and allowances paid to the IAC. Those who have attended mandatory training, have longer experience as IAC members and are paid some form of allowances carried out significantly more frequent audits at their cooperative (Table 11). A significantly higher proportion (70 -76%) of quarterly or more frequent audits (in compliance with CSA 1993) is carried out by those who have attended mandatory training. Also those who have more than one year of experience as IAC audit significantly more frequently than those with less than one year's experience. More than 96.1% who audit monthly or once in two months and 88.2% who audit once in three months are those who are paid some form of allowances for their work whereas only 3.9% and 11.8% of those who are not paid any allowances audit as frequently.

Table 11 : Factors Related to Frequency of Audit

Audit Factors	Test Statistic	Frequency			
		Every 1 to 2 months	Once in 3 months	1-2 times per year	Never
		%	%	%	%
<u>Mandatory Course Attended</u>		76.0	70.1	47.9	53.3
<u>Did not attend</u>	27.855				
- χ^2					
- p value	0.000**				
<u>IAC experience</u>					
< 1 year		24.2	35.2	34.4	6.3
1 - 3 year		19.6	40.7	37.0	2.6
> 3 year		39.1	41.7	17.9	1.3
- χ^2	30.643				
- p value	0.000**				
<u>Allowances</u>					
Received		96.1	88.2	78.9	40.0
Did not received		3.9	11.8	21.1	60.0
- χ^2	44.232				
- p value	0.000**				

** Significant at 0.01 level of significance

6.7 Audit Reports

The CSA 1993 requires the IAC to report their audit findings to the board of directors (4 times a year), to the Registrar General of Cooperatives (2 times a year) and to the members at the annual general meeting (once a year). Table 12 shows 15.3% make no reports to the BOD, 43% have no reports to the Registrar General (RG) and more than one third or 38% do not submit any reports to the members at the annual general meetings.

Also to note is that not all IAC who submit audit reports comply in terms of the required number of reports per year to the relevant parties under the CSA. Only 34.1% of cooperatives comply with the requirement of submitting at least four audit reports per year to the

BOD. Half the cooperatives (50.6%) make only 1-3 audit reports to the BOD, which is not in compliance with the legal requirements or best practices. Only one fourth (25.5%) of cooperatives comply with submitting at least two audit reports per year to the Registrar General. One third (31.3%) submits only one report per year to the Registrar General (non compliance).

Table 12 : Frequency of Audit Reports

No. of Reports per year	Report To					
	BOD		Registrar		Members	
	N	%	N	%	N	%
0	27	15.3	76	43.2	67	38.1
1	37	21.0	55	31.3	109	61.9
2	35	19.9	29	16.5	na	na
3	17	9.7	5	2.8	na	na
4	36	20.5	3	1.7	na	na
> 5	24	13.6	8	4.5	na	na
Total	176	100	176	100	176	100

Relationship between Audit Reports and Mandatory Training

A comparison is done between attendance of mandatory training and submission of audit reports as required under the CSA 1993. The results (Table 13) indicate that there is a significant difference in number of audit reports submitted between IAC with and without mandatory training. Those who attend mandatory training are more in compliance to submitting the required number of reports to the Board (95%) and to the Registrar General (91.9%), indicating a significant strong relationship between attendance of mandatory training and compliance in reporting to the BOD ($p=0.001$) and to the RG ($p=0.000$). However there is no significant relationship between mandatory training and compliance or non compliance in reporting to the AGM.

Table 13 : Relationship between Mandatory Training and Audit Report

Frequency	Factor	Mandatory Course		- I ²	P - value
		Attended	Did not attend		
Report to BOD	= 4 (Compliance) < 4 (Non compliance)	95.0 71.6	5.0 28.4	13.363	0.001**
Report to RG	= 2 (Compliance) < 2 (Non compliance)	91.9 75.6	8.9 24.4	4.970	0.026*
Report to AGM	1 (Compliance) 0 (Non compliance)	80.2 78.6	19.8 19.8	0.068	0.795

* Significant at 0.05 level of significance

7. CONCLUSION AND RECOMMENDATIONS

Findings of this research is significant to the cooperative movement, in particular the DCD as the regulatory authority. In summary, the key findings indicate:

- 35.5 % of the IAC have yet to attend the mandatory training programme.
- Only 53.3% of IAC members have a good level of knowledge of their functions (score = 85%).
- Those who have attended mandatory training, served 1 – 3 years as IAC, have been long term members of the cooperative or attended other training have a significantly higher mean score for knowledge indicating these factors have a significant positive effect on knowledge of IAC functions.
- Only 66.8 % of respondents comply with carrying out an audit at least once in three months as required under the CSA 1993.
- Those with higher score for knowledge audit significantly more frequently than those with low knowledge.
- There is a significant positive relationship between frequency of audit and mandatory training, longer experience as IAC and allowances paid to the IAC.
- There is still a high level of non compliance in submitting the

required number of audit reports. Only 34.1% comply with four (4) reports to BOD and 45% with at least two (2) reports to the RG.

Those who have attended the mandatory course are more in compliance with audit reporting.

The following actions are recommended:

1. More assertive monitoring and enforcement by the regulatory authorities to ensure all IAC members attend the mandatory course within 3 months of their appointment as it has a positive effect on their performance.
2. Mandatory training should be made accessible to all cooperative members to ensure there is a cadre of members with enough knowledge of IAC functions from which appointments can be made to the IAC.
3. Appointment to the IAC should be for a 2 year term, not annually as is the current practice. This will enable the IAC to acquire the requisite knowledge, skills and confidence for better performance.
4. More stringent enforcement by the regulatory authorities to ensure regular audit and audit reports are presented by all IAC in compliance with best practices and the law.



A Comparative Investigation of Agricultural Co-operatives and Assessment of their Success in West-Azərbayjan Province, Iran

Taghi Mahdilou*

Introduction

Agricultural Co-operatives are part of a dynamic economic system. They play an important role in socio-economic changes across the world. They satisfy the needs of supply, processing and marketing of goods; they also play a significant role in development of agricultural sector and rural areas.

With emerging changes in socio-economic conditions in the world, the significance of cooperatives is gaining greater attention. Major share of the world's cooperatives are engaged in agriculture and allied sectors. and further nearly seventy per cent of these agricultural cooperatives are found in Asia-Pacific region. Agricultural cooperatives render a variety of services and a few major of them are 1) Transferring technical know-how to the members, 2) Facilitating credit and loan procedures, 3) Supplying, and 4) Marketing.

The Study

Cooperation is one of the three existing economic systems, which has been mentioned in the basic constitution (public, cooperative and private, respectively) in Islamic Republic of Iran. Social and economic

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formations such as cooperatives have a significant function in growth and development of communities and societies. In this regard, Iranian Agricultural Cooperatives have played a very important role. They help authorities to control and monitor rapid changes in agricultural sector.

This survey is based on International Cooperative Alliance's statement on the "cooperative Identity". In this research cooperative principles have been employed to examine the compatibility of International Cooperative principles in local cooperatives in North West part of Islamic Republic of Iran. The study tries to ascertain the degree of socio- economic success of agricultural co-operatives in rural Areas in West-Azərbayjan Province, Iran.

Cooperatives are influenced both by internal and external forces. These forces influence market and public policy. The changes that emerge due to internal and external forces need to be internalized and record reaction by the cooperatives. But most often than not the cooperatives will not be in a position to respond to the external forces that influence them, as they are often out of reach of cooperative authorities.

This study discusses mostly the internal forces and issues facing cooperatives. The study mainly focuses along with other issues, the cooperative principles and its stakeholders.

Method

To investigate the agricultural cooperatives and to assess their success we have employed a descriptive-correlation survey research method.

The study was made on the assumption that, the participants (samples) represented a sample of cooperative members in the province. Therefore the findings and implications should be generalized to the extent that future groups of farmers of similar background.

The present study is based on the data drawn from 364 members in 64 villages which were under supervision of cooperatives and 18 executive managers by employing random sample techniques from Western Azərbayjan province in Iran. The criterion for selection of the sample population (agricultural cooperatives) was that they have put in 3 years of recorded service. Based on this criterion, 18 of 21 cooperatives were selected. Number of sample population was determined

by Cochran formula. The formula is as follows:

$$n = \frac{Nt^2pq}{Nd^2 + t^2pq}$$

$$N = 6948$$

$$t = 1.96$$

$$p = .50$$

$$q = .50$$

$$d = 0.05$$

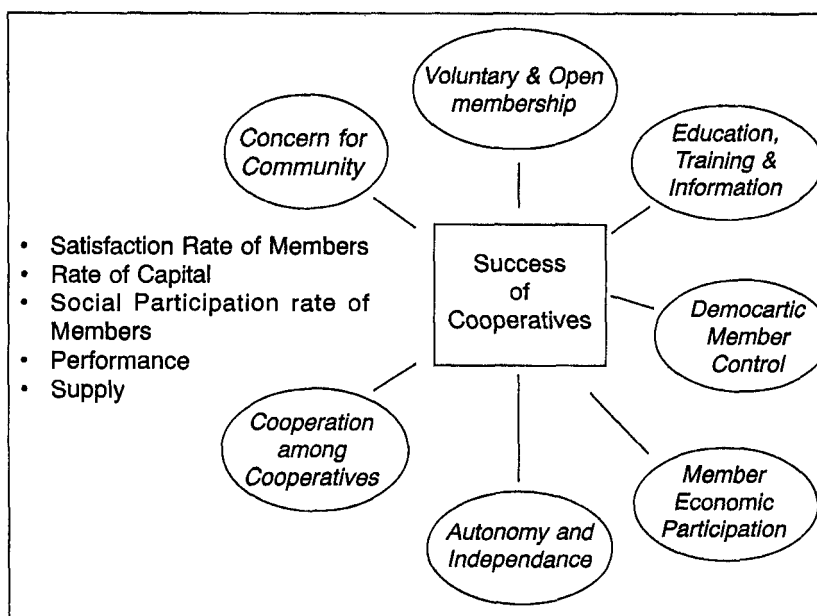
$$n = 364$$

The data was drawn from the chosen sample using the questionnaires. The questionnaires were of two types. One set of questionnaires were specially developed for executive managers and the other for cooperative members who are farmers.

Further the content validity of this study was confirmed by experts in the field of agricultural extension, education and rural development experts. The questionnaire was tested by a pilot study. The results when confirmed acceptable reliability the next stage of investigation was undertaken.

Analytical model of Research

This research is based on the following Theoretical Framework



Cooperators' perspective; Member's point of view; and Directors and cooperative board members' perspective were considered as the success indicator in the study. Further, the Performance in the main crops such as Wheat, Barely, Sugar beet, Corn, Cereals, Apple & Grapes (in Ton per Ha.) during the last three years were considered as the performance indicator for the study.

Findings

The findings indicates that agricultural cooperatives in Hamedan province¹, despite their success in the context of mechanization, extension, training, services and good supply as well, they were not successful in achieving some of their pre-defined goals, specially in regard of Farm Land Integration projects.

The study found a significant relationship between success of cooperatives and independent variables such as; farmer member satisfaction & Extension and Training services.

The results of this research indicates that there is a significant relationship between Autonomy & Independence, Democratic Member Control, and, Education, Training & information. There is also a significant relationship between the following Independent Variables such as; number of staffs, age, literacy rate of farmers, date of establishment, communication facilities, Agricultural inputs, Supply, Machinery services and Success of Co-operatives.

The result of Multiple Regression showed that, 66 percent of changes in dependent variable are affected by independent variables such as; cooperative facilities like; Agriculture Machinery and Co-operatives performance (Agricultural inputs, Supply, Machinery services and infrastructure performance).

Discussion

The first hypothesis, that there is no significant relationship between Autonomy & Independence and co-operatives' success degree is not rejected. The second and third Hypothesis;

That there is no significant relationship between Education, Training and Information and dependent variable;

¹ Hamedan Province is located at the west part of Iran

- That there is no significant relationship between Democratic Member Control and dependent variable, also were not rejected.
- There were also a significant relationship between the following Independent variables and Success extent of Agricultural Cooperatives;
- Service Record of Cooperatives;
 - Communication facilities;
 - No. of Staffs/personnel;
 - Age of farmer members;
 - Literacy rate of farmer members;
 - Distance between Cooperatives & city center (Cooperative Office) Cooperatives performances (supply, Extension & Training and...)
 - Crops yield (per Ton in Ha.)
- However in the following Hypothesis, that there is no significant relationship between;
- Member Economic Participation,
 - Cooperation among Cooperatives,
 - Voluntary & Open Membership and,
 - Concern for Community, Were rejected.

Pre-defined Goals of Agricultural Cooperatives

The 10 pre-defined goals in Iran Agricultural Cooperatives' constitution, which they were employed as a part of Success parameter in this survey research, are as follows:

- Farm Land Integration;
- Maximum Exploitation of the farm lands and productivity increasing;
- Mechanization;
- Soil and Water preservation, proper usage of Agricultural inputs, Machinery & Technology
- Facilitating public investment in infrastructures and preserving them;
- Introducing principles and advanced methods of cultivation;
- Expanding Non-Agricultural activities such as; Handicrafts and other rural based Industries;
- Increasing Socio-Economic, Hygiene and Cultural growth of supervised villages;
- Rational usage of Credits & Budgets;

- Supplying Agricultural Inputs, Machinery and giving services in the process of Cultivation to harvesting.

The three most achieved defined goals among the pre-defined goals based on a 1-5 Spectrum scale respectively are;

- Supply and proper usage of Agricultural Inputs;
- Supply and proper usage of Machinery and related Technology;
- Introducing principles and advanced methods of cultivation.

The two least achieved goals also respectively are as follows;

- Establishing welfare facilities;
- Expanding Non agriculture activities such as; Handicrafts & other rural based Industries

Suggestions

- Based on a significant relationship between Democratic member control and Cooperatives' success extent and importance of participation; decision makers should provide a ground in which, member of cooperatives or their representatives participate in decision making and policy setting process efficiently.
- According to significant and positive relationship between success extent of Cooperative and Autonomy & Independence variable, Government should limit his involvement in Cooperation sector and should build capacity among cooperators to delegate related affairs to them.
- Based on findings; Education, Training and information has an important role in cooperatives' success, hence, cooperators should allocate more budget and time for professional-vocational and extensional courses. They should stabilish an information system in which farmers can receive up-to-date professional information through it.
- According to significant relationship between performance of cooperative on Agricultural products and its success, for promotion of agriculture products, we suggest providing more expertise and technological services to farmers (cooperative members).
- According to significant (negative) relationship between age of members and success extent, executive managers should concern and encourage young farmers to be member of cooperative.
- Because of significant relationship between literacy and Independent variable, board of execution and executive managers should pro-

vide some facilities to promote members literacy rate via coordinating with Ministry of Education or Literacy movement Organization.

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The Theory and Praxis of Worker Coop in the Philippines

Ms. Hilda Felipe San Gabriel*

Introduction

The cooperative movement in the Philippines is thriving. One major development is the emergence of worker cooperatives, particularly those organized by informal/self-employed/non-regular workers. The impetus for this development is the need for this worker sector to improve their livelihood opportunities and quality of life. This group of workers has been marginalized for decades and more so in this era of globalization. Pragmatic yet ineffective employment practices to mitigate the constraints of existing labor laws may have also contributed to the sorry plight of these workers.

While there have been modest advances in the worker-based cooperative development in the country in recent years, there is but a dearth of literature on the worker cooperative enterprise. Rapid changes in the global economy push industries to be more efficient, cost effective, and innovative. Measures include engagement of third-party service providers or outsourcing partners. These provide immediate opportunities and potential businesses for worker-initiated cooperatives. In addition to strong financial and organizational resources, the challenges for worker cooperatives include building skills and competencies demanded by the market.

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The study aims to explore and investigate issues associated with existing worker cooperatives in addressing job security and livelihood, and their implications on labor and industry. The research also looks into the driving forces that build lasting relationships between the cooperative organization and its member-owners, between the cooperative and its clients, and between the cooperative and the communities where the former has presence.

Methodology

The research project was carried out using the following stages; 1) review of literature, 2) establishment of research reference group and area coordinators, 3) development of survey questionnaires, 4) conduct of case studies, focus group discussion and interviews, 5) data consolidation, and 6) data analysis.

The Economy and the Plight of the Workers

As of 2005, the population of the Philippines was estimated at 88.9 million spread over a land area of 300,000 square kilometers in 7,107 islands. Growing annually at 2.11 percent, the population is projected to reach 102.8million by 2015 (UN 2nd MDG Report-Philippines). The annual per capita Gross Domestic Product (GDP) was estimated at US\$ 1,025.98 using 2004 nominal prices and exchange rate. Regions X,XI and XII (Mindanao areas) registered the highest growth rates in their Gross Regional Domestic Product (GRDP) in 2001-2004. The Philippine economy grew despite the adverse effects of international shocks from the September 11 bombing in New York, the Severe Acute Respiratory Syndrome (SARS) scare which slowed down the tourism industry, and the US-Iraq War which dislocated overseas Filipino workers (OFWs) in the Middle East, among others.

The country's real Gross National Product (GNP) from 2001 to 2004 expanded at an average of 5.05 percent while real GDP grew by an average of 4.52 percent, which was within the target set during the same period. Unemployment remained high at 10.9 percent in October 2004 notwithstanding the 3.2 million jobs generated from 2001 to 2004. From January to July 2004, the average unemployment rate was 12 percent as the number of jobs generated could not absorb the influx of labor entrants. Underemployment was a more serious problem since

its magnitude was higher than that of the unemployment rate. Underemployment rate was 16.9 percent in October 2004, of which 61 percent was in rural areas. (*Philippine Statistical Yearbook, 2004*).

Of about 20 million informal sector workers in the country, approximately, 9.9 million is considered as self-employed. The non-regular workers, who is categorized in the Philippine Labor Code (PLC) as casual workers, seasonal, temporary has been marginalized. Such condition explicitly shows the lack of opportunity to improve their quality of life. Thus, the situation necessitate for the workers to collectively group themselves and form their co-operative society, such as the initiative of Asiapro Cooperative.

The trend nowadays in the Philippines is for business groups to outsource and contract out workers for a particular period due to the demand in industry. This is usually done through direct hiring, indirect hiring thru service providers and or manpower agencies. Such new concept led to the formation of the latter which presupposes the fact that if a group of workers can pool their resources together and provide service to corporations and bargain for their fees then this would allow all the members to have continuous jobs. The concept was then called "worker alternative option" which proposes a "win-win" formula and would be beneficial to both business employers and to workers that will eventually contribute to socio economic development is the formation of worker co-operative that would have available manpower reserves all throughout the year.

Workers Co-op Concept

The *worker co-operative*, an emerging trend that has developed in the country today that addresses the particular need for self-employed workers to unite and addresses their own predicament and to improve their quality of life. Changes in work, organisation, technologies and market demands push for wide recognition both locally and internationally of the proportionate skill demands required by employees at all levels of the workforce (the employed in formal and informal sectors, and the self employed).

Other players and possible project replicators of the worker co-operative or business investments particularly among small to medium enterprises that are willing to be transformed into co-operative society

or organization would have difficulty in developing one.

This study aims to explore and possibly investigate issues associated with the development of existing worker co-operative addressing the issue of job security and livelihood promotions, and its implications for the labour force and industry. It seeks to examine the placements of workers in these contexts—agriculture, industry, and services. Useful approaches to learning and relearning in the worker co-operative organization about its priorities and constraints, policy recommendations and practice issues, and business partners relations is also discussed. This brief overview of the current landscape of existing worker co-operative in the Philippines provides an umbrella view, primarily of the development and focusing on one success story which is basically derived from empirical data. Many of the perspectives represented here were re-iterated in the stakeholder consultations and interviews conducted as part of the research.

Organizational Roadmap

The organization under study was duly registered as a multi purpose worker co-operative with the Co-operative Development Authority, a Philippine government's regulatory agency on co-operatives. It was formally registered on November 1999. The co-operative's humble beginnings started with 60 self employed workers and professionals led by Mr. Leo Parma, Chief Executive Officer. Then the leadership of the Asiapro Co-operative expanded with the inclusion of the key stewards namely: Mr. Edmundo Castaneda, Chairman; Mr. Gabriel Quemado II, Chief Operations Officer; Mr. Rolando Malana, and Mr. Rollie Tuazon. Organizational goals (refer to Figure 1.a) synonymous to roadmaps provide clear direction to the members of co-operative. Literally, it provides a clear vision of the destination/future of the cooperative. In this context, the following goals are lined-up for the members of Asiapro.

Figure 1.a Organizational Goals

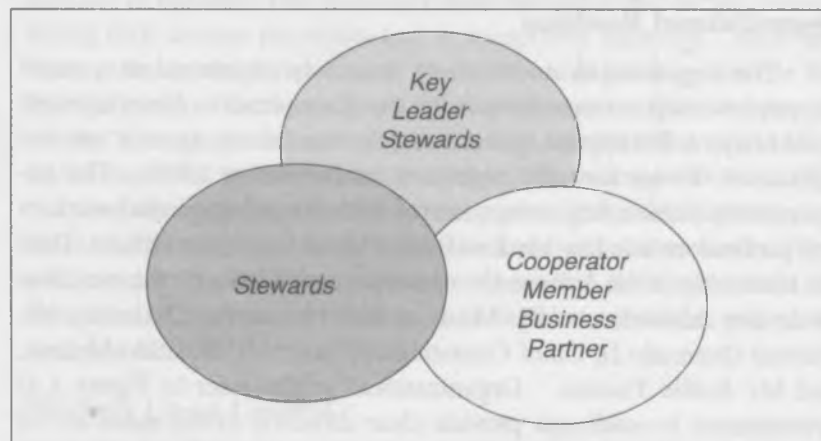
- To provide savings and credit facilities and develop other livelihood services for the members.
- To engage in service contracting, management services, productivity and manpower resource services in activities such

as, but not limited to production, manufacturing, agriculture, office administration, sales and promotion, logistics, house-keeping and maintenance;

The Asiapro Difference

The Asiapro co-operative difference, its paradigm shift of expanding its operations on nationwide scale, and provide economies of scale in its areas and communities where it operates is one of its successes in terms of geographical operation. Its investments in technology such as accounting, billing, payroll, client and data management, has been instrumental in the growth of the co-operative. The presence (refer to Figure 1.b) of the key stewards and leaders are instrumental in its growth.

Figure 1.b Interplay of Actors



Responding to Social Teachings

The key leaders and stewards were the main actors who responded to the paramount social teachings of the Church namely the *Rerum Novarum* and the *Laborem Exercien* issued by Pope Leo XIII and by Pope John Paul II respectively, emphasizes the need to protect the workers and their rights. Specifically, the Asiapro has responded to the call of the social teachings of the Church by forming a coop organization where seasonal and contractual workers get a decent wage.

On Management

More so it is managed by highly qualified professionals and visionary leaders who have been in various industries and workplaces for the past twenty to thirty years. Their crucial role in the organization is the: 1) oversight of long-term organizational strategy, 2) evaluation performance and management of the co-operative. The key stewards of the organization also make sure that the activities to build the institution are implemented at all levels of the organizational hierarchy (refer to Table 1). The key stewards of the Co-operative from the Board of Directors, Managers, and Area Coordinators carry with them vast experience and network. Such kind of arrangements is critical in a sense that they are able to network with previous connections, and has made some of these contacts their current clientele.

Table 1. Institution Building Activities

Frequency	Activity
Daily	<ul style="list-style-type: none"> ▪ Pre membership Orientation ▪ Village Meetings
Weekly	<ul style="list-style-type: none"> ▪ Core Values Reflection and Sharing ▪ EXECOM Meeting ▪ COO and Industry Head Meeting ▪ Industry Head and Project Field Coordinators Meeting
Monthly	<ul style="list-style-type: none"> ▪ Board Meeting
Quarterly	<ul style="list-style-type: none"> ▪ Management Meetings
Semi Annually	<ul style="list-style-type: none"> ▪ Review and Business Planning
Yearly	<ul style="list-style-type: none"> ▪ Team Building Activities ▪ Sports activities and fun run ▪ Physical Check-ups for members ▪ Mobile Diagnostic clinic ▪ General Assembly

On Clients

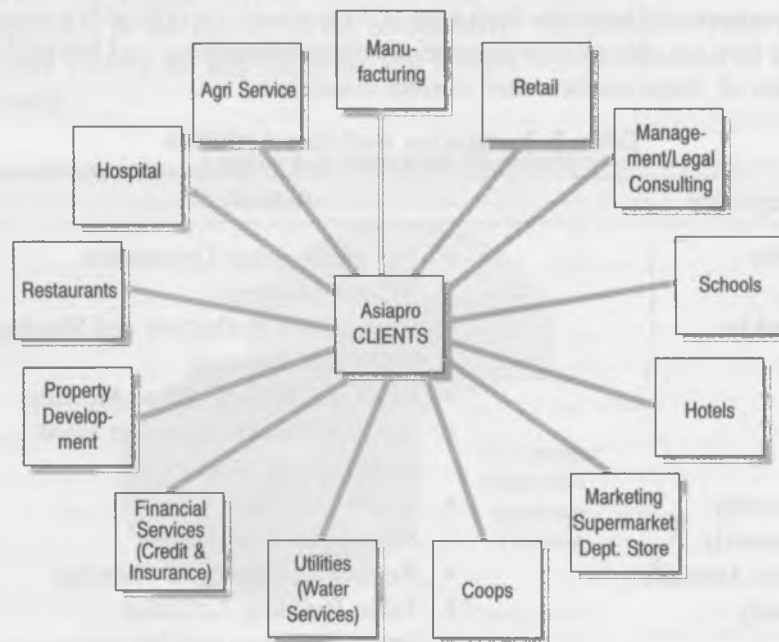
Currently, 89 clients (refer to Figure 2) have given their fullest trust and support to Asiapro Co-operative in its five years of operation,

the list continue to expand and the referral of clients to other clients is taking effect.

According to the survey conducted this phenomenon is attributable to the following factors:

- 1) that the client appreciates the unique worker co-operative set-up,
- 2) both the client and coop works towards building a strong and lasting relationship, and
- 3) open communication and feedback mechanism is in place.

Figure 2. Clients Profile



Core Values of Asia Pro

The etymology of the core value of the Asiapro co-operative is *Gawanihan* is derived from the word *gawa* and *ani* or work harvest. *Gawanihan* is the the unifying value, character and nature of members. There is an assumption that workers “work together, and harvest together”. Both activities is meant to propagate the principles of “coop-

eration” and “solidarity”. The more the members help and work together the higher the productivity, thus, the domino effect of higher productivity means higher profits.

Using the acronym of the co-operative, A-S-I-A P-R-O, the management developed an integral guiding organizational values (refer to Figure3) that the members concretize in thier daily work. These are:

Figure 3. Co-operative Values

Abiding by God’s laws and loving our country
Simplicity and frugality
Innovation and adaptability
Accountability and integrity
Perseverance and passion for work
Respect for Human dignity and compassion for others with justice
Oneness in goals, harmony in direction

What is instilled in the member and employees is the value etched in every acronym. Concretization of the Co-operative Values happens by instilling it in the members, every Monday of the month, at around 8:00 o’clock in the morning, the core values is read in harmony as a group. Then it is followed by the singing of the National Anthem in honoring the country which is preceeded by a Prayer, in honor of the Lord/Divine Providence. What follows is the Sharing and Reflections on the core values. The Chairman of take an active role on this very important undertaking. In the training of members, the core values is always given as a basic prerequisite.

Share Capital Subscription And Distinct Membership Advantage

Capitalization of the Co-operative based on its Articles of Cooperation was Philippine Pesos Seven Million Five Hundred Thousand (Php M 7,500,000) common shares with a par value of one peso (Php 1.00) per share. The preferred shares was Two Million Five Hundred (Php M 2,500,000). An applicant for regular membership shall subscribe 15,000 shares and pay the value of 5,000 shares upon approval of his/her membership. An applicant for associate membership shall

subscribe 100 preferred shares and pay the value of atleast 25 shares upon approval of his/her membership.

The distinct membership category is that all business partners-members are self-employed individuals. Membership common bond of interest of Asiapro is occupational and it is open to all natural persons who are Filipino citizens and of legal age, with the capacity to contract and possess all the qualifications and none of the disqualification for in the By-laws of Asiapro co-operative. The members assigned to client companies are all co-owners of the Cooperative. The members mindsets have been transformed from that of a typical concept of being a worker-employee to that of a worker-entrepreneur.

Table 2. Growth in Membership

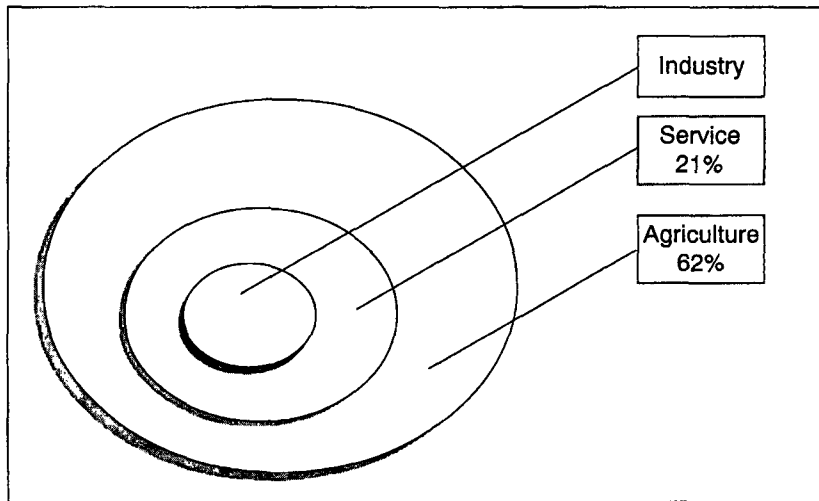
Year Number of Business Partner	Member
Year 0 –1999	60 (founding members)
Year 1 –2000	322
Year 2 –2001	4,715
Year 3 –2002	9,734
Year 4 –2003	10,000
Year 5 –2004	15,572
Year 6 –2005	18,002 (as per June 2005)

The 18,000 registered business partners-members as of to date (refer to Table 2) is the co-operative's reason for being. The expansion of membership over the years generated the much needed revenue of the organization. It oiled the operations and concretizes the co-operatives profit bottom line.

Workers Niche In The Industry

Looking closely at the 18,000 registered business partners-members, the distribution per industry would give us the premise that the bulk of the members are deployed in agricultural business and activities (refer to Figure 4). Asiapro's worker-business partners-members are driven to work toward mutually beneficial business opportunities and partnerships with clients, instead of traditional employment.

Figure 4. Membership Distribution per Industry



It is assumed through generated payroll deduction of share capital contribution, members provide the needed campaign for capital build-up of the Co-operative and they earn dividends, patronage refund, and other incomes out of the Co-operatives net surplus.

Thus, as entrepreneurs, the business members-workers (refer to Table 3) earning potentials become greater compared to those of marginalized contractual/casual employees usually directly hired by companies or through manpower agencies.

Table 3. Members Work Deployments

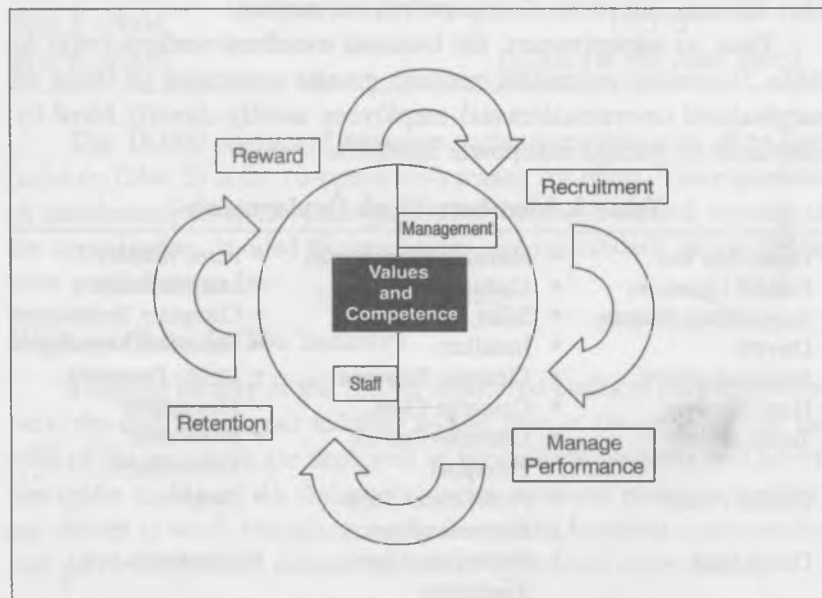
▪ Production line	▪ Managers/Supervisors	▪ Farm Workers
▪ Forklift Operators	▪ Cashiers	▪ Merchandizers
▪ Supermarket Helpers	▪ Sales Assistants	▪ Computer Technicians
▪ Drivers	▪ Installers	▪ Motorized Messengers
▪ Waiters/Busboys	▪ Cleaning Personnel	▪ Utility Personnel
▪ Hotel Workers	▪ Conserge Clerk	▪ Messengers
▪ Telemarketers	▪ Customer Service Personnel	▪ Promoters/Promodizers
▪ Display Artists	▪ Professional Sales Representatives	▪ Packers
▪ Office Staff	▪ Professional Sales Associates	▪ Warehouse man

Continuous Job Factor

Undeniably the major contributions of Asiapro in the economy is the fact that it addresses the concerns of seasonal and contractual workers providing cushion and safety net so as not to lose income in the entire year and diminishing the uncertainty of looking for jobs after the fifth month of working as contractuales/temporaries. Members-business partners joined the organization due the three following reasons: 1) to have a continuous job, 2) they were transferred by the client and, 3) they believe in the business and social orientation of the co-operative.

Human resource systems is well developed in the organization. What is important to note, according to surveys conducted is that they get to know Asiapro through client, friends and relatives. The flow of recruitment and reward system is very much in place. (refer to Figure 5). At the core of the organization is the competency, professionalism, and co-operative organizational values as embodied by the management and staff.

Figure 5. HR Strategies in business partner-worker development



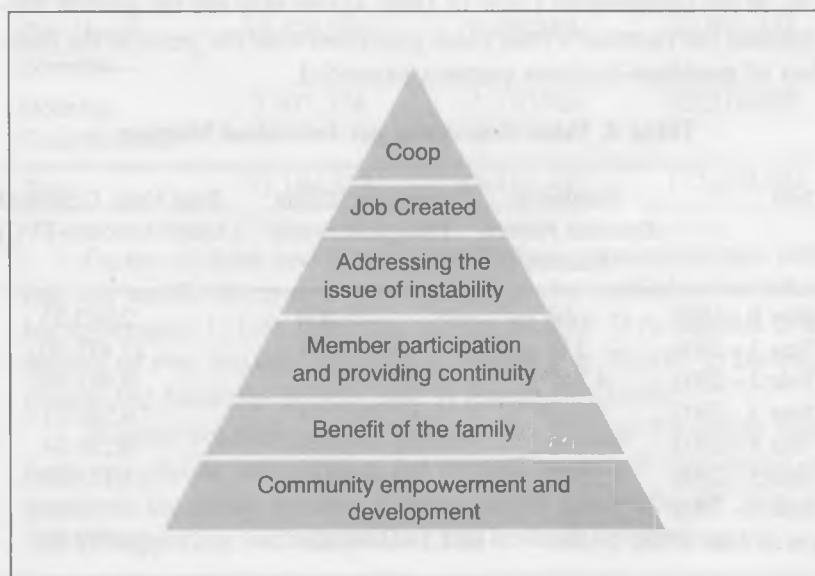
The performance of the individual is well compensated and would assure of his and her retention in the assigned clients. The basis of that would be client satisfaction and the member-worker's competency and hard work. The reward is in terms of benefits to members such as social protection, continuity of job, and retention in the workforce, insurance, medical health benefits.

The continuous deployment of business partners-workers to clients of the Asiapro Cooperative provide one interesting formula of this type of model arrangement in terms of impacting the lives of and the families of these Filipino self-employed-craftsmen-with-low-to-middle-income-earnings.

Democratic Elements

The summation of all democratic and participatory elements (refer to Figure 6) in the Asiapro co-operative is concretized through the principles of open and voluntary membership, democratic member economic participation. Most of the members are aware of the universally accepted coop principles.

Figure 6. Summation of Democratic elements



Decision processes and active participation of members in the undertaking of the co-operative ensures balance of power and enables the equitable sharing of opportunities and benefits of the business activities of the co-operative.

Financial Performance

For the year 2004, the co-operative posted a net surplus of 26.13 Million Philippine Pesos. Such feat and good performance was given recognition by the Philippine Government's Co-operative Development Authority through the issuance on May 4, 2004 of the Co-operative Certificate of Good Standing.

Notes to Financial Statement by the External Auditor examines the performance of the Co-operative showing the total asset of Philippine Pesos Php M 219,964,846 as per December 2004.

In its declaration of Assets, the Co-operative invested a good sum of amount for its building, equipments, computers/technologies.

An estimated asset as per to date of Php 194 M is valued in this research.

Cross examining the data on value generated and the contribution of business partner-member as the year progresses in the financial standing of the co-operative (refer to Table 4) one may see the growth contributed per member's total value generated over the years as the number of members-business partners expanded.

Table 4. Value Generation per Individual Member

Year	Number of Business Partner-Member	Asset (in Million Philippine Pesos)	Total Value Generated (Asset/Members=TVG)
Year 0 - 1999	60	125,000	2,083.33
Year 1 - 2000	322	4,337.864	13,471.60
Year 2 - 2001	4,715	20,987.525	4,451.48
Year 3 - 2002	9,734	63,280,878	6,501.01
Year 4 - 2003	10,000	82,363,478	8,236.34
Year 5 - 2004	15,572	219,964,846	14,125.66
Year 6 - 2005 (as of June 2005)	18,000	EST.194,000,000	10,777.77

Trainings

Investments in training has been one of the major focus of Asiapro Cooperative, specifically this would help in developing multiskills of the various categories work deployments in industries of business partner-member. Total amount spent for the workshop, education and training was Php 2.6 M (based on net surplus allocation, Financial Statement ending December 2004). Expansion of the coverage of training to cover other concerns such as discussion on leadership, business management, career development, and advanced computer literacy has been considered.

Social Protection And Other Benefits

Major contribution to the economy is the direct infusion of the much needed social security systems of the members-cooperators (refer to Table5) in millions of pesos provide engine for economic growth.

Contributions	Year 2004 (as of December)	Year 2005 (as of June)	Total in Philippine Pesos
Social Security System	48,356,316	38,085,357	86,441,673
Phil Health Benefits	13,220,949	9,620,182	22,841,131
Housing Contributions	9,607,074	13,710,926	23,318,000
Total	71,184,339	61,416,465	132,600,804

On top of these social protection through pension savings, housing, and health, the co-operative member is also entitled to the following coverages: 1) Life Insurance of Php 50,000; 2) Accidental Death Benefit of Php 50,000; 3) Accident Benefit Php 20,000; 4) Hospitalization and Medicine Benefit, and 5) Emergency Loan.

Eligible beneficiaries are parents and siblings for single members; and spouse and children for married members; and designated guardians for minor orphans. Claims may be given after the presentation of supporting such as medical and or death certificates.

Asiapro Co-operative will release the death benefits to the mentioned less amount of advances by Asiapro in behalf of the member to the members of the immediate family. Payment of claim is through reimbursement of expenses.

Community Empowerment

The co-operative facilitated the empowerment of communities in provincial areas of the Philippines where it operates.

In reality, the co-operative has continually process the building of leadership capabilities among the community people, uplifting their self-esteem and developing in them the context of self-reliance within the community.

Through the processes that took place, people from the community who are members of the Asiapro Co-operative, are able to take control of community resources, utilizing them for their own benefit, and making decisions on matters affecting their lives.

Concretely, the features of communities empowered because of the existence of the co-operative in the area that provides them with continuous livelihood and jobs such as the Asiapro co-operative highlighted the following:

Figure 7. Community processes of empowerment

- increased community control over resources;
- existence of viable community institutions and peoples organizations;
- increased political participation;
- increased self-reliance and positive self-concept;
- capacity to plan, initiate and take responsibilities; and
- presence of committed community leaders.

These realities, has led to an explosion of awareness that development should mean growth with equity and development pursued in the context of providing livelihoods and security of jobs for people in the community.

Figure 8. Summary of Best Practices

Themes	Indicators
Membership- Business Partners	<ul style="list-style-type: none"> ▪ Jobs generated. ▪ Continuous source of income. Able to provide more comprehensive benefits from health, medical prevention, emergency benefits, accident and life insurance.
Co-operative Organization	<ul style="list-style-type: none"> ▪ Professionalized management. ▪ They have installed and adapted management information system that is able to respond in real time to the needs of their members, clients and the economy. ▪ Long experiences in their various field evolved an organizational culture which guide them in their stewardship and leadership of the co-operative. This is anchored in clearly in the respect for the dignity of the human person, human work, and the common good. ▪ Technology and management information system in place. ▪ Sustained efforts in the capacity building initiative by investing on the training and other skills development of its members. Continuous efforts for client and business development.
Families and Communities	<ul style="list-style-type: none"> ▪ Regular interaction in the community affairs where the co-operative is operating especially in Southern Philippines where more than 50% of their workforce-business member-cooperator is deployed, they are able to promote stability, peace and harmony through their support and participation in village affairs. ▪ Sustainability of sources of income by their respective families by providing em-

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- ployment beyond seasonality and usual contracting arrangements which other business organizations are practicing.
- Through the jobs that they created and the multiplier effect by providing business opportunities and the social protection and benefits of the business partner-members-cooperator that they have contributed over the years.
 - Through their organizational efficiency and practices they have enhanced the competitiveness of their client-business partners in their respective industries considering the pressures of global competition and fast changing economic conditions, for example, they have increase the productivity of their members in various banana plantation by a minimum of 20% productivity per worker-member.

Conclusion, Future Direction and Forging of Partnerships

The baselines speak for itself, clearly all systems in place, cooperative helping and empowering its communities, its business partners-members, and strengthening its relationship with the general public and its clients is a strong indication of an evolving and a well-accepted model. Backed by a strong financial standing, visionary leaders, working managers and armed with tools such as the value of social accountability, respect for environments and community, it cannot be denied that Asiapro made an imprint in the history of co-operative societies and in the workers movements.

What lies ahead for the Asiapro co-operative? Not to rest on its initial successes but to continue learning, and relearning its craft. Continue improving, and investing by means of training and technological advancements.

The possibility of looking into the concerns of the physically challenge persons or persons with disabilities is already brewing and in the discussion and planning stages together with the context of providing

international opportunities to members-workers, deployment overseas of service workers and call center agents, among others, may be the next step as the demands are increasing, feasibilities of such projects may be the next agenda. Evolved into real model community co-operatives, where business partner-members owned their respective initial worker co-operative enterprises.

Promotion and nurturing of the worker co-operative concept is needed in the current stage, to build an increasing awareness among interest groups. Tie up with various institutions, business organizations, academe, and well developed-practicing successful workers co-operative such as the Mondragon Corporacion Cooperativa for possible directions, support, and models for institution building may be established within this period.

A closer look into worker co-operatives in the Asian countries to ensure its continuity, growth, depth, similarities, developments, and trends may be considered as a research agenda of the ICA Regional Office for Asia and the Pacific in the near future and suggests possible adaptation, replication, strengthening and partnership.

List of Surveys

- Set 1. With approximately 100 Respondents in the Pre Test of Survey Instruments
- Set 2. With approximately 50 Respondents from Area Coordinators
- Set 3. With 500 Survey Respondents In all sites of area of Co-operative operation, Manila, Cebu, Mindanao

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The INTERNATIONAL COOPERATIVE ALLIANCE [ICA]

is an independent non-governmental association that unites, represents and serves the cooperatives worldwide. Founded in London on 18th August 1895 by the International Cooperative Congress, the ICA, the largest non-governmental organisation, is headquartered in Geneva. ICA is a member-based organisation with national and international cooperative organisations in 88 countries. ICA's four Offices in Africa, the Americas, Asia & Pacific, and Europe, serve 225 member organizations, representing well over 800 million cooperative members around the world.

The ICA Asia & Pacific Office, one of the five Offices, serves 60 national level organizations from 23 countries, and one international organization [ACCU]. Main activities include: Coordination of cooperative development efforts within the Region and promotion of exchange and experiences; Project identification, formulation and evaluation; Promotion of establishment and development of national cooperative apex organizations; and Organization of seminars, conferences and technical meetings on specific subjects including support for programmes aimed at the involvement of women and youth in cooperative activities.

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