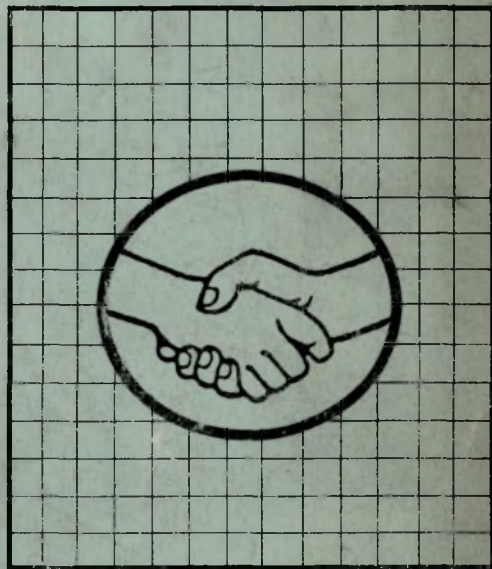


National Conference of State Ministers of Cooperation-India
Bangalore, (Karnataka). September 1, 1991

Cooperative-Government Collaborative Strategies for the Development of Cooperatives

INDIA



in association with :

- National Cooperative Union of India

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Cooperative-Government Collaborative Strategies for the Development of Cooperatives

INDIA

Report of the National Conference of State Ministers
of Cooperation, Bangalore, September 1, 1991

organised jointly by :

National Cooperative Union of India

**International Cooperative Alliance
Regional Office for Asia & the Pacific**

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**Cooperative-Government Collaborative
Strategies for the Development of Cooperatives - INDIA
Report of the National Conference of State
Ministers of Cooperation, Bangalore, September 1, 1991**

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Contents

Foreword	v
Report	1
Resolutions of National Conference of State Cooperation Ministers	8
Background Papers			
- Follow-up Action : Role of the Government	...	...	11
- Follow-up Action : Role of National Coop. Organisations			15
- Revitalisation of Cooperatives	...	...	19
- National Cooperative Bank of India	...	...	23
- Cooperative Development Fund for SAARC Countries			25
- Ways and Means for making NCUI Self-Supporting	...	...	29
ICA Background Paper : Follow-up in the Region	...	...	33
Welcome Address by Mr. B. S. Vishwanathan	...	...	39
Speech of ICA President, Mr. Lars Marcus	...	...	44
Speech of Mr. M. Ramachandran	...	...	48
Inaugural Speech of Dr. Balram Jakhar	...	...	52
Programme	...	...	57
Participants	...	...	59

Foreword

The Regional Conference of Cooperative Ministers held in Australia in February 1990 had issued a Declaration and comprehensive recommendations with the objective to accelerate and develop a genuine cooperative movement in the region. The recommendations were sent by the ICAROAP to all national cooperative organisations and governments in the region for follow-up and implementation. The Conference had also advised the ICA to provide the needed motivation and encouragement to cooperatives and governments in the process of implementation and follow-up. In the Action Plan for the '90s, the Conference had made the following recommendation:

"The ICA should organise workshops and other relevant activities to take up follow-up actions on the above declaration and recommendations in collaboration with the national cooperative organisations and national governments".

The ICA in collaboration with the movements and governments, in the light of the above recommendation, planned a number of national level follow-up workshops. The Philippines, Indonesia, Fiji, India, Thailand and Bangladesh responded favourably to organise these follow-up workshops. The Canadian Cooperative Association (CCA) agreed to provide the needed financial support to carry out the follow-up work.

The present document contains the report of the Conference of the State Ministers of Cooperation of India that was held at Bangalore, Karnataka State, on 1st September 1991. The National Conference which reviewed the Sydney Conference recommendations and arrived at several conclusions was organised by the National Cooperative Union of India in collaboration with the International Cooperative Alliance Regional Office. The report of the National Conference will provide important input to the Regional Consultation to be held in Manila in November 1991 and Cooperative Ministers' Conference in February 1992 in Indonesia.

In the organisation of this National Conference valuable support was extended by cooperative organisations and government cooperative departments/functionaries at various levels. We, at the ICA Regional Office, are happy that valuable support to this effort was extended by the Hon'ble Minister of Agriculture, Government of India, and by a number of State Ministers of Cooperation by their full-time participation in the Conference.

G. K. Sharma
Regional Director

Bonow House,
New Delhi.
30th September 1991

**Conference of the State Ministers of Cooperation
held at Bangalore, Karnataka State of India,
on 1st September, 1991**

REPORT

Introduction

A national level conference of Ministers of Cooperation of State Governments, senior level cooperative leaders, and senior level government officials was convened jointly by the National Cooperative Union of India (NCUI), and the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) at Bangalore, Karnataka State, on September 1, 1991

The Conference was held to review the recommendations of the Asian Regional Cooperative Ministers' Conference held by the International Cooperative Alliance Regional Office for Asia and the Pacific (ICAROAP) in Sydney, Australia, in February 1990. The International Cooperative Alliance was represented at the Conference by the ICA President, Mr. Lars Marcus, and the ICA Regional Director for Asia and the Pacific, Mr. G.K. Sharma.

Conference Objectives

The following objectives were set for the State Ministers' Conference :

1. Review of the follow-up action taken on the recommendations of the ICA Regional Conference of Cooperative Ministers held in Sydney, February 1990, in the context of the Indian Cooperative Movement.
2. Discuss measures to strengthen the business operations and structural organisation of the Indian Cooperative Movement.
3. Strengthening international relationship of the Indian Cooperative Movement with international and national cooperative organisations elsewhere.

Copies of the programme followed and the list of participants of the Conference are attached.

Background Material of the Conference

A number of technical papers were prepared to provide the Conference participants with adequate background information on various subjects. Some of the key papers were the following :

1. Background paper produced by the National Cooperative Union of India and the Government of India;
2. ICA Background Paper on the follow-up action taken in the Region;
3. Draft of a Model Cooperative Societies' Act;
4. Draft of the National Policy on Cooperatives;
5. Report of the Committee on Organisation of Cooperatives for Rural Poor - Ministry of Agriculture, Government of India, June 1991;
6. Report on Measures to Implement the Recommendations made by the Agricultural Credit Review Committee, Ministry of Agriculture, Government of India;
7. Sydney Conference Report together with Recommendations of the Cooperative Ministers' Conference 1990;
8. Note on "Adverse Impact of introduction of Interest Tax on Cooperative Banks";
9. Indian Cooperatives - A Profile 1990;
10. Manual on Business Development Planning in Primary Agricultural Cooperatives. NCUI. 1991.

Inaugural Session

The Conference was inaugurated by Dr. Balram Jakhar, Minister of Agriculture and Cooperation of the Government of India. The Conference was attended by a number of State Ministers of Cooperation, and Union State Minister of Cooperation.

The inaugural session of the Conference was presided over by Mr. S. Bangarappa, Chief Minister of Karnataka State. Mr. Mullapally Ramachandran, Union Minister of India, Mr. K.H. Patil, Minister of Rural Development, Karnataka, Mr. S. R. Morey, Minister for Cooperatives and Mr. N. Chike Gowda, Minister for Agriculture, of the Karnataka State were present at the inaugural function. Representatives of national cooperative federations, Reserve Bank of India, NCDC, NABARD, NDDDB were also present. Secretaries, Registrars of Cooperative Societies of States, and Managing Directors of state cooperative banks also participated in the Conference.

While welcoming the Union Minister for Agriculture and Cooperation, Dr. Balam Jakhar, the President of the International Cooperative Alliance Mr. Lars Marcus, and the State Ministers of Cooperation and other distinguished guests at the Conference, Mr. B. Vishwanathan, President of the National Cooperative Union of India, said :

“It would be appropriate for me to place before you a brief background of this conference. In 1990, the International Cooperative Alliance had convened an International Conference of Cooperation Ministers of Asia and Pacific Region. The Conference deliberated in detail the relationship between government and cooperatives for the development of cooperative movement as a self-regulative, self-reliant and self-managed sector. At its conclusion, it had adopted a declaration and made a number of recommendations relating to the role of Government, national cooperative organisations and international organisations. This Conference is a follow-up step to examine the recommendations of the Sydney Conference and the steps taken by agencies to implement these recommendations.

“I am happy to inform you that since the Sydney Conference, a number of steps have been taken both at the Government of India level as well as the movement level to strengthen the cooperative sector. As all of us know, Government of India have initiated a multi-pronged strategy for revitalisation of cooperatives. It includes declaration of cooperative policy, reformation of the legal system, strengthening of primary level cooperatives through Business Development Planning, strengthening the role of federal cooperatives in relation to primary societies and evolving an appropriate system of cooperatives to help the rural poor. In the entire strategy as I perceive the central point has been the primary level cooperatives and their membership. Accent of this policy is that cooperative efforts should lead to perceptible social and economic development of those who constitute them.”

In the context of the role of the Indian Cooperative Movement in the development of sister-movements in the Region, Mr. Vishwanathan said:

“There are two other important issues which will be discussed by this Conference: one is the creation of an International Cooperative Development Fund for SAARC countries. Indian cooperative movement is the largest in the region and it can contribute significantly to build up international relations and goodwill. However, it requires adequate funding support. Creation of international development fund will facilitate materialisation of this objective.”

“Another item is ways and means for making National Cooperative Union of India self-supporting. This is very essential to enable the Union to function as a true spokesman of Cooperatives in true sense of the term. I solicit kind support of Hon'ble Ministers in this regard.”

In his address to the Conference, Mr. Lars Marcus, President of the International Cooperative Alliance, a world body of the Cooperative movement, said:

“The ICA New Delhi office already in existence for some 30 years, has been a success. At a time when economic development has taken place in Asia, the ICA presence helped to strengthen the cooperative sector. It is not easy to single out any special achievement but, at least, the intense and wide contacts over national borders through seminars and conferences, seem to me to be one of our contributions. I also have reason to believe that had Dr. Mauritz Bonow been alive, he would have enjoyed the increased Asian economic contributions to the ICA activities through the Regional Office. Personally, I also have had reason to enjoy the vitalisation of the office under its present Director, and my friend, Regional Director G.K. Sharma. The Ministerial Conference in Sydney one and a half years ago was prepared by him. Efforts to bring assistance to colleagues in Vietnam and Mongolia have been sponsored by him. He has spoken of Asian cooperative unity and proved his deeper understanding of its consequences by adding a young man from PRO China to his staff.”

Referring to the functioning of cooperative institutions in India, Mr. Marcus said :

“I just read that 27,000 cooperative institutions in one State had been deprived of their leadership, to be taken over by Government-appointed staff. I cannot dispute whether this was called for or not. This is a matter for National Cooperative Union of India to challenge. But I hope you understand my point of view. When I say that such a practice going on from year to year, according to the NCUI President, is completely undesirable. It should be the duty of cooperatives themselves to call for new elections in accordance with their by laws and rules. Also the practice of many cooperatives in India to postpone and delay the elections of their cooperatives is intolerable. That could be the reason for State Government’s interference.”

Referring to his recent discussions with the Prime Minister of India, Mr. P.V. Narasimha Rao, and his interaction with the former Prime Minister of India, Mr. Rajiv Gandhi, Mr. Marcus emphasised on the importance of independence of cooperative institutions. He said :

“When Indian Cooperatives are given suitable conditions equal to those of ICA-majority cooperatives, the prospects for an increased and direct support from donor agencies will be there. In discussions on these matters, ICA would be prepared to participate with some of the most prominent cooperative leaders.”

Delivering his inaugural address, Dr. Balram Jakhar, Minister for Agriculture and Cooperation of the Government of India, said :

“At the outset, I wish to compliment the National Cooperative Union of India and the International Cooperative Alliance for convening this Conference on Cooperation at a time when we, in the Government of India, are actively working for the revitalization of the co-operative system in the country. Strengthening of the Cooperative Movement in the country assumes special significance in the context of democratic decentralization, which we have undertaken by strengthening grass-root people’s organisations like Panchayati Raj institutions and the policy of economic liberalisation to give a new thrust to the development process in the country.

“To facilitate the State Governments to introduce reformation in their respective legal system, a Model Cooperative Law drafted by an Expert Committee of the Planning Commission has been circulated. The Model Law aims to restore the spirit of self-reliance and member participation in the affairs of cooperatives and the role of Government is restructured to ensure regular conduct of elections, audit and meetings of the society. We are making a detailed scrutiny of the various provisions. Copies of the Model Law have also been placed before you along with the agenda papers. We will communicate to you our views on the Model Law. The discussions in today’s meeting will help us in the appreciation of the draft.

“The steps taken by the Government of India for strengthening of the cooperative system in the country are in consonance with the Sydney Declaration adopted by the Cooperation Ministers of Asia and Pacific Region. A Status Paper on the Revitalization of the Cooperatives and a Paper on the follow-up action taken on the recommendations of the Sydney Conference is placed in your hands for your perusal and consideration.”

Emphasising the importance of inter-cooperative trading relations, the Union Minister said : “They should make concerted efforts to promote inter-cooperative trade. From the Government side, we would fully support the initiative taken by the cooperatives in promoting international trade. We assure our co-operation to ICA in its activities.”

Touching on the moral aspects of the Cooperative Movement, the Union Minister stressed that cooperative enterprises are based on certain universally-accepted principles and these principles are further based on certain values. He said : “I would like to emphasize that Cooperative Movement is based on moral values. Without moral values, every other measure will fail. Gandhiji once said, I quote : “... the Cooperative Movement will be a blessing to India only to the extent that it is a moral movement strictly directed by men fired with religious fervor. It follows, therefore, that co-

operation should be confined to men wishing to be morally right..."

"The 1956 Conference of State Cooperative Ministers also resolved that : "In the training of non-official personnel, it is essential to emphasise the moral and social importance of the cooperative method as well as the necessity for an efficient discharge of the responsibilities that devolve on cooperative institutions."

"However, the value aspect of cooperatives needs to be further strengthened through the various training courses designed for employees and non-officials. I understand that Mr. Marcus has initiated world-wide discussion on basic values in cooperatives. This shows the international importance of the value aspect of the Movement. I am of the firm view that if values are strengthened, cooperatives will *per se* develop their genuine character."

The Karnataka Chief Minister, Mr. S. Banagrappa, who presided over the inaugural session of the Conference, underscored the importance of curbing the government dominance of the cooperative movement which has led to the weakening of the democratic and autonomous character of cooperative institutions. He said the cooperative sector should diversify into other areas of national economy, commerce and industry. The Chief Minister expressed his happiness that such an important Conference was being held in Karnataka and assured the participating ministers and other guests that all efforts would be made in Karnataka to make the cooperative movement in the State a model democratic movement.

Earlier, Mr. Mullappaly Ramachandran, Union Minister of State for Agriculture and Cooperation, urged the State governments not to indiscriminately supercede cooperative institutions and impose its functionaries on the cooperatives as it would destroy their basic autonomous nature. He stressed: "It is necessary to not only to de-officialise but also to de-politicise the cooperative movement". Mr. Ramachandran said, "I must mention here that yet another serious threat to the democratic nature of the cooperatives is posed by some of the so-called leaders of cooperatives themselves. They indulge in wily manipulations, do wonderful acrobatics in securing and maintaining their positions and offices in the State level and National level apex bodies even when they ceased to represent the primary societies. They continue in office in violation of democratic principles by taking refuge under controversial and technical interpretations of the Act and Rules. This tendency is not conducive to the development of healthy cooperative culture. We must check this. Otherwise the movement for the people will be a captive of the so-called Cooperative mafia. Mr. Ramachandran also released a "Manual on the Implementation of Business Development Plans in Primary Agricultural Cooperatives." The National Cooperative Union of

India has developed this material for being used in primary level agricultural cooperatives.

Mr. H.K. Patil, Minister for Rural Development of Karnataka State said in his welcome address that Karnataka has already initiated the process of bringing a comprehensive cooperative act for strengthening the cooperative ideology, membership and leadership. He also impressed upon the Central Government to take steps to set up the national cooperative bank to make the cooperative sector self-reliant and self-supporting.

Full texts of speeches delivered by Dr. Balram Jakhar, Mr. Lars Marcus, Mr. M. Ramachandran and Mr. B. Vishwanathan are appended to this Report.

At the concluding session, the Conference arrived at a number of conclusions in the light of the discussions held and the background material submitted to the Conference.

**Resolutions of National Conference of
State Cooperation Ministers held at
Bangalore on September 1, 1991**

1. The Conference agreed in principle with the Declaration made at the Sydney Conference of Cooperation Ministers and affirmed of providing support to cooperatives.
2. The Conference endorsed the strategy proposed for the revitalisation of the cooperatives. It was agreed that the State Governments will prepare a time-bound action programme to implement the programme of strengthening the cooperatives by undertaking the following measures:
 - 2.1 The State Governments will undertake the comprehensive review of provisions of existing Cooperative Law to introduce the reformation in legal system on the lines of Model Cooperative Act to provide autonomy to cooperatives and to retain their democratic character. In this connection the Conference also urged upon the State Governments to restore democratic management of cooperatives by holding elections before the end of the cooperative year and not to resort to supersession en mass for extraneous considerations.
 - 2.2 The Conference observed that Government of India should also remove the restrictive provisions such as Section 29(3) of the Multi-State Cooperative Societies' Act 1984.
 - 2.3 The Conference took note of the Draft National Cooperative Policy circulated by the Government of India and agreed to send its views to Government of India to facilitate its finalisation.
 - 2.4 The Conference agreed that the State Governments should implement the programme of Business Development Planning of Primary Agricultural, Consumer and Marketing Cooperatives with a view to render comprehensive package of economic services to their members and in the process to make them viable.
 - 2.5 The Conference agreed that State Governments will examine the report of the Committee on Organisation of Cooperatives for the

Rural Poor and take steps for its implementation and particularly to promote self-help groups among the rural poor, to mobilise local resources, activate dormant members of the cooperatives and to generate viable projects for rural development.

- 2.6 The Conference took note of the report of the Committee (Pant Committee) on measures to implement the recommendations made by the Agricultural Credit Review Committee and decided that the State Governments and the concerned cooperative organisations will take necessary steps for their implementation.
- 2.7 The Conference noted that for revitalisation of cooperatives at grass-roots level, the role of federal cooperatives at the district, state and national levels need to be redefined to provide support to PACs on cost effective basis.
- 2.8 The Conference noted that the major programme of water-shed development in rainfed areas is being developed by the government for improving production and productivity of farmers in dry-land areas and decided that the State Governments would encourage the primary agricultural cooperatives to implement the programme to help the member-farmers.
- 2.9 The Conference noted the draft Code of Conduct circulated by the NCUI and recommended steps will be taken by the State Governments and the cooperatives to adopt the Code appropriately to establish healthy and harmonious relations with the cooperatives and between the government and cooperatives.
3. The Conference noted the need for setting up of National Cooperative Bank of India to bridge systemic gap and urged upon the Government of India, particularly Ministry of Agriculture and Ministry of Finance and Reserve Bank of India to support the establishment of National Cooperative Bank of India by registering it and issuing licence under Banking Regulation Act. The Conference further urged upon all the State Governments to support the proposed National Cooperative Bank of India and permit the State Cooperative Banks, State Cooperative Land Development Banks and Urban Cooperative Banks, Cooperative Land Development Banks and Urban Cooperative Banks to support in the equity and liquidity of National Cooperative Bank of India.
4. The Conference agreed in principle to the proposal to set up International Cooperative Development Fund for SAARC (South Asian Association for Regional Cooperation) Countries. However,

it felt that, in the first instance, operational details may be worked out and finalised by the NCUI in consultation with Department of Agriculture and Cooperation in Government of India.

5. The Conference endorses the view that a self-supporting National Cooperative Union of India will help in promoting cooperative ideology and in advocating the cause of cooperatives effectively. The Conference, therefore, recommends that proposal for adjusting accretion in Cooperative Education Fund under the Multi-State Cooperative Societies' Act and Rules in NCUI Corpus Fund till the later reaches at Rs. 10.00 crores be considered by the Government of India. Besides, State Governments should also support the National Cooperative Union to build up its resources.
6. The need for evolution of appropriate personnel policies for the cooperative organisations and Cooperation Department at top and other management levels is recognised and resolved for an immediate action in this direction.
7. Professionalism in cooperative sector should embrace Cooperative Departmental Officers at all levels so that top positions in organisations are filled up from incumbents within the Department of Cooperation and the movement only.
8. Resolved to request the Government of India to exempt the Cooperative Banking institutions from the purview of two provisions of the Finance Bill 1991 in respect of deduction of income tax at source from the interest to be paid to the depositors above Rs. 2500/- and the proposal to levy 3% interest tax on gross interest income for Urban Cooperative Banks.

BACKGROUND PAPER

I. Follow-up Action on the Recommendations of the Sydney Conference on "Role of the Government"

A Conference of Cooperation Ministers of Asia and the Pacific Countries was organised by the International Cooperative Alliance, Regional Office for Asia and the Pacific from 8th to 11th February, 1990 at Sydney, Australia with the active support of the Australian Association of Cooperatives (AAC) and the Federal Government of Australia. India was represented at the Conference by a high level delegation headed by Deputy Prime Minister/Agriculture Minister and Senior Officials of the Government of India and also cooperative leaders representing the cooperative movement. At the conclusion, the Conference arrived at certain declaration/recommendations and observations which are known as "Sydney Cooperative Ministers Conference Declaration 1990". The Conference made several recommendations with regard to the role of the Government and of national federations for the development of cooperatives during 90s.

The roles of the Government which have been included in the recommendations of the Sydney Conference could be grouped under the following broad items :

- i) Formulation of policies and programmes by the Government for development of cooperatives;
- ii) Enactment of model cooperative legislation/law to provide complete autonomy to the cooperatives to make them vibrant democratic and self-reliant organisations;
- iii) Promoting cooperatives as self-reliant and financially strong organisations and to establish inter-linkage between the cooperatives on the one hand and between the cooperatives and the government on the other;
- iv) Strengthening the cooperatives by vertical integration of the cooperative movement as well as by strengthening the federal organisations;
- v) Extending financial support to cooperatives;
- vi) Assisting cooperatives in human resource development;

Government action on the different issues indicated above are described as follows :

Policy Support for Cooperative Development - National Cooperative Policy

Government of India has recognised cooperatives as an important instrument for economic development of the people particularly those in the rural areas. In the Constitution of India, the role of cooperatives has been emphasised under the Directive Principles which is as follows :

“43 . . . in particular, the State shall endeavour to promote cottage industries on an individual or cooperative basis in rural areas”.

In the consecutive Five Year Plans of the Government of India, the important role of cooperatives in economic development has been emphasised and cooperatives were recognised as an important institutional framework to ameliorate the socio-economic conditions of the weaker sections.

The Government of India is in the process of evolving a “National Cooperative Policy” containing 10 points wherein the role of cooperatives in the decentralisation of the economic development, promotion of social justice, removal of exploitation etc. has been emphasised, in addition to emphasis on promotion of cooperatives as a self-reliant democratic organisations. The revised draft of the Policy is reproduced below :-

Draft of National Policy on Cooperatives

1. Cooperatives shall be promoted as instruments to harness and develop people’s creative power for de-centralised economic development in order to maximise productivity.
2. Cooperatives shall be encouraged to grow as self-reliant grass-roots democratic institutions owned, managed and controlled by members for their economic and social betterment, operating their business on cooperative principles.
3. Cooperatives shall be assisted to develop into viable and responsive economic enterprises, without affecting their autonomy and organisational integrity.
4. Cooperatives shall promote social justice and aim at removal of exploitation at the grass-roots and strive to promote the cooperative movement in under-developed areas and among deprived sections of

the population, as a strong and viable system to provide integrated services to the people.

5. Cooperatives shall be encouraged at the grass-roots to inculcate the habit of thrift, saving and self-help amongst viable groups to meet effectively the local credit and development needs.
6. Cooperatives shall be given preference in agro-processing, cottage industries, marketing and export of agricultural commodities to emerge as principal source of income for the small farmers and artisans.
7. Cooperatives shall be promoted to provide gainful employment and economic links between producers and consumers.
8. Cooperatives shall be instruments of price stabilisation, consumer protection and sound public distribution system.
9. The State shall, from time to time, allocate activities and sectors of the economy to cooperatives in order to grant them exclusive rights of operation to prevent exploitation of the poor.
10. Cooperatives shall be assisted in human resources development to improve their efficiency and member participation.

Reformation in Cooperative Law

Though the cooperatives have achieved a faster growth with increased Government assistance, along side the control of the Government through restrictive legislation has also increased. Certain special powers conferred by the law on the Government were not in conformity with the Principles of Cooperation. The Government of India, therefore, appointed a Committee of Cooperative Law for Democratisation of Professionalisation of Management in Cooperatives. In 1987, the Committee made important recommendations to activate the democratic process in the cooperatives and also to promote professional management. The Committee also recommended for minimising the Government control on cooperatives to make them more autonomous. Since 'Cooperation' is a State subject, the recommendations of the Committee were forwarded to the State Governments for taking appropriate action in implementing the recommendations made in the report.

Recently, Government of India in the Planning Commission appointed a Committee to draft a Model Cooperative Law to facilitate the State Governments to introduce the suitable reform in the respective State

Cooperative Laws giving more autonomy and freedom to cooperatives for their own development. The Model Cooperative Law has been circulated to the States, copies of which are also placed along with the conference papers.

It is also understood that the National Cooperative Union of India is in the process of evolving a model code of conduct for the cooperatives to promote cooperative autonomy and a healthy relationship between the Cooperatives and the Government. The Union may after finalising its views on the code, circulate it to the State and the Central Governments for appropriate action.

Revitalisation of Cooperatives

In India, the cooperatives have been promoted for economic development of the poor to save them from the exploitation. Even though in certain cases, cooperatives have developed well, still large sections of the rural poor have not been benefited much from the cooperatives. The reasons for this are the weak cooperatives at the primary level, dormant membership, lack of vertical integration and managerial deficiencies. Agricultural Credit Review Committee (ACRC) has recommended various measures for making cooperatives viable at the primary level. In pursuance of the recommendation, various steps have been taken by way of preparing business development plans for the primary cooperatives, organising self-help groups within cooperatives, mobilisation of the deposits from the members of cooperatives etc. A programme has been prepared to monitor this programme right from the primary to state level. Implementation of these programmes will be a positive step towards making the cooperatives at the grass-roots level economically viable.

Role of Federal Cooperatives

For a healthy development of cooperative movement, the vertical and horizontal integration of the cooperatives is essential. Keeping this objective in view, the Govt. of India under Revitalisation of Cooperatives Programme has sought to give due weightage to increasing role of federal institutions for development of cooperative societies. Besides, the Model Cooperative Law has also envisaged a greater role of federal institutions in different spheres of activities such as monitoring the development, audit of cooperatives, ensuring timely election etc. The business development plan prepared for the development of primary cooperatives also envisages monitoring of the entire programme by the federal institutions.

Financial Support

Cooperation is a State subject and hence regular financial assistance is provided under the State Plan and Non-plan budget for development of cooperative societies. Such assistance is extended in the shape of share capital contribution, loan for working capital as well as subsidies.

National Cooperative Development Corporation (NCDC) assists cooperatives in planning, promotion and implementation of various cooperative development projects in the spheres of agro-processing, storage, marketing etc. NABARD also provides financial support to cooperative agencies. Besides, a number of Corporations such as National Dairy Development Board, Tribal Development Corporation, Handloom Development Corporation etc. have been set up for financing development of various cooperative organisations. The underlying principle of Government support to the cooperative movement is, therefore, to bring about a planned economic development of cooperative organisations for the benefit of the poor.

Human Resource Development

Cooperative Training and Education has been recognised by the Government of India as essential ingredients for a proper and healthy development of cooperative movement. Keeping this objective in view, Government of India has been providing financial assistance to the NCUI ever since the Cooperative Training Programme was transferred from the Reserve Bank of India to the NCUI in 1962. Subsequently, with the formation of National Council for Cooperative Training (NCCT) for conducting the entire cooperative training programme, Govt. of India has been providing 100% assistance to the NCCT. NCCT through National Institute and 18 Cooperative Training Colleges is providing professional training to the personnel engaged in cooperative movement at senior and intermediate level. Besides, for the training of junior personnel, State Government provides necessary financial support to 95 such training centres all over the country.

II. Follow-up Action on Recommendations of Sydney Conference on "Role of National Cooperative Organisations"

The Sydney Conference of Cooperation Ministers made recommendations about role of national cooperative organisations in regard to Cooperative-Government Collaborative Strategies for the Development of Cooperatives. These recommendations, can broadly, be

classified under the following heads :

- a) Interaction between cooperatives and the Government;
- b) Accountability of elected management and office bearers;
- c) Strengthening of primaries;
- d) Cooperative education, training and research;
- e) Monitoring the role of cooperatives and projection of their achievements; and
- f) Promotion of inter-cooperative trade within the country and at international level.

A. Interaction between Cooperatives and the Government

In terms of the bye-laws, the National Cooperative Union of India functions as a national forum for all types of cooperatives. To materialise this objective, the Union organises every three years the Indian Cooperative Congress wherein the representatives of the Government and the cooperative movement jointly review the progress of the cooperative sector; identify its problems and provides future directions of the cooperative development. The recommendations of the Cooperative Congress are brought to the notice of all concerned agencies for implementation.

Similarly, sectoral national cooperative federations also organise cooperative congresses to discuss the issues concerning their sectors. In the States, the State Cooperative Unions organise state-level congresses wherein the national cooperative organisations* and the government representatives also participate to have interaction with the state level cooperative movements.

In the state organisations involved in cooperative development due representation has been given to the cooperatives. For example, in NCDC, NABARD, NDDB etc., representation to the cooperative sector and their national cooperative organisations has been provided.

The Government of India and the State Governments have also set up appropriate forum to have constructive interaction between the Government and the cooperatives. The Department of Agriculture & Cooperation in the Govt. of India has set up a Central Cooperative Council where all the national cooperative federations are represented. At the state level, in some of the States, State Coop. Councils have been set up. These fora provide an opportunity for developing constructive inter-action between cooperatives and the government.

B. Accountability of Elected Management and Office-bearers

The National Cooperative Union of India from time to time has been formulating guidelines on accountability of elected management and office-bearers. It has also organised policy makers' meets to deliberate upon issues relating to the subject.

Very recently, the Union has formulated a Code of Conduct for the following agencies involved in the cooperative development:

- i) Cooperatives
- ii) Members of the cooperatives
- iii) Cooperative leaders/Board of Directors
- iv) Cooperative federations
- v) Registrars of Cooperative Societies
- vi) Government

C. Strengthening of Primaries

The NCUI has been emphasising the need for strong primary level cooperatives so as to develop an effective organisational structure of cooperative movement. But the majority of them are weak and non-viable. The Indian Cooperative Congress, the highest forum of the cooperative movement has recommended that primary agricultural cooperatives should be developed as a nucleus institution for cooperative development. Very recently, following the recommendations of Agricultural Credit Review Committee, the Department of Agriculture and Cooperation, Government of India, set up a Committee to consider the steps for implementing the recommendations of the ACRC appointed by the Government of India. The Committee recommended for implementation of a comprehensive Business Development Plan for Primary Agricultural Cooperatives (PACS) of the country. The NCUI through its National Council for Cooperative Training was fully involved in the business development planning exercise. The NCUI has also formulated a Manual for Business Development Planning in PACS. The Business Development Plans visualise the diversification of the business of PACS for meeting the total needs of the rural people, both agriculturists as well as non-agriculturist category of population. It has also been visualised that the business activities of the federations of cooperatives at various levels should be oriented towards their primary constituents.

D. Cooperative Education, Training & Research

The NCUI undertakes cooperative education of members, training of cooperative personnel and research in the problems of cooperatives on continuing basis. The necessary steps to revamp and restructure these have been initiated by the Union. With a view to making cooperative education programme more need oriented and effective, the Union has introduced monitoring and evaluation of cooperative education (MECD Approach). Under this approach, the needs of the members and prospective members of cooperative organisations are identified and based on which a development plan for cooperative organisation is drawn. The education programme is dovetailed with the Business Development Plan. Another important dimension to which the NCUI has paid increased attention is the Leadership Development Programme for the members of the elected management of cooperatives. A modular approach based on the sectoral needs is adopted for undertaking leadership development programme. Steps have also been taken to organise these programmes at local level in collaboration with state cooperative unions. The National Centre for Cooperative Education of NCUI is the nodal agency for organising these programmes. To support cooperative education programmes with necessary education material, the Union has set up the National Resource Centre to introduce education materials.

The Cooperative training programmes conducted at Cooperative Training Colleges and VMNICM are being restructured to make them management-oriented. The Higher Diploma Course in Cooperation conducted by the Cooperative Training Colleges has been restructured to make it more functional and skill-oriented. Similarly, the VMNICM at Pune is proposing to introduce Master Degree programme in Cooperative Business Management.

The Govt. of India have been approached to grant VMNICM the status of a Deemed University. This will give impetus to the researches in cooperative movement. Pending the materialisation of the proposals, the faculty at VMNICM and Cooperative Training Colleges are encouraged to undertake research into the problems of cooperatives on a continuing basis.

E. Monitoring the Role of Cooperatives and Projection of their Achievements

The NCUI, being the spokesman of the Indian Cooperative Movement, also monitors the role of cooperatives in the various segments of economy. The Union arranges discussions on various aspects of the share

of cooperatives in various sectors of cooperative economy at various fora. With a view to facilitate effective monitoring, the Union has established a Cooperative Data Bank and National Information & Documentation Centre to maintain up-to-date statistics relating to the role of cooperative movement in various sectors of national economy.

With a view to projecting the achievements of cooperatives, the Union brings out journals and periodicals. From 1990 onwards, the Union has started publishing a weekly tabloid namely Cooperative New & Views for projecting important happenings and the achievements of cooperatives. Periodical press-conferences are also organised to sensitize the media about the achievements of the cooperatives.

F. Promotion of Inter-Cooperative Trade within the Country and at International Level

The NCUI has set up an International Cooperative Trade Promotion Cell. The cell is linked with the ICA Coop. Trade Project and undertakes a number of promotional activities in the field of international cooperative trade. So far, the cell has undertaken the following activities:

- i) National Workshop of Export of Minor Forest Produce - Role of Cooperatives; ii) National Workshop of Indian Exporting Cooperatives; iii) Handbook on Export Promotion for Cooperatives etc.

III. Revitalisation of Cooperatives

The main thrust areas for a comprehensive approach towards cooperative development in the country are:

- i) Evolving a National Cooperative Policy;
- ii) Evolving suitable legal framework for the cooperatives to make them vibrant democratic organisations;
- iii) Strengthening the role of federal cooperatives in relation to primary societies;
- iv) Operationalising recommendations made by the Agricultural Credit Review Committee (ACRC) and assisting Primary Agricultural Cooperative Societies in evolving business development plans to make them viable and self-reliant institutions;
- v) Promoting self-help groups amongst the rural poor, to mobilise local resources, activate dormant members of the cooperatives and to generate viable projects for rural development.

Evolution of Cooperatives

The cooperatives in India have made considerable progress during the post-Independence period. The agricultural credit both short-term and long-term recorded an enormous increase (almost 20-fold) from a mere Rs. 210 crores in 1960-61 to over Rs. 4300 crores in 1988-89. Likewise fertiliser distribution through the network of nearly 76,000 cooperative outlets increased from about 13 lakhs MT in 1970-71 to about 40 lakh MT in 1989-90 accounting for 35% of the total fertiliser distribution in the country. Rural consumer business of the cooperatives also recorded a sizable increase from Rs. 133 crores in 1965-66 to over Rs. 2075 crores in 1988-89. Milk production recorded an increase from 2.07 crore MTs in 1969-70 to over 4.32 crores MTs in 1989-90. Cooperative sugar factories account for 60% of the total sugar production in the country. Cooperatives marketed agricultural produce worth Rs. 6274 crores in 1989-90 by providing coverage to almost all the primary agricultural markets in the country. About 20% of total spindleage capacity of spinning mills in the country is accounted for by the cooperative spinning mills. The storage capacity in the cooperative sector increased to 1.14 crores tons in 1989-90 as against 0.11 crore tons in 1962-63.

Though there has been a phenomenal expansion in cooperatives in almost all the sectors of the rural economy, signs of their structural weaknesses are also becoming apparent. The share of cooperatives in agricultural credit has declined from 78% in 1974-74 to about 45% in 1988-89 in the case of short-term credit. Similarly the percentage of fertiliser distribution by the cooperatives in the country has fallen from 55% in 1962-63 to about 35% currently. Some of the weaknesses are as follows :

a) Large percentage of dormant membership; b) Heavy dependence on Government for resources; c) Poor deposit mobilisation; d) Lack of trained and professional management; e) Mounting overdues in the credit cooperatives; f) Lack of participation by the members in the activities of the society.

The strategy to revitalise the cooperatives encompasses the following areas:

i) A National Cooperative Policy.

A draft Cooperative Policy was prepared and circulated for comments to the State Governments, national level federations and different Ministries/Departments in the Government of India dealing with

cooperatives. Replies were received from some Ministries/Departments as well as State Governments. Taking into consideration the view expressed the policy paper was revised in May, 1991.

ii) Legal Framework for Cooperatives

The Department of Agriculture & Cooperation, Government of India appointed a Committee on "Cooperative Law and Democratisation and Professionalisation of Management of Cooperatives" in 1987. The Committee made important recommendations to activate the democratic process and also to promote professional management in cooperatives. The Report has been sent to State Governments in May, 1987 for necessary action. The Planning Commission also appointed a Committee under the Chairmanship of Chaudhury Brahm Perkash to draft a Model Cooperative Law to facilitate the State Governments to introduce suitable reforms in their respective State Cooperative Laws.

iii) Strengthening the Federal Cooperatives

For revitalising primary cooperative societies, it would be necessary for the federal cooperatives, both at the State and National level, to have a fresh look at their working and to modify, in relation to primary societies, their approach from one of the competition and dominance backed by legal authority to that of providing support on cost effective basis. Primary units should not be made to subsidise establishment costs and (inefficient) working of federal cooperatives. States may like to suitably orient the working of their federations.

iv) Preparation of Business Development Plans

ACRC has recommended to initiate Business Development Planning in PACS as part of the revitalisation strategy. Most of the PACS today are performing limited functions of providing credit and agricultural input and to some extent marketing support. These activities are often promoted by the societies as agents of the higher tier of cooperatives. Margins on such business are nominal and in some cases even negative, and primary societies have to incur losses, resulting into their non-viability.

Business Development Plans for PACS aim to increase their package of profitable business and augmentation of resources through mobilisation of deposits. The thrust of the programme would be to involve its inactive members in the business of the society and to promote business linkage with marketing and consumer cooperatives. The District Central Cooperative

Banks, in the role of a federation of rural cooperatives is to assume role of a guardian and assist the Primary Village Cooperatives in formulating Business Plans and in operationalising the same.

Some progress has already been initiated to implement the programme by taking the following actions:

- (a) Training of the staff of DCCBs has been completed. This staff will guide the primary societies in formulation of BDPs.
- (b) A programme has also been initiated to train personnel from marketing and consumer cooperatives to prepare BDPs not only to enhance their own business but also as supportive to the BDPs of PACS. The programme will be launched from August, 91.
- (c) A detailed programme has been worked out for implementation of BDPs. It is planned to cover approximately 10,000 societies every year.
- (d) National Information Centre (NIC) has evolved a reporting and monitoring system for the implementation of programme of BDPs and for evaluating its impact.
- (e) Administrative and financial support to be provided for enabling PACS to become viable, have been reviewed in Zonal Meetings with the States held in May, 1991.
- (f) The studies to broadbase the activities of PACSs by bringing all the rural poor in the activities of the societies has been completed. Reports are being finalised to work out the modalities and legal frame-work to introduce self-help groups as a sub-system of the cooperative system. A scheme has also been worked out to extend deposit guarantee cover to the deposits mobilised by PACS.
- (g) The NABARD has initiated the exercise to simplify procedures through introduction of cash credit system, extension in due dates for payment of loans etc.

v) Promoting Self-Help Groups

The Committee under the Chairmanship of Shri S.R. Sankaran, Secretary, Deptt. of Rural Development was constituted by the Deptt. of Agri. & Coopn. to suggest a system of cooperative organisation for the primary societies at the village, secondary and block, district and state

level to help the rural poor and tribal groups; to suggest measures to encourage thrift and sound financial management at the grass-roots level; to explore the idea of freedom of association with a prescribed minimum membership at the primary level to join a union at the block level; and to suggest measure to harmonise the working of primary commodity cooperatives and multi-purpose cooperatives at village and higher level. The Committee after deliberations *inter-alia* recommended organisation of the rural poor into self-help groups to facilitate their involvement in financially viable programme. The legal frame-work to introduce self-help groups as a sub-system is being worked out.

Since Cooperation is a State subject and in the ultimate analysis, the health and vitality of the cooperatives are intimately connected with the manner in which the policy initiatives as spelt out above are given effect to by the State Governments, they are requested to consider initiating discussions and take necessary follow-up actions on the recommendations so as to make cooperatives truly democratic, self-governing and viable institutions for the economic development of the rural poor.

IV. National Cooperative Bank of India (Proposed)

One of the most significant cooperative policy issues for which the Indian Cooperative Movement has been pleading with the Government of India, since 1965, is the establishment of National Cooperative Bank. The Agricultural Credit Review Committee (ACRC) appointed by RBI under the Chairmanship of Prof. A.M. Khusro (1989) has examined the question afresh. The Committee has strongly recommended to establish such a Bank to bridge the existing systemic gap in the Cooperative Credit system in India.

The setting up of a National Cooperative Bank will result into following :

- i) It will provide a national balancing centre to absorb the surplus of the same systems and the national level non-credit cooperative systems or the larger cooperative enterprises.
- ii) It will serve as the spokesman for the entire cooperative banking and credit system in the country and be their leader to provide a forum for the central and state governments, Reserve Bank of India and NABARD where major policy issues and programmes relating to cooperative banking and credit are discussed and decided.
- iii) The cooperative banks will gain on two counts. On the one

hand, they will not lose out to commercial banks in the form of deposits of the cooperative banking system and on the other, the better and more profitable cooperative clients involving large business will remain in cooperative fold.

- iv) The filling up of the systemic gap at the national level will enable the cooperatives to function effectively as parts of a total cohesive national system.

Following the recommendations of ACRC, the National Cooperative Union of India (NCUI) worked out a Project Profile of the proposed National Cooperative Bank of India.

The Project Profile was discussed in a National Conference on Cooperative Bank of India convened by the NCUI on 8th and 9th March, 1991. The Conference unanimously resolved to establish National Cooperative Bank of India and get it registered under the Multi-State Cooperative Societies Act. A high level Steering Committee was set up to finalise the project and Bye-laws of the proposed National Cooperative Bank of India. The Steering Committee finalised the project and Bye-laws of the proposed Bank. On 18th March, 1991 a promoters' meeting was convened wherein 24 representatives of Cooperative Banking sector and National Cooperative Societies participated and adopted the bye-laws.

The basic objective of this Bank will be to help the Cooperative Banking structure in India become a democratic, self-reliant, vibrant and growing system not dependent on external agencies. Towards this goal the important functions of the proposed NCBI will be as follows:

- i) It will be a national balancing centre for the state level apex cooperative banks.
- ii) It will be an effective spokesman of the cooperative banking system in the bankers' forum at the national level sharing with the rest of the banking system, its right to be heard and listened to especially while deciding national issues affecting cooperative banking system.
- iii) It will provide overall leadership of the cooperative banking system and its operations in particular.
- iv) It will engage in operations deemed profitable and supportive of the operations of the cooperative banking system such as clearing operations, export and import financing, fund transfers, making loans and advances to national level non-credit cooperative federations, operations inter-bank call money market, investment

banking etc. permitted by the B.R. Act.

- v) It will develop policy directions for the system and perform as a cooperative and integrative authority over the entire system.
- vi) It will develop training capability programmes for the cooperative banking system.
- vii) It will provide assistance to lower level cooperative banking institutions in developing proper and uniform accounting systems, working procedures and practices.
- viii) It will in close liaison with NABARD, help develop institutional reinforcement programmes for members of the cooperative banking system.
- ix) It will help the state level cooperative banks to prepare their credit plans for themselves and their sub-systems. As credit planning is assuming greater and greater importance in banking sector, it will build up necessary expertise to prepare the credit plans of cooperative banks and be available for help and guidance to cooperative banks.
- x) It can issue, if necessary, bonds and debentures to generate term resources. It will borrow, as and when necessary, from financial institutions in India as well as abroad.

While carrying out the above functions it will be ensured that there is no duplication of functions between NABARD and NCBI. The two main functions which are carried out by NABARD mainly channelling of refinance and other regulatory functions will continue to be performed by NABARD. The NCBI will address itself more to the task of management of surplus funds in the cooperative system and deploying them for appropriate use in sectors like marketing, agro-processing, fertilizer distribution, working capital requirements of industrial and processing cooperatives as well as small entrepreneurs, artisans and small traders. The transfer mechanism which NCBI will provide will help reduce regional and sectoral imbalances.

V. Cooperative Development Fund for SAARC Countries

Inter-dependence is the characteristic feature of modern world. Realising its importance, the countries of South Asia namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka have established SAARC (South Asian Association for Regional Cooperation) at government level. Important areas identified for SAARC are as follows :

- i) Agriculture; ii) Meteorology; iii) Rural development; iv) Telecommunication; v) Health and Population Control; vi) Transport; vii) Scientific and Technological Cooperation; viii) Sports, Art and Culture.

Need for Regional Cooperation

The following factors justify the need for effective cooperation among SAARC countries;

- i) These countries have similar economic background. All South Asian countries, except Nepal and Bhutan, were under colonial rule and their economies were dependent on metropolitan economies which led them to be inter-dependent on each other.
- ii) SAARC countries can participate effectively in world economic order only if they are able to restructure their economy.
- iii) Regional cooperation will help these countries in better utilisation of their resources, principal of which are land, people and water resources.
- iv) Intra-regional trade can be expanded through effective regional cooperation as it will expand size of market, reduction in transport cost, product development.
- v) Transfer of appropriate technology from within the region will be facilitated.
- vi) Regional Cooperation will help in the development of infrastructure.
- vii) Poverty is the common problem of SAARC countries. Through mutually beneficial cooperation, these countries may evolve joint strategy for elimination of poverty.
- viii) At international level, it is felt that north-south cooperation i.e., cooperation among developed and developing countries has not facilitated reduction of disparities and promotion of equity. In view of this, the United Nations has been emphasising on the need for promotion of South-South Cooperation through Economic Cooperation among Developing Countries (ECDC) and Technical Cooperation among Developing Countries (TCDC).

Constraints

Inspite of all these justifying factors, there have been a number of

constraints in the way of promotion of regional cooperation. Some of these are:-

- a) Lack of effective interplay between the economies of the region;
- b) Mutual suspicion; c) Lack of clarity about meeting the cost of promotion of regional cooperation; d) Absence of effective communication between the countries of the region about economies of the each other; e) Absence of responsive institutional arrangements for promotion of regional cooperation.

Need for Involvement of Indian Cooperative Movement

Indian cooperative movement can play a fruitful role in supplementing the efforts of promoting South-Asia Regional Cooperation, particularly, in the areas of agricultural and rural development. In this connection, it will be relevant to mention that in all the SAARC countries, cooperation has been accepted as an important institutional set up for agricultural and rural development. Bangladesh, India, Sri Lanka, Nepal have specific policies for utilising cooperative infra-structure in the field of agriculture and rural development. Of all the SAARC countries, Indian cooperative movement is most diversified and strong in terms of coverage, manpower and resources and it can offer a wide range of support to the cooperatives of SAARC countries.

This is amply demonstrated from the outcome of a workshop organised by ICA and UNDP on Technical Cooperation among Developing Countries (TCDC) in May, 1990. Total projects identified for TCDC among cooperatives in Asia were 59 out of which India had offered 31 projects. This shows the capability of Indian cooperative movement to assist other countries of the region in the sphere of cooperative development.

However, there have not been any systematic effort on the part of Indian cooperative movement to provide assistance to other countries in the development of their cooperative movement as has been by other countries of Asia. Some of which are specified below :

- 1) Japan has been offering training for the personnel of agricultural cooperatives in the Asia and Pacific Region for a number of years. Japanese cooperative movements also organised leadership development programmes for cooperators of Asia and Pacific Region. The nodal agency for implementing these programmes is the Central Union of Agricultural Cooperatives of Japan to which assistance is provided by the Japanese Government.
- 2) The Association of Australian Cooperatives, the national

cooperative organisation of Australia has set up a Centre for Development of Cooperative Research, Training and Consultancy for Asia and the Pacific Region. Assistance for this purpose has been provided by Australian Government.

- 3) Malaysian Government has assisted the Malaysian cooperative movement to set up a Cooperative College to organise international training programmes.
- 4) The ASEAN (Association of South-East Asian Nations), an Inter-government organisation, has set up Asean Cooperative Organisation to implement international cooperative programmes for the countries of Asean region.

In India, on a very limited scale the National Cooperative Union of India through its training set up i.e., Vaikunth Mehta National Institute of Cooperative Management and Cooperative Training Colleges have been providing training facilities to foreign scholars under various international assistance programmes funded by Govt. of India viz. Indian Technical and Economic Cooperation (ITEC) programme: TCS of Colombo Plan, Special Commonwealth African Assistance Plan (SCAAP) etc. This year, Vaikunth Mehta National Institute of Cooperative Management, Pune, is organising a tailor-made training programme for personnel and cooperative leaders of USSR cooperatives. It has also been proposed that Indian cooperative movement, in collaboration with ICA, may also organise a regional training/seminar in the field of Agro-Processing for the cooperatives of Asia and Pacific region.

Need for Creating International Cooperative Development Fund

Viewed in above background, it is felt that the efforts of Indian Cooperative Movement will be more effective in promoting international relations, if they are systematised and fund support is available to them. It would, therefore, be appropriate if an International Cooperative Development Fund is constituted in India for providing assistance to the cooperatives of other developing countries. The following may be the important characteristic features of the proposed International Cooperative Development Fund:

- i) The resources in the Fund may be contributed by the Indian Cooperative Movement; Central and State Governments and other donors;
- ii) Resources from the Fund may be utilised for the following

purpose;

- a) Training of cooperative personnel; b) Deputation of Indian cooperative experts to developing countries; c) Conduct of feasibility studies on the request of developing countries; d) Transfer of technology; e) Facilitation of third country projects/ joint ventures;
- iii) The Fund may be developed gradually. To begin with, the preference may be given to SAARC countries and subsequently extended to other developing countries of Afro-Asian region.
- iv) The Fund may be managed by a Trust having representation of major donors including Central and State Governments of Indian Cooperative Movement. The Regional Director of ICA Regional Office for Asia and Pacific may be the permanent invitee.
- v) The administrative support to manage the Fund may be provided by the NCUI, which is the nodal agency for promotion of international cooperation between Indian cooperative movement and other cooperative movements.

The details of the constitution of the Trust and operation of the Fund may be prepared by an expert committee consisting of the representatives of Central Government, NCUI and ICA Regional Office for Asia and Pacific.

The support of State Cooperation Ministers is solicited for allowing the cooperative organisations of their States to contribute to the Fund.

VI. Ways and Means for making National Cooperative Union of India Self-supporting

The National Cooperative Union of India is the apex organisation of Indian Cooperative Movement to promote and develop the cooperative movement in India, to educate, guide and assist the people in their efforts to build up and expand the cooperative sector and to serve as an exponent of cooperative opinion in accordance with Cooperative Principles.

In furtherance of these objects, the Union undertakes following functions either by itself or in collaboration with other cooperative institutions:

- i) organise cooperative education and training programmes and popularise the principles and practices;

- ii) develop inter-cooperative relations and help the coordinated functioning of the cooperative movement in various sectors;
- iii) organise, conduct, collaborate and assist in carrying out research, investigation of cooperative problems and formulation of projects for cooperative development;
- iv) arrange for the production and publication of literature and audio-visual and other aids including films, filmstrips on cooperation and allied subjects;
- v) give publicity to the achievements of cooperatives through periodicals, journals, newspapers, pamphlets, brochures, books, films broadcasts, T.V. and the like for creating favourable atmosphere for the development of the cooperative movement;
- vi) maintain an information bureau and a library;
- vii) express opinion on matters of cooperative policy and act as the accredited representative of the Indian Cooperative Movements in the national and international spheres;
- viii) convene and hold the National Cooperative Congress and cooperative seminars, meetings, conferences, exhibitions etc.;
- ix) select delegates, representatives and observers on behalf of the Union for participation in the international, national and state conferences;
- x) facilitate the promotion of cooperative institutions and assist the member-societies in resolving their problems and difficulties and formulation of programmes and their implementation and preserve and safeguard the democratic character of the cooperative movement in the country;
- xi) to confer honour on the eminent cooperators;
- xii) acquire, hire, purchase, own or dispose of immovable property by way of sale, lease or otherwise for the furtherance of the objects of the Union;
- xiii) promote international cooperative relations through active collaboration with ICA, UNO, FAO, ILO, UNDP, UNIDO and other international agencies involved in cooperative development;
- xiv) establish effective liaison and relations with ICA member organisations and national cooperative organisations of other countries;
- xv) help, promote international marketing on cooperative-to-

and reduce its dependence on Government. Some of the suggestions to materialise this objective may be as follows :

(a) The Govt. of India may allow the NCUI divert the receipts under Cooperative Education Fund created and maintained by the NCUI under Multi-State Cooperative Societies Act to NCUI Corpus Fund till the credit balances in the Corpus Fund reaches Rs. 10 crores; (b) State Governments may provide their support by contributing to NCUI Corpus Fund; (c) NCUI member organisations may contribute liberally to NCUI Corpus Fund.

ICA Background Paper to National Level Follow-up Workshops on Recommendations of the Sydney Conference held in February 1990

The Regional Conference of Cooperative Ministers held at Sydney, Australia, in February 1990, had issued a Declaration, comprehensive Recommendations and a Plan of Action for the '90s with the objective to accelerate and develop a genuine Cooperative Movement in the Region. The Declaration and Recommendations were sent by the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) to national cooperative organisations and governments for follow-up and implementation.

The *raison d'être* for organising the national workshops/national consultations is follow-up of the following recommendation of the Ministers' Conference:

“The ICA should organise workshops and other relevant activities to take up follow-up actions on the above declaration and recommendations in collaboration with national cooperative organisations and national governments”. (Action Plan for 1990s. Para 4).

The above recommendation commands to ensure the implementation of the Sydney Conclusions. It also directs the ICA ROAP to review and evaluate periodically the progress made in various countries in giving practical effect to them.

As a follow-up of the above direction, the ICA ROAP has planned to organise five/six workshops in the current year accordingly and suggested to the cooperatives and the governments to organise national workshops. The following countries viz., Bangladesh, Fiji, India, Indonesia, the Philippines and Thailand gave positive response and agreed to hold workshops as under :

Philippines	...	...	June 4-7 1991
Indonesia	...	...	July 10-12 1991
Fiji	...	...	July 17-19 1991
Thailand	...	...	August last week 1991

India	...	...	September 1 1991
Bangladesh	...	...	August last week 1991

In India, the National Cooperative Union of India, plans to organise a national level conference of Ministers of Cooperation, in Bangalore, September 1, 1991.

In the meanwhile information has been collected at the level of the ICA ROAP about the follow-up action already taken by various countries. It is briefly given below :

Australia

- A one-day National Conference is planned to be held on Monday, July 29-1991 on "Planned Cooperative Relationship - Focussing Towards 2001". The Conference will review the recommendations of the (i) National Conference of Cooperative Ministers, and (ii) International Conference of Cooperative Ministers, both held in Sydney, February 1990.
- Formation of a Ministerial Council on Cooperatives with membership from the Commonwealth Government and each State and Territory Government.
- Commonwealth, State and Territory Governments each appoint a Minister to have portfolio responsibility for the Cooperative sector.
- Developing a comprehensive Cooperative Development Strategy.
- Revision and improvement of existing cooperative legislation.
- Increased education efforts to inform the community on the cooperative principles and the operation of cooperative institutions.
- Involvement of youth in cooperative activities.
- Enhancing marketing skills and management for the cooperative sector.
- Development of appropriate technical assistance programmes for cooperative movements abroad.
- Review of taxation issues.
- Setting up of a Cooperative Bank for Australia.
- Special focus on Awareness and Relationships, Government support to self-reliance efforts.

Bangladesh

- Comprehensive amendments have been enacted in the cooperative laws which are in conformity with the spirit behind the Sydney recommendations.
- Elections have been held at all levels in cooperatives to provide democracy.
- Constitution of a national level Cooperative Council consisting of representatives of government and cooperatives.
- Cooperatives have been recognised as the third sector of economy, the others being public and private sectors.
- A National Cooperative Policy has been formulated.
- Action is being contemplated on other recommendations.

Indonesia

- Revision and improvement of existing cooperative law is suggested.
- A national cooperative policy has been developed.
- Greater role for the National Cooperative Council envisaged.
- Special emphasis laid on developing efficient business management techniques.
- Restructuring of national level business cooperative federations advocated.

India

- The National Planning Commission has set up a committee to review the existing status of Cooperative Movement, suggest measures for its further development and to draft a model Cooperative Societies Bill. The Committee has completed its work and the report along with the draft bill has been submitted. The draft bill is now ready for submission to the Indian Parliament.
- Exercise is being done jointly at the level of government and cooperatives on how to strengthen the primary cooperatives at the village level.
- Innovative approaches are under consideration to ensure services to the weaker sections of the community.

- Cooperation is a decentralised subject under the charge of Stages. Some States have done commendable work in extending support to cooperatives.

Fiji

- Revision of existing Cooperative Societies Law to be undertaken.
- Draft of a "National Cooperative Development Policy and Strategies for 1991-2000 AD" developed, and ready for submission to the Government for approval.
- The Government supports strengthening of the Fiji Cooperative Union.
- Membership structure of the Cooperative Union being reviewed.

Philippines

- A new cooperative law has been enacted completely democratising management and restricting government interference in cooperatives.
- A code of conduct has been formulated for self-discipline.
- A policy on cooperative development has been included in the new cooperative law.
- A Cooperative Development Authority has been created with autonomous character for incorporation and promotion of cooperatives. (The CDA has been placed directly in the office of the President of the Philippines).
- Education and training being strengthened.

More information may be available during workshop discussions.

The Sydney Declaration and Recommendations are very vital as for the first time certain common directives were set jointly by the governments and the cooperatives at the regional level. The manifestation of sincerity of purpose in the recommendations makes the task of their implementation easier. The role and actions to be taken by government and cooperatives severally and jointly have been distinctly spelt out. The recommendations are practicable, leading towards ideal growth of cooperatives with harmonious relationship between government and cooperatives.

Action by ICA ROAP

As a follow-up of the Sydney recommendations, the ICA ROAP has taken the following measures :

- ICA ROAP is persuading, through correspondence and personal contacts during visits to various member-countries, to process the recommendations for necessary action and also to organise national workshops.
- Information in regard to follow-up action in various countries is disseminated through the columns of the Asia-Pacific Coop. News.
- As and when sought by the member-organisations, advice is given on cooperative laws and other policy matters.
- As a follow-up of specific recommendations of the Sydney Conference, guidelines to evolve a practical system of combining values, socio-economic objects and competitive strength as cooperative-government strategy is being formulated for consideration of national cooperatives and governments, and
- Network with secretariat in FAO Regional Office for Asia and the Pacific, Bangkok, has been set up.

The next Regional Consultation to prepare for the next Conference of Cooperative Ministers has been planned for Manila, Philippines, November 20-22 1991. The next Ministers' Conference is planned for Indonesia February 1992. The ICA Congress takes place in Tokyo in October 1992.

Points for Discussion

The national workshops may discuss the following aspects in regard to implementation of Sydney Declaration and recommendations :-

1. Applicability of Conference Recommendations. General Comments.
 - 1.1 Which of the recommendations are already in operation, and to what extent? Give details.
 - 1.2 Which are the recommendations planned to be implemented in the near future? Please give details.
 - 1.3 Recommendations which cannot to be implemented. Give reasons.
 - 1.4 Identify the recommendations which need priority in implementation.
2. Action taken on various recommendations.
 - 2.1 Discussed/proposed to discuss at a national workshop/conference. Give briefly the conclusions of national workshop/conference in

case workshop/conference already held.

- 2.2 Circulated among cooperatives, training institutions and other organisations involved in cooperative development activities.
 - 2.3 Recommendations have been discussed formally at the management level.
 - 2.4 Recommendations have been discussed jointly by the representatives of the national cooperative organisations and the government. Please give briefly the main conclusions.
 - 2.5 Recommendations have been published by publication in cooperative journals and/or sent through a circular letter.
 - 2.6 A committee has been constituted to formulate an action programme. Give a brief description of the committee and its plan of work and the strategies developed to implement the action programme.
 - 2.7 Any other action taken/contemplated to be taken.
3. International Support.
- 3.1 Identify the recommendations for which international assistance is required.
 - 3.2 What kind of international support is envisaged?
 - Technical experts
 - Advice/Council
 - International study visits and the purpose
 - Exchange of information and the type of information sought.
 - Any other support
4. How the steps taken to implement the Sydney Declaration and Recommendations will benefit the cooperatives in the country.

**Welcome Address by Shri B. S. Vishwanathan
President, National Cooperative Union of India delivered at
the National Conference of State Cooperation Ministers
on 1st September, 1991 at Bangalore**

Dr. Balram Jakhar, Hon'ble Union Minister of Agriculture and Cooperation, Hon'ble Chief Minister of Karnataka, Shri Bangarappa, Shri Mullappally Ramachandran, Union Minister of State for Agriculture and Cooperation. Distinguished State Ministers of Cooperation. Mr. Lars Marcus, President, ICA. Mr. V.K. Mittal, Jt. Secretary, Government of India, Chairmen and Managing Directors of National Cooperative Federations, Secretaries of Cooperation and Registrars of Cooperative Societies, Representatives of Government of India, Reserve Bank of India, NCDC, NABARD, NDDB, Shri G.K. Sharma, Regional Director, International Cooperative Alliance, my colleague cooperators and friends.

It is my proud privilege to extend a very hearty welcome to this august body of cooperative policy-making cooperative leaders and administrators and others on behalf on the Indian Cooperative Movement. I am particularly grateful to Dr. Jakhar and his colleague Minister in the Government of India to make it convenient to be with us in spite of their very pressing schedule in Parliament. Dr. Jakhar, an eminent farmers leader, has been an inspiring force for the cooperative movement. He has supported cooperatives from grass-roots level to make them an effective instrument of agricultural and rural development. Shri Mullappally Ramachandran has been a dedicated public worker, who has always espoused the cause of people's institutions at the grass-roots level. I extend a very warm welcome to all of them. Their association with this conference would guide us in finding solutions to a number of problems faced by the Cooperative Movement.

Mr. Lars Marcus, who heads the international body of cooperatives namely the International Cooperative Alliance, is a world-renowned cooperator. He belongs to Sweden. His contribution to the strengthening of the basic values in cooperation has been appreciated throughout the world. His presence here today is a definite encouragement to all of us and I extend a very affectionate welcome to him.

Shri S. Bangarappa, our Hon'ble Chief Minister, has done a yeoman's service to the cause of weaker sections and their organisations, namely,

the cooperatives. He has always supported the cooperative movement as an institutional framework for the socio-economic development of the weaker sections of the community. His kind gesture to preside over this Conference has enthused all of us and I am highly obliged to him on behalf of the National Cooperative Union of India. I also extend a very warm and respectful welcome to him. And above all, I welcome all the Hon'ble Ministers of Cooperation from various States and particularly Mr. K.H. Patil, Senior Cooperator and our former Cooperation Minister and presently Minister of Rural Development, Government of Karnataka and Shri S.R. Morey, the host Minister of Cooperation of Karnataka. I also welcome the Chairmen and Managing Directors of National Cooperative Federations, Representatives of Government of India, Reserve Bank of India, Managing Director NABARD, Secretaries and Registrars of Cooperative Societies of the States, Managing Directors NCDC, NDDDB who in spite of their busy schedule managed to be with us.

It would be appropriate for me to place before you a brief background of this Conference. In 1990, the International Cooperative Alliance had convened an International Conference of Cooperation Ministers of Asia and Pacific Region. The Conference deliberated in detail the relationship between government and cooperatives for the development of cooperative movement as a self-regulative, self-reliant, and self-managed sector. At its conclusion, it had adopted a declaration and made a number of recommendations relating to the role of Government, national cooperative organisations and international organisations. This Conference is a follow-up step to examine the recommendations of the Sydney Conference and the steps taken by agencies to implement these recommendations.

I am happy to inform you that since the Sydney Conference, a number of steps have been taken both at the Government of India level as well as the movement level to strengthen the cooperative sector. As all of us know, Government of India have initiated a multi-pronged strategy for revitalisation of cooperatives. It includes declaration of cooperative policy, reformation of the legal system, strengthening of primary level cooperatives through Business Development Planning, strengthening the role of federal cooperatives in relation to primary societies and evolving an appropriate system of cooperatives to help the rural poor. In the entire strategy as I perceive the central point has been the primary level cooperatives and their membership. Accent of this policy is that cooperative efforts should lead to perceptible social and economic development of those who constitute them.

While the overall performance of cooperatives at the macro level is

quite impressive, the structural weaknesses at the grass-root level and persistent regional disparities call for some concrete measures to make cooperatives a responsive institutional agency to meet the needs of rural poor and other weaker sections. Another dimension of the problems faced by cooperative sector is their vulnerability to political decisions adversely affecting the very content of their ideology. The classic example is implementation of loan waiver scheme. I need not emphasise the negative impact of wholesale waiver of loans on the cooperative credit system. It has not only choked the credit pipeline but has also eroded its resource base. I therefore, plead with the Government particularly the Government of India not to resort to such adhoc populist policy in future and to review the present policy. I also appeal for immediate reimbursement of amount due to cooperative credit institutions from the Government.

Although it is professed at various policy making levels that cooperatives are democratic institutions, it is a matter of great concern that in a number of States elections have not been held and elected boards have been superseded for political consideration. In this connection, may I recall that in 1987 Hon'ble Prime Minister of India had addressed all the Chief Ministers emphasising that elected office bearers should be allowed to manage cooperative societies without undue interference from the State Governments. Hon'ble Prime Minister had also observed that frequent supersession of the managing committees had adversely affected the working of cooperatives and therefore corrective measures to remedy the situation should be taken. In spite of Chief Ministers' assurance, elections in cooperatives have not been held regularly in many of the States.

Situation has been further confounded by the stringent cooperative laws taking away initiative from the members and their representatives. Cooperators naturally feel worried about such sort of situation. It is encouraging that the Government of India and Planning Commission have taken initiative to formulate Model Cooperative Societies Act to ensure democratic functioning of cooperatives and to insulate them from interference. The Draft Act is ready and has been circulated among cooperative movement and the state governments to elicit their views. But what is more important is the expeditious amendment of the Multi State Cooperative Law by removing its restrictive provisions particularly section 29(3) so that it creates conducive impact on the State Governments to amend their laws according to suggestions contained in Model Cooperative Act.

I, therefore, plead with the Hon'ble Ministers that democratic

functioning of cooperative institutions should be restored and they should be allowed to function as vibrant, autonomous institutions owned and managed by the members. To achieve this aim, I solicit the support of Hon'ble Ministers to amend their cooperative laws on the lines of Model cooperative Law as evolved by the Government of India.

Presence of systemic gap within the cooperative sector is yet another factor which leads to a number of problems. I may recall that recently Agricultural Credit Review Committee appointed by the Reserve Bank of India has recommended the establishment of National Cooperative Bank of India to bridge this gap within the movement to enable it to manage its resources efficiently and making it self-reliant. Following the recommendations of the Agricultural Credit Review Committee, the National Cooperative Union of India convened a national conference on the National Cooperative Bank of India. The Conference was attended by all three credit sectors namely State Cooperative Banks; State Cooperative Land Development Banks and Urban Cooperative Banks. As resolved by the conference National Cooperative Union of India have taken initiative to submit a registration proposal to the Central Registrar of Cooperative Societies in the Government of India to register the National Cooperative Bank of India under the Multi State Cooperative Societies Act. I am happy to inform to you that almost all the State Cooperative Banks, State Cooperative Land Development Banks and Urban Cooperative Banks have agreed to contribute to the equity and to be promoters of this proposed National Cooperative Bank of India. A series of discussions were also held with the Government of India. Reserve Bank of India to make the proposed National Cooperative Bank of India operational. The Governor of Reserve Bank of India has already constituted a small committee to study the proposal. I urge upon the Hon'ble Ministers of States to kindly lend their support to the proposed National Cooperative Bank of India.

In the finance bill 1991, Government of India proposes to reintroduce tax with effect from 1st October, 1991 on coop. institutions. This decision of the Government will have serious implications for the financial position of the cooperative banking system particularly in the context of their viability. As you are aware, according to present policies the cooperative banks advance loans to the borrowers at administered rates of interest as stipulated by RBI/NABARD. Hence they can not pass on the burden of interest to their borrowers. Similarly, withdrawal of subsidy on fertilisers is likely to have serious implications for the viability of cooperative marketing sector. I would, therefore, request the Government of India to review these policies so that cooperative system does not suffer.

Another important issue which I would like to place before this august conference is involvement of women in cooperative movement. As recommended by National Conference on Involvement of Women in Cooperative Movement, I had written to all the Chief Ministers and Cooperation Ministers to create specific cell in the cooperative department headed by a woman joint registrar or additional registrar to look into the problems of women's cooperatives. I request the Hon'ble Ministers to take necessary steps in this regard so that the weaker sections of the community particularly women are increasingly involved in the cooperative movement.

There are two other important issues which will be discussed by this Conference; one is the creation of an International Cooperative Development Fund for SAARC countries. Indian cooperative movement is the largest in the region and it can contribute significantly to build up international relations and goodwill. However, it requires adequate funding support. Creation of international development fund will facilitate materialisation of this objective.

Another item is ways and means for making National Cooperative Union of India self supporting. This is very essential to enable the Union to function as a true spokesman of cooperatives in true sense of the term. I solicit kind support of Hon'ble Ministers in this regard.

In the end, I would like to emphasise that the success of cooperative depends on proper blending of cooperative business with ideology. This is possible only if members, their representatives and employees are responsive to the organisational needs and members aspirations. Cooperative education and training programmes, therefore, assume a very prominent place in the entire framework of cooperative movement. Governments should, therefore, endeavour to strengthen the education funds of the cooperative unions and give recognition to the Diplomas awarded by their training institutions for recruitment and promotions in cooperative organisations.

With these words, I once again extend a very hearty welcome to all of you.

**Speech of Mr. Lars Marcus, President,
International Cooperative Alliance,
delivered at the National Conference of State Cooperation
Ministers, Bangalore, on 1st September, 1991.**

Honourable Union Minister of Agriculture, Government of India,
Fellow Co-operators and friends,

As you might know, I have been to New Delhi a few times. First as Chairman of the Swedish Co-operative Centre and after 1984 in my capacity as ICA President.

These visits brought to me two clear perspectives - one as a development supporter and financier of ICA Regional Office for Asia and the Pacific, and the other as the representative of India. On this occasion, I want to share both my experiences with you.

The ICA New Delhi office already in existence for some 30 years, has been a success. At a time when economic development has taken place in Asia, the ICA presence helped to strengthen the co-operative sector. It is not easy to single out any special achievement but, at least, the intense and wide contacts over national borders through seminars and conferences, seem me to be one of our contributions. I also have reason to believe that had Dr. Mauritz Bonow been alive, he would have enjoyed the increased Asian economic contributions to the ICA activities through the Regional Office. Personally, I also have had reason to enjoy the vitalisation of the office under its present Director, and my friend, Regional Director G.K. Sharma. The Ministerial Conference in Sydney one and a half years ago was prepared by him. Efforts to bring assistance to colleagues in Vietnam and Mongolia have been sponsored by him. He has spoken of Asian Cooperative Unity and proved his deeper understanding of its consequences by adding a young man from PRO China to his staff.

Success, however, is little to linger by. It is to be fought for all the time. What is necessary is a careful analysis of results and of the future. The question to be put here therefore is whether the Indian Co-operatives have had their proper share of this development and advancement.

I do not think so and I am not alone in this thought. In 1989, I had a short but very informative talk with the late Prime Minister Rajiv Gandhi.

Three days ago, I talked with your present Prime Minister Narasimha Rao. They both expressed their opinion that you are lagging behind. One of the reasons they offered was that co-operatives were not a direct subject of the Central Government. It is a State subject. As you may understand, my private judgement is not built on personal observations but mainly of what I have been told by our European and American colleagues, who have worked here and by Indian Cooperators in full openness, not the least after this was written. All say the same thing. Something fundamental has been wrong. The political wish to take advantage of the co-operative working formula of self-aid led to unforeseen results. The organisations of farmers and consumers formed never achieved the strong involvement of members without which no real lasting success is possible. The rest of the world can prove this.

I just read that 27,000 co-operative institutions in one State had been deprived of their leadership, to be taken over by Government-appointed staff. I cannot dispute whether this was called for or not. This is a matter for National Co-operative Union of India to challenge. But I hope you understand my point of view. When I say that such a practice going on from year to year, according to the NCUI President, is completely undesirable. It should be the duty of co-operatives themselves to call for new elections in accordance with their bylaws and rules. Also the practice of many cooperatives in India to postpone and delay the elections of their co-operatives is intolerable. That could be the reason for State Government's interference.

I have this week had this opportunity to discuss these matters with your Union Minister of Agriculture, Dr. Jakhar. His assurance of support for a new-co-operative law to be passed within a near future, as well as his own commitment to the cause of increased co-operative efficiency through political independence has impressed me. I have on my side repeated the promise. I also gave Rajiv Gandhi, and more recently Narasimha Rao the assurance that when Indian Co-operatives are given suitable conditions equal to those of ICA-majority cooperatives, the prospects for an increased and direct support from donor agencies will be there. In discussions on these matters, ICA would be prepared to participate with some of the most prominent co-operative leaders.

This was the development perspective. I hope you understand that my candor is one of concerns and friendships.

My other perspective is the one as ICA President elected with your support since 1984.

Perhaps even more than at any time in our lives, we now see the world changing. Economic inter-dependence makes national isolation less and less possible. New multinational markets are formed. The United States, Canada and Mexico will be one and recently I learnt from my Canadian friends that the attempts of their francophone minority could lead to a complete unification between the US and Canada as an ultimate result.

In Europe I see EC, EFTA and, in years to come, the old Comecon area as a union where borders, visas and other national restrictions are outmoded. This could also be a solution to the present attempts of national minorities to form new nations.

This idea is obsolete when old nations are withering away. Similar developments are taking place in Latin America and Asia. Co-operatives everywhere are, however, local or perhaps national like banking and insurance. They exist where the members are, while associations of capital can move or expand in any direction where profit is to be found.

To all national movements, the Indian included, this already forms a problem. This is a reason why the ICA will make a proposal at its Central Committee meeting in Berlin as a preparation for the forthcoming Tokyo Congress in 1992. The proposal says that all its members should meet on a global scale only every second year but on a continental basis in the years in between. This is not intended to disregard the global character of our work but to accept the necessity of work that, for instance, could be put under the label 'Asian Unity'. This is also not aimed at suppressing and trans-national connection that any member finds of value. I, last week, assured our Japanese colleagues that they should be welcome if they wanted to take part in any European or American Cooperative Assembly as associate members. The proposal is just aimed at giving a pattern for a collaboration that I want to see more and more commercial but as joint ventures or in similar forms outside the ICA. We, in Headquarters, Executive or Regional Office, perhaps have not enough skills, but above all have not the necessary rich capital for transactions in millions or even billions of Swiss francs.

I further hope you already know that the question of basic values behind our principles have been worked out in order to make our character more clear - also to members. This is in preparations before the ICA Tokyo Congress. When we meet in Japan I hope, however, that we have made a few steps further. A revision of our principles and a proposal to that effect in collaboration with our Specialised Organisations is to be expected.

To tell the future is difficult. On the ICA agenda prepared for our centennial in Manchester 1995, I however see some prospects for a general charter explaining to the outside public what cooperatives are and what make them successful.

I also believe that our work has a great impact on the future of world economics. Being local and national, co-operatives can give a great contribution and help reduce the unfortunate consequences of migration waves. All national citizens should be allowed to believe in future of the economy, the culture and the family, relatives and friends where they are born. Millions of young, well-educated people should not want to move to an insecure future in the North neither from Argentina and Central America nor from India or even Bangladesh.

I am happy that I was given the opportunity of participating in this important Conference of Indian Ministers of Cooperation. I am happy that the ICA-sponsored Sydney Conference recommendations will be discussed here. The main idea behind the Sydney Conference recommendations was to make co-operatives independent, self-reliant and strong.

I thank you.

**Speech delivered by Mr. Mullapally Ramachandran,
Minister of State for Agriculture and Cooperation, Government
of India, at the Cooperative Ministers' Conference,
Bangalore. September 1, 1991**

I have great pleasure in extending a very warm welcome to all the distinguished participants of this National Conference. While welcoming you, Senior Cooperators, I must confess that my knowledge of cooperative movement is that of a layman. I gather that this Conference is being organised by the NCUI and the ICA in the context of the Sydney declaration adopted by the Cooperation Ministers of Asia and the Pacific region in February, 1990 in Australia. The Sydney declaration, among others, emphasised the role of the Government and the National Cooperative Organisations in facilitating healthy development of the cooperative movement.

The history of cooperative movement in India dates back to the beginning of this century. The movement received special attention and assistance under the planned economic development process initiated by Nehruji. The common man and his upliftment through his participation in the developmental process was the central point of planned economic development initiated in this country under the leadership of Pandit Jawaharlal Nehru. Panditji, regarded cooperatives as the corner-stone of our socio-economic edifice. He once observed "As for me, I am a cooperator but in the economic structure of India, Cooperation is not even a free choice, it is a necessity". He wanted to "convulse India with the Cooperative Movement."

Over the years, the cooperative movement in India has emerged as one of the largest in the world with its 3.5 lakhs cooperative societies with a membership of 15 crores and total working capital of Rs. 48,000 crores. During the last four decades of planned development, the cooperative movement in India has made major strides and today there are not many areas of our economic activity which have not been embraced by the cooperative movement. The share of the cooperative is significant and crucial in many sectors and activities such as distribution of agricultural credit, marketing of agricultural produce, distribution of fertilizers and distribution of consumers' products. Cooperatives have also made their impact in processing and marketing of agricultural produce. The percentage of rural population covered by the agricultural cooperatives was a mere 7.58% in 1951 which today stands at about 95%.

There have been many outstanding successes in cooperativisation in different fields. The milk marketing societies of Gujarat, the Beedi workers' societies of Kerala, the cooperative sugar factories of Maharashtra, the rubber cooperatives of Kerala are but a few of the examples of success in cooperativisation. But against these successes there are many cases of failures too. The record of the cooperative movement in India has been a mixed one.

There is no denying the fact that there is a disquieting trend emerging in the performance of the cooperatives as a whole. The percentage of borrowing members has declined from 55% in 1960-61 to about 26% in 1988-89. The share of cooperatives in agricultural credit has come down from 77% in 1970-71 to 45% in 1989-90. However, Government's participation in share capital in cooperatives has registered a steady rising trend from 9% in 1965-66 to 16% in 1988-89. Let us not forget Nehruji's warning in his address to the Indian Cooperative Congress in 1958 in New Delhi that "If Government money comes, that money is followed by Government officials" which would undermine the cooperative spirit itself.

Though the Government and the cooperative movement have common objectives of improving the socio-economic conditions of the people, it is apprehended that the State partnership which was meant for strengthening the cooperatives has paved way for ever-increasing State control over the cooperative bodies to the detriment of their autonomous nature. There is, therefore, need for us to review the role of Government in cooperative development to ensure that Government in its enthusiasm to develop cooperative organisations does not overdo its part and destroy the autonomy of the cooperatives. Let us remember that good Government is never a substitute for self-Government. It is unfortunate that Governments have been superseding cooperatives, even the best among them, on extraneous considerations. I would make use of this opportunity to request the Hon'ble State Ministers not to impose Government functionaries on the cooperatives and destroy their basic autonomous nature just in furtherance of narrow political interests. I would request the Conference, to discuss and decide how to 'de-officialise' and 'de-politicalise' the cooperative movement.

The ministry has already prepared and circulated a draft National Policy on cooperatives which may be deliberated by this august Conference to evolve a clear cut policy in the matter.

Changes in the cooperative laws, Act, rules and bye-laws are required to ensure the essentially democratic nature of the cooperatives. I would strongly recommend to this Conference to consider the 'Draft Model Cooperative

Law' evolved by the Expert Committee appointed by the Planning Commission so that State Governments may introduce suitable amendments in the State Cooperative Laws.

I must mention here that yet another serious threat to the democratic nature of the cooperatives is posed by some of the so-called leaders themselves. They indulge in wily manipulations, do wonderful acrobatics in securing and maintaining their positions and offices in the state level and national level apex bodies even when they ceased to represent the primary societies. They continue in office in violation of democratic principles by taking refuge under controversial and technical interpretations of the Act and Rules. This tendency is not conducive to the development of healthy cooperative culture. We must check this. Otherwise the movement meant for the people will become a captive of the so-called *Cooperative Mafia*.

Any attempt at strengthening of the cooperative movement should start with improving the viability of the primary societies and increasing the participation of the members of the society in their working. These imperatives have been underlined by many study teams and committees in the past.

The Agricultural Credit Review Committee headed by Dr. A.M. Khusro, has recommended that the primary agricultural cooperative societies need to be made viable through Business Development Planning. Accordingly, a Business Development Planning Programme has been initiated for primary agricultural cooperative societies all over the country. Approximately 1900 personnel from District Central Cooperative Banks from various States have been trained in the actual preparation of these plans. Training has also been initiated for persons from primary marketing and consumer societies in the preparation of similar plans for enhancing the viability of primary marketing and consumer societies as well as providing the required linkages for assisting primary credit societies in implementation of their plans. A detailed monitoring and reporting system has also been designed for assessing the progress made in the implementation as well as the impact of the programme. I would request my colleagues from various States to keep a constant watch on the implementation of this programme as this will be a very vital step towards restoring the viability of the primary societies at the village level. I am happy that NCUI has taken the initiative to prepare a Manual on the implementation of Business Development Plans, which is being released today. The manual will be useful in the proper implementation of the Business Development Plans. I have great pleasure in releasing this "Manual on Business Development Planning in Primary Agricultural Cooperative" with your permission. I congratulate the NCUI on this good work.

With the objective of promoting member participation and assisting the rural poor through the cooperative system, a Working Group is looking into the issue of promoting Self-Help Groups and organising them as a sub-system of the primary agricultural cooperative societies. I am told that some Self-Help Groups are already operating in some of the States. I would urge that you may consider the promotion of Self-Help Groups as a sub-system of the primary agricultural cooperative societies to provide the benefit of the cooperative system to the rural poor and to encourage member participation.

We have also initiated action to draft a National Policy on Cooperation with the active assistance of NCUI. Action is also afoot for the implementation of other recommendations made by the Khusro Committee on simplification of leading policies and procedures to enable easy accessibility of farmers to cooperative credit. Many of the recommendations pertain to State Governments and we have already requested you to take speedy action on those recommendations.

I am sure, that your deliberations here in this Conference will help crystallise action programmes for the promotion and development of cooperatives as self-reliant democratic institutions owned and managed by you members themselves for their economic development. I may add, with the permission of Dr. Jakhar, that Government of India would fully support efforts of the State Governments in encouraging cooperatives to evolve into vibrant grass-root-level democratic institutions working for the economic and social development of their members. Thank You.

**Inaugural Address delivered by Dr Balram Jakhar,
Minister of Agriculture and Cooperation, Government
of India at the Conference of the State Ministers
of Cooperation held at Bangalore, 1st September 1991.**

Hon'ble Chief Minister of Karnataka, Shri Bangarappa, Hon'ble Union Minister of State for Agriculture, Shri Mullapally Ramachandran, Mr. Lars Marcus, President, ICA, Shri B.S. Vishwanathan, President, NCUI and Hon'ble Ministers of Co-operation from the States, eminent cooperators and distinguished invitees.

1. At the outset, I wish to compliment the National Cooperative Union of India and the International Co-operative Alliance for convening this Conference on Co-operation at a time when we, in the Government of India, are actively working for the revitalization of the co-operative system in the country. Strengthening of the Co-operative Movement in the country assumes special significance in the context of democratic decentralization, which we have undertaken by strengthening grass-root people's organisations like Panchayati Raj institutions and the policy of economic liberalisation to give a new thrust to the development process in the country.
2. As you are aware, the Co-operative Movement was started in this country with a view to saving the farmers and rural people from exploitation. After independence, India adopted a system of planned economic development with priority to agricultural sector. While notable growth of Indian agriculture has been attributed to the Green Revolution, which came about by a break-through in technology, agricultural co-operatives have also played a significant role as an institutional vehicle by providing support to the farmers by way of credit, inputs, storage and post-harvest facilities.
3. It is important to recapitulate the specific goals which were set for the development of Co-operative Movement. To be precise, I quote Pt. Nehru who said, while inaugurating the ICA Seminar on 'Co-operative Leadership in South-East Asia' in 1960:

"But my outlook at present is not the outlook of spreading the Co-operative Movement, gradually, progressively, as it has done. My outlook is to convulse India with the Co-operative Movement, or rather with Co-operation; to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the co-operative

approach the common thinking of India . . . Therefore, the whole future of India really depends on the success of the approach of ours to these vast numbers, hundreds of millions of people."

It was envisaged to establish a 'Co-operative Commonwealth in India'. The development of Co-operative Movement should be assessed keeping in view the above goals.

4. Starting with the limited spectrum of distribution of credit to rural people, co-operatives have now diversified in many new sectors of the economy such as marketing, processing, fertiliser production, storage, dairy, spinning, etc. With the active assistance and support of the Government, the Co-operative Movement in India has emerged as one of the largest in the world in terms of its number of institutions and membership. The policy of the Government to progressively institutionalize agricultural credit and distribution of inputs to the farmers through co-operatives has helped in increasing the agricultural production and implementation of the poverty alleviation programmes. There are nearly 3.5 lakh co-operative societies with a total membership of 16 crores and a working capital of Rs. 62,500 crores. Agricultural credit through co-operatives has increased from Rs. 24 crores in 1950-51 to Rs. 4800 crores in 1989-90. Likewise, fertiliser distribution through the net-work of nearly 76,000 co-operative societies outlets increased from about 13 lakh Metric Tonnes in 1970-71 to about 40 lakh MTs in 1989-90 accounting for 25% of the total fertiliser distribution in the country. As a result of the deliberate policy of the State, co-operatives have made noteworthy progress in agro-processing sectors of sugar, spinning, oilseeds, milk and horticulture. In addition, co-operative sector has also created substantial storage capacity including cold storage facilities for the use of the farmers.

5. Owing to a variety of reasons, the functioning of cooperatives in India, however, leaves much to be desired. The share of co-operatives in agricultural credit and input distribution is diminishing and they are playing only a limited role in meeting the other requirements of the members, like consumption credit, agricultural marketing and consumer items. A large number of them continue to have low borrowings membership, low business turnover and high level of overdues. The vast bulk of rural cooperatives have very little to show by way of deposit mobilisation excepting in a few states. In the case of marketing co-operatives, though there has been continuous increase in the total volume of business transacted a bulk of it comes from only a few States. Co-operatives are now increasingly depending on the Government for share capital assistance to mobilise resources. Excessive participation by the Government in the share capital has also led to gradual erosion of autonomy in the working of cooperatives.

6. These disquieting trends came up for discussion in the last meeting of the Central Council on Co-operation and in other fora. One of the reasons highlighted for the weakening of the co-operative system was increasing involvement of the Government in the working of the co-operatives. In a number of States I understand, elections have not been held in the primary societies. Recently, it has also been noticed that whenever new governments come to power at the State level, large scale supersessions of elected management of co-operatives are being resorted to. This has affected members' participation in the affairs of the co-operatives and the principle of democratic management of co-operative institutions by their members. Unless elected management is restored in co-operatives, the Movement will be lacking in spirit.

7. Along with the elected management, it is necessary to strengthen the professional aspect. While the former preserves and promotes the co-operative character, the latter ensures result-oriented functional efficiency. In order to promote harmonious relationship between elected and professional management, it seems necessary that a well-defined code should be formulated and adopted by the cooperatives. I understand that the Sydney Conference Declaration, 1990 has also made a recommendation to this effect.

8. Since Co-operation is a State subject, the initiative for reforms to strengthen and revitalise the Co-operative Movement has to come from the State Governments. These relate to introducing suitable reforms in the legal system, declaration of Government Policy on co-operatives, strengthening the primary village level co-operatives by initiating the programme of business development planning and redefining the role of federal co-operatives as supportive to the primary units. One of the reasons for non-viability of cooperatives is dormancy of a large percentage of members, most of whom belong to weaker sections. These people, when organised into groups, can effectively participate in financially viable projects and help in the progress of rural development. Co-operatives have, therefore, also to make special efforts to activate their members in the business of the society. In this context, it may also be examined if purpose can be better served by forming a new society where the existing society has become totally non-functional and cannot be reactivated.

9. To facilitate the State Governments to introduce reformation in their respective legal system, a Model Co-operative Law drafted by an Expert Committee of the Planning Commission has been circulated. The Model Law aims to restore the spirit of self-reliance and member participation in the affairs of co-operatives and the role of Government is restructured to ensure regular conduct of elections, audit and meetings of the society. We

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are making a detailed scrutiny of the various provisions. Copies of the Model Law have also been placed before you along with the agenda papers. We will communicate to you our views on the Model Law. The discussions in today's meeting will help us in the appreciation of the draft.

10. The steps taken by the Government of India for strengthening of the cooperative system in the country are in consonance with the Sydney Declaration adopted by the Cooperation Ministers of Asia and the Pacific Region. A Status Paper on the Revitalisation of the Cooperatives and a Paper on the follow-up action taken on the recommendations of the Sydney Conference is placed in your hands for your perusal and consideration.

11. One of the agenda items is establishment of the National Co-operative Bank of India. The proposal for the setting up of this Bank under the Multi-state Co-operative Societies Act is under consideration in consultation with the Ministry of Finance and Reserve Bank of India. The setting up of the proposed bank has to be examined keeping in view the overall existing co-operative credit structure in the country and not as an isolated entity. There are various aspects and issues including functional viability, management pattern, serviceability to agriculture and agro-industries, relationship with credit and non-credit organisations, etc., at various levels, which need to be carefully looked into, so that the success of the proposed bank is ensured. The proposal is being examined.

12. I am happy that Mr. Lars Marcus, President, ICA, is present with us today in this important Conference. We have from the Government side, always assisted the co-operatives in promoting international co-operation. India had the privilege of hosting the meeting of the ICA Central Committee in 1989, wherein representatives of co-operative organisations from 60 countries and international organisations had participated. We are also assisting co-operatives in organising training programmes for the trainees from other countries. A number of important commodities have been canalised for export through cooperatives. The NAFED, the TRIFED and lately the Spinning Mills Federation at the national level and many other co-operative organisations at the State level are actively involved in this effort. With all said and done, the share of co-operatives in export trade is very insignificant. They should make concerted efforts to promote inter-cooperative trade. From the Government side, we would fully support the initiative taken by the co-operatives in promoting international trade. We assure our cooperation to ICA in its activities.

13. Before I close, I would like to emphasize that Cooperative Movement is based on moral values. Without moral values, every other measure will fail. Gandhiji once said, I quote:

"... the Co-operative Movement will be a blessing to India only to the extent that it is a moral movement strictly directed by men fired with religious fervor. It follows, therefore, that co-operation should be confined to men wishing to be morally right ..."

The 1956 Conference of State Cooperative Ministers also resolved that:

"In the training of non-official personnel, it is essential to emphasise the moral and social importance of the co-operative method as well as the necessity for an efficient discharge of the responsibilities devolve on cooperative institutions".

However, the value aspect of co-operatives needs to be further strengthened through the various training courses designed for employees and non-officials. I understand that Mr. Marcus has initiated world-wide discussion on basic values in co-operatives. This shows the international importance of the value aspect of the Movement. I am of the firm view that if values are strengthened, co-operatives will *per se* develop their genuine character.

14. With these words, I am happy to inaugurate this Conference and assure you that the Government of India would give due consideration to its recommendations to revitalise the Co-operative Movement and to install a new vigour in this vital sector. I thank the NCUI and the ICA for giving this opportunity to me to meet and share my views with you.

Jai Hind.

PROGRAMME

**31st August, 1991
(Saturday)**

- 7.00 P.M. to 8.00 P.M. : Cultural Programme
- 8.00 P.M. to 9.30 P.M. : Dinner hosted by National Agricultural Cooperative Marketing Federation Ltd., (NAFED).

**1st September, 1991
(Sunday)**

- (10.00 A.M. to 6.00 P.M.) : **Conference Venue:** Ashok Radisson Hotel, Banquet Hall, High Grounds, Bangalore
- 10.00 A.M. : **Inauguration**
- 11.00 A.M. : Tea/Coffee Break
- 11.30 A.M. : **Business Session**
- Presentation of Papers on Action taken on Recommendations of Sydney Conference : and Strategy for Revitalisation of Cooperatives - by Department of Agriculture and Cooperation, Government of India.
 - Discussions on Strategy for Revitalisation of Cooperatives
- 01.00 P.M. : Lunch hosted by Indian Farmers Fertilizer Cooperative Ltd., (IFFCO).
- 02.00 P.M. : Presentation of Paper on National Cooperative Bank of India (Proposed)
Shri B.S. Vishwanathan, President, NCUI & Chief Promoter - NCBI
- Discussions
- 03.00 P.M. : Presentation of Paper on Cooperative Development for SAARC countries
- Shri G.K. Sharma,
Regional Director,
International Cooperative Alliance,
Regional Office for Asia & Pacific

- Discussions
- 04.00 P.M. : Tea/Coffee Break
- 05.00 P.M. : Presentation of Paper on Ways & Means for Making NCUI Self-Supporting by
Shri P.K. Agarwal,
Chief Executive, N.C.U.I.
- Discussions
- 05.30 P.M. : Closing Remarks
- Conference Concludes.
- 07.00 P.M. to 8.00 P.M. : Cultural Programme
- 08.00 P.M. to 9.30 P.M. : Dinner hosted by Krishak Bharti Cooperative Ltd., (KRIBHCO).

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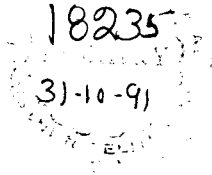
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