

CO-OPERATIVE ENTREPRENEURSHIP - A CASE STUDY OF URALUNGAL LABOUR CONTRACT CO-OPERATIVE SOCIETY KERALA

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ABSTRACT

Co-operative enterprise is a democratic corporate entity, created in a legal mould. Co-operative enterprise is not a unit to which the profit maximization theory is applicable. It aims at optimization of resource use and maximization of net returns to the members. In this framework an attempt has been made to study a co-operative enterprise in Kerala which has been started to empower the unskilled workers. The objective of the study is to understand the practices of co-operative entrepreneurship in Uralungal Labour Contract Co-operative Society, Kerala (ULCCS). The study is based on both primary and secondary data. Primary data was collected from the records of the selected co-operative, and through focus group discussions. ULCCS which was started with 14 members in the year 1925 has got 952 members as on 31st March 2010 and provides them regular employment. The performance indicators such as share capital, volume of business and profit earned from the year 1999-'00 to 2009-'10 shows an increasing trend. Democratic management practices, quality assurance, workers' discipline, competitive compensation and welfare measures beyond retirement are other significant features of the co-operative. Hitherto a co-operative for unskilled workers is transforming itself in to a high-tech employment provider to attract and retain knowledge workers.

INTRODUCTION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operatives are both an association and an enterprise. The enterprise aspect gives primacy to the economic and business function of co-operatives. A co-operative business enterprise is interposed between the members and market. The co-operative enterprise implies a corporate entity, created in a legal mould. It is a distinct entrepreneurial unit, with decision making, risk taking and other similar essential economic characteristics. Co-operative enterprise is not a unit to which the profit maximization theory is applicable. It aims at optimization of resource use and maximization of net returns to the members. Thus a co-operative firm seeks to achieve its goals by means of economizing costs and maximizing value addition.

The Co-operative enterprise is a 'going concern'. It is "an organization of coordinated activity; it has a collective behavior with a common purpose and a collective will governed by common working rules."

In a co-operative enterprise there is direct relation between users and the enterprise, and the specific object of the enterprise is the satisfaction of the common users-- user - seller, user - purchaser, user - worker. The aim of co-operative undertaking is not to maximize the return on share capital, but to render service to owner-users at a minimum cost. Thus it is a service enterprise as distinct from a profit enterprise. A co-operative like any other enterprise must seek out opportunity for expansion and diversification so that it can confer better benefits to members i.e., it must strengthen the enterprise viability. The efficiency of a co-operative enterprise is measured primarily, not in terms of return on investment, but in terms of quality, adequacy and cost of service rendered to member users. For achieving the economic efficiency a co-operative organization must plan, organize, motivate and control its operation. A member's economic right is measured by the extent of his participation in the undertaking's business, while his right of control is based on 'one member one vote'. In the division of surplus the co-operative enterprise excludes capitalist mode of division and applies the rule of distribution in proportion to patronage.

A co-operative is said to be a success only when it achieves success in both enterprise as well as association aspects. It must therefore synthesize the association and enterprise characteristics. A co-operative may succeed as an enterprise, unmindful of members' welfare; but it would cease to be a co-operative. A co-operative may succeed

as an association, but its economic viability may be lost. Without a viable enterprise the association character cannot be fostered. Economic efficiency and co-operative character must be blended appropriately, so that the institution and the men behind it grow simultaneously. “We build the world in vain, unless the builder grows.”

In this framework an attempt has been made to study a co-operative enterprise in Kerala which has been started to empower the unskilled workers.

OBJECTIVES

The objective of the study is to understand the practices of co-operative entrepreneurship in Uralungal Labour Contract Co-operative Society, Kerala.

METHODOLOGY

The study is based on both primary and secondary data. The secondary data for the study was generated from the published works of the selected co-operative and also the reports, books, and research papers on co-operative enterprises. Primary data were collected from the records of the selected co-operative, and through focus group discussions. Focus group discussions were carried out among the Board of Directors, employees, worker members and non-member workers during the month of August 2010. The major variables considered for the reporting are membership, financial performance in terms of share capital, volume of business and profit earned, democratic management, quality assurance, workers' discipline, compensation and welfare measures. For the purpose of international readers, the authors have converted the absolute figures in Indian Rupees in to USD (1 USD = 45.50).

ORGANISATION OF ULCCS

In India when untouchability was order of the day; the Gods Own Country was practicing unseeability. Feudalism and casteism suppressed the depressed mass of the land. Twentieth century began with social reforms and revolution against superstitions. Sree Narayana Guru, Chattambi Swamikal and Vakbadanantha created a strong wave to uplift the socially and economically weaker mass of Kerala. Guru Vakbadanantha was instrumental for motivating and encouraging the local Thiyya community youths at Uralungal village to start Lower Primary School, Credit Society and Labour

Co-operative. The Labour Co-operative was registered on 13th day of February 1925 with 14 members. As on 31st March 2010, the Co-operative had 952 members, of which 87 are female. The members are all construction workers from Kozhikode district. However, the Co-operative also utilizes the services of non-members and executes works throughout the state of Kerala.

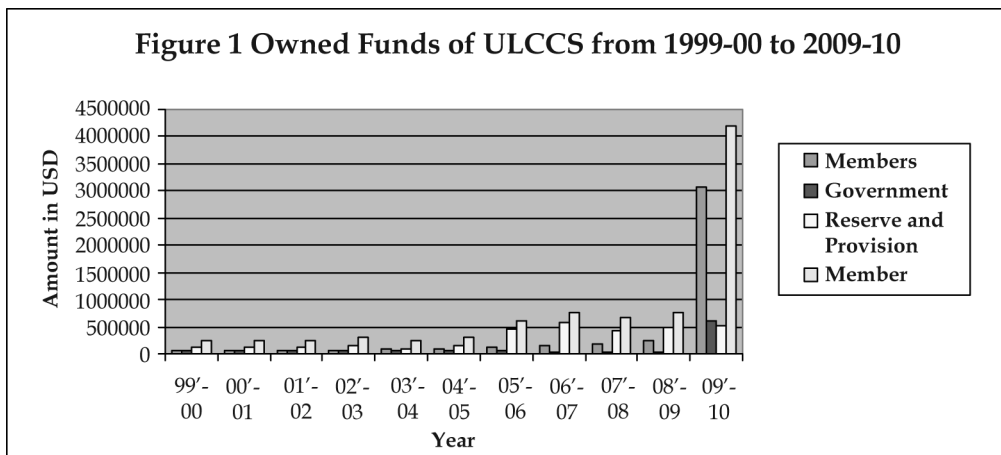
PERFORMANCE INDICATORS OF ULCCS

Here an attempt has been made to highlight the growth of share capital, volume of business and net profit earned by the co-operative for the period from 1999-'00 to 2009-'10.

Table 1 Owned Funds of ULCCS from 1999-00 to 2009-10 (Amount in USD)								
Year	Members	Growth Index	Government	Growth Index	Reserve and Provision	Growth Index	Total	Total Growth Index
1999-00	49061	0	66000	0	121916	0	236977	0
2000-01	54557	11.2	65934	-0.1	119896	-1.7	240387	1.4
2001-02	62301	26.9	65934	-0.1	111329	-8.7	239564	1
2002-03	74810	52.5	65934	-0.1	150895	23.8	291639	23.1
2003-04	88322	80	59341	-10.1	88534	-27.4	236197	-0.3
2004-05	105050	114.1	52747	-20.1	141120	15.8	298917	26.1
2005-06	128031	160.9	46154	-30.1	443188	263.5	617373	160.5
2006-07	158784	223.6	39560	-40.1	568345	366.2	766689	223.5
2007-08	194391	296.2	32967	-50.1	432437	254.7	659795	178.4
2008-09	238891	386.9	26374	-60	482891	296.1	748156	215.7
2009-10	3062205	6141.6	613187	829.1	525840	331.3	4201232	1672.8

Source : Compiled from the Annual Reports of ULCCS

Note: Growth Index is in percentage



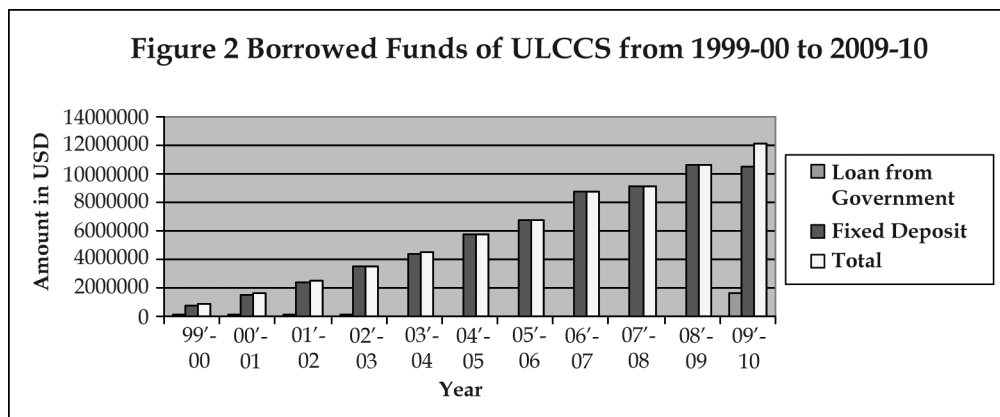
The Table 1 and Figure 1 indicate the owned fund position of ULCCS from 1999-00 to 2009-10. The owned fund consists of share capital and reserves. Share capital is subscribed by both the members and also by the state government. State participation in co-operatives normally is in the form of share capital contribution, extending loans and advances and monitoring and evaluation. ULCCS avails share capital contribution and the accounts are regularly audited by the Registrar of Co-operatives, Government of Kerala. Members' contribution towards share capital shows a steady growth. However, government contribution towards share capital has shown a declining trend up to 2008-09. But in the year 2009-10 it recorded a quantum jump, which may be due to the government's special consideration.

Table 2 Borrowed Funds Of Ulccs From 1999-00 To 2009-10 (Amount In Usd)

Year	Loan From Government	Growth Index	Fixed Deposit	Growth Index	Total	Total Growth Index
1999-00	109890	0	721578	0	831468	0
2000-01	84396	-23.2	1525189	111.4	1609585	93.6
2001-02	78242	-28.8	2404099	233.2	2482341	198.5
2002-03	72088	-34.4	3448549	378	3520637	323.4
2003-04	52747	-52	4405439	510.5	4458186	436.2
2004-05	46154	-58	5722787	693.1	5768941	593.8
2005-06	39560	-64	6689663	827.1	6729223	709.3
2006-07	32967	-70	8727145	1109.5	8760112	953.6
2007-08	26374	-76	9155275	1168.8	9181649	1004.3
2008-09	19780	-82	10616112	1371.2	10635892	1179.2
2009-10	1658462	1409.2	10460327	1349.6	12118789	1357.5

Source: Compiled from the Annual Reports of ULCCS

Note: Growth Index is in percentage

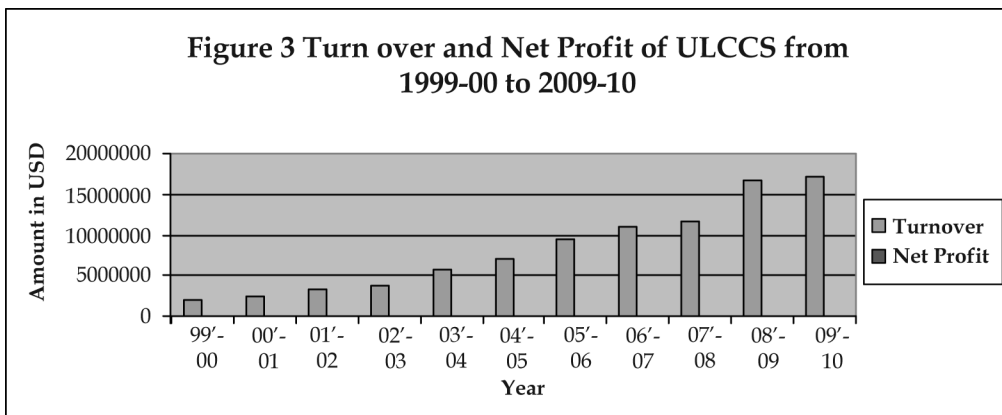
Figure 2 Borrowed Funds of ULCCS from 1999-00 to 2009-10

The Table 2 and Figure 2 speak about the Borrowed Funds of ULCCS. Borrowed Funds of ULCCS consists of loans from state government and fixed deposits raised by the co-operative. Though the co-operative is not a bank, it has special rights to mobilize deposits. Compared to loans from state government, deposits show a phenomenal growth. However, it should be noticed that in the year 2009-10 the government, as in the case of share capital contribution, lend lavishly.

Table 3 Turn over and Net Profit of ULCCS from 1999-00 to 2009-10 (Amount in USD)				
Year	Turnover	Growth Index	Net Profit	Growth Index
1999-00	2028571	0	2440	0
2000-01	2342857	15.5	3077	26.1
2001-02	3369231	66.1	3385	38.7
2002-03	3828571	88.7	3516	44.1
2003-04	5665934	179.3	7890	223.4
2004-05	7043956	247.2	8242	237.8
2005-06	9391209	363	20923	757.5
2006-07	10993407	442	23890	879.1
2007-08	11619780	472.8	26462	984.5
2008-09	16617582	719.2	27846	1041.2
2009-10	17153846	745.6	31517	1191.7

Source: Compiled from the Annual Reports of ULCCS

Note: Growth Index is in percentage



The Table 3 and Figure 3 show the business turnover and net profit of ULCCS. The phenomenal growth of business turnover was due to the vibrant leadership and commitment of the members. Moreover the government also extended patronage in allotment of civil works. Despite the significant growth in business turnover, the Net profit of the co-operative was very low. It was mainly due to the fact that the co-operative extend its major part of its revenue to the member workers working for the co-operative as compensation. In the beginning, the Co-operative was undertaking works like digging of wells construction of aqua ducts and fencing of the then Malabar district. Since the members were so dedicated and prefer to serve anywhere in Kerala, the Co-operative undertakes road construction and other construction works from almost all federal and state government agencies. Considering the growth and best services of the Co-operative, the state government has extended many privileges such as exemption from payment Earnest Money Deposit, declaring as 'Accredited Agency' for execution of MLA Development Fund works without tender. The graph 3 speaks about business turnover and net profit earned. Though the performance of a co-operative need not be measured in terms of profit, here as an academic exercise and to emphasize the strengths of ULCCS, net profit earned during the study period has been taken for trend analysis. Subject to further financial analysis, the study found a great mismatch between the volume of business and net profit earned.

DEMOCRATIC MANAGEMENT

The members of the society elect the Board of Directors. Interestingly in the land of politics, the researchers observed that the board including the president consists of non-political workers with 25 to 35 years of experience in construction. It should be noted that as in the tradition of revolutionary movements, since its establishment, the Board whoever it may be, sits beyond official timing and deliberate. The meeting of board members on all working days between 7 and 9 pm reviews the work executed, verifies the bills of accounts brought by the team leaders, and allocate funds for the succeeding days along with the detailed work scheduling.

The co-operative generally undertakes works in Kerala. Well before participating in the tender, the board decides upon the margin with which the society can take up the work. In many instances, after tender, negotiations happen, which is again vested with the board to take decisions. The co-operative also gets work without going through the

tender procedures. Once the co-operative is awarded with a work, the various tasks are identified and are assigned to various Directors cum Leaders. They collect required materials for work, construction machineries and workers from the central pool. If the work site is far away from the village, the board arranges accommodation for the work force. To ensure better service to the workers the co-operative provides additional allowances, catering facilities on dividing basis.

QUALITY CONCEPTS

After visiting the sites where in works were executed and work is in progress, the authors of this paper believe that the co-operative has always taken necessary steps to check the quality of the work they undertake. The co-operative adopts quality control measures in the procurement of materials for concreting like cement, sand and gravel and also in maintaining the correct water – cement ratios. The worker members and worker non-members rather potential members have better understanding about their role in constructing and building better quality structures. The workers expressed that the existence and growth of co-operative, is based on quality and not in making profit. That may be the reason for employing around 2500 workers and creating 6 lakh man days per annum. This stands evidence for the ISO 9001-2000 certificate awarded to the co-operative.

DISCIPLINE

When the co-operative movement was spreading in England, Germany and Italy, the founding fathers like Robert Owen, Rochdale Pioneers, Raiffeisen, Luigi Luzzatti were emphasizing the need for discipline. The researchers observed and astonished to see the military type discipline among the board members including the President, member/non-member workers and employees of ULCCS. Wherever the project site is, the workers are expected to maintain utmost discipline with the local community. Violations are very limited in the co-operative since the punishments are very heavy like ordering such delinquent to undertake hard manual work individually to termination of membership. If the financial indiscipline such as financial fraud, lance or theft by a member is proved, irrespective of the amount involved and regardless of his position s/he will be terminated forthwith subject to the approval of general body.

COMPENSATION

The study found that the workers were working from dawn to dusk. They believe in executing the targeted work within the time frame. As on 10th December 2010 the basic wage structure was Rs. 420/- per day for men and Rs. 280/-women. Those who are employed in strenuous and skilled works like concreting and tarring, were paid with Rs. 500/- per day. For the jobs which demands stay in project sites, an additional allowance of Rs. 50/- is paid. The payment is done on a weekly basis, though Rs. 50/- is paid everyday and the remaining amount at the week end. Further the workers are eligible for 20% Bonus twice in a year, Medical Allowance to the tune of 2.5% of the wage earned, contribution towards Provident Fund@ 12% , Labour Welfare Fund of Rs. 8/- per year, 50% of the premium amount of the insurance policies subject to the maximum of Rs. 1000/-. Those workers who retire after completing 15 years of service and after 50 years of age will be paid gratuity is at the rate of 5 days wages for every 100 days of work in the service. In addition to all these welfare measures, the co-operative extends support for marriages in the form of grant of Rs. 5000/- for men and 8 grams of gold for women and daughters of members. In the case of any accidents in the work site, all medical expenses are met by the co-operative. Moreover such accident victim is eligible for 50% of his/her regular wages till s/he recovers fully. The workers are also eligible for paid leave subject to the approval of Board.

CONCERN FOR COMMUNITY

The members of co-operative have concern for community and continuously engaged in building better relationship with the society at large. They showed a marvelous generosity in constructing houses for tribal people of Muthukadu Tribal Colony, Wayanad district. The researchers observed the co-operatives preparedness to solve the problems of natural calamities such as Tsunami and landslides. The president reported that the co-operative has taken massive effort to rehabilitate Tsunami victims. He further said that they provided them with transport facilities for evacuating the people, food and financial assistance.

DIVERSIFICATION

The society was formed with the main objective of uplifting socially and economically poor unskilled workers. However, there is a phenomenal shift in the category of job seekers from uneducated and unskilled to educated and skilled ones. This is evident from

the demographic profile of workers where youths are limited in number. Considering the demand for soft skill for youths, the co-operative has taken initiative to build an Information Technology Park at Kozhikode as ULCYBERPARK. The first phase which is nearing completion (December 2010), will have the capacity to accommodate 10,000 employees at a time. The second phase will be for 20,000 employees. The project has got the Special Economic Zone Status of the federal government. Hitherto a co-operative for unskilled workers is transforming itself into a high-tech employment provider to attract and retain knowledge workers.

SWOT of ULCCS

<p>Strengths</p> <ul style="list-style-type: none"> • Democratic Enterprise • Commitment of workers • Transparency in business • Government support • Political and religious Neutrality • Professionalized management 	<p>Weakness</p> <ul style="list-style-type: none"> • So far the co-operative was focusing only on construction industry • Board is not prepared fully yet to see the transformation
<p>Opportunities</p> <ul style="list-style-type: none"> • Government spending on infrastructural development • Growing IT sector for diversification • Increasing number of soft skill youths 	<p>Threats</p> <ul style="list-style-type: none"> • Competition from private sector • Regulatory sanctions

POLICY IMPLICATIONS

The researchers are of the opinion that this co-operative has got replicable values and practices. This Co-operative enterprise model is very much suitable for the places where India faces social and economic unrest and conflict. Like what we did with the Anand pattern milk co-operatives for white revolution, to mitigate the poverty stricken mass, the state governments can adopt this model. This co-operative way will ultimately create peace with infrastructure.

AUTHORS' BACKGROUND

Dr. G. Veerakumaran is currently working as Associate Professor in the Department of Co-operative Management, College of Cooperation, Banking and Management, Kerala Agricultural University, Thrissur, Kerala, India. He has 3 years of industrial and 20 years of academic experience. He has also served as Associate Professor and Head of the Department of Co-operatives, Mekelle University, Ethiopia for about six years. He has published quite good number of national and international research papers in leading journals. He has also published five books on co-operatives and other related fields. He is acting as member of Board of studies in three Universities. He is an ardent believer and preacher of co-operative philosophy.

Dr. E. Vinaikumar is currently working as Associate Professor and Head of the Department of Co-operative Management, College of Cooperation, Banking and Management, Kerala Agricultural University, Thrissur, Kerala, India. He has 26 years of academic experience at the University level in the field of Co-operative Management and Human Resource Management. He has published number of research papers in leading journals. He has guided quite good number of students and also associated with research projects on co-operatives and other related fields. He is at present member of Board of studies in two Universities.

EDUCATION MAKES CO-OPERATIVES STRONG AND VIBRANT

Daman Prakash

IFFCO Foundation

ABSTRACT

Co-operatives are socio-economic institutions operating at the primary level to meet and satisfy the needs of a common man. They not only endeavour to provide services and facilities but also provide training in the skills of operating a democratic economic institution. The essence of a co-operative institution is the democratic control and the participation of members in the government of their own co-operative. Without participating in a democratic institution the essence of democratic management tends to diminish. Co-operative institutions are thus the “little democracies operating at the doorstep of a common man”. The loyalty of members towards their co-operatives is hinged on to the quality and range of services provided by the society to its members. The key factor in the management of a co-operative institution is the participation by members - participation in business, participation in the democratic process and participation in the social factors relating to the co-operative activity. Some of the principal factors which help make a co-operative strong, viable and vibrant are: Awareness, Strengthening of the institution; Professionalisation; Active participation for higher business; Rewards and satisfaction; Flow of information; and Marketing with advantage.

INTRODUCTION

Co-operatives are often blamed for inefficiency. It may be true but with varying degree. Though there are shining examples of successful and vibrant co-operatives yet a large number continues to face criticism not only from their own members but also from other segments of the society. Any minor slip or misdeed often finds a large space in the media leaving these small co-operatives defenceless.

Some of the reasons attributed to the weakness of co-operatives are: Wide area of operation and a large number of members [the relationship between the member and his

co-operative becomes highly diluted and gets impersonal whereas 'small is beautiful' and sweet too!]; Members begin to dislike the co-operative because of erosion of identity of membership [members are often known by unique numbers rather being addressed and known by names]; Small farmers lose their priorities as compared with large and influential farmer-members; Inadequate and untimely supply of inputs; Lack of infrastructure to dispose off members' produce in time and at good price; Local politicians often use the co-operative structure as their 'vote bank'; Too many controls by government on co-operatives e.g., nominations on the Board or officials being posted as managing directors or chief executives; Members have not read/understood their own bylaws; Government does not patronize co-operatives because they are considered to be self-sustaining, independent and voluntary organisations; Dominance of Board over management; Too much concentration of powers in one hand or in the hands of a few members of the Board; Poor/inadequate consultations by the Board with the managers before taking important business decisions; Low frequency of contacts with members; No regular and serious education and training programmes for members; Inadequate funds for education and development programmes; No delegation of powers to the management resulting into slow and inappropriate decision-making and implementation; Inability to mobilize deposits by the co-operative on its own strength; Too much paper work for a small co-operative; Near-Zero flow of information to members; Inadequate infrastructure at the co-operative level e.g., warehouses, transportation, communication etc.; Co-operatives often get adverse publicity on minor faults.

Many of these reasons are real but do not necessarily lead to a conclusion that co-operatives are inefficient and members cannot run their own organisations. Many of these so-called faults are pure misconceptions and imaginary and are floated due to various self-interests involved. These are also due to lack of information, inadequate management competency, poor advocacy role played by co-operatives and their leaders, excessive self-interests and poor public relations role. Perhaps, the remedy lies in education, extension, training and professionalisation. Let us discuss these issues!

SOCIO-ECONOMIC INSTITUTIONS

Co-operatives are socio-economic institutions operating at the primary level to meet and satisfy the needs of a common man. They not only endeavour to provide services and facilities but also provide training in the skills of operating a democratic economic institution. The essence of a co-operative institution is the democratic control and the participation of members in the government of their own co-operative. Without participating in a democratic institution the essence of democratic management tends

to diminish. Co-operative institutions are thus the “*little democracies operating at the doorstep of a common man*”. Since there is no bar on any individual to become a member and to participate in the affairs of the society, there is greater respect and appreciation of the system and liberty that a member can enjoy by getting into the fold of a co-operative institution.

A co-operative has often been compared to a State. It is a State within the State. A State is a political organisation, which has four ingredients e.g., territory, population, government and sovereignty. A look at the fabric of a co-operative institution will reveal that a co-operative also has a territory i.e., a particular area of its operation. The members are its population, the executive committee its government and the general body, just like the people in a State, is supreme. A co-operative society is thus a State in miniature. However, it is not sovereign. It has to abide by the laws of the land. The byelaws of a co-operative cannot override the acts and rules of the State. In this sense it is a registered body enjoying the status of a legal entity, which acts within the framework of the constitution of a State. With certain apparent exceptions a co-operative is like a “State within the State”.

STRENGTHENING DEMOCRATIC TRADITIONS

A primary co-operative society could contribute in the following manner in consolidating the democratic traditions.

[a] *Education and Member-relation Programmes Sponsored by the Primary Co-operative Society:* At the village level, a co-operative institution is the first formal contact point for the members. Co-operatives, by virtue of their character, *contribute significantly to the growth of democratic traditions*. It is, therefore, necessary that the co-operatives initiate some realistic steps which could contribute to strengthen the nationalistic feelings and patriotism among the members. Members, before they become formal members, are the citizens. It would be reasonable for the co-operatives to strengthen this feeling by introducing some simple instruments, in the form of pledges which should be read aloud by the members, management committee members and the employees.

Such *pledges* can be administered by the president of the co-operative at some suitable occasion, e.g., the General Body Meeting, or the Co-operative Day Celebration, or even on the National Day/Independence Day/Republic Day. These pledges would serve the purpose of bringing the members, MC members and employees a little closer

to the co-operative institution. The main purpose of these pledges is to inform the concerned parties that they belong to the co-operative and that they have certain rights and duties.

A primary co-operative society should also clearly explain to the three categories i.e., members, managing committee members and the employees, what '*performance*' really means. Each one is concerned with the performance of a co-operative institution and of oneself. How to enhance/improve the performance of a co-operative society itself; How to enhance/improve the performance of a MC member; and how to enhance/improve the performance of an employee, are some of the simple instruments which can generate some kind of discussion. Improvement in the performance of a co-operative institution is not the sole responsibility of the MC members alone, it is a combination of efforts of all concerned.

[b] *Continuous, persistent and systematic education efforts* should be made. There is a great need for setting up a Co-operative Education Sub-Committee at the primary level. In addition to the government, federal [and business] co-operatives should provide liberal financial assistance to the primaries to carry on the education work. The district co-operative unions should produce supporting educational materials and audio-visual aids.

[c] Member education activities should be *supplemented by regular member relations programmes* which may include meetings with members, answering their questions, listening to their wants and complaints, giving information on what the co-operative has done, what it hopes to do for them and telling them frankly its operational problems.

[d] Member education and member relations activities to be organised by primary co-operatives could also *include organisation of and/or participation in local fairs, Co-operative Day celebrations, Independence Day celebrations and other such occasions*. Societies could raise the money by arranging some competitions and games and by encouraging the rural community to raise voluntary contributions.

[e] Primary co-operatives should conduct *pre-membership educational programmes* so that individuals wishing to become members are already aware of the functions and objectives of the co-operative society. A brief orientation programme could be arranged by the primary societies at which the following topics could be discussed in general: the draft byelaws of the society, members' rights and duties, and the importance of transacting business with the co-operative.

[f] Co-operatives should also *initiate programmes for the youth*. The main idea is to provide them information on the co-operative form of a business. Such programmes could be developed and implemented in collaboration with the local schools, Youth Associations, Self-Help Groups etc.

[g] In addition to this, primary co-operatives should find ways and means of *developing programmes which could generate interest among women in their co-operative*. Women are the silent but strong partners in co-operative ventures.

DELIVERING EFFICIENT SERVICES

The *loyalty* of members towards their co-operatives is *hinged on to the quality and range of services provided* by the society to its members. If the members are satisfied with the services provided by the society, there is no reason why they should not be loyal to their co-operative. Members' interest should be sustained by creating a good business image by rendering efficient services on the basis of the needs of the members.

The business of a co-operative venture also *depends on the type of attitude of co-operative employees* towards their own organisation as well as towards the member. Their efficiency and dedication can be gauged through the quality of accounts they keep, how they handle and keep the merchandise, and how they deal with the member-customers. The premises of the society have to be kept clean and presentable. The services they render should be efficient and *courteous*. Their performance can be improved by sending them for some professional training and refresher programmes at the nearby co-operative training centre.

There is a great need for providing some professional training to the members of managing committee as well as to the employees in order to enable them to take proper decisions.

Members should also be made aware of the *need for transacting their business with the society* instead of only borrowing from the society and selling their produce to the private trader. A co-operative society, which has provided funds and other services to the members in the initial stages naturally, expects that the members should undertake resultant transactions with the society itself. This is true also with the repayment of loans. Loans have to be returned in time and in full so that more money is available for relending.

The primary credit societies should, therefore, be *reorganised into strong viable units* with offices of their own and paid staff. Local deposits should be mobilised and revolving fund system should be introduced. The activities should be diversified so as to meet all the major needs of people such as credit, supply, marketing and extension services.

ORGANS OF DECISION-MAKING

Main organisational organs of a co-operative are: general body of members [general meeting], Board of Director [Managing Committee], Business Committees etc. These are the most important instruments of inculcating democratic tendencies and traditions. These *should be planned ahead*, getting members to help and then carrying out the plans. Area committees should be set up for planning the meetings. The meeting programmes should consist of four basic ingredients: business, information, refreshment and entertainment. The *general meeting notices should be sent out sufficiently in advance with a list of items to be discussed i.e., the agenda with notes*.

Effective communication with members should be established through reports, newsletters, special leaflets, meetings, etc. Government officials closely associated with rural development programmes, extension workers of special institutions like the fertiliser companies, seeds corporation, family welfare programmes, etc. could be invited to address the members. The general body should not strictly be a co-operative affair but it could be a more wide-ranging family-like affair.

Elections are generally the most interesting part of the general body meeting. These are very sensitive and have to be handled carefully and delicately. *Elections should be conducted democratically*. Nominations should be encouraged. The bio-data of the nominated candidates should be presented to the members. An open election should be encouraged rather than going through the secret ballot, as this encourages a better appreciation of the candidate among the members participating in the election process. Election by consensus should be the ultimate aim.

Members should *be informed of the advantages and disadvantages of re-electing a particular individual or a group of individuals over and over again*. Of course, members will, however, elect their representatives on their own, but proper opportunities should be given to them to make up their mind and exercise their rights frankly and fearlessly.

However, the core of their educational programmes should be geared to their own production and marketing lines. Specialised federations should support specialised educational programmes e.g., apple-growing members should receive technical information and guidance from the marketing federations, the fishermen should receive education and materials from the fishery federations and so on. These federations need not do the education and extension work themselves. They should ask the co-operative unions and training centres to do this for them, and pay for the costs. Co-operatives are not charities.

Since co-operative institutions are voluntary and non-governmental they assume greater importance and role in the development of their members and rural economy. An enlightened citizen is the backbone of a democratic society. Co-operative institutions provide social and economic services to their members. They not only service the members but also service their families and the community. *Any amount of aid or assistance given to primary societies or to any institution from external sources tends to weaken the institution more than anything else.*

PARTICIPATION

The key factor in the management of a co-operative institution is the participation by members - participation in business, participation in the democratic process and participation in the social factors relating to the co-operative activity.

The participation of members in general meetings has shown a disappointing trend. Even in the last century it was noted in some kinds of co-operatives that participation was on the decline and democratic control thus being diluted. "The general situation in many co-operatives, perhaps the majority, is that a rather smaller percentage of members attend meetings, and in some it is difficult to attract the necessary quorum for a general meeting. If participation is an index of vibrant democracy, then far too many co-operatives should be described as undemocratic".

The principal causes for such a trend can be summed up thus: large size of societies; members have some reservations towards their co-operative; cultural traditions; presence of high government officials and leaders at the general meetings; members have developed some kind of apathy towards their co-operatives or their office-bearers; ignorance of their own importance [right to vote, freedom to ask questions and seek information etc.] at the general meeting.

FACTORS TO MAKE CO-OPERATIVES STRONG

Some of the principal factors which help make a co-operative strong, viable and vibrant are: Awareness, Strengthening of the institution; Professionalisation; Active participation for higher business; Rewards and satisfaction; Flow of information; and Marketing with advantage. A brief discussion follows:

[i] ***Awareness:*** Enlightened membership help strengthen co-operatives. Members when aware of their rights and duties can direct and guide their co-operatives and enable them to provide the needed services. Members need to be aware of the contents of byelaws. They do not easily come under the threats and pressures of auditors and government departmental officials. They can take better decisions and guide the co-operative secretary to develop a better service delivery system.

[ii] ***Strengthen the Institution:*** Well-informed members take keen interest in the affairs of their co-operative and are willing to take greater responsibilities in the management. Well-informed managing committees make decisions which protect and promote the assets, interests and services of the institutions. Board decisions need to be taken after consultation with the managers and people who work at the operational level. Good decisions bring prosperity to the members and make the co-operative strong and viable.

[iii] ***Creates Professionalisation:*** Well-educated and qualified personnel who are assigned the task of managing business operations help the co-operative business to grow. Good performers feel encouraged when their achievements are recognised and rewarded. Employees develop affinity with the co-operative and they tend to stay with the organisation which helps develop professionalisation. A professionally-run co-operative business is respected and patronised not only by the members but by the members of the community.

[iv] ***Participation for Higher Business:*** The ownership of the co-operative business does not vest in one individual or in a group of individuals. The ownership vests in the membership. Members have, therefore, to participate in the business operations and organisational structure. The right of the members does not remain limited only to borrow money. It is also the duty of the members to transact business with the co-operative. It is a two-way channel. The marketing of the produce should also be channelled through the co-operative. The money in the co-operative must flow in both the directions.

[v] **Rewards and Satisfaction:** The best reward for the members is the timely and quality service delivered by the co-operative. Members with the highest transactions and the employees with the highest achievements must be rewarded so that they and their friends get motivated to remain attached to the co-operative. Marketing of the produce at the right time and with a right price is the highest reward and satisfaction.

[vi] **Flow of Information:** A co-operative is not only the source of supply of credit and input but is also a good supplier of market information. The farmer-member must not suffer losses because of lack of market information. He should not be forced to the 'disaster sale' situation. If the market prices are going to be better after a few months then the co-operative should be able to provide storage space so that the member gains. A number of successful co-operatives sustained themselves because they earned the goodwill of their members.

[vii] **Marketing with Advantage:** Inputs, warehousing and transportation are expensive. Members invest in them by borrowing money from the co-operative or from other sources. They expect reasonable returns - to cover the investments made and prepare for further investments for the next crop. Members wish to sell their produce quickly. It becomes the duty of the co-operative to provide support and shelter to its members by way of storage and insurance services. Member must be able to market their produce with advantage.

These are some of the factors which make the co-operative strong, viable and vibrant. It is through the process of education that a bridge of goodwill can be built between the members and their co-operative. They are the real owners and the owners have to make good decisions. Good decisions are made by those who are educated, well-informed, and enlightened. A combination of education, training, information and professional business lays a strong foundation for a strong co-operative.

CONCLUSION

Co-operatives are often blamed for inefficiency. Though there are shining examples of successful and vibrant co-operatives yet a large number continues to face criticism not only from their own members but also from other segments of the society. There are various reasons which are attributed to the weakness of co-operatives.

At the village level, a co-operative institution is the first formal contact point for the members. Co-operatives, by virtue of their character, *contribute significantly to the growth of democratic traditions. Continuous, persistent and systematic education efforts* should be made.

The *loyalty* of members towards their co-operatives is *hinged on to the quality and range of services provided* by the society to its members. Members of co-operative should also be made aware of the *need for transacting their business with the society* instead of only borrowing from the society and selling their produce to the private trader.

An enlightened citizen is the backbone of a democratic society. Co-operative institutions provide social and economic services to their members. They not only service the members but also service their families and the community. Some of the principal factors which help make a co-operative strong, viable and vibrant are: Awareness; Strengthening of the institution; Professionalisation; Active participation for higher business; Rewards and satisfaction; Flow of information; and Marketing with advantage.

AUTHOR'S BACKGROUND

Dr. Daman Prakash is working as Senior Consultant of the IFFCO Foundation [promoted by the Indian Farmers' Fertiliser Co-operative Limited – world's major producer of urea and DAP]. Dr. Prakash served the International Co-operative Alliance Regional Office for Asia and the Pacific [ICA ROAP] since 1962 in various capacities and retired as Director. He had served in Indonesia as Chief Technical Advisor of the ILO/UNDP and ILO/SWISS Projects on KUD [Rural Co-operatives] Management Development, Training and Education [1981-88]; served in Sri Lanka as Senior Consultant to the ICA/SCC Co-operative Teachers' Training Project [1978-81]; works as consultant to the FAO, FAO-NEDAC; UN/ESCAP, MAAF-Japan, etc. He served as Senior Consultant on MAFF/JA-Zenchu/AICAF-sponsored Study Missions to Indonesia, Laos, Mongolia, Cambodia and Uzbekistan. He has to his credit several books and articles on HRD, Co-operative and Institutional Development. He can be reached at: damanprakash@yahoo.co.in. Phone: [91]9811-76-1328.