

**COOPERATIVE MOVEMENT IN MIZORAM :  
PROBLEMS & PROSPECTS**  
**A THESIS SUBMITTED FOR THE AWARD OF A DEGREE  
OF DOCTOR OF PHILOSOPHY IN ECONOMICS**

**BY**  
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**CERTIFICATE**

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She has fulfilled all the requirements laid down in the Ph.D regulations of the Mizoram University. The thesis is the result of her own investigation into the subject. The thesis was never submitted to any other University for any research degree.

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**DECLARATION**

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## 1.1 Introduction :

Groups of individuals around the world and throughout time have worked together in pursuit of common goals. Examples of cooperation, or collective action, can be traced back to our prehistoric predecessors who recognized the advantages of hunting, gathering, and living in groups rather than on their own. The earliest cooperative associations were created in Europe and North America during the 17<sup>th</sup> and 18<sup>th</sup> centuries. The pioneers of the Rochdale Society in 19<sup>th</sup> century England are celebrated for launching the modern cooperative movement. The unique contribution of early cooperative organizers in England was codifying a guiding set of principles and instigating the creation of new laws that helped foster cooperative business development.

The cooperative model has been adapted to numerous and varied businesses. In 1942, Juan Emelianoff, a respected cooperative scholar, remarked that, “the diversity of cooperatives is kaleidoscopic and their variability is literally infinite”.<sup>1</sup> As a consequence of this diversity, no universally accepted definition of a cooperative exists. Two, however, are commonly used.

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<sup>1</sup> *Emelianoff, Juan (1942): Economic Theory of Cooperation: Economic structure of cooperative organisations. Ph. D dissertation. Columbia University. p13*

According to the International Co-operative Alliance (ICA): A cooperative 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. Cooperative leaders around the world recognized the ICA, as a leading authority on cooperative definition and values.

Another widely accepted cooperative definition is the one adopted by the United States department of Agriculture (USDA) in 1987: A cooperative is a use-owned, user-controlled business that distributes benefits on the basis of use. This definition captures what are generally considered the three primary cooperative principles: user ownership, user control, and proportional distribution of benefits.

People who organize and belong to cooperatives do so for a variety of economic, social, and even political reasons. Cooperating with others has often proven to be a satisfactory way of achieving one's own objectives while at the same time assisting others on achieving theirs. Cooperative benefits may include better prices for goods and services, improved services, and dependable sources of inputs and markets for outputs. The involvement of so many people in cooperatives in such a highly competitive economics of today reflects the general satisfaction of the members towards their cooperatives

and the apparent efficiency and solid financial performance of these organizations.

In short, cooperatives are organized to serve member needs and are focused on generating member benefits rather than returns to investors. This member driven orientation makes them fundamentally different from other corporations.<sup>2</sup>

Cooperation is a worldwide movement. It was introduced in India in the early years of the last century in the wake of famines which has resulted in economic hardship and an alarming increase in the indebtedness of the farmers to money lenders. The idea was to free the farmers from the necessity of having to borrow money from sahuikars or village money lenders. The Cooperative Society's Act, which was passed in 1904, envisaged the formation of village credit societies. In 1912, the Act was amended to enable formation of other type of societies for activities relating to sale, purchase, production, housing etc. This Act also provided for the creation of federation of primary societies and for supervisor, audit, mutual control and overall development of the cooperative movement. In 1919, the subject of cooperation was transferred to the provinces and most of them enacted their own laws to

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<sup>2</sup> Zeuli, Kimberly A and Cropp, Robert. (1980): *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century*. University of Wisconsin Extension-Madison.

regulate the wording of cooperative societies. To give a stimulus to the cooperative movement, the Government of India set up an Agricultural Credit Department with the Reserve Bank of India with a view to providing financial assistance and credit to cooperatives.

In rural economy of India, cooperatives are expected to promote local leadership, social values and community consciousness with their influence extending far beyond the economic activities themselves. It is against this background that the cooperation has found a place of importance in the Five Year Plans, and has been assigned a pivotal role in the programmes for raising the level of agricultural productivity extending improvements in technology and expanding employment so as to secure the basic necessities for every member of the rural community.

Since, independence, however, the national endeavor has been to promote rapid and balanced economic development. The nation having accepted the concept of planned economy aims at a socialistic pattern of society. The cooperative form of organization provides an effective means to achieve this objective. It facilitates organization of decentralized economic units and, at the same time, enables such units to enjoy the economics of large scale production. In the rural sector, where production units are numerous, but small and scattered, no meaningful programme of economic assistance can be successfully operated if it attempts to approach the small

units individually, By providing the institutional structure for organizing the dispersed units and through its emphasis on distributive justice, the cooperative form of organization renders it possible to have economic development with the actual participation of small producers and workers in such development.

Cooperation was introduced in India mainly as a defensive organization for dealing with problems of rural indebtedness. With the acceptance and complementation of planned economic development wedded to the ideals of socialism and democracy, cooperation becomes a dynamic economic instrument for achieving the social objectives of the National Plan. The result of the Grow More Food Enquiry Committee emphasized that it will be useful at this stage to stress the great part cooperative movement can and should play in improving the rural life. The cooperative principle, in its infinitely varying forms, is capable of adaptation for finding solution to all problems of rural life. In fact, it is only in cooperative principles that such a solution can be found. The role of cooperatives in planned development has found elaboration with the implementation of each successive plan.

Overall the cooperative movement, both in the rural and urban areas, has made large strides forward. It is believed that India has one of the largest cooperative movements in the world. There is a large increase in the number of cooperative societies, serving various purposes such as credit, marketing,



produce, processing of raw materials etc. There is also large jump in the membership of these societies. Very substantial progress has also marked the movement in respect of capital and advance. The working capital has been put at about ₹ 8624283 lakhs

Most of the progress has, however, taken place in the sphere of agricultural credit. The number of primary agricultural credit society, supplying short-term credit, and that of land development banks, extending long-term loans, have considerable increased. These agencies cover almost all the villages in the country. The cooperative credit stands high in the total institutional credit (i.e., cooperatives, commercial banks, and regional rural banks) with its share at about 45% (1998-1999) the progress of cooperative movement has also been highlighted by the success of "Operation Flood" in the country. This was introduced to accelerate the pace of white revolution (increase in milk production) in the country. The Operation Flood programme, which is the world's largest integrated dairy development programme has made considerable progress in achieving its outlined objectives. During 2000-2001, 81.0 million tones of milk was produced in the country. Buffaloes, cows & goats contribute 50% and 46% respectively in total milk production in the country. India stands first in the world in milk production.

Dr. Varghese Kurien is the pioneer of Operation Flood in India. All credit for its successful operation goes to him only. Operation Flood was started in

1970 by National Dairy Development Board (NDDB). The programme has since completed its III phase in April 1996, by September 1996 about 73,300 dairy cooperative societies milk marketed per day was about 112 lakh litres. The programme has made a sound impact on rural masses and has encouraged them to take up dairying as a subsidiary occupation. It has offered a reliable and regular source of income as more than 62% of milk procurement in the operation flood areas comes from the marginal, small and land-less farmers. The milk production increased steadily and it has reached an estimated level of about 74.7 million tones during 1998-1999 from about 66 million tonnes in 1995-1996 per capita milk availability per day was 112gm in 1970 which has gone up to the level of 217gm in 2000-2001, due to the success of operation flood programmes. Milk production in 2006-2007 rose to 100 MT and per capita availability of milk to 245gms per day.

Cooperatives organizations like Indian Farmer's Fertilizers Cooperative Ltd. (IFFCO), Krishak Bharati Coperative Ltd. (KRIBHCO), in the production of fertilizer, AMUL regarding dairy products, National Agriculture Cooperative Marketing Federation of India (NAFED) etc. have emerged successful with excellent results and also several cooperatives societies at the grass root levels have emerged as true mirror of success within their respective domain.

Cooperative movement is playing a vital role in the socio-economic life of the people in Mizoram. This has been done by bringing a spirit of

cooperation in many areas of occupation. Cooperative societies have been established in areas of agriculture, animal husbandry, small-scale industries, sericulture, pisciculture, consumer and trading, marketing, housing, and women society. In Mizoram, there exist state level cooperative societies known as Federation, which comprise of various member societies, like, MIZOFED, PIGFED, MULCO, MAFF, MAHCO and so on. These state level societies strive to work for their member societies; some of the societies like Mizoram State Cooperative Fruit, Forestry and Vegetable Federation (MAFF) has worked in such a way so as to increase the production and productivity of the farmers. In addition to this, marketing facilities are also being provided for. It also provides technical advise and also finds ways to provide agricultural inputs at lower rates. This federation is also acting as wholesale dealer in various kinds of fertilizers- DAP, MOP, Urea etc. of various fertilizer companies of India. Thereby it is able to provide fertilizers to the farmers at cheaper rates to the farmers.

The workings of the Mizoram Pig Producer's Federation (PIGFED) may also be highlighted. This federation has tried in various ways to bring down the difficulties faced by its member societies and individual members. The society has established a Base Pig Breeding Farm at Thenzawl Village, Serchhip District so that its members and community at large can purchase piglets at lower prices. It has also brought in compound feed and feed ingredient for pigs

from outside the state so that cheaper and better feed ingredient for pigs will become available.

In these and many other ways, cooperative movement has, by bringing together people of small means, enable them to reap benefits for themselves, and at the same time harmonise their aims with those of the society. Especially in the field of agriculture, it is only through the adoption of the principle of “cooperation” that the drawbacks can be overcome.

### **1.2 Objectives:**

In spite of the fact that it is over 50 years in Mizoram, the cooperative movement has still a long way to go, and is yet to overcome the problems that are associated with it. However, despite the many weaknesses and problems, the cooperative movement also has good prospects in the state for the economic upliftment of the people of the state. Therefore, an attempt is made to study the cooperative movement in Mizoram with the following objectives.

- 1) Analyse the relation between cooperative movement and economic upliftment of the member societies and community.
- 2) Examine the reason why the societies have suffered from resource crunch and make way to remove these problems.

- 3) Make a study of the societies to examine whether they have fulfilled their aims and objectives.
- 4) Examine the problems of the cooperative movement in Mizoram and to look into the prospects of the movement.

### **1.3 Hypotheses:**

1. Co-operative movement has led to the economic upliftment of the members of the primary co-operative societies.
2. Co-operative movement has led to better distribution of income and wealth.
3. Co-operative societies have been able to explore markets for agricultural produce of the people of the state.

### **1.4 Methodology and Sources of Data:**

The study is based on both the primary and secondary data collected from various primary societies, state level federations and the Cooperation Department of the Government of Mizoram Information is also collected from newspapers, journals, magazines, booklets and other published and unpublished books. Information relating to Government policy also forms an important part for the study. Interviews of the members of various societies, as and when necessary were conducted. Observations and discussion method is also used. The secondary sources were mainly obtained from sources

provided by MULCO Limited (Annual Reports and Projects), Statistical Handbooks of Mizoram, Economic survey of Mizoram, 'Cooperative Tlangau'- a magazine published by the Mizoram State Cooperative Union, and Administrative Report of the Cooperation Department.

In order to study the performance of cooperative societies, primary data have been collected from the primary cooperative societies and the members of the societies. It may be mentioned that a case study was made on MULCO Limited which supplies milk in Aizawl city. Accordingly, four societies which are actively involved in milk production were selected at random. They are Thuampui, Durtlang, Sihphir and Sihphir Vengthar. Basic data related to the working of the primary societies were obtained from each of the selected primary cooperative societies. In addition to the data obtained from the societies, an attempt was made to collect data in respect of the socio-economic conditions of the members of cooperative societies.

The whole process of primary data collection can be summarized as multi-stage random sampling. The first stage of sample was constituted by primary societies which are selected at random from the list of societies registered under MULCO Limited. The second stage was constituted by the selection of members. Information were collected from each of the selected members of primary societies using questionnaires. An attempt was made to cover atleast 10 per cent of the enrolment from each society. This may be

viewed as proportional allocation of sample size. The problem faced during collection of data was non-response. At least half of the selected members did not return the questionnaires. Consequently it was decided to adopt only 5 good questionnaires from each of the societies. Necessary information were collected and tabulated from these families.

The data so obtained were analysed using simple statistical tools like percentage, average, standard deviation and coefficient of variations. The secondary data were analysed by examining the trend. The trend examined primary by calculating the compound annual growth rate (CAGR), which is as follows:

$$Y = A(i=r)t$$

Where  $r$  is the CAGR. This will be decomposed as

$$\text{Log } y = \log A + t, \log (I=r)$$

Or

$$\text{Log } y = \alpha + bt$$

$$\text{Therefore, } r = e^b - 1$$

### **1.5 Chapterisation:**

- I. Introduction-Objective, Sources of data and Methodology.
- II. Socio-economic profile of Mizoram.
- III. Review of literature.
- IV. Historical development of Co-operative movement in Mizoram.
- V. Mizoram-The Nature and Working of Co-operatives.

- VI. Case Study.
- VII. Findings and Conclusion.

### **2.1 Location, Area and Topography.**

Mizoram is located in the north-east corner of India between 21°56'N - 24°31'N latitudes and 92°16'E - 93°26'E<sup>3</sup> longitudes sandwiched between Bangladesh and Myanmar. Its location is of strategic significance geographically and politically and shares a total common international boundary of about 585 kilometers with these two countries. In terms of the size, it may not be so significant as its total area constitutes only 0.64 per cent of the total area of India.

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<sup>3</sup> *Pachau, Rintluanga (2009): Mizoram: A study in Comprehensive Geography, Northern Book Centre, N.Delhi*



The tropic of cancer, i.e., 23°30'N latitude cuts across the region in Aizawl district at the southern periphery traversing places like Champhai, Chhawrtui, Darlung and Phuldungsei, etc. This imaginary line divides the region into two almost equal parts. Mizoram is bounded on north the by Cachar District of Assam and the state of Manipur, on the east and south by Chin Hills of Myanmar; on the west by Chittagong Hill tracts of Bangladesh and the state of Tripura.

Mizoram has a total geographical area of 21,087 square kilometers. Its maximum dimensions – north to south is 285 kilometers and east to west is 115 kilometers. The total number of people in 2001 is 8,88,573 showing a density of 42 persons per square kilometer is second lowest after Arunachal Pradesh. The state dominated by tribal population (94.5 per cent) with a very young history has emerged as one of the most literated states in 2001 census (88.88 per cent) only after Kerala. The sex ratio is 935. The population comprises 50.35 per cent as rural population and 40.65 per cent as urban population. However, the population of Mizoram constitutes only 0.08 per cent of the total Indian population.<sup>4</sup>

The physical set-up of Mizoram is composed predominantly of mountainous terrain of tertiary rocks. The mountain ranges are inclined north

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<sup>4</sup> *Ibid.*

to south direction in parallel lines. The ranges are separated from one another by narrow deep river valleys. The elevation ranges from 21 metres at Tlabung to 2,157 metres at Phawngpui. There are only few and small patches of flat lands, which are mostly intermont-plains.

The terrain of Mizoram is young and immature. It shows prominent relief features with steep slopes, and is still undergoing denudation in response to various exogenetic (isostatic gravity) processes. Since the terrain is young, the geomorphic features of the state do not show much diversity in the formation of land forms. But one distinct feature observed in Mizoram is that the western slopes of the mountain ranges all have a higher degree of slopes. The most dominant process in evolution of these forms is the action of running water, and is operating from upper tertiary period onwards, till today.

The state of Mizoram is drained by a number of rivers, streams and rivulets of various patterns and lengths. The area receives a considerable amount of rainfall during summer, and most of the streams are ephemeral in nature. Their volumes are very limited during the dry season, whereas they swell rapidly during the monsoon season. It has been observed that running water is the most decisive agent which has sculpture land forms of the region.

Most of the drainage line originated in the central part of the state, and flow either towards north or south directed by the north-south trending ridges. The valleys are narrow and have been carved out in softer formation. The

rivers at various places formed deep gorges, and cut across the striking ridges forming water gaps. As the drainage course is controlled by parallel ranges, the drainage of ephemeral and consequent types show trellis, dendritic as well as parallel drainage patterns. The main rivers of Mizoram are Tlawng, Tuirial and Tuivawl, all flowing northward and Tiau, Chhimtuipui, Khawthlangtuipui all flowing southwards.

## **2.2 Climate and Rainfall:**

Despite its tropical location, Mizoram enjoys a moderate climate. This is mainly due to its fairly high elevation. The region falls under the direct influence of the south-west monsoon. Since the region receives adequate amount of rainfall, the climate is humid tropical, characterized by short winter, long summer with heavy rainfall.

The salient thermo-characteristics of Mizoram are that temperatures do not fluctuate much throughout the year, except in the low lying valley sites. However, it is observed that there has been a steady increase in the annual temperature, at par with the global phenomenon. The hottest months are May, June and July. Thereafter, the onset of Monsoon brings down the temperature. The temperature continues to fall with the break of the monsoon rains, and it is minimized in December and January. In autumn, the temperature is usually between 18°C and 25°C, while winter temperature is usually between 11°C to

23°C. The summer temperature ranges between 25°C and 34°C. During the last 20 years or so, steady increase in temperature has been noticeable as felt in the global context, mainly due to the large-scale degradation of vegetation and mismanagement of the environment.<sup>5</sup>

The entire state of Mizoram is under the direct influence of monsoon. It rains heavily from May to September. The average rainfall is 257cms per annum. The north-western portion of the state receives the highest rainfall i.e., more than 350cms per annum. The rainfall also increases southward with increase in humidity. While Aizawl located at 23°44'N and 92°43'E receives about 208cms annual rainfall; Lunglei records the highest at 350cms annually being located at 22°53'N and 92°45'E. The study of the available data reveals that the highest monthly rainfall data in Mizoram was recorded in July 1983 which was 602.60cms.

The amount of rainfall in Mizoram during 1987-2007 in centimeters is presented in the table below.

**Table No.2.1: Rainfall in Mizoram (1987-2007)**

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<sup>5</sup> *Ibid*

Year	Rainfall	Year	Rainfall
1987	250.0	1998	266.9
1988	267.7	1999	260.0
1989	252.4	2000	288.3
1990	262.1	2001	253.5
1991	235.1	2002	264.8
1992	231.9	2003	254.6
1993	269.1	2004	275.1
1994	196.9	2005	209.4
1995	259.0	2006	208.1
1996	225.7	2007	301.7
1997	278.2		

**Source: Statistical Abstract, Dept. of Agriculture & Minor Irrigation, Mizoram (2004-2005) and Statistical Handbook of Mizoram, 2008.**

Precipitation is high in summer, normally from May to September, and lasts till October. Normally, July and August are the rainiest months, while December and January are the driest months.

### **2.3 Historical, Social and Cultural Background:**

Anthropological evidences show that the Mizos, the inhabitants of Mizoram are Mongoloid stock in origin, who have migrated sometime to the present habitat somewhere from China. This perception is augmented by legendary tales and folk song. The Mizo language belongs to the Tibeto-Burmese family of language. Traditionally, the Mizo claim themselves the descendents from Chhinlung<sup>6</sup>, a mythical cave, somewhere east of Shan

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<sup>6</sup> *Chhinlung is commonly believed to be the cave from which the ancestors of Mizo tribes descent. The argument is that the word, 'Chhin' means 'cover' and 'lung' stands for stone,*

State in erstwhile Burma bordering China. Migration of tribal groups seems to have taken place as early as the beginning of the 15<sup>th</sup> century AD. This migration of different groups was slowed down by several haltages at certain locations for longer and lesser periods through the Shan State, Chindwin Valley and Chin Hills in Myanmar. This is evident as it is later seen that different tribal groups follow different migratory routes. Though an exact date of migration from first settlement and from Burma is not available in the record, it is obvious that the first batch entered present Mizoram in the period between 1600 to 1700 AD.

In the early socio-political system, the chief known 'Lal' ruled the village. To carry out his various functions, he is assisted by selected 'upa' or elder, upon whom the chief entrusted certain powers for just and timely administration. The origin of the village institution known as 'Zawbuk' cannot be known, though it seems that it came into being after Mizos migrated west from Burma. 'Zawbuk' serves many purposes. In early days when the villages were in constant war, the youngmen in the village were required to sleep together in one place so that they could be marshaled together quickly in case

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*therefore 'chhinlung' denotes 'covering stone'. Some writers believe 'Chhinlung' stands for the Chinese ruler Chien Lung, during whose reign the Mizos move out to the present habitat. Some are of the opinion that the present Silung in China border Shan State in the eastern part.*

of emergency. From this initial purpose, a 'Zawlbuk' developed a number of functions till it came to be the most important institution in the life of the Mizo youths.

The Mizo society is a well-knit society. There is no caste or class system. The community is comprehensive and free from any rank or status consciousness. The culture of the Mizos in the past was mainly the manifestation of their occupation, i.e., Shifting Cultivation. Most of the festivals, song or leisure activities were guided by either the cycle of jhum or the seasons. The three important festivals known as 'Kut' of the Mizos- Pawl Kut, Chapchar Kut, Mim Kut are held at specific time of season of the agricultural operation. Pawl Kut is observed at the end of the harvest to celebrate the harvest, end of the year and to welcome the new year. 'Chapchar Kut' is a festival of spring, celebrated before plots for Jhum are burnt. 'Mim Kut' is celebrated when the first maize crop is harvested.

The British annexed Mizoram in 1890. The Mizos came under the influence of western Christian Missionaries in the later part of the 19<sup>th</sup> Century and a majority of Mizos now practice Christianity, and resulted in transformation in terms of religion, culture, and way of life. The Christian missionaries spread education in the land, taught the value of peace, tolerance and co-existence and universal brotherhood. It paved the way for modernity in Mizoram.

Before the advent of missionaries into Mizoram, the Mizos did not have any written language or scripts. It was the pioneer Christian missionaries, J.H.Lorraine and F.W.Savidge, who developed the Mizo language into writing using the Roman Script. The missionaries took upon themselves to educate the people and established schools. As such within a short span of 50 years, a significant percentage of the population of Mizoram became educated. Despite various constraints, Mizoram continues to make commendable achievement in the field of education. The 2001 census report has placed Mizoram as the second highest literate state in India with a literacy rate of 88.88 per cent, next only to Kerala. As per the Educational Development Index (EDI) issued by Education Division of Planning Commission, Government of India, Mizoram scored the highest point i.e., 1599<sup>7</sup>.

#### **2.4 Agriculture :**

Agriculture is the mainstay of livelihood in the rural sector of Mizoram. More than 60.60 percent depend on agriculture according to 2001 census. The system of cultivation is still a primitive method. The prevalence of shifting cultivation on a wide scale in the hilly areas of the state is a major contributing

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<sup>7</sup> *Economic Survey 2006-2007, Economic Survey Cell, Planning & Programme Implementation Department. Government of Mizoram, 2007.*



factor for the agricultural backwardness in the state<sup>8</sup>. Shifting cultivation or Jhum system is also known as slash and burnt system of cultivation. Here the trees are cleared and then burnt after they have dried up. After this, crops are grown together, paddy as the staple crop and vegetables and cash crops as supplement arises<sup>9</sup>.

After the harvest, the land is left fallow and colonization by natural vegetation is allowed. By this system the natural vegetation is degenerated within a span of time and a new plot is selected for the next cultivation, following a cyclical order. In 1980, the jhum cycle in Mizoram has come down to 9.74 years<sup>10</sup>. Jhumming, however is wasteful means of cultivation. The value of forest destroyed by Jhumming is estimated to be over 100 crores annually<sup>11</sup>.

The development of horticulture in the state has led to an increase in agricultural produce in recent years. The important strategies undertaken by the state to improve horticulture are distribution of seeds and seedlings to

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<sup>8</sup> Prasad, R.N., Agarwal, A.K (1991): *Political and Economic Development of Mizoram*. Mittal Publications, New Delhi.

<sup>9</sup> Pachuau, Rintluanga (2009). *Mizoram : A study in Comprehensive Geography*, Northern Book Centre, New Delhi

<sup>10</sup> NEC, *Social Science Research: Shifting Cultivation in North East India*. 2<sup>nd</sup> Edition, page 115.

<sup>11</sup> Lalkhama (1985) 'This land, This Zoram', *Mizoram news Magazine*, Autumn Issue, 1985, page 22.

farmers free of costs, chemical, tools and equipments at 50 percent subsidy apart from conducting training, seminars, and workshops from time to time.

During 2005-2006, the total area under fruit cultivation was 11,533 hectares, 2,365 hectares under plantation crops, 6,739 under vegetables and 6,304 hectares under spices. Even though agriculture is the main source of livelihood, productivity of crops is very low in most of the cases if yield per hectare and total output of various crops is considered. The state produces only 70,031 MT (2006) of food grains. In other words, the state produces only 36 percent of its total annual rice requirements.

## **2.5 Conclusion:**

Mizoram was conferred statehood on 30<sup>th</sup> June 1986 and became the 23<sup>rd</sup> state of India. However, despite twenty-five years of attaining statehood, Mizoram still remains socio-economically backward. Agriculture is still very backward even though 64 percent of the workers are engaged in agricultural activities. Despite a good prospect for development of hydro power, only 11.46 MW have been generated in the state, inclusive of both hydel and thermal, even though the installed capacity is 46.59 MW. Mizoram is connected by only one National Highway (NH 54) from Silchar (Assam), and has only one airport (Lengpui Airport) linking the state by air with Kolkata, Guwahati and Imphal. Industry too, is still at an infantile stage. Whatever so called industry, at

present is only small scale and cottage industries. Mizoram thus remains socio-economically backward amidst its rich natural resources.

However, unlike the rest of the country, Mizoram is unique in its dominance of a single religion and single language. 87 percent of the people are Christians and 73 percent of the population speaks Mizo language. 94.5 % of the population are scheduled tribe.

The state witnessed a rapid population growth during the last two decades. Male population grew at a faster rate as indicated by a fall in sex ratio. In respect to literacy, as stated earlier, Mizoram is well above the national average<sup>12</sup>.

In spite of some major changes in political and economic development, traditional mores are still very strong. Any attempt at introduction of major changes in terms of economic and political systems, settlement patterns will have to be preceded by development of infrastructure like network of roads, schools, man-power etc., otherwise it will always result in societal disharmony with harmful consequences.

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<sup>12</sup> *Pachau Rintluanga: Mizoram: A study in Comprehensive Geography. Northern Book Centre, New Delhi.*

### **3.1 Introduction:**

In this chapter, a modest attempt has been made to discuss the varied literatures that have relevance to our topic on Co-operative Movement in Mizoram: Problems and Prospects. This has been a humble attempt on the part of the researcher to examine different studies, which bring into focus the part played by co-operative societies.

Literatures on co-operative movement have been divided into the following categories :

1. Genesis of co-operative movement.
2. Co-operatives and credit.
3. Co-operatives and globalization.

4. Types of co-operatives.
5. Co-operative and economic development

### **3.2 Genesis of Co-operative Movement:**

Several writings exist in regard to the evolution of co-operative movement in India and the world. Various articles and books has been published about the origin of the movement in various parts of the world. A few of the literature related to this may be reviewed here.

Fredrick O.Waryama (2009) has traced the development of co-operative in Kenya in 'Servicing Liberalization : the co-operative movement'. It is over a decade since the liberalization of the co-operative movement in Kenya, which sought to create commercially autonomous member-based co-operatives that would be democratically and professionally managed; self-controlled; and self-reliant business ventures. However, since then very little is documented and communicated about the unfolding status of the movement. The purpose of this paper is to highlight the current trends, structural organization and performance of co-operatives in Kenya. A quick appraisal of the situation reveals that co-operatives have largely survived the market forces and continued to grow in number, membership and income. The market forces have triggered a structural transformation and have seen the fading away of the inefficient co-operatives, including the national federation and some co-

operative unions, as primary co-operatives seek better service provision. Similarly, co-operatives are increasingly diversifying their activities and introducing innovative ventures in order to respond to their members' needs. The well-adapted co-operatives are subsequently recording better performance than they did the previous era. The datum that informs this decision was obtained from qualitative interviews with selected leaders of co-operative organizations. In addition, purposive sampling was used to inform selection of field research sites<sup>13</sup>.

Henry Osando (2008) of the Bowling Green State University has traced "The Economic and social role of the Co-operative Movement in Kenya: Towards Stability and Profitability." In this book, he states that economic and social role of the co-operative movement in the world is enormous. Co-operatives are the only enterprises that put people at the center of their business and not capital. They are defined in terms of three basic interests: Ownership, control and beneficiary (vested in the hands of the user). It is estimated that over 800 million people in the world are members of a co-operative, providing 100 million jobs, 20 % more than multi-national

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<sup>13</sup> Waryama, Frederick O. : 'Servicing Liberalization : the co-operative movement'. Coop AFRICA working paper No.10. (The Co-operative facility for Africa (Coop AFRICA) is a technical cooperation programme of the ILO contributing to the achievement of the Millennium Development goals and the promotion of decent work in Africa by promoting self-help initiatives, mutual assistance in communities and cross-border exchanges through the co-operative approach. Coop AFRICA is located in the office of ILO for Kenya, Somalia, Tanzania and Uganda).

enterprises. In 1994, United Nations estimated that the livelihood of nearly 3 billion of the world population was made secure by co-operative enterprises, (ICA). In Kenya, the co-operative movements contribution to economic and social needs of the people for the last 100 years cannot be over emphasized. The co-operative movement is one of the nationally organized institutions available to all cadres of people. There is the potential for its growth owing to member loyalty and government support. However, the inadequate legislation (Cooperative Society's Act No. 12, 1997) opened room for mismanagement of the society's assets coupled with lack of support from the then regime. The above and other factors weakened the co-operative movement which is the leading in Africa in terms of national savings. In 2003, the Ministry of Co-operative Development was re-established and the Co-operative Act (No. 12, 1997) amended to strengthen supervision of the societies. There are both external and internal threats facing these institutions which support directly and indirectly an estimated 63 % of the Kenyan population. However, with the adoption of proper and unable strategies as discussed therein, the co-operative movement will regain its loss glory and return to profitability. By putting cooperative principles and ethics in practice, they promote solidarity and tolerance and create wealth.<sup>14</sup>

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<sup>14</sup> *Osando, Henry: 'The Economic and social role of the co-operative movement in Kenya : Towards stability and profitability.'* Bowling Green State University, College of Education and Human

Caroline J. Kroeker's article, 'The Co-operative Movement in Nicaragua : Empowerment and Accompaniment of severely disadvantaged Peasants' is based on over seven months of participation observation in an agricultural cooperative in Nicaragua in 1989, a literature review and interviews in other co-operatives. The article presents an over review of the broader grass roots movement of Nicaraguan cooperative formation (over 3300 agricultural co-operatives were formed in the 1980s). This movement was affected by the co-operative participants, as they struggled for control, and in turn affected the national, social and economic situation. The co-operatives and the broader national co-operative movement are shown to be empowering of the participants. However, while some factors enhanced the possibility of empowerment, other complex interrelated factors impeded its development. Autocratic leadership was prevalent, intermingled with apprehension about leadership and fears of failure. Outside service providers integrated, although seemingly helpful, also impeded empowerment through subtle condescension and distance. The most effective mutual exchange occurred when outsiders integrated as insiders. Lessons are drawn for service to the grass roots co-



operative movement through “accompaniment” of processes of participation action research.<sup>15</sup>

Authors, Trito Menzani and Vera Zamagni, meanwhile in their paper ‘Co-operative Networks in the Italian Economy’ in the Italian economy, in accordance with recent economic theory, to throw light on the causes of their success of in the last 30 years. Reference is made by the authors to the vast literature about business networks to identify some interpretative lines that can be transferred to the co-operative world. On this basis, a typology of the Italian Co-operative Networks is offered, in order to evaluate the competitive advantages of each type of not, their governance methods, their evolution, and their impact on the recent flourishing of Italian co-operatives. The conclusion reached by the authors is that the use of networks by co-operatives has been very intensive and can still be strengthened, if Italian co-operative umbrella organizations will merge. Building large co-operative corporations was often the result of networking, as was the creation of joint stock companies owned by co-operatives.<sup>16</sup>

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<sup>15</sup> Kroeker, Caroline J. : ‘The Cooperative Movement in Nicaragua : Empowerment and Accompaniment of Severely Disadvantaged Peasants.’ *Journal of Social Sciences*. Volume 52, Issue 1, pages 123 – 138. Spring 1996.

<sup>16</sup> Menzani Trito and Zamagni, Vera (2009), *Co-operative Networks in the Italian Economy* : Published by Oxford University Press on behalf of the Business History Conference.

This book 'The Co-operatives of Ireland', a book edited by Robert Briscoe and Michael Ward (and its companion volume 'The Competitive Advantages of Co-operatives') were inspired by a collection of seven, innovative booklets published by FVECTA, the Valencian Federation of Worker Co-operatives. Their set of booklets was called 'The Seven Bases of Co-operation' and outlined the ideas, values and strategies that had made worker-owned co-operatives a powerful force throughout Valencia. The Seven Bases argued that co-operative principles were at the root of the business success of worker co-operatives in Valencia and the booklets are now being used as the basis of training seminars to further enhance co-operative competitiveness.

This present book and its companion volume attempt to do for Ireland what the Seven Bases did for Valencia. They set out to understand the competitive advantages of co-operatives in general and co-operatives in Ireland in particular. But because worker – owned co-operatives are in their infancy in this country, these books will explore the values and strategies of all the main co-operative sectors in Ireland not just worker co-operatives. As well as worker co-operatives, credit unions, agricultural co-operatives, community co-operatives and other social enterprises.

These books fill major gaps in the literature on Irish co-operatives 'The competitive Advantages of Co-operatives' provides the interested general

reader with an introduction to the concept of the co-operatives, its relevance in the age of globalization and its many applications. It also outlines, with examples, the key competitive advantages of co-operatives in general and discusses some of the special management issues faced by co-operatives. 'The Co-operatives of Ireland' will focus on Irish situation, exploring the issues confronting the main co-operative sectors in Ireland. Particular emphasis is given to credit unions, agricultural co-operatives, worker co-operatives, community co-operatives and newly emerging principles in the social economy.<sup>17</sup>

John Mugamba in an article 'The Saga of the Co-operative Movement in Papua New Guinea' traced the growth of the Co-operative Movement has a fairly long and chequered history in Papua New Guinea. It thrived to oblivion post-independence. Indeed, but for recent developments one would be tempted to leave the study of co-operatives in PNG to historians. The most important of these developments include the creation in 2000 of the Office of Co-operative Societies Unit, within the Department of trade and Industry, with a mandate to revitalize the co-operatives.sector; and, in 2003, the promulgation of a new set of 'Co-operative Regulations'. In addition, the official

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<sup>17</sup> Robert Briscoe and Michael Ward (Ed) (2000): *The Co-operatives of Ireland* : Edited by. Centre for Co-operative Studies, National University of Ireland, Cork, Ireland. Supported by the Septimus Programme of the European Union). Printed at Litho Press, Middleton, Co. Cork.

rhetoric suggests that the government is beginning to give priority or at least some impetus to revitalizing the co-operative movement in PNG.

This article explores the ups and downs of the co-operative movement in Papua New Guinea. It discusses the reasons for the failure of the movement and for the current attempt by the PNG Government to revive the co-operative form of business organization. The question is whether the co-operative movement will thrive to, or even beyond, its pre-independence heyday.<sup>18</sup>

'Reasserting The Co-operative Movement' by Dr. V.B. Jugale. This book is concerned with the Development of Co-operative in India which has taken place since 1904. It is high time to review the workings of co-operatives as the co-operative movement in India has completed 100 years of working. During this time it has proved that the co-operatives have remained as a shield in the hands of the weaker sections of the society especially farmers, wage earners and women etc. Further it has been recognized as a golden mean between capitalism and socialism. However, co-operative movement has some lacuna its working which needs to be removed.<sup>19</sup>

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<sup>18</sup> Mugamba, John (2005): *The Saga of the Cooperative Movement in Papua New Guinea. Journal of South Pacific Law. Volume 9.*

<sup>19</sup> Jugale, Dr. V.B.. (2005) *Reasserting The Co-operative Movement : Serials Publications.*

Jarka Chloupkoua looked into the 'European Cooperative Movement – Background and Common Denominators'. Influenced by the legacy of command economics, the recent agricultural cooperation in Central and Eastern Europe is, compared to EU countries, marked by a different patterns. Based on simplified ownership incentive approach, this paper distinguished between the fundamental features of communist, post-communist and democratic co-operatives. While in most Central and Eastern Europe there are more production co-operatives than marketing/supplying (secondary) co-operatives, in EU countries the ratio is reversed in favour of secondary co-operations.

The more common utilization of secondary co-operatives that enabled a vertical integration might be one of many reasons for more competitive agricultural sector in the European Union based on circumstantial historical evidence, the influence of internal and external factors, this paper identifies three common steps that form pre-requisites to a successful co-operative development. The paper closes with the note that these three steps might not be directly applicable to the countries of Central and Eastern Europe (CEEC).<sup>20</sup>

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<sup>20</sup> Chloupkoua, Jarka, (2002): *European Co-operative Movement – Background and common denominators'* : The Royal Veterinary and Agricultural University, Department of Economics and Natural Resources. Copenhagen (2002

V. Maslennikov, in his book studied the role and place of co-operative movement of the Afro-Asian countries in their socio-economic transformations. The co-operative movement in the countries of Asia and Africa has many specific features ensuing from the protracted colonial dependence of these countries, their economic and social backwardness, and also their geographical conditions, which leave an imprint on the nature of production activities and the way of life of the Afro-Asian peoples. The long-lasting colonial dependence put a brake on the development of these countries' productive force, since the colonialists had a vested interest in maintaining pre-capitalist production relations and consequently pursued a corresponding social and economic policy. The author, has concluded that even while stressing the importance of the co-operative movement in the solution of socio-economic problems, in the countries of Africa and Asia, it should be remembered that co-operation is only one of the instruments for effecting deep transformations in society.<sup>21</sup>

In their book, 'Co-operative Sector in India' Sami Uddin and Mahfoozua Rahman made a modest attempt to evaluate the development of cooperative sector after Independence. Various important topics such as Growth of Cooperative Sector after Independence; Cooperative Credit structure and so

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<sup>21</sup> Maslennikov, V. (1983): *The Co-operative Movement in Asia and Africa* : Progress Publications, Moscow.

on have been thoroughly discussed, and the problems have been analyzed in their right perspectives.

Various standard publications and reports of the Government of India, The Reserved Bank of India, the NCUI, New Delhi and ICA, London as well as the books of eminent authors have been consulted by the authors in presenting the necessary and available data in this study.

On the other hand, G.R. Madan studied the ups and downs of the Co-operative Movement in India, which began with the passing of the Co-operative Societies Act of 1904. A landmark in the history of the movement was the announcement by the Government of India of a National Co-operative Policy in 2002 along with some legislative reforms by enacting the new Multi State Co-operative Societies Act, 2002. The government also set up a Task Force in 2002 to recommend measures for strengthening the co-operative movement. However, an expert appointed by the ICA Regional Office in India had in a report in 2004 stated that progress in the implementation of the National Co-operative Policy 2002 by the Government of India had been very slow. The reasons for this slide needed to be studied.

The author, a veteran sociologist and economist has done this and dealt with almost all aspects of the co-operative movement in the country during its historical evolution and development. This authoritative book contains almost all one might like to know about the co-operative movement

by an expert who has devoted a long period of time to study the subject. In writing this book, the author relied mostly on secondary data.<sup>22</sup>

Cheng-Chung Lai (1993) in his paper wrote how the Chinese Nationalist Government tried to use co-operatives as a socio-economic instrument in mainland China (1928 – 1949) but with little success. The historical background of the Chinese co-operative movement is presented, the structure and quality of different types of co-operatives examined, the performance of co-operative and the benefits of being a cooperator evaluated and the characteristics and problems of this system considered.<sup>23</sup>

Sean Turnell in his paper “The Rise and Fall of Co-operative Credit in Colonial Burma” trace the development of co-operative credit in Burma. Co-operative Credit was the all-purpose answer to problems of rural poverty and indebtedness, usury, and land alienation. Originating in the idealism of the “Rochdale Pioneers”, and in schemes from rural Germany, co-operative credit was imported into India with an evangelical zeal to solve all manner of perceived economic and social ills. With only slightly less moral fervor it was transplanted from India into Burma in the first decade of the Twentieth

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<sup>22</sup> Madan, G.R., (2007). *Co-operative Movement in India – A Critical Appraisal : Visiting Professor of Sociology, Maharaja Surajmal Institute, New Delhi. (Mittal Publications, N. Delhi)*

<sup>23</sup> Lai, Cheng-Chung (1993) : “The Structure and Characteristics of the Chinese Co-operative System : 1928 – ‘49.” *International Journal of Social Economics, Volume 16. Issue 2, pp.59-66. (Department of Economics, National TsingHua University, Taiwan).*



Century, and by 1920 several thousand cooperative credit societies had mushroomed across the country. Turnell trace the development of co-operative credit from these promising beginnings, until the war collapse of the movement on the eve of the Great Depression. This paper explores that way in which cooperative credit was seen by the imperial authorities as a device to limit the role of Indian-money-lenders in Burma, and as the basis for the establishment of formal rural credit markets. The paper concludes that poor implementation, on top of official unawareness as to the cultural, historical and economic differences between India, Burma and Europe, brought about the demise of a movement that promised much.<sup>24</sup>

Thi Minh-Hoang Ngo (2009) made a case study of the co-operative movement in Dongfengren village, Xeyang Country, Shanxi province, China during 1944 which shows the interactions between the state's voluntarist and idealistic policies and peasant's resistance grounded in their traditional values and practices produced the hybrid revolutionary processes, that characterized the party-state's penetration into the village during wartime period. Widespread peasant resistance compelled outside cadres to introduce various

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<sup>24</sup> Turnell, Sean : *"The Rise and Fall of Cooperative Credit in Colonial Burma"*. Sturnell @ efs.mq.edu.au.

incentives similar to those applied in the 1950s to sustain the co-operative movement.<sup>25</sup>

On the other hand, Alexander Azeuedo and Leda Gitahy (2010) discussed the experiences of the Mondragon Corporation Cooperative (MCC) based on a field research in 2005 in the Basque area of Spain. This network of co-operatives began 50 years ago in the Basque area and has been based on self-managed cooperatives, education, and technological innovation. Both internal and external solidarity and the daily practice of democracy have been essential for this experience, and demonstrate the potential of self-management to put limits to economic activity through social, ethical and ecological commitments in contradistinction to capitalist entrepreneurship oriented by the quest for profit per se. The present day challenges of the corporation are related to the phenomenon of globalization, which obliged MCC to develop new organizational, technological, and social strategies. Since 1991, when the corporation was created, technological innovation has been considered an explicit value. A reflection of that is the fact that 12 technological centers are now part of MCC. Furthermore, the Science and Technology Plan of the group have been elaborated since 2001.

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<sup>25</sup> Ngo, Thi Minh-Hoang (2009) : *A Hybrid Revolutionary Process. The Chinese Cooperative Movement in Xinyang Country. Sage Publications.*

Internationalization has brought about new challenges as far as the orientating principles of the co-operative movement are concerned.<sup>26</sup>

In chapter 2 of their book, “Renaissance of African Cooperatives in the 21<sup>st</sup> Century – Lessons from the field,” The authors draws on extensive country case study material to discuss the historical development and current status of cooperatives in Africa; including issues of management membership, relationships with government, and other factors contributing to their relative success or failure. It is observed that most cooperatives have not been able to help members break out of mere subsistence, but some success has come where the social capital of cooperatives extends beyond the group of the poor. For example, “the relative success of some jua kali (“hot sun”) cooperatives in Kenya, the shoe shiners’ cooperatives in Uganda and the Young Christian Workers’ Cooperatives in Rwanda is related to the fact that some not-so-poor members adhere to and invest in these cooperatives. (p16). The authors observed that yearly membership fees can prevent the poorest from participating. Also, most cooperatives are initiated, composed and dominated by men.

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<sup>26</sup> Azeucdo, Alexdra and Gitahy, Leda , 2010: “The Co-operative Movement, Self Management and Competitiveness : The case of Mondragon Corporation Cooperative” Working USA – The Journal of Labor And Society. Volume 13, Issue 1, pp 5-29. March, 2010 Alexdra Azeucdo and Leda Gitahy : “The Co-operative Movement, Self Management and Competitiveness : The case of Mondragon Corporation Cooperative” Working USA – The Journal of Labor And Society. Volume 13, Issue 1, pp 5-29. March, 2010

It is unfortunate that the cooperative movement in India, which is 100 years old, is passing through a difficult phase. Gone are the days when cooperative sugar mills, spinning mills, banks and supermarkets in Tamil Nadu were models to the entire country. Now the majority of the cooperative institutions, especially spinning mills, sugar mills and supermarkets are facing financial crisis. The same situation prevails throughout the country except in a few states.

The advent of globalization and liberalization has forced cooperatives to face multiple challenges of a market-oriented economy. Besides, over a period of years, the movement has become politicized with politicians replacing genuine people interested in the cooperative movement. Now wresting control of cooperative societies has become a political prestige. This, in turn, has led to alleged inclusion of bogus members in a majority of cooperative societies with the connivance of a 'pliable bureaucrat' at the time of cooperative elections.

Hence, if the cooperative movement has to sustain, a clean break from the past has to be introduced in the management of cooperative societies, which the author has stressed in this book. This book is largely an outcome of his studies during his tenure as Registrar of Cooperatives and from his personal experience. He has critically examined the present governance

structure of the cooperative movement, especially the cooperative credit system.

He has rightly pointed out that in the absence of institutional credit, many poor and marginal farmers in the State would have become victims of private moneylenders. After seeing symptoms of deep-rooted malaise in credit flow to farmers, he initiated a new focus and management initiatives to face the challenges. For this he stresses the need for transparency lest people suspect credit distribution itself.

The author also deals with the history of the cooperatives, problems related to credit and banking, policy and operational aspects related to the functioning of cooperatives, especially with relation to credit in Tamil Nadu, and the public distribution system.<sup>27</sup>

Biswa Swarup Mishra (2006) in an article writes that cooperatives as an institution in India are more than a century old. With more than a lakh grass root level co-operative, their presence is formidable. Notwithstanding, impressive gains made by co-operatives in terms of their rural outreach and coverage of small and marginal farmers, their financial health has been a matter of concern. The study is an attempt to enquire into the factors which impact financial health of cooperatives reflected through their recovery

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<sup>27</sup> Kanan, R 2004-2005: *Centenary of the cooperative movement in Tamil Nadu with special reference to .;* Pub. By Tamilnadu Cooperative Union, 170, Peiyar EVR Road, Kilpauk, Chennai – 600010.

performance. The empirical findings suggest that government should allow the cooperatives to evolve in a natural manner rather than through initial official encouragement and subsequent intervention. Government's contribution to share capital of co-operatives should be stopped. There is also a need to revisit the issue of appropriate number size for a base level cooperative so that cooperative principles are internalized amongst members. Very large cooperatives should be avoided both in principle and practice.<sup>28</sup>

M.S. Gill (1983) who took part in the Green Revolution of Punjab gives vivid account of how credit was provided through an expanding co-operative movement. It was this that enabled the Punjab farmer to assemble inputs that help materialize the green revolution and increased the harvesting prospects in Punjab, thereby solving the problem of feeding India's population.

His book, on the growth of co-operative movement and its effects on the wealth and welfare of Punjab, is no dry representation of statistics, nor has it been studied in comparison with other Indian states. It will appeal to the people struggling to bring about agricultural revolution everywhere.<sup>29</sup>

### **3.3 Co-operatives And Credit:**

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<sup>28</sup> Misra, Biswa Swarup (2006) *Performance of Primary Cooperatives in India – An Empirical Analysis. : Performance of Primary Co-operatives in India : An Empirical Analysis. Published in Indian Economic Journal, Volume 53, No. 4 (January 2006), pp. 95 – 113.*

<sup>29</sup> Gill, M.S. (1983) : *"Agriculture Cooperatives : A Case Study of Punjab"*. Vikas Publishing House Pvt. Ltd. New Delhi.

Finance is a major impediment to Indian farmers to cultivate their lands in time and to switch over to modern techniques of production. The reason why finance becomes so crucial in Indian farming is that Indian farmers are “plagued with poverty”. Poverty is a situation in which people are not having enough income even to have a subsistence living. Hence, it is impossible for them to save money and invest in farm production. The only way to carry production activities is to borrow capital either from non-institutional or from institutional sources. Capital for farming needed for various purposes can be obtained from non-institutional sources like money lenders, traders, commission agents, relatives and land lords who dominated the farm credit for more than a few centuries. While institutional sources of agencies include co-operatives, commercial banks and government.

The defects of private credit system calls for institutional financing which will eliminate the evils associated with private credit. Among the institutional credit system in India, co-operative credit institutions are the most important source of credit to the agriculturist above the government or commercial banks. These co-operative credit societies are organized to relieve the indebtedness of the farmers.<sup>30</sup>

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<sup>30</sup> Ahmed, Rais. (Part 2) (2009). *Co-operative Management And Development – Text and Cases* : Mittal Publications.

Dr. K. Ramesha, in his paper, writes that co-operative is the best for providing credit to the rural poor. In India, in the past, credit co-operatives were promoted by the government to provide basic financial services to the marginalized sections of the society. Over the years, the co-operative credit movement has weakened and in the liberalized environment, there are apprehensions about their survival. However, the financial system, in particular banking system has shown commendable progress during the last decade. At the same time, one of the unfortunate dimensions of the growth in banking has been the exclusion of a majority of the population, in particular the poorer sections of the society. Financial exclusions signified the lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers. In rural areas, the number of loan accounts were only 9.5 per cent of adult population and 51.4 per cent of farm households have no access to formal or informal sources of credit, while 73 per cent have no access to formal sources such as banks. What is disturbing is the increasing share of money lenders in the debt of rural households between 1991 and 2002. In other words, the formal credit system including credit co-operatives has not been able to adequately penetrate the informal financial markets. The consequences of financial exclusion are negative and far reaching for the people deprived of the basic banking



services. Availability of basic banking services is a pre-requisite for poverty reduction and inclusive growth.

The available literature on financial inclusion from the developed world clearly suggests that the co-operative model is best suited within financial services, industry to make an impact within the financially excluded communities. Contrarily, in India, it seems the co-operatives with vast geographical presence have not been able to contribute significantly towards financial inclusion. Against this backdrop, this paper attempts to find answers to the following research questions.

- a) How far credit co-operatives are successful in providing basic banking services including credit.
- b) How can co-operatives are made more responsive to the needs of financially excluded sections of the society.

As the paper is exploratory in nature, the output of this research will enrich the literature relating to co-operatives as also financial inclusion. In addition, this topic/area is getting increasing attention of the policy makers in India and thus useful from that angle as well.<sup>31</sup>

I.C. Dhingra (1998) while presenting a profile of institutional agencies in agricultural finance, in his book he has described about the co-operatives and

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<sup>31</sup> Ramesha, Dr. K., Prof. National Institute of Bank Management, Pune. *Credit Co-operatives and Financial Inclusion – Evidence from India.*

the National Co-operative Bank of India. He has examined various weaknesses of co-operative institutions like financial non-viability of societies, their dependence on external sources, problem of over dues, organizational inadequacies etc.<sup>32</sup>

U.C. Pathi (1998) in his paper has written about the progress of Cuttack Central Co-operative Bank with regard to its membership, mobilization of deposits, share capital, loans advanced etc. he has studied the over-due position of the bank and identified the basic factors responsible for over-dues and put forth suggestions to strengthen the co-operative movement in India.

He has pointed out that the highly distressing problem of heavy over dues is due to lack of political will to revitalize the co-operation structure. Lack of co-operation and active involvement on the part of the rural masses is also another basic weakness. Lack of proper assessment of man power needs, absence of co-ordination among various agencies involved in the movement, government's inability to meet non-power and financial needs of co-operative banks, low level of representation of weaker sections are some of the loopholes of the co-operative system.

According to him at the grass-root level, the PACS themselves are not in a position to mobilize deposits from the members, though they are

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<sup>32</sup> *Dhingra, I.C. (1998) : The Indian Economy, Environment and Policy (Sultan Chand & Sons, N. Delhi). pp.389 – 392.*

increasing the volume of lending amount year after year by borrowing funds from District Central Co-operative Banks and are indirectly responsible for the weakness of the Central Co-operative Bank.

Basically, the rural farmers are poor, illiterate and are facing socio-economic dualism. Unless, the government takes initiative to restructure the co-operative system from the grass-root level the fruits of co-operative activities will continue to elude the rural poor.<sup>33</sup>

S. Patra (1998) has studied the performance and development of agricultural credit through Boudh Central Co-operative Bank. He has analysed the reasons for non-repayment of loans and problems of over dues. In his study the extent of borrowing and its relation with operational holding of the borrower has been pointed out. He has highlighted the weakness and problems of co-operative bank and provided suggestions for efficient management of the co-operative banks.

According to him, the Boudh Central Co-operative Bank under study has not been successful in making profit due to non repayment of loans in time. The bank is not effectively managed due to lack of proper identification of beneficiaries and political pressures to sanction loans.

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<sup>33</sup> . Patti, U.C. (1998) : *Rural Credit Structure – Performance of DCCBS – A Micro Level Study Orissa Economic Journal, Orissa Economic Association, Bhubaneswar, January – June & July – December Volume XXX, No. 1 & 2.*

He has expressed his dissatisfaction that the working of the co-operative movement is not quite satisfactory even though there is a tremendous increase in the number of co-operative banks and societies. Their total membership and the amount of loans given may sound spectacular when we consider the figures over a period. The amount of over dues is also increasing with the growth of the movement. The funds of the Co-operative Banks and Societies are often misused and mismanaged.

In his opinion, it is a futile hope to eradicate the poverty of the rural masses with cooperation alone when movement is not functioning properly. There is an urgent need to rethink and revitalize co-operative banks and societies.<sup>34</sup>

B.Patro and N. Nayak (1998) in their paper have interrogated whether Self-Help Groups would be more successful if it is linked to a credit co-operative society or with a bank branch. It appears that the co-operative system is more nearer to the structure of a Self-Help Group which intends to develop a saving habit among the members and assists them with loanable funds which have low transaction cost. The functionaries of the Primary Agricultural Credit Societies are more acquainted with the problems of the rural poor than a bank official who is frequently transferred from one place to

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<sup>34</sup> Patra, S.(1998) : *Problems of Over-Dues in Co-operative Bank : A Case Study of Orissa Economic Journal January – June & July – December Volume XXX, No. 1 & 2*

another. The RBI/NABARD should recognize this and take immediate steps to link SHGs with the co-operative sector rather than the Banking Sector. This will help in revamping the co-operative system which is in deep trouble after financial sector reform. The co-operative sector is also required to take up this matter with the RBI immediately and convince it about the merit vis-à-vis the banking system. Once the banking sector reaches the farmer at the grass root level, via Self-Help Groups, it would be difficult for the co-operative sector to maintain its share in rural credit.<sup>35</sup>

S. Dharamrajan (2003) in his research paper has examined that co-operative credits occupy an important position in the financial system of the economy in terms of their reach and the role they play in the rural delivery system. So far as the Chennai Central Co-operative Bank is concerned, the bank acts as an agency to provide credit to its institutional and non-institutional members. Many members of commercial banks, Multinational Banks and non-banking finance companies are functioning in the city with variety of sophisticated banking services. The bank is tackling the competition through its professional management and good customer relations. The Chennai

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<sup>35</sup> Patro, B. and Nayak, N.(1998) : *Revamping the Co-operative Credit – Linking with Self Help Groups*. *Orissa Economic Journal*, *Orissa Economic Association*, *Bhubaneshwar*, *Jan-June & July – Dec Vol-XXX*, *No.1&2*.

Central Co-operative Bank is marching successfully with dedicated leadership, professional management, and dynamic staff support.<sup>36</sup>

M.Swaminathan (2002) explains that the Primary Agricultural Co-operative Bank (PACB) Periapalayam deserves compliments that it has not borrowed at all from the financing bank or any other agency for its lending operations. It is out and out a self-supporting unit. There is mutual cohesion and knowledge between the PACB and its members. The members have the highest appreciation on sound financial position of the PACB, effective and efficient management and the yeoman service rendered to the members and the general public.<sup>37</sup>

S.D.L. Bhaskar (2002) in his article has said that the urban co-operative banks with surging deposits have begun to face the problems of plenty on funds flow management. With the result, these banks are unable to fully deploy their surplus funds in a profitable and safe way. The RBI in its revised guidelines has indicated that the urban co-operative banks' investments in shares as also advances against shares and other connected exposures

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<sup>36</sup> Dharamrajan, S (2003). : *Co-operative Banking in the Competitive Environment, Co-operators' Bulletin, J & K, Co-operative Union, Vir Marg, Jammu, October, Volume XXXV, No. 10. pp. 5 – 14).*

<sup>37</sup> Swaminathan, M. (2002) : *Periapalayam PACB leads in Deposit Mobilisation and Upliftment of Rural Masses, Tamil Nadu Journal of Co-operation. Chennai (2002) Noo, Volume 3, No. 1, pp. 10-15.*

should not exceed five per cent. The credit and monetary policy of RBI in the backdrop, attempted to squeeze the liquidity of co-operative banks.<sup>38</sup>

M.Swaminathan (2002) in his article has said that rehabilitation of weak and sick urban co-operative banks depends mostly upon the efficiency in the recovery of loans. A systematic drive should be instituted on a day-to-day basis in contacting the borrowers whose loans are overdue and collecting substantial amount. The performance in the reduction of overdues, and consequently the non-performing assets should be closely matched and critically reviewed. Another important aspect in the rehabilitation process is that the deposits mobilized should be deployed in prudent lending operations, which bring profitability to the banks. He further hopes that if the management and the staff besides the supervisory staff of the urban banks devote their thought and time to the betterment of the weak and sick banks on a war footing, rehabilitation is possible within the shortest time.<sup>39</sup>

A. Rajagopalarao (2002) in his paper has examined the attitudes of employees in Urban Co-operative Banks. The study reveals that earning livelihood was assigned the first rank by the respondents for joining the banks.

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<sup>38</sup> Bhaskar, SDL(2002) – Credit Paradox and Primary Dealership for Urban Co-operative Banks. *Tamil Nadu Journal of Co-operation*. Chennai (2002) December Volume 3. pp. 30-32.

<sup>39</sup> Swaminathan, M.(2002) : Co-operative Urban Banks – Rehabilitation of Weak Banks. *Tamil Nadu Journal of Co-operation*. Chennai, December Volume 3, No. 2, pp. 20-26.

While status/position in the job, better salary and job security are given comparatively less considerations. A significant section of the employees expressed their preference to co-operative sector.<sup>40</sup>

T.R. Gurumoorthy (2003) in his research paper studied that the co-operative banks are viable and suitable institutions in issuing and serving Kisan Credit Cards in India. Share (more than 50%) of co-operative banks in the number of Kisan Credit Cards issued and the amount sanctioned under this scheme justifies it. Co-operative banks are actively involved to fulfill the credit requirements of the farmers and contributed to their socio and economic upliftment.<sup>41</sup>

R. Subramanian (2003) in his research paper has said that Primary Agricultural Co-operative Banks should be the foundations of the Co-operative credit Movement in India. The strength of primary co-operative society lies in its internal resources mobilization and efficient deployment of resources and least cost operation due to high recovery performance and further relending.

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<sup>40</sup> Rajagopalrao A (2002). : *Some Issues in employees attitudes in Urban Co-operative Banks. A Study. The Maharashtra Co-operative Quarterly. (Pune) Volume LXXXVIII, No. 3, October – December, pp. 34 - 39*

<sup>41</sup> Gurumoorthy T.R. (2003) : *Co-operative Banks and Kisan Credit Cards. Tamil Nadu Journal of Co-operation. Chennai January Volume 3, No. 3, pp. 21-22.*



Thinda PACB is found to be very efficient in mobilizing resources and for lending in the non-farm sectors. The experience of Thindal PACB will be an eye opener for most of the PACBs in the state of Tamil Nadu for emulation with regard to dedicated staff of the society for strong drive to mobilize the resources, efficient deployment of resources, high recovery performance and least lost operations.<sup>42</sup>

B.N. Ganvir and et.al, (2003) in their paper have studied that there was considerable increase in short-term, medium-term and long-term loans provided by the various co-operative banks. They provide loans for the purposes like development of minor irrigation, lift irrigation, horticulture, animal husbandry, purchase of tractor, machinery, electric pump set, bullock cart, milch cattle poultry farming, sheep and goat rearing, installation of Gobar Gas/Bio Gas plant and purchase of shares in processing and industrial society. There was an increase in outstanding loans and also the over dues. The annual compound growth rates of almost all the variables were highly significant with few exceptions.<sup>43</sup>

S.S. Kalamkar (2003) in his paper has found out that the number of societies, their total membership, owned capital (share capital + reserve fund)

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<sup>42</sup> Subramanian R. (2003): *Thindal Primary Agricultural Co-operative Bank : A Case Study Tamil Nadu Journal of Co-operation. Chennai. January, Volume 3, No. 3, pp. 11-15.*

<sup>43</sup> Ganvir, B.N. & et.al (2003) : *Performance of Co-operative Banks in Supply of loans to the farmers in Maharashtra. The Maharashtra Co-operative Quarterly. Volume LXXXIX, No. 4, January – March, 2003, pp.21 -24.*

and the amount of deposits with societies have increased significantly. The loans/amount advanced by agricultural credit co-operative societies in Maharashtra has increased. The amount of loan outstanding and over dues was also increased. The growth of overdues implies a slow performance on the part of primary agricultural credit societies. The important reason for high level of over dues may be attributed to factors such as slackness on the part of management of societies in taking timely action against their defaulting members, absence of full time secretaries in several societies, ineffective supervision, unsound lending policies etc. Strenuous efforts need to be taken to improve the recovery of loans. <sup>44</sup>

K. Sivachithappa (2003) in his article has explained that if the urban co-operative banks are properly handled directed and encouraged, they will be capable of facing the challenges of liberalization and delivering the goods. There is no reason why urban co-operative banks shy away when the nation is now facing the challenges of a New World Order. Thus, the role of urban co-operative banking in the context of liberalization of the Indian economy is more crucial than ever before.<sup>45</sup>

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<sup>44</sup> Kalamkar, S. (2003) : *Progress of Agricultural Credit Societies in Maharashtra. The Maharashtra Co-operative Quarterly. Volume LXXXIX, No. 4, January – March, 2003. pp. 21 -24.*

<sup>45</sup> Sivachithappa, K. (2003) : *Urban Co-Operative Banks in the context of Liberalisation. Tamil Nadu Journal of Co-operation. Chennai, Volume 3, No. 7, pp. 30 – 32.*

S. Dharmarajan (2003) in his paper has said that the co-operative banks can exercise proper control over funds position through Asset Liability Management as it shows the microscopic view of the asset liability components. The banks will also be able to chalk out an appropriate business plan to manage the risk and to enhance their bottom line. This is the right time for the co-operative banks specially the Urban Co-operative Banks and the District Central Co-operative Bank to implement the Asset Liability Management system for having a highly professional funds management practice and also to fulfill the mandatory provisions coming into force in the forthcoming days.<sup>46</sup>

R.K. Ingle, and et.al (2003) in their paper have examined that there is significant impact of co-operative credit on agriculture with regards to the cropping pattern, adoption of new improved technology such as fertilizers, improved seeds and plant protection and also in terms of gross yields of major crops and net returns.<sup>47</sup>

Rao Akula Rajagopal (2003) in his paper has explained that Urban Co-operative Banks are operating in a more competitive environment and

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<sup>46</sup> Dharmarajan, S. (2003) : *Asset Liability Management (ALM) Implementation in Co-operative Banks – some Guidelines*. *Tamil Nadu Journal of Co-operation*. August, Volume 3, No. 10, pp. 10 – 13.

<sup>47</sup> Ingle, R.K. & et.al. (2003) : *Impact of Credit to Shifting Farmer to New Technology – a Case Study of the Nagpur District Central Co-operative Bank*. Volume LXXXX, No. 5, April – June, 2003, pp. 25 – 31.

therefore, the need to take care of customer requirements has become more urgent. The winning over of the customer loyalty should be a philosophy of Urban Co-operative Banks. Hence the branches of UCBs must care for their clients better and hence improve its image, customer satisfaction and in the process of its profits. In the ultimate analysis, what is necessary for improving customer and services is the active participation of employees at all levels in Bank functions.<sup>48</sup>

Vrajlal K. Sapovadia (2008) in her research paper critically analyzes how UCBs has witnessed changes in product design, business process, service delivery and innovative governance process.

The co-operatives in India have made remarkable progress in the various segments of Indian Economy. There are more than half-million co-operative societies with a membership of more than 209 million. In many segment of Indian economy, cooperatives are contributing predominant role in the credit sector despite keen competition from nationalized and private sector banks. The Urban Co-operative Banking (UCB) movement in India can be traced to the close of nineteenth century. The economic reforms (1991) have

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<sup>48</sup> Rjagopal, Rao Akula (2003) : *Sprightliness of Urban Co-operative Banks : A Study of Maharashtra Co-operative Quarterly. (Pune) Volume LXXXX, No. 5, April – June, pp. 32 – 37.*

given new dimensions to precepts and practices of economic development. Urban Cooperative Banks till 1996 were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities localities, work place groups. They essentially lend to small borrowers and businesses.

Today, their scope of operations has widened considerably. Over the years, UCBs have registered a significant growth in number, size and volume of business handled. There are 2,104, UCBs of which 56 were scheduled banks. About 80 per cent of these are located in five developed states of the country. After economic reforms, the banks are under severe threat of survival on the one hand, while there is ample business opportunity to develop and grow. In the changing scenario, banks face policy endeavors due to competition and are geared to consolidate and strengthen business, introducing innovative banking products, service delivery, efficient process and effective and socially responsible governance.

The study is based on primary and secondary data. The secondary data includes, available literature, policy documents of Central Banks, Government of India and Annual Reports of selected UCBs. Primary data consists of response from executives and consumers are members of UCBs.

Suitable research methodology, principles and quantitative tools are applied for analysis and interpretation of data.<sup>49</sup>

Vrajlal K. Sapovadia (2007) undertook a research project to evaluate the effectiveness of cooperatives compared to other social institutes. National Bank for Agriculture and Rural Development (NABARD) is set up as an apex Development Bank by the Government of India with a mandate for facilitating credit flow for promotion and development of agriculture, cottage and village industries. The credit flow to agriculture activities sanctioned by NABARD reached ₹ 1,574,800 million in 2005 – 2006. The overall GDP is estimated to grow at 8.4 per cent. The Indian economy is raised for higher growth in the coming years. Role of NABARD in overall development of India in general and rural and agricultural in specific is highly pivotal.

Through assistance of Swiss Agency for Development and Cooperation, NABARD set up the Rural Infrastructure Development Fund. Under the RIDF Scheme ₹ 5,12,830 million have been sanctioned for 2,44,651 projects covering irrigation, rural roads and bridges, health and education, soil conservation, water schemes etc. Rural Innovation fund is a fund designed to support innovative, risk friendly, unconventional experiments in these sectors

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<sup>49</sup> Sapovadia, Vrajlal K. (2008) : *Critical analysis of Change in Business Process & Products of Urban Cooperative Banks in India after Economic Reforms. Indian Institute of Management Indore – Finance and Accounting*

that would have the potential to promote livelihood opportunities and employment in rural areas.

The assistance is extended to Individuals, NGOs, Cooperatives, Self-help Groups and Panchayati Raj institutions who have the expertise and willingness to implement innovative ideas for improving the quality of life in rural areas. Through member base of 250 million 600000 cooperative are working in India at grass root level in almost every sector of the economy. There are linkages between SHG and other type institutes with that of cooperatives.

Problem statement & Research Questions: the very purpose of RIDF is to promote innovation in rural and agricultural sector through viable means. Effectiveness of the program depends upon many factors, but the type of organization to which the assistance is extended is crucial one in generating, executing ideas in optimum commercial way. Cooperative is member driven formal organization for socio-economic purpose, while SHG is an informal one. NGO have more of social colour while that of PRI is a political one. Does the legal status of an institute influence effectiveness of the program – ‘How and to what an extent’. Hypothesis : Cooperative type of organization is better (financial efficiency and effectiveness) in functioning (agriculture and rural sector) compared to NGO, SHG and PRIs.

Methodologies : Using secondary data, out of funded project under the FIDF scheme, suitable number of sample will be drawn from each category; namely, individual, SHG, NGO, PRIs and cooperatives will be analysed on the basis of performance in last three years. It will also be analysed on the total number of project and amount utilized in each category and their repayment history. Major Accounting Ratio of selected period for gauging financial and operational efficiency, ROI and solvency shall be compared. Relevant qualitative tools shall be used for testing the hypothesis.

Major findings and conclusions : the research project will see whether cooperative is superior or otherwise in performance compared to other forms of formal and informal organisations', what are the influencing factors and how it can be improved in each category in general and more specifics in cooperative.<sup>50</sup>

Rewa Misra (2008) made a study about the linkages between PACs and SHGs – Models linking community-based associations with financial institutions have tremendous potential to expand outreach in remote areas. Associations in many forms (Accumulating savings and credit association (ASCA), Self Help Groups, savings and credit associations, even farmer or

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<sup>50</sup> . Sapovdia, Vrajlal K. (2007): *Evaluating Effectiveness Among Cooperatives Vis-à-vis Other Social Institutes – A Case Study of NABARD's Rural Innovation Fund*. Indian Institute of Management, Indore – Finance & Account.



fisher associations) have already strong presence in rural areas. They provide convenient and flexible access for members in light of few or no alternatives. Linkages can provide these associations with additional value such as access to larger loans, a safe place for savings and the potential for a broader range of services including graduation to individual member services.

Linkages exist with a range of financial institutions including commercial banks, Regional Rural Banks and cooperatives. This case examines a linkage between two-member-owned institutions : thrift and credit associations called Self-Help Groups (SHGs), and government promoted credit cooperatives called Primary Agricultural Credit Societies (PACS). This linkage extends the already rural cooperatives broader and deeper by bringing in a massive network of rural women's groups. When combined with the grid of institutions like the cooperative system the model has the potential to reach virtually every village in India. The PACs-SHG linkages have broader potential rural reach than any other linkage model. From the cooperative society perspective, SHGs offer a unble membership base and a cheap and growing source of funds. SHG savings comprise nearly a quarter of their asset base. SHGs also show a much higher repayment rates than individual member of the PACs. The SHG as a product line is both attractive and financially feasible. It is the PACs inability that limits the model. From the remote SHG perspective, it is the best option in limited circumstances. SHG members trust PACs given their

proximity, accessibility, the knowledge of local staff, and the apparent security of savings. However, they identify ownership more closely with their own SHGs that offer important additional product flexibility and liquidity. Mature SHGs are more likely to find alternatives attractive as well. In short, the SHG-PACs linkages are a strong point for remote outreach. PACs need to be stronger financial intermediaries in their own right to provide a linkage model that can scale up and serve remote groups over the long run. If they are to maintain their SHG members group, SHGs need to be treated as members with flexible, relevant services and full membership rights and decision-making influence.

The intention of the research is to help answer some questions about different types of member-owned institutions (MOIs) to determine what potential they have for depth, breadth, scope, length, worth and cost of remote outreach. Remote is defined as un-served or under-served in its own market. The second level analysis examined how outreach was affected by three areas: Networking and linkages; governance and ownership; regulation and supervision. The perspective of analysis was from the lowest tier association, Savings and Credit Cooperative (SACCO) or set of groups including the relative value of various providers of inputs and supports including finance.

Is the SHG-PACs linkage enable and desirable as a means of remote outreach? From this case it seems a win-win for both SHGs and PACs, but

within the current regulatory, ownership and governance structure PACs are able to offer only a marginally better service than the nearest bank. PACs can benefit from a cheap deposit base and can explore a new, profitable and expanding market segment; SHGs can benefit from close access to a broader range of services than is available from local, informal sources including their own SHGs. To be a viable model in the long-term, the PACs needs to be strengthened as a financial intermediary.<sup>51</sup>

Dr. Anthony Adekunla Dwojori (2009) discusses the importance of cooperative as a source for Micro-financing. Small and Medium Enterprises (SMES) are no doubt pivotal to the growth and development of any country. Various strategies have been adopted by the Nigerian Government in promoting the SMEs in the country to facilitate economic development process. Cooperative financing strategies are very good at promoting sustainable SMEs. The Nigerian government has not fully utilized the potentials of co-operative societies in this regards. Co-operative society is often regarded as one o the Microfinance Institutions (MFIs) that promote entrepreneurship and rapid industrialization. However co-operative societies of today suffer a lot of set-backs in performing their economic functions. This

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<sup>51</sup> . Mishra, Rewa (2008) : *Primary Agricultural Credit Society Linkage, India : The Best Remote Rural Self-Help Groups Can Do ?*. Coady International Institute, St. Francis Xaxvier University, Nova Scotia, Canada

paper examined the potentials of cooperative societies as a micro-finance strategy. It investigated the problems militating against its performance, which calls for its total re-engineering. This would make for better economic role that promote growth and development especially in SMEs finance. An analysis of the information obtained revealed co-operative strategy as a vibrant option for sustainable SMEs in Nigeria and that the problems of cooperative societies are soluble.<sup>52</sup>

According to Dr. Sean Turnell (2004) Cooperative Credit was the British Empires' all-purpose answer to problems of rural poverty and indebtedness, usury, and land alienation. Originating in the idealism of the 'Rochdale Pioneers' and in the schemes from rural Germany, cooperative credit was imported into India with an evangelical zeal to solve all manner of perceived economic and social ills. With only slightly less moral fervor it was transplanted from India into Burma in the first decade of the 20<sup>th</sup> Century, and by 1920 several thousand cooperative credit societies had mushroomed across the country.

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<sup>52</sup> *Dwojori, Dr. Anthony Adekunle and Oladejo, Murufu Oladehinde (B.Sc, MBA, M.Sc, ACA, ACTI) (2009) : "Re-engineering Co-operative Societies for Sustainable Small and Medium Business Growth and Development in Nigeria" Owojori Dr. A.Adekunle : Accounting and Business Education, University of Ado-Ekiti, Ado-Ekiti, Nigeria.Oladejo : Department of Accounting Olabisi Onabanjo University Ago-Iwoye, Nigeria.*

The purpose of this paper is to trace the development of cooperative credit in Burma from these promising beginnings, until the near collapse of the movement on the eve of the Great Depression. This paper explores the way in which co-operative credit was seen by the imperial authorities as a device to limit the role of the Indian money lenders in Burma, and as a basis for the establishment of formal rural credit markets. The paper concludes that poor implementation, on top of official myopia as to the cultural, historical and economic differences between India and Burma, brought about the demise of a movement that promised much.<sup>53</sup>

In his paper “Financial Sector Reforms and Performance of Cooperative Credit Organisations : A Study of Urban Cooperative Banks in India” Dr. K. Ramesha writes credit cooperatives are the oldest and most numerous of all the types of cooperatives in India. Inspired by the success of urban cooperative movement in Germany and Italy, in the early part of the last century, urban cooperative credit societies were organized on community basis and their lending operations were confined to meeting the consumption oriented credit needs of their members. Interestingly, the cooperative credit movement in modern India is a state initiated movement. The state partnership

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<sup>53</sup> Turnell, Dr. Sean (2004) : *Cooperative Credit in Burma and India : Paper presented at the 2004 European Association for South Asian Studies Conference. Macquarie University, Sydney, Australia.*

which was conceived as a measure for strengthening the cooperative institutions has paradoxically paved the way for ever-increasing state control over cooperatives, their increasing bureaucratization and politicization, culminating in virtually depriving the cooperatives of their vitality as well as their democratic and autonomous character.

The process of globalization, the reforms in the Indian economy and the changing role of the Government from that of 'provider/patron' to 'enabler' have affected the functioning of cooperatives. The credit cooperative movement being the oldest and significant in terms of number, membership and business volume is more influenced by economic and financial sector reforms than their counter-parts in non-credit cooperative sector. The available evidence clearly suggests that the performance of credit cooperatives both under short-term as well as long-term credit structure has been far from satisfaction in the post-reforms era. The Urban Cooperative Banks' (UCBs) segment which was considered as one of the robust and fast expanding segments of the banking system till late 1990s has now been riddled with regular cases of failures and the financial performance of UCBs has deteriorated significantly post – 2000. The purpose of this paper is to empirically investigate the causes behind the weak performance of UCBs.

The earlier research attempts by the author could not establish a definite relationship between the extension of prudential standards as part of

financial sector reforms and the performance of urban cooperatives due to paucity of data at the aggregate level. Therefore, in this paper information/data will be collected from ten randomly selected scheduled urban cooperative banks for the period 1993-2005 to examine the impact of financial sector reforms on the performance. The basic objective of this paper, apart from assessing the impact of prudential standards, is to examine the relevance of prudential standards, albeit in a succinct fashion.<sup>54</sup>

Timothy W. Guinnane (2006) in his paper presented at the International Economic History Association Meetings, Helsinki writes the German cooperative system played a lively and important role in many aspects of the Germany economy in the nineteenth century. Recent scholarship has confused some aspects of the cooperative movement and how it worked. This article focuses on one important point of confusion: the importance of financial support by the German states and the central government. German cooperatives did not receive the heavy state support typical of cooperatives in many developing countries today. But various levels of German governments did provide direct and indirect financial assistance to cooperatives. Confusion about the role of this support has led at least one recent scholar to exaggerate their importance. More generally, focus on financial assistance of this type

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<sup>54</sup> Ramesha, Dr. K. National Institute of Bank Management, Pune. Paper presented at the 13<sup>th</sup> IAFEP Conference, Spain.

obscures two larger points. First, by the late nineteenth century cooperatives were the beneficiaries of special enabling laws and strong protective tariffs on agricultural goods. Second, discussion about state assistance to cooperatives must be set against the background of the general political economy of the day: Liberals and many business leaders alike had abandoned earlier conceptions of the laissez-faire state, and virtually every interest group in Germany received, or at least sought, special assistance from the state. Debates over support for cooperatives in the 1890s and later simply demonstrate how “normal” they had become.<sup>55</sup>

Dr. S.B. Verma, Dr. G.P. Sah and S.C. Pathak (2006) jointly co-authored a book where they write that cooperatives like village panchayats are institutional agencies for achieving social cohesion. In a country whose economic structure has its roots in the village, co-operative is something more than a series of activities organized on co-operative lines; basically its purpose is to evolve a system of co-operative community organizations which touches upon all aspects of life.

Cooperation, therefore means obligation towards all families in the village community and the development of resources and of social services in

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<sup>55</sup> Guinnane, Timothy W. (2006) : “State Support For the German Cooperative Movement, 1850 – 1914”. Department of Economics, Yale University. Presentation at the International Economic History Association Meetings, Helsinki, Finland. August 2006.



the common interest of the village as a whole. This is the underlying approach in setting co-operative village management on the main direction of reorganization in rural economy.<sup>56</sup>

Y. Suresh Reddy and A. Reddeppa Reddy (1997) in their book states that the lesson of agrarian history from Rome to Scotland is the essential ingredient of agriculture in credit generation and that the agriculturists must borrow heavily from others. The peasantry of India is no exception. Farm Credit in India is characterized by dualism, i.e. institutional as well as non-institutional. Among the institutional agencies providing credit to agriculturalists, co-operative play a major role.

Andhra Pradesh is one of the important states, which has attained reasonable progress in different spheres of co-operative movement. After the introduction of the 'Single Window System' in AP, 22 District Cooperative Central Banks (DCCBs) came into existence in the place of 27 Cooperative Central Banks which had hitherto existed. As intermediaries, the DCCBs play a pivotal role in the co-operative credit system. They form the connecting link between SCB and PACs. The progress of cooperative credit programme largely depends on the financial strength and inability of banks.

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<sup>56</sup> Verma, Dr. S.B. Sah Dr.G.P. and Pathak S.C. (2006) : "Rural Credit and Cooperative Development" Ahmed Rias (Ed); Cooperative Management and Development: Text and Cases Mittal Publication. New Delhi.

But a good majority of DCCBs are in financial distress, in operational inefficiency, overdues have become the bane of cooperative credit. The long cherished dream of liberating the poverty stricken rural masses from the clutches of exploitative money-lenders has remained unfulfilled. Further, co-operatives, as tools of rural development, have more or less, failed to accomplish the objectives for which they were established.<sup>57</sup>

### **3.4 Co-operative And Globalisation:**

Co-operatives must be part of and shape the inevitable process of globalization. They must deal with new global and local identities, but at the same time they must continue to be important avenues of democratic discourse and democratic values. When we think of the nebulous concept of “globalization” we think of many different images. John Lomlinson suggests that we see the phenomenon of globalization as an empirical condition of the modern world that he terms complex connectivity : “the rapidly developing and ever thickening network of interconnections and interdependences that characterize the modern social life”. (Lomlinson 1999). From Held et.al. (1999) he maintains that as a result of the global extensiveness of connections, their more regularized and institutionalized character, and the speed at which

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<sup>57</sup> Reddy Y. Suresh and Reddy A. Reddeppa (1997) : “Cooperatives and Rural Development”. Anmol Publications, New Delhi. Dr. Y.S. Reddy; Lecturer, MSR Jr. College, Pediarlapadu, AP. Dr. A.R. Reddy; Professor and Head, Department of Public Administration, S.V. University, P.G. Centre Cuddapah, AP.

connections take place, there is a growing enmeshment of the global and the local. What happens locally, can have a significant impact somewhere else on the globe.

William Coleman, relying on Held et.al., identifies four features of globalization: The first he calls 'extensity' or the "degree to which cultural, political, and economic activities are stretching across new frontiers". 'Intensity' is changes in the "magnitude and regularity of inter connectedness". What he calls 'velocity' is changes in the "speed of global interactions and process". Finally, 'enmeshment' means changes in the "interdependence of the global and the local".

Manuel Belo Moreira (2001) presented an article in the Journal of Rural Cooperation Volume 29. No. 2 (2001). In this article following a short review of the major trends that characterize the globalization process at the economic, political-ideological and socio-cultural levels, this article takes a look at the rationality of agricultural cooperatives and reflects on the effects of globalization. Understanding globalization as a dialectical process, his reflection draws on the effects of globalization on cooperatives, in particular agricultural ones. He refers to the threats, challenges and opportunities brought about by globalization. This means evaluating the threats and opportunities that result essentially from increased competition, trade liberalization and changes in the role of the Nation-states. The paper

concluded that globalization has become a powerful factor of change for the cooperative movement in general, and for the agricultural cooperatives in particular. If it is the case that globalization threatens the cooperative movement in various way and to varying degrees, then it is also true that it has opened up new opportunities for development. In particular, he refers to the promise of new ways for the cooperative movement to take advantage of the content and context of globalization, and to the opportunities for different types of social movements to counter globalizing tendencies.<sup>58</sup>

Miss Banishree Das, Dr. Nirod Kumar Palai, and Dr. Kumar Das in their paper presented at the XIV International Economic History Congress, Helsinki 2006, Session 72, analyze the problems and prospects of cooperative sector in India under free market mechanism. It is now increasingly recognized that the cooperative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization. After economic liberalization under the new economic environment, cooperatives at all levels are making efforts to reorient their functions according to the market demands. The failure of the public sector in several cases is a worrisome trend. Privatisation has also failed to make an impact in the areas. Therefore, there is great hope on the cooperative sector. This paper examines the causes of slow

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<sup>58</sup> *Moreira, Manuel Belo (2001) : "The Cooperative Movement and the Agricultural Cooperatives in the context of Globalisation" : Journal of Rural Cooperation. Volume 29. No.2, Israel*

progress and highlights the emerging role and challenges of the cooperative sector. In comparison to the step-motherly treatment of the past, cooperatives are now considered an important plank of development. The cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. Cooperatives are also considered to have immense potential to deliver goods and services in areas where both the state and the private sector have failed.

This paper focuses on several pitfalls and shortcomings like: poor infrastructure, lack of quality management, over dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, absence of professionalism, etc. It suggests to evolve strong communication and public relations strategies which can promote the concept of cooperation among the masses. It should also push forward by developing effective strategies to overcome existing weaknesses and for continuing growth of the sector. This paper makes an assessment of the future prospects of the cooperative sector of India.<sup>59</sup>

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<sup>59</sup> . Das, Miss Banishree, Research Scholar, Asian Institute of Technology, Thailand, Dr. Nirod Kumar Palai, Head, Department of Economic History, Bijupatnaik College of Uttar University, Bhubaneswar; Dr. Kumar Das, Professor of Economic, Asian University, Chon Buri, Thailand : "Problems and Prospects of the Cooperative Movement in India under the Globalisation Regime". XIV International Economic History Congress, Helsinki 2006 Session 72.

Robert Dobrohoczki (2006) wrote a paper in the *Journal of Rural Cooperatives*, the object of the paper being twofold : First, to demonstrate how the cooperative business structure, rooted in democratic principle, when analyzed within the framework of recent legal and critical theory, can be shown to have a transformative effect in alleviating the adverse effects of globalization. Second, to analyze the international legal environment, particularly trade arrangements, to examine the capacity for cooperatives to serve as social policy instruments for promoting social cohesion. This paper uses Habermasian legal and critical theory in illustrating the close linkages cooperative principles have with modern sources of legal legitimacy and democratic theory. It is argued that cooperatives contribute to a healthy public sphere and alleviate the “legitimation deficits” increasingly manifest by the anti-globalisation movement. This movement opposes the increasing power of transnational capital and institutions vis-à-vis national governments, and the lack of democratic control over such institutions and organisations. In order for cooperatives to have an influence on social cohesion and social capital, they must fully engage their democratic potential. Cooperatives are one means of democratizing the market system, thereby alleviating the negative effects of globalization. Consequently, there is a policy interest in promoting cooperative development. Cooperation can offer a viable alternative to global capitalism and transnational corporatism. Policy recommendations will be offered for

facilitating cooperative legislation and for the promotion of cooperative development under international trade arrangements. A number of United Nations sponsored international connections, such as the Co-operatives (Developing Countries) Recommendation of 1966 (No. 127), already advocate cooperatives an effective means of social policy. With the increasing opposition to transnational corporatism, opposition rooted in the democratic aspirations of citizens; there is an increasing role for co-operative to assert a democratic market alternative for policy makers to facilitate this demand in the social economy.<sup>60</sup>

S.K. Hota (2000) has explained that in the process of economic liberalization, while the private enterprises, and public sector undertakings are affected directly, the cooperative sector is affected in an indirect way.

The co-operative sector has the potentiality to face the challenge of liberalized economy by restructuring its activities at the business environment. Here the responsibility has to be borne by the cooperative movement itself, without depending much on government support.

The researcher feels that fields like Economic Deregulation, Tax and Tariff concession, Trade liberalization, Revitalisation of sick cooperative units

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<sup>60</sup> Debrohocski, Robert (2006), Centre for Study of Cooperatives, Saskatran, Canada, "Cooperatives as a Social Policy Means for creating Social Cohesion in Communities". *Journal of Rural Cooperation* 34 (2) 2006; 139 – 159. Israel.

and Rural Market are to be explored by co-operatives to cope with the pace of economic liberalization for its present and future prospects.

He has suggested that the organizational aspects of co-operatives should also be taken care of in rural are. In the present business environment the primary cooperative societies need to be reorganized. The weak and inefficient societies (i.e. unviable units) should be would up or merged with strong or efficient societies (i.e. viable with). Otherwise, the weak societies would determine people's confidence in the movement and cause a set back to it from a long term point of view.<sup>61</sup>

R.A. Goyal (2000) explains that in the fast changing economic scenario, in the context of economic reforms, liberalization and globalization, the cooperation sector no longer afford to be indifferent to the cost effectiveness and commercial orientation in the new millennium. Against the aforesaid backdrop if the co-operative is to equip itself to operate energetically in the face of the competitive pressures of an open market, it will have to rise to the occasion to convert the challenges on the fronts of human resources management and information technology into opportunities to its advantage.

Co-operatives in India can learn a lot from the recent experience of co-operatives in other developing countries in the dissemination of information

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<sup>61</sup> Hota, S.K. (2000) : "Co-operative in Rural Economy." Kurushetra Publication Division, Ministry of I & B, Government of India, August Volume 48, No. 11, pp. 2- 6.



technology. Unless and until the co-operative sector equips itself suitably to grapple with the emerging highly competitive milieu, it may meet the fate of either a lion or a gazelle that fails to run adequately fast. The co-operative sector can hope to serve social objectives if it takes due care of its financial health for which effective management of human and technological resources is essential.<sup>62</sup>

K.N. Ramanujam (2002) in his article has said that liberalization of the Indian economy ever since 1991 has brought about drastic structural changes in all spheres of the economy. The central government has withdrawn its prospective support to the various sector of the economy, including co-operative. Due to global competition, co-operatives can survive only when they prove their efficiency, otherwise they have to quit from the business scene. In order to face new challenges they should reconstruct their business strategies, reduce cost of production at all levels, minimize wastage, develop their own technology, transact business activities on more various alternatives lines and search for various alternatives for stabilizing their activities.

He has further said that though the policy is against government support, government should relax its rules and regulations in case of co-operatives for some time. He has suggested that government should make all

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<sup>62</sup> Goyal, R.A. (2000). "Co-operative Sector in the new Millenium." *Kurushetra, Publications Division, Minsitry of I & B. Government of India, May Volume 48, No. 8, pp. 6 - 9.*

its purchases only through consumer co-operatives. Co-operatives which have been involved in distribution of ration goods should be given subsidies and those which are functioning in their own buildings may be exempted from the payment of wealth tax, water tax, etc. <sup>63</sup>

S.O. Junare (2002) in his paper has explained that Globalization, Privatisation, and Liberalisation policy has given new challenges, more risk, more threats and dangers to the co-operative banks if they have not predicted the future themselves after a decade. But LPG is the takings and gains for those who are wise enough to change themselves. The co-operative banks can make sustainable growth in this competitive scenario if they change themselves in the fullness of time. <sup>64</sup>

U.M.Shah (2003) in his paper, has described that co-operatives can thrive best in the liberalized environment as they neither disturbs the existing system nor affects the interests of anybody. Liberalisation of economic policies in India and its consequential effect on the co-operatives in the emerging scenario should therefore not be treated as a threat for the survival and

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<sup>63</sup> Ramanujan, K.N. (2002). *New Challenges for Co-operatives. Tamil Nadu Journal of Co-operation* October – Volume 2, No. 12, pp. 18 – 21.

<sup>64</sup> Junare, S.O. (2002). *Impact of Globalisation on Co-operative Banking. The Maharashtra Co-operative Quarterly. Volume LXXXVIII, No. 3, October – December. Pp. 60 – 65.*

efficacy of co-operatives but more as an incumbent action on the part of the state and the law to redeem co-operatives of interference and control.

In redesigning and rejuvenating the role and image of co-operatives to establish their rightful place in the changing economic scenario, the government should come forward and clarify the position vis-à-vis the co-operatives, as is being done in the private and public enterprises. The World Bank under the ambit of pectoral reforms calls for co-operatives to respond to market compulsions, stand on their own as structurally strong, functionally autonomous and professionally efficient organizations on the one hand, and member responsive enterprises on the other.<sup>65</sup>

Danuta Mierzwa (2000) wrote a paper, "Management of Cooperatives in the time of Globalisation." Management is a part of a social reality which reflects a lot of factors. The management research objects (various organizations) are not permanent in time. Evolutions of social structures in EU confirm that the traditional ways of cooperatives functioning are not acceptable in the contemporary integrated market. The principles that applied to cooperatives in the past are often neglected. The article analyzes issues concerned with management, property ownership, role of capital and ways of obtaining it as compared to the cooperative principles. The leading thought of

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<sup>65</sup> Shah, U.M. (2003) : *Economic Liberalisation and Co-operative Perspective in the context of poverty reduction. The Maharashtra Co-operative Quarterly. Volume LXXXX, No. 5, April – June, 2003, pp. 11 – 15.*

the article was finding answer to the question – is a cooperative company able to fulfill its vision in the day of globalization? <sup>66</sup>.

### **3.5 Types of Co-operatives:**

Cooperatives exist in nearly every business sector and are organized in a variety of ways. Like other business in our economy, they range in size from organizations with only a few member-owners to massive and complex organizations with thousands of member-owners. Cooperatives are classified as a way to easily identify the nature of the business. The classifications do not mean that one type necessarily be better or worse than another. It simply means that there are distinguishing differences among the types, and shows the wide variety of cooperatives and the differences in their operations, management, control, etc.

Dr. Shivaji Ambhore (2007) in his paper presented at the ICABE 2007, is of the opinion that dairying is one of the most effective instruments for supplementing income and generating employment in the rural sector. It is being envisaged as an important means or reinforcing the income for economically weaker section of the society constituted by landless and small

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<sup>66</sup> Mierzwa, Danuta : *“Management of Cooperatives in the time of Market Globalisation.”* Wroclaw University of Environmental and Life Sciences, Poland.

farmers. The planners of the country consider cooperation as an instrument of economic development of the disadvantaged particularly in rural areas.

This paper examines the growth of cooperation dairy sector in Maharashtra state in India with respect to number, membership and capital of dairy cooperatives, milk procurement and distribution, milk prices, milk processing and production of milk products. The required secondary data were collected for the period 1988 – 2001 from the government publications such as Cooperative Movement at a Glance in Maharashtra, Animal Husbandry Statistics Reports, Hand Book of Basic Statistics, Dairy India, and from the Office of the Commissioner of Dairy Development, Government of Maharashtra. Simple statistical tools were used to analysed the data.

The study indicated that the cooperative institutions have performed well with respect to their number, membership and share capital. Dairy cooperatives have connected in few districts of the State. Milk procurement grew by 8.96 percent per annum. Milk processing facilities and production of milk products have shown substantial increase. Milk purchase prices have recorded a three-fold increase. The study suggests expansion of milk

procurement network, remunerative price for milk and more emphasis on production of milk products by the dairy cooperatives.<sup>67</sup>

Robert A. Cropp (1991) in his book provides an excellent success story of a dairy cooperative. It is valuable reading for current and newer-member patrons of cooperatives who often do not know about struggles and sacrifices of their predecessors. The author also presents excellent principles and philosophy of successful operation and management of cooperative.<sup>68</sup>

On the other hand, the book by Robert E. Jacobson and David Barton Con O'Leary is frustrating to read because of its flaws in presentation and contents but without a doubt it makes a major contribution to the Irish Cooperative industry. The cooperatives have followed some of the lease cooperative –like practices of cooperatives anywhere in the world. Their members and leaders clearly do not understand the unique aspects and essence of a cooperative.<sup>69</sup>

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<sup>67</sup> Ambhore, Dr. S.S. and Mr. Thote, P.R. (2007) : "Growth of Dairy Cooperative Sector in Maharashtra." Department of Economics, Pandit Jawaharlal Nehru College, Aurangabad. International Conference on Applied Business & Economics (ICABE) 2007. University of Piraeus, Piraeus (Athens), Greece.

<sup>68</sup> Cropp, Robert A. (1991) : "Building Markets and People Cooperatively : The Lake to Lake Story by Truman Torgerson." Volume 6 (1991). University of Wisconsin Cooperative Centre.

<sup>69</sup> Jacobson, Robert E. and O'Leary, David Barton Con (1992) : "Dairy Cooperative Issues in Ireland." Volume 7 (1992) Journal of Agricultural Cooperation (Book Review) University of Wisconsin Cooperative Centres.

The paper written by M. Clotila and S.B. Dhanapala, reviews the role of producer cooperation in the dairy sectors of a number of countries in Asia. Because of the perishable nature of milk and the range of skills involved in its production and marketing, dairying requires a number of services that can best be provided by cooperative action. It is not surprising that the cooperative movement has featured prominently in the development of the dairy industry worldwide. The authors concluded that the farmer cooperative system has proved to be an effective which for livestock development in general and for dairy development particular in rural areas.<sup>70</sup>

Dr. A.K. Makwana,(2009) in his paper, "Indian Dairy Co-operatives and Globalisation," says that the future of the dairy cooperatives will rest not only on the milk producer, but on the scientist, the dairy technologist and the professional. Dairy cooperatives will have to equip new generation to compete head-on-head with the best human resources of the advanced dairying nations. The task before the Indian dairy co-operatives is not only to remain biggest but the best.<sup>71</sup>

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<sup>70</sup> Uotila, M. and Dhanapala, S.B. : *"Dairy Development through Cooperative Structure."* The authors are Regional Animal Production Officer and Consultant, respectively at the FAO Regional Office for Asia & the Pacific, Thailand, Bangkok.

<sup>71</sup> Makwana, Dr. A.K. : *"Indian Dairy Co-operatives and Globalisation."* (2009) Contributed paper to the baook by Rais Ahmed *"Co-operative Management and Development : Text and Cases."* Mittal Publications.

R.E. Jacobson and C O'Leary (1990) in their book looked into the issues of dairy co-operatives in Ireland. Public Limited Company's (PLC) activity in Ireland's dairy sector has revived interest in what it means to be a share holder, to be a member, to be a supplier. It has also raised questions regarding the relevance of co-operatives in today's business world, and whether the long term interests of farmers will be damaged if the co-operative movement continues to be eroded. This book explores the possibility for dairy co-operatives to make organizational changes within the accepted co-operative context or whether modifications of co-operative principles are necessary for long term growth and survival. It also examines whether PLC activity is a short term or long term phenomenon and identified a range of alternatives for co-operatives in resolving capital and share valuation problems.<sup>72</sup>

Vassilis Patronis and Kostantinos Maureas (2004) looked into the agricultural co-operative organizations in Greece. The first centenary (1900 – 2000) of the agricultural co-operatives in the Greek countryside is an appropriate occasion for offering a critical retrospective of their operations during the 20<sup>th</sup> Century. Initially the cause of their delayed appearance and establishment in Greece are investigated. Subsequently, the large extension

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<sup>72</sup> . Jacobson, R.E and O'Leary, C (1990) : "Dairy Co-operative Issues in Ireland with Special Reference to PLC Activities." Centre for Co-operative Studies. Ireland.



of agricultural credit, as well as constantly increasing involvement of the government and bank in their internal affairs are described and analysed. This analysis also focuses on the particular inter-war conditions that favoured the protectionism of the agricultural economy and the “States’ Supervision” of co-operatives, an essential element of agrarian policy, even during the first post-war period. Finally, development relating to the co-operative during transition from dictatorship to democracy, the subsequent legislative interference, doubtful investment, as well as the transformation of the organization into an arena of self-interest for political parties and their leaders and into a means of implementing government social policy is examined.<sup>73</sup>

Mc Bride and Rusell, on the other hand, wrote a book on the ‘why’ and ‘how’ of agricultural co-operatives. The text consists of 18 Chapters divided into two sections. The first section centers on the ‘why’ of agricultural co-operatives and contains chapters 1 through 5. This section attempts to justify the existence of domestic farmer co-operatives. The second section focuses

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<sup>73</sup> Patronis, Vassilis, Department of Economics, University of Patras and Kostantinos Maureas, Technological Educational Institute (TEI) of Kalamata, Greece. (2004). “Agricultural Cooperative Organisations in Greece throughout the 20<sup>th</sup> Century : A Critical Overview.” *Journal of Rural Cooperation* 32 (1) 2004. 51 – 56 (UWCC).

on the 'how' of agricultural co-operatives and contain chapters a wide variety of topics including the Rochdale principles, federal marketing orders etc.<sup>74</sup>

Toth, Varza and Paarlberg (1996) research paper examine the transformation of Hungarian agricultural production co-operatives. In contrast to early expectations, cooperatives did not experience much membership loss. Rather, the enterprises held together, although they down sized. The distribution of collective assets accused quickly and created much tension. This sector experience a severe recapitalization and the efficiency of the sector fell. There was a sharp rise in unemployment, sales and marketing were disrupted. Thus, the co-operatives transformed in a very hostile situation. They survived, and some prospered, yet, in general they remained vulnerable to adverse economic developments. Healthy co-operatives will be vital to the success of small private farms.<sup>75</sup>

“Agricultural Cooperatives in the 21<sup>st</sup> Century” – a report published by the United States Department of Agriculture (2002) identifies challenges and opportunities facing farmer cooperatives in the years ahead and offers strategies to increase their chances for success. The external forces besetting cooperative are examined as are their internal strengths and weaknesses.

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<sup>74</sup> *Mc Bride, Glym & Russell James R. (1986) : “Agricultural Cooperatives – Their why University of Wisconsin Center for Cooperatives. USA.*

<sup>75</sup> *Toth, Erzsebet, Varga, Gyula and Philip & Paarlberg (1996) : “The transformation of Hungarian Production Co-operatives and the consequences for the future.” Volume 11 (1996). Journal of Co-operatives Invited Paper. University of Wisconsin Centre for Co-operatives.*

Priority issues are identified that cooperative members, leaders and advisers need to address. No easy solutions are provided, because there are none. Hopefully, this report will serve as a catalyst for further thought and discussion on how farmer cooperatives can enhance income and quality of life for their members. Methodology: This report examines the challenges producer-owned cooperatives face at the dawn of the 21<sup>st</sup> Century. Several participants in the 1987 study revisited that report and commented on a range of topics regarding and new issues that have risen since then. Then, prominent members of the cooperative community across the country participated in six focus panels. A discussion outline covering a range of conditions confronting agriculture in general and cooperative in particular was sent to each participant before each focus group met. The focus group panelists engaged in brainstorming sessions and free-form discussion, framed by the set of “contemporary” cooperative principles formulated in the 1987 study. Commentary from each panel is reflected in this report. However, no comment is directly attributable to any panel member. This report identifies challenges facing agricultural producers and their cooperative as they enter the 21<sup>st</sup> Century and suggests a foundation for developing options and strategies to meet those challenges.<sup>76</sup>

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<sup>76</sup> *Dunn, John R. Anthony C. Crooks, Donald A. Frederick, Tracey L. Kennedy & James J. Wadsworth (2002) : “Agricultural Co-operatives in the 21<sup>st</sup> Century”. Rural Business-Cooperative Service, USDA.*

Dr. Kaware S.S., P.P. Pawar and S.N. Lilakar in their paper, "Agro-Processing Co-operatives in Maharashtra", have highlighted that the co-operative sector has made remarkable progress in the field of sugar, cotton, milk, oil and fruit and vegetable processing. In the changed scenario, the co-operatives, if numbered properly with proper attention, it will play a very prominent role in the agricultural produce processing, marketing and distributions. A.K. Sing, and N.K. Yadav, in their paper, "System Management : A Need of Sugar PSUs," have discussed the reasons because of which sugar PSU are not in sound position. They say that we need full bench marking the Kaizen principles of all round development; only then sugar PSUs can realize Six Sigma Effect of Total Quality Management.<sup>77</sup>

Dr. B.D. Khandare (2007) in his paper attempts to examine the growth of sugar industry and studies its contribution to economic development. Sugar is known to people of India for more than 2000 years and there is sufficient evidence to show that India is the home of cultivating sugarcane and manufacture of sugar. The sugar industry is the second largest agro-based industry in India next to textile. This study is based on secondary data collected from government publications and periodicals such as "Cooperative Sugar" and "India Sugar" for the period 1981- 1982 to 2003-2004. The data

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<sup>77</sup> Ahmed, Rais (2009) : *Co-operative Management and Development : Text and Cases. Contributions by several scholars. Mittal Publication. New Delhi*

included area, yield and production of sugarcane, sugarcane crushed, sugar output and recovery. The data on contribution of sugar industry in socio-economic transformation of rural India was also collected. Simple growth rates, average, percentages and ratios were worked out.

The results of the study indicated rising trend in number of sugar cooperatives. The annual average growth in India was 0.52 percent in sugar output, 0.08 percent in sugar recovery, 0.17 in sugarcane area, 0.09 percent in sugarcane yield, 0.19 percent in sugarcane production, and 0.33 percent in sugarcane crushed during the study period.

The growth of sugar industry has helped the Indian economy in many ways. The sugar cooperatives have played a pivotal role in modernization of agriculture and in the socio-economical and educational transformation of rural society.<sup>78</sup>

Co-operative marketing has a long history in India, back to 1912 was passed. Co-operative marketing helps farmers to pool their produce and secure a better price in the market. They compete effectively with firms and /or individuals who earn unreasonably high profits by increasing farmers' bargaining power in the market, thus ensuring incentive price for them. Marketing co-operatives also increases the productivity of farmers and

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<sup>78</sup> Khandare, Dr. B.D. : *Growth of Sugar Cooperatives and Economics Development in India*". (2007), ICABE Conference

lowering their cost by pooling the input purchase requirements. A look at some of the literatures on co-operative marketing.

Adrain Palmer, Shirley Barrett & Sharon Ponsouby (1999) wrote a paper on "A Behavioural Analysis of Co-operative Marketing Organisations". Most research data on co-operative marketing has focused on large organizations. This paper explores co-operation that takes place between smaller businesses for the purpose of marketing the generic element of their product. A review of literature discusses the business and social objectives of co-operative marketing organizations. It is suggested that the social element of such groups may be more important than in the strategic alliances of larger organizations. A proposition is developed that co-operative marketing groups have a tendency to begin life with a business focus, but over time a social focus becomes more important. The proposition is tested by a qualitative study of cooperative tourism marketing groups. While business objectives were cited by most co-operative groups as their primary goal, evidence within this study suggests that a drift toward more social objectives occurs as association matures. A adopting a social role may be a means extending the lifecycle of an association, while the missionary zeal of

newer organizations provides a focus for cooperation which has more clearly defined business objectives.<sup>79</sup>

Jemal Mahmud (2008), in his thesis, analyse the role and functions of MPCs in agricultural input/output marketing in Eastern Ligray Zone of Ethiopia. Ethiopia is among the poorest countries in the world where agriculture is the major source of living for more than 83 percent of its people. Besides, the sector is the dominant one in the national economy. But agricultural performance in production and productivity is poor to bring sustainable changes in the living standards of the rural community. Among others, underdeveloped agricultural marketing system is a major factor responsible for the poor performance of the sector.

In order to see the role of cooperatives, it was preferred to give emphasis on evaluating their overall performance and members' participation as well as perceived problems in using the available services. Simple percentage analysis ratios analysis, descriptive and econometrics model were employed to identify determining factors of the role of cooperatives in performing their activities as well as participation of the members. Therefore, two districts and seven MPCs were selected at random from Eastern Ligray Zone for the study. A total of 162 member household of cooperatives were

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<sup>79</sup> Palmer, Adrian, Shirley Barrett and Sharon Ponsonby (1999): "A Behavioural Analysis of Co-operative Marketing Organisations." *Journal of Marketing Management*. July 1, 1999

considered for this study and were included in the econometric model. In addition, secondary data obtained from relevant institutions were used.

The result of performance of MPCs was presented organizing into three categories such as functional, organizational, and financial performances. The result shows that MPCs in Seesi-Tsaeda-Imba are functioning better in food grain distribution, input supply, and credit provisions than MPCs in Atsiby Womberta. MPCs in the two districts provided both medium term and short term loans for fertilizer and seeds, and household package programmes. With regard to organizational performances, the cooperatives have their own working procedures and systems, by-laws, employees and boards, and working areas. Ratios were analysed taking the five years financial data (2002 and 2006). The liquidity analysis, financial leverage, and profitability ratio showed that the over all performance of cooperatives under investigation were weak or below the desirable level. T-test and result showed significant difference in age, livestock ownership, crop, production, annual income, expenditure, input purchased, share capital contribution between the mean of two sample groups at less than 10 percent probability level, chi-square test result : sex, access to input/ credit, membership, educational statue, and so on showed that significant differences between the two sample groups at less than 10 percent probability level Economic Software called "Limdep" was employed to estimate the Tobit



Model to identify factors influencing the participation (intensity of participation). Probability of participation appeared to be significantly and positively influenced by education status, sex, number of paid up share capital, off-income, livestock owned, access to input credit, membership status, access to alternative marketing and members' satisfaction; while the influence of members' age, off-farm income, and access to alternative market had inverse relationship and significant to determine participation. Perceived role performance perception of members' on transparency, expenditure, on-farm income, annual income, input purchased, perception on input/output process etc. were not significantly related to the dependent variable. Moreover, perceived problems and members' suggestions were also identified sufficiently to analyse role of cooperatives such as internal/organizational, external and infrastructure related problems. Performance of cooperatives and members' participation were used as key factors to analyse cooperatives' role in agricultural input/output marketing in the study area. The policy implication is that Government, NGOs and other stake holders need to give emphasis on improving individual, organizational and institutional capacity of cooperatives.<sup>80</sup>

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<sup>80</sup> Mahmud, Temal (2008) : 'Analysis of the role of cooperatives in Agricultural Input/Output Marketing in Eastern Zone, Zigray Region'. A thesis submitted in partial fulfillment of the requirements for the Masters of Science Degree in Cooperative Marketing. School of graduate Studies, Natural Resources. Department of Cooperatives Mekelle University. (MPCSS – Muthi-Purpose Cooperative Societies)

Most research to date on co-operative marketing has focused on large organizations. This paper by Adrian Palmer and others (1999) explores co-operation that takes place between smaller businesses for the purpose of marketing the generic elements of their product. A review of literature discusses the business and social objectives of co-operative marketing organizations. It is suggested that the social element of such groups may be more important than in the strategic alliances of larger organizations. A proposition is developed that co-operative marketing groups have a tendency to begin life with a business focus, but overtime a social focus becomes more important. The proposition is tested by a qualitative study of co-operative tourism marketing groups. While business objectives were cited by most co-operative groups as their primary goal, evidence within this study suggests that a drift toward more social objectives occurs as associations mature. Adopting a social role may be a means of extending the lifecycle of an association, while the missionary zeal of newer associations provides a focus for cooperation which has more clearly defined business objectives.<sup>81</sup>

D.K. Giri discusses about the theoretical issues on co-operative marketing its meaning, definitions, membership, operations relevance of co-operative marketing, genesis, growth, organisational structure, finance,

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<sup>81</sup> Palmer, Adrian, Shirley Barrett & Sharon Ponsonby (1999) : "a Behavioural Analysis of Co-operative Marketing Organisations". 1 July, 1999 *Journal of Marketing Management*.

operations processing, storage, institutions and case studies on each of these. He further discusses the failure and achievement marketing. According to him government support is necessary for co-operatives to flourish.<sup>82</sup>

Cooperatives are considered shield of the weak. In cooperatives, members with limited mean pool their resources and efforts to achieve much, which otherwise they would not have achieved. Cooperatives are democratic organizations and definitions of democracy given by Abraham Lincoln fits perfectly, 'for the people, by the people, and of the people'. Mankind's existence is based on food. Food is one of the primary needs of human being. Natural resources in sea, river, land and mountains fulfill food requirements. Agriculture alone is not sufficient to mankind for more than one reason. Prof. Vrajlal Sapovadia (2004) has therefore, written a paper on "Fishermen Cooperatives: A Tool for Socio-Economic Development." According to her, fisheries' industry supplements it to a large extent the food and medicinal requirement. Growth and development of the economy accelerates, if the country having such natural resources, utilize these resources effectively and efficiently. The fisheries industry gets strengthened by way of mutual cooperation of individual fishermen. An individual faces lacunas in business of fisheries, from collection to storage to process to marketing to infrastructure, to

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<sup>82</sup> Giri, D.K. (2001) : "Co-operative Marketing in India and Abroad". Kurushetra Publication Division. Ministry of I & B, Government of India. New Delhi, May, Volume 49, No. 8. pp. 47 -48.

technology to finance needs. This individual strength can be synergies and weakness an individual faces may be eliminated or reduced to form a good fisherman cooperatives. The main reason in Indian context (and may be true for other developing countries) has in their academic, financial and social backwardness.

Besides that, fishermen are victims of social inhibitions, superstitions, uncertainties of weather and old technology. India is a unique case of fishermen cooperative. It is a tool to eliminate poverty, and hence important socio-economic development driver. There is one National level Federation, under which there are 17 state level federations, 18 District level federations and 13,000 primary societies comprised of a 2 million members. The paper highlights strengths and weaknesses of present fishermen cooperatives and suggests ways to overcome it. It is the cooperative folds that can make enabled fishermen to improve their skill, acquire knowledge about technology, market and management, cooperatives can enhance production, processing, storage, transport capacity and back up finance needs. Thus cooperative organisations may compete International Corporations by adding professional management skills coupled with cooperative strength. The paper is based mainly on secondary data.<sup>83</sup>

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<sup>83</sup> Sapovadia, Prof. Vrajlal (2004) : *"Fishrman Cooperatives : a Tool for Socio-Economic Development."* Indian Institute of Cooperative Management Gandhinagar. IIFET 2004 Japan Proceedings.

P.Sahu and N.B. Pradhan (1998) have found that the National Co-operative Development Corporation (NCDC) Financing Beach Landing Crafts (BLCs) has helped the fishermen to increase fish production. The problems are associated with inefficient operation of Beach Landing Crafts through co-operative societies and lack of repairing facilities on Beach Landing Crafts. In some cases the leaders of the community or societies are found to be responsible for mismanagement of Beach Landing Crafts leading to poor repayment of loans. In case of successful operation of beach landing crafts repayment position is found to be satisfactory resulting in economic improvement of the fishermen.

The problem of marketing with the pre-determined trader aggravates the exploitation of the fishermen. For this some kind of institutional arrangement of consumption loan during the loan period is necessary to make the fishermen free from the clutches of the fish traders and money lenders. A well directed credit marketing linkage with institutional support involving the fishermen communities is needed for the sustainable development of the fishermen.<sup>84</sup>

Purchasing cooperatives have become an essential tool for many small businesses and consumer organizations. Cooperative purchasing helps

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<sup>84</sup> Sahu, P. and N.B. Pradhan (1998) : *Fisheries Co-operatives in Orissa : A Case Study of Financing Beach Landing Crafts in Ganjam District. Orissa Economic Journal (Orissa Economic Association) Bhubaneshwar. January – June & July – December, Volume XXX, No. 1 & 2.*

members reduce costs and obtain better quality products and services. Bruce Reynolds and James Wadsworth (2009), have written a report giving an overview of the variety of purchasing cooperatives that are organized for the purpose of reducing costs and improving the quality of products and services available to members. There are often more benefits for rural communities from membership in purchasing cooperatives for products and services that are less readily available, in comparison to urban areas.

Some of the potential sources of cost reductions and marketing improvements are examined for purchasing cooperatives owned and controlled by independent retailers or farm supply cooperatives. The basic steps in organizing this type of purchasing cooperative and developing its operations on a sustainable basis is reviewed.<sup>85</sup>

Consumer Cooperatives are a specific type of purchasing cooperative. Food cooperatives, especially natural food stores, are America's quintessential consumer cooperatives.<sup>86</sup> Dr. Shri Kumar Sharma and Shweta Sharma in their paper "The consumer Co-operative Societies – Challenges and Opportunities Ahead", have suggested that care has to be exercised while fixing the prices

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<sup>85</sup> Reynolds, Bruce & James Wadsworth, *Agricultural Economists (2009) : A Guide for the Development of Purchasing Cooperatives. Cooperative Information Report 64. April, 2009. United States Department of Agriculture.*

<sup>86</sup> Zeuli, Kimberly A and Robert Cropp (2004) : *Cooperatives Principles and Practices in the 21<sup>st</sup> Century. University of Wisconsin.*

of goods sold by consumer co-operatives. The Government should develop a more favourable attitude towards consumer co-operatives and extend its positive support to the movement by providing financial and technical assistance. Dr. P. Sundara Pandian and Prof. V. Manohar in their paper "Inventory Control Models for Co-operative Wholesale Stores", are opined that most of the co-operative stores are making losses due to the ineffective and poor inventory management system. Efficient management of the inventory will increase the efficiency of the co-operative whole-sale stores.<sup>87</sup>

Housing co-operatives have become an increasingly attractive option because the cost of housing continues to rise. Housing co-operatives make housing affordable to millions of Americans from every walk of life and income level. Edited by V. Tucker (1982) the book, "Co-operative Housing in Ireland" is a collection of papers which provide a comprehensive overview of the various problems and prospects of the Irish Co-operative Housing Movement. A series of case studies by members of Housing Cooperatives is also presented to illustrate both the successes and pitfalls encountered by housing co-operatives groups.<sup>88</sup>

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<sup>87</sup> Ahmed, Rais : "Co-operative Management and Development : Text and Cases". (2009). Mittal Publications.

<sup>88</sup> Tucker, V. (ed) (1982) : "Co-operative Housing in Ireland". Centre for Co-operative Studies.

On the other hand, U.C. Panigrahi and B.Patro (1998) have studied several problems of the housing co-operatives in Orissa. According to them, a large number of housing co-operatives assign priority for financing the house construction activities of individual members rather than undertaking construction of houses by themselves. Many of them confronted the problem of overdue which is responsible for losses. A large number of them are not sufficiently dynamic and efficiently managed to prepare and submit feasible project proposals for obtaining institutional loan from various agencies. The above co-operatives are more or less urban based and do not fulfill the needs of poor sections of the society as they provide loans to employees of government only. There is no effective co-ordination between housing co-operatives and other housing development agencies.

They suggested certain measures like liberal contribution of the State Government towards the share capital of Apex Co-operative Housing Corporation provision of more funds to the National Housing Bank to the Corporation under its Refinance Scheme for lending the same to the housing and liberalization of terms the and conditions of the schemes related to audit, undertaking of suitable measures by the State Government to remove the difficulties of loan sanctioning process by housing co-operatives, persuasion of housing co-operatives to use local building materials and adoption of low cost



housing technology and improvement in operational efficiency of housing co-operatives to make them viable institutions.<sup>89</sup>

G. Mohanram and et. Al (2003) in their paper has explained that in the Madurai city of Tamil Nadu, the city dwellers have faith in co-operative housing societies. However, to retain the existing members and to increase the number of members vigorous steps have to be taken. The only major problem the society faces is the competition from other housing financial institutions.<sup>90</sup>

Hans Jorgensen (2006) writes that in the period from the second half of the 1800s up to the 1920s the ideas of the co-operative movement were spread over Europe. In many countries, not least in Estonia, the role of the agricultural co-operative associations became especially salient during the interwar period. The twenty years preceding the first independence, however, laid the foundation for this rather successful agricultural export performance but prior to 1919 a majority of land was in the hands of the Baltic-German nobility. Therefore, after national independence, land reform (1919 – '26) and the growth of agricultural co-operative associations became crucial components. In many former parts of the Russian Empire and in East-Central Europe similar – yet not identical – developments took place. This paper put

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<sup>89</sup>Panigrah, U.C. i & B. Patro (1998) : *Housing Cooperatives in India – A Study with Particular reference to Orissa. Orissa Economic Journal January – June & July – December, Volume XXX. No. 1 & 2*

<sup>90</sup> Mohanram, G. and et.al (2003) : *Impact of Co-operative Housing Societies in Madurai City. Tamil Nadu Journal of Co-operation Volume 3, No. 7. pp. 19 – 22*

the main focus on the agricultural co-operative development in an institutional perspective prior to the 1920s. A specific focus is devoted to the Estonian case, which is seemed in the light of the parallel development in neighbouring countries.<sup>91</sup>

H.R. Kishnaiah Gowda (2003) in his book looks into the “Tribal Cooperatives in India”. Co-operative is a wonderful idea and subject. Co-operative movement in India has a record of a hundred years or so. Both as a popular movement and as a business proposition it has seen many upheavals during its existence.

Organisation and evaluation of co-operative institutions to look exclusively of Tribal people in India is a little over a quarter of century old. These institutions established to cater to the needs of tribal people. They owe their organization mainly to K.S. Bawa Committee Report, 1973. These institutions are multi-purpose with their main thrust on collection and sale of minor forest produces. This book analyses, in depth, the structure, organization, working, success and failure of the tribal cooperatives in India in general and in Karnataka State in particular.<sup>92</sup>

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<sup>91</sup> Jorgensen, Hans (2006) : “Agricultural Cooperative Associations in Estonia : Comparative aspects on the development from the 1860s to the interwar years”. Department of Economic History. Umea University, Sweden. President at XIV International Economic History Congress, Helsinki, Finland. 21 – 25 August 2006, Session 87.

<sup>92</sup> Kishnaiah Gowda H.R. (2003) : “Tribal Cooperative in India”. Serials Publications, New Delhi

S. Mahalingam (1990) writes on the “Role of Co-operative Organisations in Developing Tribal Economy”. According to the author, India is one among the few nations of the world noted for its tribal concentration. Tribals are among the most downtrodden sections of the society who have to deal with age-old social and cultural prejudices and hostile environmental factors. Their integration with the main stream of national life has been recognized as a necessary condition for their welfare.

In this context, co-operatives have been recognized as notable institutional framework for the development of hill and tribal areas. As an ideal institutional structure for the development of hill and tribal areas, cooperative organizations have helped in upgrading the economic status and the quality of life of the tribals as they can bring vulnerable sections within a common fold, supplement their meager resources by providing concessional credit and workout a scheme for their economic betterment with adequate financial support from the government.

A serious attempt has been made in this book to explore the structure of cooperatives in the predominantly tribal areas of Tamil Nadu to assess their role in toning up the tribal economy in an empirical manner. This book offers the most up to date and comprehensive coverage of cooperative setup in tribal areas. It will serve as valuable reference to co-operators, social scientists,

anthropologist, government policy makers and research organizations interested in tribal economic development.<sup>93</sup>

### **3.6 Cooperatives and Economic Development :**

Today, in an era when many people feel powerless to change their lives, cooperatives represent a strong, vibrant, and viable economic alternative. Cooperatives are formed to meet peoples mutual needs. They are based on the powerful idea that together, a group of people can achieve goals that none of them could achieve alone.

For nearly two centuries now, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. Cooperatives have been credited with providing social and economic as well as political upliftment of the society.

Admad Bello Dogarawa (2005) in his paper examines the role of cooperative societies in economic development. The aim is to investigate the ways in which cooperatives can act as agents towards sustainable community development. This paper is a descriptive survey, which involves the collection of data for the purpose of describing the role of cooperative societies in

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<sup>93</sup> Mahilingam, S. (1990) : *“Role of co-operative Organisations in Developing Tribal Economy”*. Mittal Publications, New Delhi.

economic development. The paper posits that for 160 years now cooperatives have been an effective way for people to exert control over their economic livelihoods as they play an increasingly important role in facilitating job creation, economic growth and social development. The paper concludes that to be effective and successful cooperatives must continuously achieve two inter-related goals: enhance viability and improve ability to service its members; and remain an economically viable, innovative and competitive enterprise.<sup>94</sup>

The contributions of cooperatives to economic upliftment can be gauged by the fact that even the UN General Assembly (11 February, 2010) in its Sixty Fourth Session recognized that cooperatives, in their various forms, promote the fullest possible participation in the economic and social development of all people, including women, youth, older persons, persons with disabilities and indigenous peoples, are becoming a major factor of economic and social development and contribute to the eradication of poverty 2012 was also declared as the International Year of Cooperatives.<sup>95</sup>

The present United Nations Secretary-General Ban Ki-moon's message on the 'International Day of Cooperatives' 4 July 2009 said that the first

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<sup>94</sup> Dogarwa, Ahmad Bello (2005) : *"The Role of Cooperative Societies in Economic Development"*. Department of Accounting, Ahmadu Bello University, Zaria, Nigeria. Paper published in the official journal of the Development of Public Administration, Ahmad Bello University. Zaria-Nigeria.

<sup>95</sup> Resolution adopted by General Assembly of the United Nations in its Sixty Fourth Session. (Agenda item 61(b))

cooperatives were born more than two hundred years ago when rural entrepreneurs and farmers decided to pool resources and help one another to overcome their limited access to commercial opportunities. Subsequently, retail cooperatives emerged to help poor households escape the debt trap and provide better quality goods and services. Cooperatives have since developed in many areas, from manufacturing to financial services, spurred by the desire for more equitable way of working and doing business.

He goes on to say that, at a time of global economic distress, this history deserves to be more widely known. The theme of this year's observation of the International Day of Cooperatives – “Driving Global Recovery. Through Cooperatives” – highlights the value of cooperative enterprise. Cooperatives can strengthen the resilience of the vulnerable. They can help to establish more balanced markets for small farmers and give small entrepreneurs access to financial services. They can create job opportunities and improve working conditions.

Further, he says that the economic model of cooperatives is not based on charity, but on self-help and reciprocity. In countries hit by financial crisis, the cooperative bank and credit union sector expanded lending when other financial institutions had to cut back, easing the impact of the credit freeze on the most vulnerable. This highlights the importance of strong alternative

business models and institutional diversity for the resilience of the financial system.

Cooperatives deserve greater support. The Secretary-General urge Governments to adopt policies that support the establishment and development of cooperatives. Consumers, too, can help by buying food produced by small-holder cooperatives that is traded in fair markets.

In the face of the current economic crisis, communities around the world are rediscovering the critical necessity to work for the common good. On this International Day, he encourages governments and civil society everywhere to recognize the effectiveness of cooperatives and to engage with them as vital partners for global recovery and achieving internationally agreed development goals.<sup>96</sup>

Coop AFRICA Working Paper No. 7(2009), Thabo Lucas Seleke and Mogopodi Lekorive wrote that in Botswana Cooperatives were established by the government immediately after independence and operated to facilitate the interests of government. The movement experienced phenomenal growth in the first two decades of operation and made substantial contributions to rural development. However, reforms undertaken to mobilize liberalization signaled a new era in cooperative development, leading to stagnant growth, donor

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<sup>96</sup> *United Nations Secretary General Ban Ki-moon's message on the occasion of the International Day of Cooperatives, 4 July, 2009. UN Press Release.*

flight, decline in membership, poor sales and poor management. Emerging multi-purpose cooperative encountered stiff competition from large chain stores and marketing livestock cooperatives suffered huge setbacks associated with Foot and Mouth Disease. As a result, the cooperative movement in Botswana witnessed tremendous decline and is now in a near state of collapse. The paper highlights the relatively recent emergence savings and credit cooperatives as the only hope for rejuvenating the Botswana Cooperative Movement.<sup>97</sup>

Bezabih Emana(2009) Coop AFRICA Working paper No. 9 “Cooperative : a path to economic and social empowerment in Ethiopia” writes that cooperative associations have existed in Ethiopian society for centuries. However, the history of formal cooperatives in Ethiopia dates back to 1960, when the first cooperatives’ directive was enacted. Since this time cooperatives policy and law has undertaken many reforms and cooperatives have come to play a crucial role in economic and social development. For instance, the cooperative sector created approximately 82,074 jobs and provided over half a billion Ethiopian Birr in income from this employment in 2007. The participation of cooperative in agro-processing, marketing and finance (saving, credit and banking) is increasing. A social role of cooperatives

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<sup>97</sup> *Coop AFRICA Working Paper No. 7(2009) : Thabo Lucas Seleke and Mogopodi Lekorive : “Cooperative and Development : A Case of citizen economic Empowerment in Botswana”.*



is ensured through voicing of common goals via cooperative union, enhanced participation in value chains and protection of producers from unfair pricing. However, the functioning and development of cooperatives and their support institutions is constrained by frequent reform, shortage of skilled human resources and limited awareness of cooperative approaches to development.<sup>98</sup>

In yet another Coop AFRICA Working Paper No. 13 (2009), Charles Hlatshwako in his paper entitled “Economic Empowerment of Swazi Society through Cooperative Development” wrote that there has been a growing negative perception of the cooperative sector in Swaziland in recent years, and the Swaziland Government has found it necessary to address emerging problems. As a way forward, the government has transferred the Cooperative Department from the Ministry of Agriculture and Cooperatives to the Ministry of Commerce, Industry and Trade. The Cooperative Department has been tasked with determining the validity of the emerging notion that cooperative practitioners are deficient. The collapse of the Central Cooperative Union (CCU) of Swaziland, the incomplete project of the Swaziland Association of Savings and Credit Cooperative (SASCCO), the failure of Assikhutulisane’s Sentra Supermarker, are among the cases of poor performance that may have contributed to the negative publicity of the cooperative movement in

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<sup>98</sup> *Emana, Bezabih (2009) : “Cooperatives : a path to economic and social empowerment in Ethiopia”.*  
*Coop AFRICA Working Paper No. 9*

Swaziland. The paper finds that the performance of the cooperative movement remains below expectations, but that there is considerable potential for improving its status in order to achieve economic empowerment through cooperative development.<sup>99</sup>

Mohamed Lahai O'Bai Samura (1982), in his thesis (PH.D), 'The Role of the Cooperative Movement in Gambia's National Development' analysed the Gambian Cooperative Movement in both an historical descriptive sense and in a socio-economic developmental approach. After an intensive survey of the Gambia, its people, land and history and the ethnological and demographic background so necessary to appreciate the human nuances in the development process, an historical description, analysis and commentary is made of the Gambian Cooperative Movement from its roots as described in the reports going back to 192 examining the then agricultural conditions and needs of the Gambia, and the early efforts at cooperative development by pioneers such as Edward Francis Small. Finally, the Gambian Cooperative Movement experience is integrated into a simple model matrix of rural economic development wherein the role of cooperative can be scan to play a significant contribution as both an "input" and "output" in the development process : cooperatives not only achieve goals (outputs) increased agricultural

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<sup>99</sup> *Hlatshwako, Chales (2009) : "Economic Empowerment of Swazi Society through Cooperative development". Coop AFRICA Working paper No. 13.*

productivity and production, but by their very nature, automatically as “inputs” aid in such national socio-economic political goals as equity, education, democratic participation and decentralization. Thus, cooperatives serve a dual role in development, as well as a mean to other ends.<sup>100</sup>

Azmah Othman and Fatima Kari (2008) in their paper “enhancing Co-operative Movement to Achieve Malaysia’s Development Goals” wrote that the importance of co-operatives as a mechanism for growth and development which has been the emphasis of social philosophers and economists around the world. This is evidently clear as co-operatives today are found in nearly all countries of Europe and North America.

Since first introduced, eighty five year ago, there is no denying that the co-operative movement has had an impact on the Malaysian economic development. In 2006, there were 41,895 co-operatives registered with 5.86 million members, co-operatives capital share amounting to RM 37,401 billion. These statistics indicate that co-operatives have had the support of the people and undertake activities contributing to economic growth. The government’s continuous commitment to co-operative development is a reflection of confidence in co-operative movement in Malaysia.

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<sup>100</sup> Samura, Mohamed Lahai O’ Bai (1982) : “The Role of the Cooperative Movement in Gambia’s National Development”. Thesis (PH.D) Howard University. Source : dissertation Abstracts International, Volume : 43 – 08 Section – A, page 278.

The objective of this paper is to evaluate co-operative policies, programs and their performances. As user-oriented organization, the success of a co-operative relied heavily on its members. Besides members, board of directors of a co-operative must fulfill their responsibility efficiently and effectively in order to secure co-operative success. Co-operatives in Malaysia are at a cross roads due to stiff competition and challenges from other institutions and organizations that are also expanding and developing rapidly with increased opportunities in and outside Malaysia. The issue of whether co-operatives are still relevant and can maintain their integrity and continue to develop at the same pace if not faster in the future contributing to the country's development process is discussed. The need to reach out to the poorest of the poor is still imperative in Malaysia. It is recognized that an efficient co-operative movement in Malaysia can play this role in helping the poor.<sup>101</sup>

Ryan Gibson (2005) researched and prepared a RDI Working Paper # 2005 – 3: “The Role of Co-operatives in Community Economic Development” is of the opinion that co-operatives, as a business model, are not a new concept in Canada. Since the late 1860s, co-operatives have been utilized by various groups, communities and regions. The goal of this paper is to assess

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<sup>101</sup> Othman, Azmah & Fatima Kari (2008) : “Enhancing Co-operative Movement to Achieve Malaysia's Development Goals”. Paper presented at ICA Research Conference : “The Role of Co-operatives in sustaining Development and Fostering Social Responsibility”. Ruidal Garda, Trento, Italy. 16-18 October, 2008. The authors are lecturers, Department of Development Studies & Department of Economics, Faculty of Economics & Admin, University of Malaysia

the role that co-operatives may have in northern and remote communities in Manitoba. The paper will investigate the ways in which co-operative can act as agents towards sustainable community development.

To assess the role that co-operatives play in community economic development (CED), a review of CED literature is provided as well as an overview of the co-operative movement in Canada and internationally. Two cases studies are provided to illustrate the role that co-operatives are currently playing in CED. Both the Movement des laisses Populaires Acadiennes and the Growing Circle food co-operatives are active in addressing the CED issues.

Co-operatives act as an important role in community development in rural, northern and remote communities in Canada. They provide a means for addressing many social and economic concerns such as youth retention, community identity/spirit and preventing leakage of local money. Through the continued process of decentralization, rural, northern and remote community residents will continue to look towards co-operatives as an opportunity to have input into their future.<sup>102</sup>

Suleman Adam Chambo (2009) presentation focus on agricultural co-operatives for food security and rural development. In Africa, the most popular

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<sup>102</sup> Gibson, Ryan (2008) : "The Role of Co-operatives in Community Economic Development". Student Intern, Rural Development Institute Brandon University, Brandon, Manitoba Canada. RDI Working Paper # 2005-3. February 2005.

agricultural co-operative model has historically been the marketing of agricultural produce after small farmers have individually completed their farm operations. But in some cases, agricultural co-operatives have combined both input distribution and crop marketing. This presentation will be directed on the following aspects: first, to map out the current status of agricultural co-operatives in Africa. Second, elaborate the role of agricultural co-operatives in food security and rural development. Third, to focus on priority issues by agricultural co-operatives during periods of low economic growth and finally, experiences of agricultural co-operatives and lesson learned.

The author concludes that agricultural co-operatives are important organizations for sustaining food security and rural development in Africa. They provide a critical organizational framework that is theoretically and ethnically needed for the mobilization of isolated farmers for self-directed economic development, independent of state systems. But in order to enter the economics of food production and marketing, agricultural co-operatives need a new design of entrepreneurship driven co-operatives such as the Second Generation Cooperative mode. This mode of organisation, will be a product of design work, but departs from the traditional co-operative to a

member investor mode where the later, has strong motivation factors for membership and the ability to employ highly qualified management.<sup>103</sup>

Rajan Kumar Sahoo, in his book wrote that with the introduction of new economic policy and in the wake of privatization and globalization, co-operative sector can be a mid-way weapon accelerating the tempo of economic development in India.

Based upon both primary and secondary sources of data, the present-study focuses light on the working of co-operatives at the international level national level and at the regional level. The trend of growth of cooperatives and their future prospective have been discussed at length.

It is hoped that the study will be immensely helpful to the planners, policy makers, and rural administrators for policy formulations.<sup>104</sup>

Rais Ahmed (1996) in his book writes that to bring quality improvement in the life of the poor consisting of small farmers, marginal farmers, rural artisans etc. IRDP was choosen. The present book analyses the role of cooperatives in financing IRDP Scheme, economic impact of IRDP on rural poor and the main problems and prospects in effective implementation of IRDP.

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<sup>103</sup> *Cambo Suleman Adam (2009), Principal, Moshi University College of Co-operative and Business Studies, Moshi, Tanzania : "Agricultural Co-operatives : Role in Food Security and Rural Development". Paper presented to Expert Group Meeting on Co-operatives. 28-30 April, 2009. New York.*

<sup>104</sup> *Sahoo Rajan Kumar (2005) : "Co-operatives for Economic Development". Mittal Publications, New Delhi.*

The present study is the outcome of the findings of the micro-level field study. Beneficiaries who received financial assistance under IRDP were interviewed with the help of well designed questionnaire. A thought provoking discussion was held. With the staff members of DRDA/BDO and Cooperative Credit Societies/Commercial Banks including RRBs to find out measures for effective implementation of IRD Schemes and increasing share of cooperatives under IRDP. The book also gives a deeper insight in regard to various facets of IRDP. It serves a better cause for these who are directly or indirectly involved in IRDP.<sup>105</sup>

The book written by B.S. Gautam (2008) also concerns rural development in relation to cooperatives. This book attempts to evaluate the role of cooperatives as peoples' voluntary institutions for channelising their participation in the development of rural Delhi in bringing about economic uplift, social transformation and civic consciousness among rural people. An attempt has also been made to probe as to how far these cooperatives have ensured peoples' participation in rural development by involving the members in various interfaces of decision making process viz., plan formulation, implementation and monitoring and evaluation of development schemes.

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<sup>105</sup> Ahmed Rais (1996) : "Cooperatives and Integrated Rural Development". K.M. Rai Mittal Publications, New Delhi.



The book presents a historical perspective of the role of the co-operative in pre-independent and post-independent India. It also deals primarily with analysis of empirical findings emerging from the study and draws conclusions and policy recommendations. Finally, examines the relevance of co-operative movement in India's quest for a new vision.<sup>106</sup>

Pawan K. Kamra (1987) in his book made an honest attempt to study co-operative management from various perspectives. According to him, a country in which the vast majority of population lives below poverty line, concerted efforts to relieve the teeming millions from such conditions become inevitable. Co-operative network which is essentially people oriented and people based would necessarily have a crucial role to play. It is in this context that the Indian Government recognized it as a useful instrument to carry out its socio-economic development programmes. Barring a few outstanding exceptions, the majority of cooperative institutions, by and large, could not deliver the intended results. Nevertheless, despite their weak position the cooperative remain a force to reckon with.

The book, spread over ten lucid chapters, the study elaborates topics like policy-making, organizational structure, personnel and financial

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<sup>106</sup> Gautam Dr. B.S. (2008) : *"Cooperatives and Rural Development in India"*. Radha Publications, New Delhi. Dr. B.S. Gautam, Reader, Political Science Department, Deshbanslhu College, & University of Delhi.

management. Besides, it also throws light on the functional aspects of cooperative management viz., marketing, distribution and processing.

In order to explain the key issues, the author has not only relied upon an analytical approach but has also used descriptive methods. To facilitate easy, comprehensions, jargon and technical language have been almost entirely eliminated. Every effort has been made to make the book relevant, informative and useful for students, teachers, policy makers and practitioners alike. The general reader will find the book helpful for gaining familiarity with the field of co-operative management.<sup>107</sup>

#### **4.1 The Early Origin of Co-operatives:**

In early human societies, people learn to cooperate and work together to increase their success in hunting, fishing, gathering other individual and group needs. Historians have found evidence of cooperation among peoples in early Greece, Egypt, Rome and Babylon, among Native American and African Tribes, and between many other groups.

Early agriculture would have been impossible without mutual aid among farmers. They relied on one another to defend land, harvest crops, built

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<sup>107</sup> Kamra, Pawar K. (1987) : "Co-operative Management-Practices, Problems and Prospects". Deep & Deep Publications, New. Delhi.

storage buildings, and to share equipment. These examples of informal cooperation of working together were precursors to the form of business<sup>108</sup>.

#### **4.1.1 Revolutionary roots in England:**

The historical development of cooperative business cannot be disconnected from the social and economic forces that shaped them. Co-ops then, as now, were created in times and places of economic stress and social upheaval. Ancient records and archeological discoveries point of the existence of cooperative organisations created by early civilizations in diverse parts of the world (China, Greece, Egypt, etc). But it is the founders of the Rochdale Society in the 19<sup>th</sup> Century England who are celebrated for launching the modern cooperative movement. The Rochdale pioneers, and the early European Cooperative thinkers and organizers who laid the foundation for their success, are responsible for codifying a guiding set of principles that helped guide the development of cooperatives across the world.

The first cooperative business created in Europe arose during periods of great social upheaval and distress caused by dramatic shifts in agricultural and industrial production practices. The Industrial Revolution in England introduced the factory system of production and was marked by a rapid

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<sup>108</sup> *Timbelman, Karen : Employee Orientation Handbook on Cooperative History.*

succession of remarkable inventions that accelerated the industrialization of business. The industrial system gradually replaced the cottage industries and Home based production. Workers were forced to move to cities to find work. Workers were paid very low wages and subject to harsh working conditions.<sup>109</sup>

People remaining in rural areas were not much better off. An agricultural revolution was already well underway in the 18<sup>th</sup> Century. The introduction of new cultivation methods and crop varieties supported a dramatic change in land tenure patterns. Scattered small plots of farm land were aggregated into large enclosed estates, primarily for the purpose of grazing sheep and other livestock. Between 1760 and 1843, nearly seven million acres were enclosed in estates. As a result, a large numbers of small farmers were driven from their land into neighbouring towns and villages with few remaining jobs. A movement towards greater freedom of expression was another hallmark of this revolutionary period. The citizens of England began to publicly dissent with government policies, taking issue like the status quo and demanding more personal rights. Therefore, the wide spread poverty, unemployment, and general social deterioration that was left in the wake of the

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<sup>109</sup> Zeuli Kimberley A. & Robert Cropp(2004): *“Cooperative Principles and Practices in the 21<sup>st</sup> Century”* College of Agricultural and Life Sciences, University of Wisconsin – Madison and University of Wisconsin – Extension Cooperative Extension.

industrial and agricultural revolutions were met with a public outcry to the government for improved work and conditions<sup>110</sup>

#### **4.1.2 Early Co-operative Societies:**

In the absence of public assistance, the people of Europe established various types of self-help organisations. Mutual Fire Insurance Companies existed in London and Paris as early as 1530, although the first highly successful and well known example was organized in England in 1696.<sup>111</sup>The people of England also created Mutual Aid Societies that offered financial payments and assistance to members in times of sickness, unemployment, or deaths<sup>112</sup>. By mid 18<sup>th</sup> Century many well established societies were already in operation. They were established with the passing of the first Friendly Society Act (also called the Rose Act) in 1793. A number of bills were introduced in the 19<sup>th</sup> Century to encourage Friendly Societies since they lessened the public

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<sup>110</sup> *Ibid.*

<sup>111</sup> Banbridge John (1952) : *Biography of an Idea – The Story of Mutual Fire and Casualty Insurance* (Garden City, NY : Double day Company).

<sup>112</sup> Friendly Societies are still prevalent in United Kingdom today. For more information, visit the Association of Friendly Societies Site. [www.afs.org.uk](http://www.afs.org.uk).

burden<sup>113</sup>. Workers organized labour unions to bargain with employers for more favourable working conditions and to lobby the government for improved labour legislation. Co-operative or quasi co-operative industrial business was in operation in England by 1760. Most were consumer controlled organisations focused on flour milling and baking industries. Cooperative corn mills for grinding flour appeared in a number of cities shortly after the turn of the 19<sup>th</sup> Century to cut the cost of flour and prevent tampering by greedy millers. Purchasing cooperatives already existed in most Western European Countries by the 18<sup>th</sup> Century. The Weaver's Society in Fenwick Scotland began purchase supplies as a group in 1769<sup>114</sup>.

The precursors to mutual and unions were guilds, the association of merchants, artisans, and craftsmen that date back to medieval times. Guilds had binding rules for production and business practices. Although guilds were created partially in an attempt to establish local trade monopolies, they incorporated socialist practices: Member control, equitable treatment of all members, and financial support of members who were ill or faced family crises.

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<sup>113</sup> Beveridge William Henry (1948): *"Voluntary Action"* and Peter Gray, *"A Brief History of Friendly Societies"*. Macmillan and Co. New York.

<sup>114</sup> Bakker Henry H. and M.A. Schoars (1937) : *"The Economic of Cooperative Marketing"* (New York, Mcgraw Hill Book Company), p.24.

### 4.1.3 The Rochdale Pioneers:

In the early 1840s, Rochdale in England was a small town of about 25,000 peoples. For years, its economy had been dominated by the textile industry (with coal, mining and farming as the next common industries), and Rochdale was famous for its flannels. But as the industrial revolution progressed and textile production became mechanized, workers struggled to maintain the standard of living that they had known in the past. Many weavers lived in poverty; “from all around came reports of weavers clothed in rags, who had sold all their furniture, who worked 16 hours a day yet lived on a diet of oatmeal, potatoes, onion, porridge and treacle”<sup>115</sup> No minimum wage existed and salaries were commonly below the equivalent of 10 pence per week in modern terms. Moreover, pollution had increased and public sanitation system was both poor in quality and quantity. In fact, in 1848, the mean life expectancy in Rochdale was only 21 years, six years less than the English national average<sup>116</sup>. With this background, it is not hard to understand why workers were looking for a better way to survive amid such severe conditions. Since weavers were skilled trades men, they came from a long tradition of self-educated people and had been imbued with a deep sense of social

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<sup>115</sup>. Thompson EP (1968) : “*The Making of the English Working Class*”. Penguin, U.K.

<sup>116</sup> Birchall Johston (1994) : “*Co-op : The People’s Business*”. (Manchester University Press, Manchester, U.K), p.35, 38-39.

equality and independence several courses of action were possible including political action (e.g. lobbying in Parliament for fairer labour laws), moral action (e.g. appealing to religion, or temperance societies for moral discipline), and economic action (e.g. organizing labour unions and strikes). However, past efforts in each of these directions had not achieved lasting change and, in fact, would not do so for decades. Hence, people were looking for new ideas that could help pull them out of their poverty and desperation.

The first wave of consumer cooperatives, a short lived society was created in Rochdale, England in 1833. James Smithes, one of the original organizers, was inspired by King's cooperative magazine and share it with his co-founders. Although their first co-op failed after only two years, a core group of 28 continued to work actively for social reform and eventually created the prototype cooperative model from a modest shop on Load Lane in 1844 – The Rochdale Society of Equitable Pioneers.

The so called Rochdale Pioneers were ambitious and had lofty goals for their co-operative :

- i) To sell provisions at the store;
- ii) To purchase home for their members;
- iii) To manufacture goods their members needed; and



- iv) To provide employment for their members who are either out of work or poorly paid<sup>117</sup>.

The foundation for the Rochdale Cooperative was built upon the intelligent combination of various ideas that had been tried by previous cooperatives. The pioneers learned from the Co-operative failures of the past. Some of the Rochdale Principles, such as democratic control (one-member, one vote) and limited dividends on equity capital are still followed by most cooperatives around the world.

The phenomenal success of the Rochdale Cooperatives, which is in operation today, was just the boost that the cooperative movement in England needed. Rochdale became the cooperative for others to follow. It provided the organizational patterns that became the prototype for other cooperatives and spurred on the cooperative movement in Europe and North America.

#### **4.1.4 Cooperatives around the world:**

The cooperative movement gradually spread around the world in the 19<sup>th</sup> Century. Today, cooperative businesses are found in nearly all countries, from the developing nations of Africa, Asia and South America to the industrialized countries of Europe and North America. North Europe where the

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<sup>117</sup> Zeuli Kimberly A. and Asst. Prof. and Robert Cropp., Prof. Emeritus of Agricultural and Applied Economic (2004) *Cooperative: Principles and Practices in the 21<sup>st</sup> Century*. College of Agricultural and Life Science, University of Wisconsin-Madison and University of Wisconsin – Extension Cooperative Extension.

cooperative movement took hold very early still contains a strong cooperative presence, especially in agriculture. Many of the cooperatives in these countries have long histories and are extremely successful. However, as is the case in the United States, economic pressures have been met with cooperative mergers and consolidations. As a result, cooperative members in these countries appear quite low. The spread of the cooperative business model from 18<sup>th</sup> Century England to such diverse countries as India, Korea and Uganda, points to the universal adaptability and diversity of the cooperative mode.

#### **4.2 Co-operative Movement in India:**

The idea of co-operative is not new in India. Co-operation in India has been evolved since time immemorial. Indian culture teaches about co-operation and unity. Vedas and Upanishads have fully contributed to co-operative existence. It can be inferred that “Everything in the world belongs to the Almighty God and human beings should recognize his existence and should utilize the resources and money through co-operation”. According to Indian culture everything belongs to God and everybody has equal right to utilize it. Joint family is also part of co-operation. This system still exists in

small villages and is a part of co-operation. Every member has the feeling of “one for all and all for one”<sup>118</sup>

Co-operative movement in India was started to relieve the poor peasantry of the crushing burden of their indebtedness. The exploitation of the money lenders, landlords and capitalists has been the main cause of the evolution of this movement in the country. The co-operative movement in India may be said to begin with the passing of the Co-operative Societies Act of 1904. However, even before 1904 the need for co-operative societies and agricultural bank was felt here. As early as 1882, Sir William Wedderburn and Justice Ranade prepared a scheme for establishing the Agricultural Banks to provide loans to the farmers. Essential features of the scheme were embodied in the Land Improvement Act (1883) and the Agriculturalists Loans Act (1884). The later Act made provisions for the farmers and to enable them to purchase agricultural inputs. The history of co-operative movement in India may be conveniently discussed under various stages. The first covers the period from the passing of the First Cooperative Societies Act to the passing of the second Act. The second stage covers the period of rapid expansion of the movement from 1912 to 1928. The third stage relates to the period of Great Depression (1921-1933) and repercussions. Under the four stages comes the period of

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<sup>118</sup> Swami HR and Gupta B.P. (2005-2006) : “Rural Development and Co-operation in India”. Indus Valley Publication, Jaipur.

consolidation and rehabilitation of the movement to the end of the Second World War. The fifth stage covers the period of post war planning and the First Five Year Plan. The sixth stage marks the beginning of a new era after the publication of rural credit survey report (1954). The seventh stage begins with the close of the Second Five Year Plan<sup>119</sup>

The most important event in the history of the co-operative movement in India since independence was the appointment of All India Rural Credit Survey Committee by the Reserve Bank of India in 1951. It submitted its report in 1954 and highlighted that private agencies still reigned supreme and institutional agencies for credit played an insignificant part. Co-operatives supplied only 3.5 percent of the total borrowings of the agriculturalists.

The Committee recommended an Integrated Scheme of Rural Credit which included state partnership, Creation of Special funds with the Reserve Bank of India known as The Agricultural Credit (Long term Operation) Fund, National Agricultural Credit (stabilization) Fund, and National Agricultural Credit (Relief and Guarantee) Fund, establishment of large-sized credit societies, linking of credit with market, training of co-operative personal and effective supervision and audit. Most of these recommendations were

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<sup>119</sup> Madan GR (2007) : *Cooperative Movement in India*. Mittal Publications, N. Delhi.

accepted by the government and put into effect under the Second Five Year Plan<sup>120</sup>

Co-operatives have over the years significantly diversified their activities to include credit, banking, input distribution, agro-processing, storage and warehousing. In dairying and oil processing activities, co-operatives sub-sector has emerged as an important countervailing factor to the private traders for the benefit of both producers and consumers. At present, nearly 60% of the handlooms accounting for 30% of the total textile production in the country are in the co-operative sector. Nearly 30,000 artisans and industrial co-operatives are functioning. Co-operatives have also contributed significantly in the sphere of consumer protection given adequate freedom of action in their management, co-operatives can emerge strong and efficient.

Growth of co-operative sector has not been uniform in all parts of the country. The primary reasons for this situation are control of co-operatives by dominant vested interest groups, poor management, dependence of co-operatives on higher tiers and the government for financial assistance and limited range of business activities. The function of thrift has not been given

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<sup>120</sup> Sahoo, R.K. (2005) : *Co-operatives for Economic Development*, Mohit Publications, N. Delhi

due importance by cooperatives leading to resource crunch and ultimately to their inability to serve the poor.<sup>121</sup>

With the introduction of market oriented reforms since 1991, the process of liberalization, privatization, and globalization has been strengthened. In this framework, there is a paradigm shift in terms of influence of market force in decision making process. This has led to cut throat competition among producing agents. Keeping in view the above market oriented syndrome, the co-operatives have work up to the emerging challenges of the market oriented economic environment. Emphasis is being made on management excellence and for this purpose the co-operatives will have to equip the management, members and co-operative personnel with the latest management techniques to enable them to face the daunting challenges of market forces.

The National Co-operative Union of India (NCUI) has been impressing for the National Policy on co-operatives since long. It is a matter of satisfaction that this policy has been finalized in 2002. The objective of the National Policy is to facilitate all round development of the co-operatives in the country under this policy, co-operative would be provided necessary support, encouragement and assistance to ensure that they work as autonomous, self-reliant and

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<sup>121</sup> Madan, GR (2007) : *Cooperative Movement in India – A Critical Appraisal*. Mittal Publications, N. Delhi.

democratically managed institutions accountable to their members. This Policy seeks to achieve the functioning of the co-operatives in accordance with the basic co-operative values and principles enshrined in the Declaration of the International Co-operative Alliance Congress, 1995. It will be the endeavour of the government in collaboration with the co-operatives to strengthen the co-operative education and training programmes and to promote professionalism among the management and work force. The government shall also undertake the legislative measures to provide autonomy to the co-operative to make these institutions member driven for the attainment of their objective of upliftment of the members<sup>122</sup>.

The Co-operative Sector in India is playing an important role in many ways. It is however, playing a crucial role in sustaining agricultural growth. The co-operative credit is supplying critical inputs like credit, fertilizers, quality seeds, pesticides etc. To ensure timely and adequate supply of co-operative credit in the agricultural sector, co-operative credit institutions will have to restructure their functioning and resource base. The co-operative functioning sector should also try to take advantage of the various fiscal concessions for setting up agro processing units announced by the government.

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<sup>122</sup> *Ibid.*

### 4.3 Cooperative Movement in Mizoram:

Co-operative movement in Assam, as in other parts of the country, was started with the enactment of the Co-operative Credit Societies Act of 1904. Ten Co-operative Credit Societies were registered in the first year (1904 – '05) with a total membership of 389 and ` 8,997.00 as working capital<sup>123</sup>. The first society established then was the Shillong Co-operative Town Bank Limited in 1904. In 1905 – '06, Assam and East Bengal were united into one province. However, in 1912, Assam was bifurcated from East Bengal and divided into three divisions – Surma Valley Division, Brahmaputra Valley Division and the Hills District Division. During this period, Mizoram then known as Lushai Hills District was placed under the Cachar Circle (of Assam) which was under the jurisdiction of the Surma Valley Division until 1949<sup>124</sup>.

In those days, even in the town of Aizawl (then known as Aijal) there was no Assistant Registrar to register the Cooperative Societies. The Assistant Registrar at Silchar town registered the first Cooperative Society of Mizoram on 11<sup>th</sup> November, 1949. In this manner Cooperative Movement in Mizoram was started. After this, the Durtlang Bial Trading Cooperative Society

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<sup>123</sup> National Resource Center, NCU, 'India Co-operative Movement : A Profit'(2002),pp.15

<sup>124</sup> Cooperative Movement in Mizoram (2004) Published by Registrar Cooperative Societies Office, Department of Cooperation, Government of Mizoram.



on 30<sup>th</sup> November, 1949 and Kawnpui-Mualmam Trading Cooperative Society on 15<sup>th</sup> December, 1949 were again registered at Silchar. As such in 1949, three trading cooperative societies were registered.

It was realized that cooperative societies can play a vital role for the economic upliftment of the community, many new societies were set-up, as a result. Around this time as many as 12 new cooperative societies were registered at the Assistant Registrars' Office, Silchar. Registration of Mizoram cooperative societies were done at the Assistant Registrars' Office, Silchar. As a result, all the cooperative societies registered were located on the Aizawl Silchar highway. The Zanlawn Weaving Cooperative Society Limited was registered on 9.8.'54, and the first industrial society, Aizawl Carpenter Cooperative Society was registered on 10.9.'54. The first Thrift Cooperative Society, 1<sup>st</sup> Assam Rifles Thrift Cooperative Society Limited was further registered on 5.5.'55. Till 1955, all registration was done at the Assistant Registrar's Office, Silchar. Up to now four types of societies has been registered.

The following year ie., 1956, ushered in a new era for the cooperative movement in Mizoram. The Assam Government setup a new Assistant Registrar of Cooperative Societies Office at Aizawl town. The new office will take up the responsibilities of registration of cooperative societies for Mizoram and also supervision and control of these societies. The first society registered

by this office was a credit cooperative society on 6.8.1956. Next to be registered was a marketing society-Kolasib Regional Marketing Cooperative Society Limited on 6.10.1956. This new marketing society was expected to help in the sale and distribution of goods /crops produced. In 1957-1958, 26 new societies were registered. In all there were 38 cooperative societies registered in Mizoram.

In 1958, the Government of Mizoram further expanded the cooperation department by setting up Circle Office (Cooperation Department) at Saitual Village and Lunglei Town. These Circle Offices were under a Deputy Cooperative Officer (presently Senior Inspector of Cooperative Societies). These Circle Officers had the important task of registering societies as well as the supervision and control.

In those days, the Assistant Registrar functioned with a few office staff; there were no field staff, the Deputy Cooperative Officer or Assistant Cooperative Officer functioned under the Assistant Registrar. Field staff worked directly under Deputy Cooperative Officer and is answerable to him. Deputy Cooperative Officer's Office was also set up at Aizawl. So in all, there were three offices of the Deputy Cooperative Officer at Saitual, Lunglei and Aizawl and in turn the Assistant Registrar was the top official for the entire District (Mizoram at that time was one district under Assam State).

The first society bearing the name industrial society, Aijal Industrial Cooperative Society Limited was registered on 29.7.'59. Next, the first consumer cooperative store – Aijal Kamding Cooperative Store Limited was registered on 3.2.1960.

Cooperative Credit Union was set up by the government in the hope that the farmers would benefit from easy access to credit. Champhai Credit Cooperative Union and the Chaltlang Credit Cooperative Union were set up and registered on 7.3.1960, as a result of this. However, these cooperative unions belied expectations and could not do the work it was set up for. Eventually they had to wind-up.

In 1960, Departmental reorganization took place. The Circle Office under the Assam Government was closed down. Instead, the offices of the Administrative Civil Sub-Division and Sub-Divisional Deputy Cooperative Officer were established. Eventually, the Circle Office at Saitual was closed down and the Circle Office at Lunglei was upgraded to Sub-Divisional Deputy Cooperative Office. The Aizawl Deputy Cooperative Office also functioned as the Sub-Divisional Deputy Cooperative Office for some time until it eventually was upgraded as the Assistant Registrar Office. The Cooperation Department then started to function with the Assistant Registrar's Office at Aizawl and Sub-Divisional Deputy Cooperative Office at Lunglei.

During this time, each Community Development Block receives ₹ 1,00,000/- under the First Five Year Plan, for the further development of the cooperative societies and the movement itself. In addition to this, in each Community Development Block, an Assistant Cooperative Officer along with an Extension Officer was appointed by the Cooperation Department to look into the affairs of the cooperative societies. A Peon was also appointed to help them. Their pay and allowances were drawn and disbursed by the Block Development Officer. Therefore, they also functioned as staff of the Community Development Block.

In 1960, Mizoram faced famine due to bamboo flowering known as 'Mautam'. During this period, in order to help with the famine relief operations, many cooperative officers were assigned for the job. They were designated as Zonal Officers. It was observed that due to this, the cooperative movement suffered setbacks during this period.

However, in the meantime, the setting up and registration of new societies continued. The Cattle Farmers' Cooperative Society Limited was registered on 5.5.1960. The first Multi-purpose Cooperative Society – Assam Rifles Ex-Servicemen Multipurpose Cooperative Society was registered on 20.4.1961 for the welfare of the ex-servicemen of the Assam Rifles. Bilkhawthlir Fishery Cooperative Society registered on 22.4.1961 was the first

fishery cooperative. Another type of society known as the Forest Labour Cooperative, located at Bilkhawthlir Village was registered on 23.8.1961.

As the cooperative movement progressed, the need to set-up service cooperatives throughout Mizoram was clearly evident. The farmers needed loans to increase productivity and production of their crops, and at the same time they needed a marketing channel by which they could sell their surplus products. Service cooperative societies were expected to fulfill these objectives. The Thingdawl Service Co-operative Society Limited registered on 10.5.1963 was the first of such societies. However, the insurgency problem in Mizoram hindered its effective functioning and as such it had to closed down. In 1967-1968, a new service cooperative was set up in the same village under the Protected and Progressive Village Scheme (PPV).

The Protected and Village Schemes were implemented in villages that were grouped together during the insurgency period. Many villages were grouped together during this period for security reasons.

The insurgency problem in Mizoram had an adverse impact on the growth of the cooperative movement. Before the insurgency situation arose, there were 124 Cooperative Societies in Mizoram, of which many had to be closed down. Another problem during this period is the non-repayment of loans by members of the cooperative societies. The Agricultural Credit Societies borrowed from the Assam Cooperative Apex Bank, mainly short-

term loans, which in turn were borrowed by their society members. The agricultural farming taken up by the members was not economically viable. As a result they were unable to repay their loans. And to top it all, the office of the Assam Cooperative Apex Bank, Aizawl was reduced to ashes and along with it all the important records of the bank. Therefore, the cooperative movement especially the cooperative credit societies suffered a serious set-back.

As mentioned earlier, grouping of villages was being done by the government due to security reasons. Along the Silchar-Aizawl-Lunglei highway too, in 1967, grouping of villages was done in 18 separate places. In these 18 grouping places and Kolasib town (situated on Aizawl – Silchar highway) there were opportunities to expand the cooperative movement and set-up cooperative societies. Service Cooperative Societies were established in these 19 places, as this type of society was found to be most beneficial for the people. In each of these societies, Administrative Officer (AO) was put in charge, and the Supply and Transport department also worked cooperatively with these societies. As a result, the members of these societies had easy access to basic consumer goods and that too at cheaper rates. Of these 19 cooperative societies, only the cooperative society at Bilkhawthlir Village was revitalized. The rest 18 cooperative societies were the new Service Cooperative Society (PPV Service Cooperatives). The Vairengte PPV Service Cooperative Society and the Kolasib Service Cooperative Society were

registered on 4.11.1967. By 1968, all of the 19 societies had been registered. As the agriculture department at this time took responsibility for the agriculture farmers and also as there was no funding agency (cooperative bank), the service cooperatives instead concentrated on providing basic consumer goods for the people.

In order to set or established themselves, the government granted ₹ 20,000/- each to these Service Cooperative Societies. In the preceding years too, the government continued to provide aid to these societies so that the people could benefit from them more than ever. However, some societies could not function profitably and had to be closed down. The setting up of service cooperative societies presented opportunity for the establishment of Wholesale Cooperative Stores. It would not be wrong to state that such societies were the need of the hour in Mizoram.

As a result, the Mizo Wholesale Cooperative Store Limited was registered on 6.12.1969. This society was expected to supply all the basic consumer goods to the primary cooperative societies and others at affordable prices. The society also had to do wholesale as well as retailing for all the consumer goods. However, the newly set up Wholesale Cooperative was barely able to function until Mizoram became a Union Territory in 1972.

As said earlier, the insurgency situation in Mizoram had an adverse impact on the cooperative movement. Since 1966, most of the staff of the

Cooperative Department were deputed elsewhere mainly in Administrative Centres like Kolasib, Bairabi, Mamit, Champhai, Serchhip, Demagiri etc in different parts of Mizoram. The staff of the Cooperative Department was appointed as Extension Officers in these Centres. Even the Cooperative Inspectors posted at Aizawl and Lunglei were deputed elsewhere by the General Administrative Department. By 1969-1970, the Cooperative Department had no Inspector; all were deputed as AO (Administrative Officer) elsewhere. Only a skeletal staff manned the cooperative department. In such a situation, the cooperative movement could not make much headway. This situation went on for some time however, by 1973, the staff of the cooperative department deputed returned to their parent department.

On 21<sup>st</sup> January, 1972, Mizoram became a Union Territory. A new era was ushered in for the people of Mizoram as well as the cooperative department. The cooperation department was now well established with a Minister, Secretary and Registrar to look after the department.

Under the Assam Government 174 Cooperative Societies were registered in Mizoram. On an average, it can be said that 8 societies were registered every year. After becoming a Union Territory, the number of societies registered went up to 132 in just a matter of 5 years. During this period, on an average 26 new cooperative societies were registered every



year. Not only this, the societies registered belonged to every type and category.

In 1973, the staffs of the cooperation department deputed as Administrative Officers elsewhere were repatriated back to the cooperation department. This enabled the cooperative movement to move ahead and make greater strides. The task of auditing the cooperative societies was carried out which was earlier neglected. A new Minister and Registrar were appointed for the cooperation department on Mizoram becoming a Union Territory. Mr. R. Thangliana and Mr. K.B. Gurung were the first Minister and Registrar respectively after Mizoram became a Union Territory.

To further strengthen the Cooperative Movement, an Assistant Registrar's Office was opened at Lunglei, which was to register societies in Lunglei District and Chhimtuipui District and the task of supervision and control. The Assistant Registrar's Office at Aizawl was upgraded to a Directorate during the same time.

In the meantime, more and more different types of cooperative societies catering to the different needs of the people were set-up. One such type of cooperative society was the Knitting Cooperative Society. The first of such society was the Zarkawt Knitting Cooperative Society Limited registered on 30.3.1970. This provided an opportunity for many women to learn knitting and thus earn a living.

The Government, then, decided to revitalize the service cooperative societies which were barely existed. The cooperation department provided transport subsidy to these societies to enable regular supply of goods to be sold at cheaper rates. Grants were also provided to build godowns and managerial subsidy was also given for the salary of the staff of the societies. Government also made contributions to the working capital and also provided share capital grant. Most of these societies were set up at the initiative of the government. However, it was the intention of the government to make these societies stand on their own feet and not depend on it in the future.

In the same way by 1973 steps were taken to revitalize the Wholesale Cooperative Societies. These societies began in earnest to provide all kinds of goods for all sections of the society. The Wholesale Cooperative Societies were also set up in Lunglei town, Saiha town, Lawngtlai town and Kolasib town too. These towns are the district capitals of the same name. Steps were taken to further cover the interior parts of the state as well. The primary societies were expected to be its members. Each share is valued at ` 1.00. The head of the Wholesale Cooperative Store Limited was an Executive Officer of the Cooperative Department.

Becoming a Union Territory provided more opportunities for the cooperative movement in Mizoram, then being just one district of the state of Assam. The budget for the cooperation department was now in terms of lakhs

of rupees instead of just thousands. Also registration of cooperative societies was now on an average, three times higher than before.

In 1974, new types of societies like the Canteen Cooperative, Apex Marketing Cooperative, Handicraft and Commercial Cooperative Societies were established. Mizoram Secretariat Canteen, the first of its kind, registered on 22.2.1974. This cooperative provided the staff of the Mizoram Secretariat with hygienic food at low rates and at the same time provided employment for many unskilled workers. This type of Cooperative benefited not only the members of the society but all who came in contact with the cooperative

Mizoram Apex Marketing Cooperative Society Limited was registered on 18.3.1974. This marketing society was previously known as Sawhthing (Ginger) Society. The Government of India realizing the importance of linking marketing societies with credit (service) societies, in the 3<sup>rd</sup> /4<sup>th</sup> Five Year Plan announced a policy known as "Linking Credit with Marketing". The members of the Agricultural Cooperative Society borrowed loans from the cooperative banks to increased production. In turn, they are able to sell their surplus products through the marketing societies. In this way, the farmer members of these societies are greatly benefited. Not only this, the marketing societies provided consumer goods to their members at cheaper rates. This was a real boon to the people at large.

This Apex Marketing Cooperative Society was the only marketing society in the Union Territory at this time. In 1975, this marketing cooperative society tied up with NAFED (National Agricultural Cooperative Marketing Federation) for the sale of ginger. From 1975-1976, ginger was procured from the growers and by 1976-1977, 35 quintals of ginger was sold through this channel. Around ₹ 35 lakhs was collected as proceeds from the sale. While the government sanction ₹ 20 – 30 lakhs for the cooperative development, it was good to know that much more could be earned through the sale of ginger. Besides ginger, steps are being taken for the sale of other products of Mizoram, like Sesame, Soya, Cotton, Turmeric, Pineapple etc. through the cooperative marketing society.

The Marketing Cooperative Society also undertook the sale of petrol, diesel and kerosene by becoming an agency for the Assam Oil Company. For the sale of these commodities, it opened branches in Lunglei, Kolasib and Champhai. The Secretary for the Society was a Department Officer of the Cooperative Department. The first person to held the post was Pu Sapbawia, and the Chairman was Pu Lalsangzuala.

In order to promote Mizo handicrafts and also those craftsmen may utilise their talents more profitably, the need to established handicraft Cooperative Society was felt. The first such society – Zoram Handicraft Cooperative Society Limited was set-up and registered on 9.10.1974.

As more and more societies were set up, the need to impart cooperative education to the society members and the public at large became evident. Even the Government of Mizoram made allocations in its 1974-1975 budget for fulfilling this objective.

A few persons interested in cooperative movement took the initiative along with the Government Cooperation Department in this direction and so the Mizoram State Cooperative Union Limited was registered on 29.3.1975. This Union main task will be to provide education, and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperative. They inform the general public-particularly young people and opinion leaders about the nature and benefit of co-operation<sup>125</sup>. This Union began to function from a small room of the Assistant Registrar's Office, Aizawl from 20.5.1975. An Executive Officer was the head of this Union and he is usually from the cooperation department. Pu Rochungnunga was the first such Executive Officer.

The MSCU is a non-profit making cooperative whose main aim is to provide education on co-operation. Its future prospect is to set up a training centre for all concern. The MSCU functions under a Board of Management. The members consist of Chairman, Vice Chairman, and 2 members appointed

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<sup>125</sup> *State of Co-operative in India (Co-operative Year 1999) Published by Institute of Rural Management, Anand (IRMA).*

by the State Government, representative of the State Level Cooperative Society, and the Registrar of Cooperative Societies, Mizoram. The first Board Chairman was Pu Joe Ngurdawla, MLA, Vice Chairman was Pu Lalbiakthanga and Pu F.Lalmama was the government representative. In addition, the Secretary of the Mizoram Apex Marketing Society and the Executive Officer of the Mizo Wholesale Cooperative Stores Limited were also Board members.

After doing all that was needed to function like establishing the Office of the Union, appointing of staff etc., the Union turned towards the practical side of its job. The National Cooperative Union of India and other State Cooperative Unions were consulted on their method of functioning and work. The MSCU also purchased books on cooperation and the cooperative movement, and maintained a library for it, so that all who were interested could read the books to further their knowledge on cooperation. The Mizoram State Cooperative Union organized conferences and seminar at Aizawl, the capital city. However, it was difficult for the societies from other areas of Mizoram especially the southern part as there were no good transport and communications in those days. The All India Cooperative Week was also observed for the first time in 1975 by the Union.

The Union also undertook the work of publishing books on various topics related to cooperation. It also printed pamphlets on the rules and regulations for the cooperative societies, on account management and bye-

laws. Publishing these reading materials in Mizo language was also a good publicity for the cooperative movement. Member Education and Mass education in the cooperative principles and values were of utmost importance for the growth of the movement. A newspaper “Mizoram Cooperative Tlangau” was first published in 1976 and was released at the All India Cooperative Week in the same year. The newspapers’ contribution in educating society members and general public is invaluable till today.

The number of cooperative societies by 1975-1976 and also the members had increased throughout the different districts of Mizoram. Not only this, different types of societies – service co-operative, industrial, livestock, fishery, farming, weaving, multipurpose, marketing, dairy, trading, consumer, canteen and so on – existed throughout Mizoram. 203 Cooperative Societies with 8729 members existed at this time<sup>126</sup>

The Cooperative movement continued to touch each and every aspect of the social and economic life of the people of the state. Around this time is in 1977, many underground personnel surrendered to the Government of Mizoram. A Cooperative Society – known as Aizawl Returnee Multipurpose Cooperative Society Limited was set-up on 4.3.1977. This society provided

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<sup>126</sup> *Statistical Handbook (Mizoram) 1976. Published by Government of Mizoram Economic and Statistics Department.*

help and guidance for the social and economic upliftment of its members who were surrendered underground personnel.

The cooperative movement even reached the jail inmates and the Tuirial Jail Camp Multipurpose Cooperative Society which was registered on 5.4.1977 was established. The society was set up at the very place of their imprisonment so that the inmates can get the maximum benefit<sup>127</sup>.

Weaving has been traditional occupation of the Mizos for long time and the desire to take it to a new level became acute. Even in 1977, there were around 15 Handloom and Weaving Cooperative Societies in Mizoram. In order to co-ordinate the workings of these societies, a State Level Cooperative Federation-Mizoram Apex Handloom & Handicraft Cooperative Society Limited (MAHCO) was set up and registered on 5.9.1977. This state level federation was able to sell handloom products to the consumers at lower rates, provide raw-materials for the weavers and also procure and sell handloom products for the cooperative society members. MAHCO has showrooms at Aizawl and Lunglei. MAHCO every year receives grant-in-aid from the Government of Mizoram through the Registrar Cooperative Societies Office<sup>128</sup>.

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<sup>127</sup> *Rochungnunga (1977) : Mizoram Cooperative Movement Chanchin. Published by MSCU, Aizawl Printer's Cooperative Society Press, Aizawl.*

<sup>128</sup> *Mizoram Cooperative Tlangau December, 2002. Published by Mizoram State Cooperative Union.*



Most of the Cooperative Societies at this time did not have enough capital for their growth and expansion. Mizoram, being a backward state, banking sector was mostly confined to the urban areas. Therefore, a cooperative credit bank to provide credit to the society members was needed. For this purpose Mizoram Cooperative Apex Bank Limited (MCAB) was established in 1978 and registered on 5.12.1978. It provided loans not only to the cooperative society members but also the general public.

In 1978, the Co-operative Sub-Division Office at Lunglei town was upgraded to Assistant Registrar Cooperative Societies Office. The first Assistant Registrar was Mr. S.C. Nath, who was also in-charge of the Chhimtuipui Office. The Co-operative Sub-Divisional Office at Saiha (Chhimtuipui District) was also upgraded in 1979 to Assistant Registrar Cooperative Societies Office.

In 1978, the Cooperative Flag was also adopted in Mizoram. This is the same flag used all over the world as a sign of cooperation known as International Cooperative. The flag has 7 (seven) colours of the rainbow. Each of the seven colours has a symbolic meaning.

The Mizo Wholesale Cooperative Store registered way back in 1969 could not fulfill its objectives. However, the desire to provide consumer goods to the cooperative society members as well as the public became very strong. Therefore, the Mizoram State Cooperative Marketing and Consumers'

Federation Limited (MIZOFED) was set up and registered on 9.12.1981. MIZOFED was set up by amalgamating Mizo Wholesale Cooperative Stores Limited (1969), Mizoram Apex Marketing Cooperative Society Limited (1974) and the Mizoram Cooperative Super Market Limited (1976). The area of operation is the whole of Mizoram and it also has a branch office at Silchar Town in Assam. The main task of MIZOFED was to sell the products to its members at a competitive price. Therefore, MIZOFED procured, agricultural products like ginger, chillies, sesame and others from the cooperative societies especially those from the rural areas. However, as time passed by MIZOFED operated like a commercial enterprise. It became an agency for many products (Hindustan Lever Company, Union Carbide, Nestle etc.) produced by these companies. It also became an agency for Indian Oil Corporation dealing in petroleum, diesel and kerosene. In course of time, it lost its true cooperative character.

Many people of Sihphir area and Durtlang area were engaged in dairy farming as a means of livelihood, and also other areas around Aizawl like Zemabawk, Hlimen and so on. Most of them were members of dairy primary cooperative societies and made good profits by selling milk. A few primary societies then came together to form Mizoram Multi-Commodities Producers Cooperative Union Limited in 1983. This State Level Cooperative was registered in 5.6.1984. The Cooperative was set up to develop the milk supply

in and around Aizawl city. A dairy plant was set-up at Thuampui locality with the help of National Dairy Development Board which could process 10,000 litres of milk a day. So far this cooperative has been one of the most successful so far with 720 families engaged in dairy farming and 38 primary cooperative societies under it.

In order to make cooperative functioning more effective in Aizawl District, the erstwhile Aizawl District Office of Cooperation Department was bifurcated into Aizawl West District and Aizawl East District in the year 1988. Both of these District Offices are under Assistant Registrar Cooperative Societies. In the same year, Cooperative Sub-Division Offices were open at Champhai Town and Kolasib Town. The areas under Aizawl West District are:-

1. Rural Development Block Areas of:

- a) West Phaileng
- b) Reiek
- c) Aibawk

2. Assembly Constituencies of:

- a) Aizawl South I

b) Aizawl South II

c) Aizawl West I

d) Aizawl West II with Tlangnuam rural development block.

3. Villages :

a) Lungleng

b) Samtlang

c) Lungverh under Tlangnuam rural development block<sup>129</sup>.

In the Aizawl West District as on 31.2.2008 there are 259 societies with 7,781 members with total share capital of ` 6,15,538. Handloom Cooperative comprise the largest number (58) followed by Piggery Societies (45) and Multipurpose Cooperative Societies (42)<sup>130</sup>.

On the other hand, the areas under the Aizawl East District are :

1) Aizawl North I Constituency

2) Aizawl East I Constituency

3) Aizawl North II Constituency

4) Aizawl East II Constituency

5) Ratu Village

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<sup>129</sup> *Mizoram Cooperative Tlangau. Special Issue – November, 2004*

<sup>130</sup> *Administrative Report and Statistical Data of Cooperative Societies Mizoram 2007 – 2008, Published by Registrar Co-operative societies, Mizoram.*

- 6) Suangpuilawn Village
- 7) Tlungvel Village
- 8) Saitual Village
- 9) Lungpho Village
- 10) Serchhip Village
- 11) N. Vanlaiphai Village
- 12) Part of Khawhai Village
- 13) Part of Kawnpui Village<sup>131</sup>.

As on 31.3.2008, there were 296 societies with 11,016 members and share capital of ` 8,657,821. Here too, Handloom Cooperative Societies comprise the largest number (73) followed by piggery societies (45) and Farming Societies (40)<sup>132</sup>.

By 1988, there were 652 Cooperative Societies belonging to different categories. As a result more credit and loans were needed to run these societies<sup>133</sup>. A few well-meaning persons came together and formed the Mizoram Urban Cooperative Development Bank Limited (MUCO Bank Ltd.) which was inaugurated in 11.8.1988. Loans were provided to all sections of

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<sup>131</sup> *Mizoram Tlangau Special Issue Novemeber, 2004.*

<sup>132</sup> *Administrative Report and Statistical Data of Cooperative Societies, Mizoram 2007 – 2008. Published by the Registrar, Cooperative Societies, Government of Mizoram.*

<sup>133</sup> . *Statistical Handbook of Mizoram 1989. Department of Economics & Statistics, Government of Mizoram.*

the community not only to the cooperative society members. In order to boost the economic upliftment of the people, MUCO Bank has tied up with National Scheduled Tribes and Scheduled Castes Finance and Development Corporation (NSFDC), Housing and Urban Development Corporation (HUDCO) and National Safai Karmacharis Finance and Development Corporation (NSKFDC). These corporations have provided loans to a large number of people in partnership with MUCO Bank Limited<sup>134</sup>.

The Mizoram State Cooperative Fruit Forestry and Vegetable Federation (MAFF) were set up in 1989. The Federation's main objective was to help and uplift its members belonging to the agriculture and farming primary cooperative societies. At present, service societies, Large Size Agricultural Multipurpose Primary Societies (LAMPS) and any type of society related to farming are included. However, for a long time, MAFF could not function properly because the Management Board was not organized. From 1994 onwards, the State Government took new initiatives and set up the Board of Management and appointed staff to run the federation. MAFF mainly engaged itself in helping the farmers to increase their production and productivity, and marketing of their surplus products. MAFF also supplies fertilizers to their

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<sup>134</sup> *Mizoram Cooperative Tlangau, Special Issue November, 2000. Published by Mizoram State Cooperative Union, Aizawl.*

members by being a dealer of the big fertilizer companies in India. MAFF is also a Shareholder of Indian Farmer Fertilizer Cooperative Federation Limited. MAFF is also in the process of tying up with National Agricultural Marketing Federation (NAFED) and TRIFED to market the surplus products of the farmers, bringing the cooperative movement to a new level.

As on 31.3.2008, MAFF has 43 primary Cooperative Societies under it with total share capital of ₹ 1,362,900.

In Mizoram, the scenario is that primary cooperative of every type were easily setup. What was needed was a federation to co-ordinate and regulates their activities. In 1989, the Mizoram Pig Producers Cooperative Federation (PIGFED) was set up (registered on 6.6.1989) especially for the purpose of helping the piggery primary cooperative societies. As on 31.3.2008, 111 primary cooperative societies are affiliated to it. The Federation implemented a Pilot Scheme to help its members rear pigs more productively and also procured compound feed for the members at a subsidized rate. In 2001 PIGFED, received grant from North Eastern Council to the tune of ₹ 127.00 lakhs to set up a Base Pig Breeding Farm at Thenzawl Village, near Aizawl. The Farm is already fully developed and functioning accordingly. The Federation has also set-up a Lead Mill at ITI locality in Aizawl in 2002 – 2003. This has enabled the farmers to sell their maize products to this feed mill and

earn income. So, this state level cooperative has been helping not only the piggery societies but also the farming societies.

The year 1991 is a landmark for the Cooperative Movement in Mizoram. In this year the Mizoram Cooperative Act, 1991 was passed. New rules based on this Act were framed in 1996. This new Act enabled the cooperative movement to move forward and function in a more orderly manner.

In March 1995, the sub-divisional office at Champhai and Kolasib were upgraded to District Offices, to monitor and supervise the functioning of the cooperative societies more closely in these two districts. In the same year, Mizoram Women Cooperative Federation Limited (WOMENFED) was set-up. This state level cooperative main objective is to solely help women in regard to their livelihood. Tailoring, Weaving, Mushroom Cultivation, Jam, Squash preparation training were organized. WOMENFED is also taking steps to train women in readymade Garments Production and Candle making<sup>135</sup>.

**Table No.: 4.1 growth of cooperative movement in Mizoram from 1950-1951 to 1995-1996:**

<b>Sl.No.</b>	<b>Year</b>	<b>No. of Co.op. Society</b>	<b>Membership</b>	<b>Share Capital</b>	<b>Working Capital</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	1950-51	3	69	.0145	.0368

<sup>135</sup> *Mizoram Cooperative Tlangau : Special Issue on the Occasion of Centenary Celebration of Indian, Cooperative Movement (1904-2006). Published by MSCU, Aizawl.*



2	1955-56	13	325	.0586	.147
3	1960-61	51	1147	.117	.157
4	11965-66	75	1705	.576	1.00
5	1970-71	131	2827	.57	2.98
6	1975-76	231	5610	1.524	7.278
7	1980-81	467	11092	12.766	15.35
8	1985-86	699	16578	24.92	49.92
9	1990-91	1199	29110	124.95	219.12
10	1995-96	1306	36500	317.14	948.64
<b>CAGR(%)</b>		<b>13.64</b>	<b>13.93</b>	<b>24.48</b>	<b>24.45</b>

Source: Registrar of Co-operative Societies, Statistical Cell, Mizoram Aizawl

In the meantime, the member of cooperative societies increased along with their membership, share capital and working capital. The Table No. 4.1 above shows the growth of cooperative movement in Mizoram from 1950-1951 to 1995-1996:

The table above reveals that the number of cooperative societies during this period has an increasing trend. It has increased from a mere 3 numbers in 1950-51 to 131 in 1970-71 to 1306 in 1995-96 with a compound annual growth rate (CAGR) of 13.64 per cent. The membership of the societies has also gone up from just 69 in 1950-5 to 2827 in 1970-71 to 36500 in 1995-96 with compound annual growth rate of 13.93 per cent. The cooperative movement in Mizoram is making good progress and expanding rapidly.

During the above period, three (3) types of societies- Farming, Piggery and Multi-Purpose societies increased much faster than the other type of societies. Mizoram, being an industrially backward state, people have to rely

on agriculture. Farming Cooperative Societies increased to 239 by 2001 when it was non-existent even in 1971. Piggery Societies increased to 194 in 2001 from just one (1) society in 1971 and Multipurpose also increased from just one (1) society in 1971 to 193 in 2001. Other societies like service, industrial, handloom weaving, consumer societies also made great progress during this period.<sup>136</sup>

The Mizoram Cooperative Fish Farming Marketing and Processing Federation Limited – Zofisfed – was set up in 1998 and registered on 29.1.1998. At the time of its inception there was only 1(one) primary cooperative society under it having 14 members. By 2004, the numbers of primary cooperative societies have gone up to 16. Its main work is to procure fish from the primary society members and then market the fish product. Zofisfed disposes has a sale booth in the main bazaar area of Aizawl city. Zofisfed is in the process of running an Ice-plant (to preserve the fish) and Zawlnuam (Mamit district) fish seed farm from the Government. It also gives training to the fish farmers on more modern and scientific ways of fish cultivation.<sup>137</sup>

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<sup>136</sup> **Cooperative Movement in Mizoram:** *Statistical facts and figures (1996-97 to 2000-01)*. Published by Registrar, Cooperative Societies (Statistical Cell) Mizoram, Aizawl.

<sup>137</sup> **Mizoram Cooperative Tlangau:** *Special Issue on the Occasion of Centenary Celebration of Indian Cooperative Movement (1904-2004)*. November 2004. Published by MSCU.

Next, came the setting up of a state level federation for sericulture known as Mizoram Apex Sericulture Cooperative Society Limited (MASCOS) in 1999, registration date 12.02.1999. This state cooperative was set-up through the joint efforts of the Sericulture Department, Cooperation Department and the Farmers themselves. By 2002 there were 500 primary cooperative society members while only 11 societies existed at the time of its establishment. MASCOS mainly helps the private sericulture rearer to sell their cocoons at competitive prices.

MASCOS has Sericulture Training Centre, at Zemabawk in Aizawl, the capital city. The federation also procures cocoon from various parts of Mizoram like Kolasib, Champhai, Dunglelang, Serchhip, Keifang and Darlawn through their primary societies. The establishment of a Model Sericulture Farm Project at the cost of Rs.565 lakhs is also nearing completion. Mizoram hopes to be a Developed Sericulture Model state in the near future.<sup>138</sup>

In order to spread the ideas and principles of cooperation more effectively the Government of the State decided to set up at Luangmual, Aizawl a Junior Cooperative Training Centre (JCTC) which was inaugurated on 16<sup>th</sup> September 2003. This training centre was built at the cost of ₹ 1,34,44,100/- JCTC houses a Male Block, Female Block, Office-cum-Class

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<sup>138</sup> *Mizoram Cooperative Tlangau: Special Issue November 2002, Published By MSCU.*

Room and an Auditorium. In 2003 itself, the Mizoram State Cooperative Union “Staff service Rules 2003” was also adopted by the State Government.

Another landmark in the history of the cooperative movement in Mizoram was the Mizoram Cooperative Societies Act 2006. This act of 2006 was prepared by experts from the National Institute of Cooperative Management, Pune in line with the nature of the cooperative movement of the state. This act was passed by the Legislative Assembly in 2006 and became effective from 1<sup>st</sup> April 2007<sup>139</sup>. The existing Mizoram Cooperative Rules, 1996 will continue to be in force till a new Rule based on the new Act, 2006 is framed. It is also noteworthy that the number of societies which stood at 657 as on 31<sup>st</sup> March 1988 rose to 1354 in March 2006.

In view of the need to recognize and enforce the liability factor for launching a successful growth of cooperative societies in the state, rigorous efforts had been made in winding up dead and defunct societies. Accordingly, registration of 456 numbers of defunct societies has been cancelled and wound up. As a result, the number of societies came down rapidly. However, serious efforts were made by the department to identify the potentially viable cooperative societies in order to gear up the task of making the cooperative movement in Mizoram both meaningful and liable. In the recent past,

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<sup>139</sup> *Department of Information & Public Relations, Government of Mizoram. (2008): Kum 10 chhunga Mizoram Hmel Danglamna.*

registration of new cooperative societies as many as 206 had been taken up afresh for creating viable societies in order to boost up the cooperative movement in the state. The share capital contribution of cooperative societies showed an increasing trend from ₹ 120.67 lakhs resulting in a growth of 33.49%. It is also worth mentioning that the volume of working capital of all cooperative societies taken together increased to ₹ 3410.28 lakhs as on 31.03.2006 against ₹ 1557.18 lakhs as on 31.03.2001, thereby registering a growth of 53.75 per cent over the year.<sup>140</sup>

The expansion programme of the department and the cooperative movement continued with the opening of the District Office of Assistant Registrar of Cooperative Societies at Serchhip, capital of Serchhip District on 14.11.2007. There are at present 7 District Offices functioning in the following district headquarters with the Directorate Office (Office of the Registrar, Cooperative Societies) in the state capital, Aizawl.

- 1) Aizawl West
- 2) Aizawl East
- 3) Lunglei
- 4) Saiha
- 5) Champhai

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<sup>140</sup> *Administrative Report and Statistical data of Cooperative Societies, Mizoram: 2007-2008.*  
Published by Office of the registrar, Cooperative societies, Government of Mizoram.

- 6) Kolasib
- 7) Serchhip

The post of Registrar of Cooperative Societies is an Indian Administrative Service (IAS) cadre post and it has been manned by an IAS Officer till today. In order to assist the Registrar in the discharge of his functions, the government created one post of Additional Registrar of Cooperative Societies vide Notification No.A11013/1/200-COOP Dt.24.09.2008 in order to cope with the increasing volume of works in the Department. The post of Additional Registrar of Cooperative Societies was accordingly filled up from the feeder post of Joint Registrar of Cooperative Societies by Government Notification No.A.32013/1/2002-COOP Dt.03.10.2008 consequent upon this, there is expansion in the Department.<sup>141</sup>

Besides this, Lawngtlai Autonomous District Council had appointed 1(one) DRCS from their own capacity as permitted by the Constitution of India.

The Chart given in appendix-1 gives a true picture of the Administrative and Organizational set up of the Department of cooperation as of 2008

Lastly, the table below shows the growth of cooperative societies from 2000-2001 onwards. In order to examine the growth of cooperative societies in

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<sup>141</sup> *.Administrative Report and statistical data of Cooperative Societies, Mizoram 2007-2008. Published by Office of the Registrar, Cooperative Societies, Government of Mizoram.*

Mizoram Compound Annual Growth Rate (CAGR) have been calculated to each of the indicator. Compound Annual Growth Rate (CAGR) has been worked out using the compound growth equation as follows:

$$Y=A(i=r)^t$$

Where r is the CAGR. This will be decomposed as

$$\text{Log } y = \log A + t. \log (I = r)$$

Or

$$\text{Log } y = \alpha + bt$$

$$\text{Therefore, } r = e^b - 1$$

Table No. 4.2: Growth of Co-operative Societies in Mizoram

Year	No. of societies	Membership	Share Capital	Working Capital(Rs.in lakhs)
2000-01	1496	47271	464.14	1577.18
2001-02	1440	45001	410.61	1512.63
2002-03	1511	44130	673.59	3416.30
2003-04	1419	42813	491.81	1704.37
2004-05	1354	46453	316.80	3410.28
2005-06	1354	46453	316.80	3410.28
2006-07	1367	42286	180.82	3015.26
2007-08	1367	43986	506.99	3004.49
CAGR	-1.48	-0.78	-7.14	10.65

Source: Statistical Abstract of Mizoram: 2009, Directorate of Economics & Statistics, Government of Mizoram

Table No. 4.2 revealed that the number of Societies in Mizoram has a decreasing trend during the period under study. It has decreased from 1496 in 2000-01 to 1419 in 2003-04 and 1367 in 2007-08 with a compound annual rate of decrease (or CAGR) of -1.48 per cent. The membership of the societies has also gone down steadily from 47271 in 2000-01 to 42813 in 2003-04, increase slightly 43986 in 2007-08 with the compound annual growth rate (CAGR) of -0.78 per cent.

Table No.4.3 Type-wise Number of Cooperative Societies in Mizoram

Co-operative societies	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	CAGR(%)
Industrial	132	159	146	131	117	104	102	94	-6.59
Multi-purpose	193	210	210	196	191	179	173	176	-2.49
Dairy & Livestock/Multi-commodity	122	68	119	102	108	113	132	117	3.54
Piggery	194	198	195	192	188	175	166	189	-1.66
Handloom & Weaving	157	153	163	151	147	156	173	182	1.79
Consumer	141	122	136	133	126	126	127	129	-0.84
Service	86	80	67	67	60	59	58	56	-5.89
Fishery	77	77	75	69	67	64	69	76	-1.35
Farming including fruits & Vegetables grower	271	263	270	265	248	258	257	235	-4.55
Poultry Farming	26	24	24	25	22	17	22	14	-6.82
Canteen	15	16	16	8	12	13	10	13	-4.16



Labour	11	10	14	12	9	10	6	9	-6.07
Sericulture	26	29	28	26	33	35	32	38	4.95
Housing	17	15	14	13	12	10	10	5	-12.98
Marketing	4	4	8	8	9	10	11	6	10.89
Floriculture	2	2	4	5	3	6		8	20.41
Meat Processing/butcher	10	4	12	6	8	8	8	9	2.17
Lamps	12	9	10	10	12	12	11	11	1.35
<b>Total</b>	<b>1496</b>	<b>1440</b>	<b>1511</b>	<b>1419</b>	<b>1372</b>	<b>1354</b>	<b>1367</b>	<b>1367</b>	<b>-1.48</b>

**Source: Statistical Abstract of Mizoram: 2009, Directorate of Economics and Statistics, Government of Mizoram.**

The growth of the cooperative movement can also be studied from the angle of growth of the number of different types cooperative societies in Mizoram. Table No.4.3 shows type-wise number of cooperative societies in Mizoram from 2000-01 to 2007-08. Looking at the table during the period study, most of the different types of cooperative societies are on the decline except for dairy, sericulture, handloom marketing, meat processing and lamps. The number of dairy Cooperative Societies which was 122 in 2000-01 declined in 2001-02 to 68 but recovered and made steady progress during the period with a compound annual growth rate of 3.54 per cent. Sericulture cooperatives have made good progress, even though their numbers may fluctuate year after year. It has a compound annual growth rate of 4.95 per cent higher than that

of dairy cooperative. The number of meat processing cooperative societies fluctuated a great deal during the initial period under study from 10 societies in 2001-02 to 4 in 2001-02 than 12 societies in 2002-03 again to 6 societies in 2003-04. However, later on the number of societies have remained steady (from 2004-05 to 2006-07) and made a slight increase to 9 in 2007-08, with a compound annual growth rate of 2.17 per cent. Number of societies under lamps have also made slight variations after say, two years – 12 in 2000-01, 9 in 2001-02, 10 in 2002-03, 10 in 2003-04, 12 in both 2004-05 and 2005-06 and decline slightly to 11 in both 2006-07 and 2007-08 with an compound annual growth rate of 1.35 percent. Floriculture, among all the different types of societies have made the highest growth rate in terms of compound annual growth rate at 20.41 per cent, from a mere 2 societies in 2000-01 to 8 societies in 2007-08. Handloom Society also has made some progress having compound annual growth rate of 1.79 per cent. In 2000-01, numbers of handloom societies were 157, declined to 147 in 2004-05 but increased again to 182 by 2007-08. Marketing societies increased steadily from 4 societies in 2000-01 to 11 in 2006-07. This came down to 6 societies the next year i.e., 2007-08. It has, however, a high compound annual growth rate of 10.89 per cent.

Looking at all the other societies we find that their progress has been downhill during the entire period of 2000-01 to 2007-08. Labour societies,

canteen societies, fishery, consumer, piggery and multi-purpose societies made slight progress in 2007-08. Taking into account all the societies – the number of total societies have gone down from 1496 in 2000-01 to 1367 in 2007-08 at CAGR of 1.48 per cent.

The overall trend of the cooperative movement in Mizoram from this period onwards reveals that it is on the decline with compound annual growth rate (CAGR) at -1.48 per cent. Many societies have been wound-up and most of the different types of societies have been on the decline. Therefore, it is imperative that the types of societies suited to the way of life and economy of the state be identified and concentrated upon. The idea of setting-up different categories of cooperative societies may not be in the interest of all concern.

## **5.1. Introduction:**

Definition of co-operative as given by the ICA states that ‘a co-operative is an autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.’ In Mizoram, too, co-operatives are formed by persons coming together, voluntarily and without pressure from anybody, government or NGOs. People come together mostly because they desire a better life i.e. for economic reasons. Social and cultural upliftment may be part of the many benefits which accrue along the way. Co-operatives in Mizoram are said to be autonomous association of persons. The “user-owner” principle may also be applied here as members are responsible for providing at least some of the co-operatives capital. However, the equity capital contribution may not be necessarily in proportion to the member’s use of the co-operative.

## **5.2 Cooperative Department and Cooperative Societies:**

Unlike other parts of the world, in India cooperative department exist in each and every state of the country. In some states, cooperative department is

one of the biggest government departments. The Cooperative Department usually comes under the Agriculture Ministry.

The main purpose for setting up the Cooperation Department is for the registration of Cooperative Societies. The International Cooperative Alliance (ICA) has laid down principles which are a set of rules which govern the life and the activity of the cooperative organizations. These are the basic facts, which are universally applicable in cooperative enterprises. Co-operatives systems cannot run smoothly without these principles.<sup>142</sup>

The Cooperative Department in the state of Mizoram is and functions like any other government departments, while Cooperative Societies are and autonomous associations of people who register themselves with the cooperation department. The head of the Cooperation Department is known as the 'Registrar' and not 'Director', since the Cooperation Department registers the Cooperative Societies. The Cooperation Department in Mizoram supervises controls and guides, all the societies registered with it. Some societies may be quite large, while others may be very small societies. Some of the societies may be even bigger than the Cooperation Department. This shows that the concern department has a long way to go.

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<sup>142</sup> . G.R. Madan :*Cooperative Movement in India*, Mittal Publication, N. Delhi

Cooperative Department has its head office at Babutlang, Aizawl. The Cooperative Department building also houses the Aizawl East District and Aizawl West District Offices along with the Offices of Mizoram State Cooperative Marketing and Consumers Federation Limited (MIZOFED) and Mizoram State Cooperative Forestry and Vegetables Federation Limited (MAFF). The Cooperation Department is one of the first government departments to function from its own building.<sup>143</sup>

In order to form a society, members of the society should be drawn from different families. Not less than 20 persons can form a primary cooperative society; a cooperative other than a primary co-operative may be registered with a minimum of 10 persons and a technical and professional type of societies may be registered with a minimum of 15 members.<sup>144</sup> The members of the societies should be 18 years of age. All the members of the societies should belong to one village council. Primary Cooperative Societies can be set up in anywhere within the state of Mizoram. However, it is desirable that only one society of different types of societies will be set up in one village. Being registered with the cooperation department does not mean that the

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<sup>143</sup> Sanghlira : *"Mizoram Cooperative Society-te Kaihhraina"*. J.P. Offset Printers, Aizawl

<sup>144</sup> MCS Act, 2006.

department is bound to provide financial aid to them. Audit and inspection will, however, be done by the Cooperation Department.<sup>145</sup>

### **5.3. Structure of Co-operative Societies In Mizoram:**

In India, the co-operative societies are three (3) tier in structure. At the grass-root level there is the primary cooperative societies, at the middle or district level there is the District/Central Cooperative Societies and at the Apex-level, the State Cooperative Societies. These three-tier of cooperative society work together in all respects.

However, in Mizoram, the Cooperative Societies are only two (2) tier. The District Cooperative Societies are absent in Mizoram. The primary cooperative societies and the State Cooperative Societies are in direct touch with each other. The two-level of societies in Mizoram have not been able to have a good working environment especially in regard to sale and distribution of goods. In regard, to finance also, they still have a long way to go.

In primary cooperative societies, individual persons are members of the society. However, in case of State Cooperative Societies, the primary cooperative societies form its members. Even if there are certain individuals as members in the State Cooperative Societies, they have the same powers and functions as the primary Cooperative Societies.

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<sup>145</sup> Sanghlira : "Mizoram Cooperative Society-te Kaihruaina". J.P. Offset Printers, Aizawl

The primary cooperative societies are of different types – consumer, service, agriculture farming, handloom and weaving, dairy, piggery and so on. Primary cooperative societies belonging to the same category usually form a State Cooperative Society. This State Cooperative Society's jurisdiction is the whole state of Mizoram, whereas, for the primary cooperative societies, their jurisdiction encompasses only the local village council area. The State Cooperative Society will render all possible help to the primary societies and vice versa.

The State Cooperative Societies that the Primary Cooperative Societies have formed are Mizoram State Cooperative Union Limited (MSCU) (29.3.1975); Mizoram Apex Handloom and Handicraft Cooperative Society Limited (MAHCO) (5.9.1977); Mizoram Cooperative Apex Bank Limited (MCAB) (5.12.1978); Mizoram State Cooperative Marketing and Consumers' Federation Limited (MIZOFED) (9.12.1981); Mizoram Multi-Commodities Producers Cooperative Union Limited (MULCO) (5.6.1984); Mizoram State Cooperative Fruits, Forestry and Vegetables Limited (MAFF) (25.5.1987); Mizoram Pig Producers' Cooperative Federation Limited (PIGFED) (6.6.1989); Mizoram State Housing Financing Federation Limited (HOUSEFED) (1.8.1989); Mizoram Women Cooperatives Federation Limited (WOMENFED) (17.8.1989); Mizoram Cooperative Fish Farming Marketing and Processing Federation Limited (ZOFISFED) (29.10.1993); and Mizoram Sericulture



Farming Cooperative Society Limited (MASCOS) (12.12.1999). These State Cooperative Societies perform different functions, depending on the purpose for which they have been established and work in co-ordination with the member primary societies.

#### **5.4 Cooperative Rules and Regulations:**

By 1973, when the state of Mizoram became a Union Territory, the Cooperation Department was set up in the State. The Department was headed by the Registrar of Cooperative Societies. The Cooperative Societies could now be registered in the Registrars' office at Aizawl itself. All the staff of the department who had served under the Assam government was absorbed into the new Registrars' Office of the government of Mizoram. Some new staff for LDC/UDC/Assistant was newly appointed in 1973, Junior Inspectors were also appointed.

Even though Mizoram State was now a new Union Territory, the Co-operative Societies of the State were still functioning under the Assam Cooperative Societies Act, 1949. The Cooperation Department of the State of Mizoram had to lay down (rules and regulations) to guide the working of the cooperative societies. These rules and regulations should be adaptable to the ways of the people of the state, and also should be approved by the

government. Therefore, chalking out these new rules and regulations were not an easy task. In 1991, the Mizoram Cooperative Societies Act was passed; however, it was only in 1996 that the Mizoram Cooperative Societies Rules came into force. At present, the Mizoram Cooperative Societies Act, 2006 is in operation and the new Rules based on the new Act 2006 is framed.

To supervise the Cooperative Societies, the 'LAW' of the Cooperative Societies is of three types – Cooperative Societies Act, the Cooperative Societies Rules and Bye-Law. The Cooperation Department has to register, supervise, control and guide the registered cooperative societies according to these laws. These different laws may be explained in the following way.

#### **5.4 (a) The Cooperative Societies Act:**

This is the highest law and the most comprehensive one. No law on cooperative societies can be enacted which goes against the Cooperative Societies Act. This Act is to facilitate the voluntary formation and democratic functioning of co-operatives based on self-help, mutual-aid and sound business principles with autonomous character, jointly owned, managed and controlled by the members of co-operative for the promotion of their economic and social betterment and for matters connected therewith or incidental thereto. It is enacted by the Legislature of the State of Mizoram by the

exercise of power conferred upon it under entry 32 of List – II of the 7<sup>th</sup> Schedule of the Constitution of India.

#### **5.4 (b) The Cooperative Societies Rules:**

The Cooperative Societies Rules of Mizoram is based on the Cooperative Societies Act of Mizoram. So whenever there is a new Cooperative Societies Act, a new Cooperative Societies Rules base on the new Act will have to be formulated. The Cooperative Societies Rules must have the approval of the Cabinet of the Ministry of the State Government of Mizoram after which it is sent to the Governor for approval. The Cooperative Societies Rules does not need the approval of the State Legislature.

#### **5.4 (c) Bye-Law:**

Bye-Laws means by-laws registered under the Cooperative Societies Act for the time being in force. Every Cooperative Society will have a different set of bye-laws and these in bye-laws are laid down the day-to-day functioning of the cooperative societies. If a situation arises which does not come under the purview of the bye-law, the Cooperative Societies Act and the Cooperative Societies Rules may be referred to. The Registrar of Cooperative Societies usually lays down a Model-Bye law which is followed by most of the cooperative societies in Mizoram. The reason behind this is that most of the

cooperative societies in Mizoram are unable to enact their own bye-laws. The Cabinet approval is not needed for the bye-law to come into force.

Each and every cooperative society should study their bye-laws and be thorough with it. Their powers and functions are all laid down in the bye-laws. All types of cooperative societies have higher rate of success if they function within the guidelines laid down in the bye-laws. Bye-laws are also regard as full-fledged laws by the courts and cannot be rejected by them in case of disputes.<sup>146</sup>

### **5.5 Registrar of Cooperative Societies and Other Staff of the Cooperation Department:**

According to the Mizoram Cooperative Societies Act, 1991, Section No. 1, the state government may appoint a person to be the Registrar of Co-operative Societies for the entire state or part thereof, as the case may be, for the purpose of registration, monitoring, regulation, control and supervision of co-operatives and such other functions, duties and responsibilities specified under this Act.

The Mizoram Cooperative Societies Act, 1991, Section – 2 also states that the Government in consultation with the Registrar, may appoint Additional Registrar, Joint Registrar, Deputy Registrar and Assistant Registrar to assist

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<sup>146</sup> Sanghlira : "Mizoram Cooperative Society-te Kaihruaina" J.P. Offset Printers, Tuikhuahlang, Aizawl

the Registrar and may, by general or special order in writing, delegates to such persons all or any of the powers of the Registrar under this Act. The government shall also appoint Senior Inspectors and Junior Inspectors.

These officers in their various capacities shall supervise the workings of the state level Cooperative Societies and Primary Cooperative Societies according to the Cooperative Societies Act, the Cooperative Societies Rules and Bye-Laws. Except in special circumstances, the Registrar shall be the ultimate authority.

The Registrar, in such special circumstances shall refer the matter to the Secretary to the government of Mizoram, Cooperation Department. The Secretary, then, shall take appropriate actions. Regarding the decisions of the Registrar, the cooperative societies shall have the right to appeal to the Secretary, Government of Mizoram, Cooperative Department, in accordance with the law.

#### **5.6 Co-operative which may be registered:**

A proposed co-operative which inter-alia, has its objects as the promotion of or serving the social, economic and overall interests of its members or of public through self-help and mutual aid in accordance with the internationally recognized principles of cooperation, in force from time to time

incorporated under Section 6 may be registered under the Mizoram Cooperative Societies Act, 2006.

### **5.7 Co-operative to conduct business affairs on sound business principles and principles of cooperation:**

Every co-operative registered under this Act shall conduct its affairs on sound legal business principles in accordance with the principles of cooperation referred under Section 5 of the Act which at present include the following –

#### **5.7 (a) Voluntary and Opening Membership:**

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

#### **5.7 (b) Democratic Member Control:**

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. The elected representatives of co-operatives are responsible and accountable to their members. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are

organized in a democratic manner based on proportional representation of voting.

**5.7 (c) Members Economic Participation:**

Members of cooperative contribute equitably to and democratically control the capital of their co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

**5.7 (d) Autonomy and Independence:**

Co-operatives are autonomous, self help and self governing organizations controlled by their members. If co-operatives enter into agreement with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure their democratic control by members by retaining its autonomous character.

**5.7 (e) Education, Training and Information:**

Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general

public particularly young people and opinion leaders about the nature and benefits of cooperation.

#### **5.7 (f) Co-operation among Co-operatives:**

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

#### **5.7 (g) Concern for Community:**

While focusing on their member needs and wishes, co-operatives work for the sustainable development of communities, through policies approved by their members.

#### **5.8. Minimum members required to form a co-operative:**

1) A primary co-operative may be registered with a minimum of twenty natural persons drawn from or belonging to different families either with limited or unlimited liability.

2) A cooperative, other than primary, may be registered with a minimum of ten members which are already registered cooperatives.

3) Technical and professional type of cooperative society may be registered with a minimum member of fifteen persons.



### **5.9 Activities that may be undertaken by co-operative:**

The co-operative may undertake any one or more of the following production, distribution or service oriented activities:

i) To promote, develop and encourage thrift and savings mobilization among members.

ii) To generate funds and resources for providing credit financial and other support to the members for production oriented activities.

iii) To encourage systematic production, marketing, distribution and sale of agricultural or non-agricultural produce and services among members;

iv) To provide or ensure supply of consumer goods and services or to meet other household requirements of the members and their families;

v) To develop expertise and skills among its members for the purpose of undertaking all kinds of production and service oriented activities;

vi) To acquire land and buildings at concessional or reasonable rate either from government or others for providing housing facilities on easy terms and conditions among members;

vii) To encourage fisheries and get loans and financial assistance at concessional rates from banking and financial institutions for the purchase of seeds, boats, nets and other essential equipments, inputs and materials;

viii) To provide services related and insurance related activities against possible losses of goods and services of members;

ix) To establish, own, lease or operate, production, investment and service oriented activities in general and specific activities such as sugar, spinning, dairy, poultry, piggery, agro processing, handlooms, power looms, handicraft, fertilizer, pesticides, health, tourism and transport services;

x) To promote, develop and advance the economic, social and educational status of members;

xi) To undertake or promote any other activities not covered above.

**Explanation :** The Activities undertaken or proposed to be undertaken by cooperatives must be strictly in conformity with other laws in force from time to time.

#### **5.10 Application for Registration:**

1) An application for registration of co-operative under this Act shall be submitted to Registrar through concerned District Cooperative Officer either by hand or registered post with acknowledgement due in such form and manner, if any, prescribed under law, rules or bye-laws.

2) The application for registration of co-operative, in the case of primary shall be signed by every member who are natural persons and in the case of other than primary co-operative by persons duly authorized by respective boards of co-operatives or bodies or government as the case may be.

3) Every such application for registration shall be accompanied by :

- a) One copy of proposed bye-laws of co-operatives as adopted by the promoter members in the promoter's meeting called for the purpose together with registration fee prescribed, if any;
- b) The list of names of members admitted along with their addresses, occupation and the extent of equity share participation held;
- c) The list of members of the first board of management committee elected or selected by the promoter members.
- d) A true copy of the minutes of the meeting in which bye-laws were adopted duly signed by the chairman of the promoters meetings.

4) Where the applicants for registration of co-operative are individual natural persons, the number of such natural applicants shall not be less than twenty, each such person being a member belonging to or drawn from different families as referred under Section 7 of the MCS Act, 2006.

**Explanation :** The term "members of family" means husband, wife, father, mother, son, daughter, brother, sister, step father, or mother, or son, step daughter, grand son or daughter, grand father or mother.

5) Where the applicants for registration of co-operative are other than individual natural persons, the number of such applicant cooperative or bodies shall not be less than ten.

### **5.11 Registration:**

1) The application for registration shall be disposed of by the Registrar within sixty days from the date of receipt of application.

2) The Registrar, on receipt of the application for registration of co-operative, if satisfied :

- a) That the application for registration of a co-operative fully complies with the relevant provisions of the Act, rules and bye-laws framed there under;
- b) That the proposed co-operative fulfils the basic criterion of economic viability, promotion of economic and social interest as well as to
- c) Serve the overall interest of its members;
- d) That the proposed objectives of the co-operative and bye-law provision are not contrary to the provisions of the Act, rules and bye-laws may register the proposed co-operative, its bye-laws and forward the certificate of registration and a copy of the registered bye-laws by registered post to the chairman of the

proposed co-operative within sixty days from the date of submission of the application for registration.

3) The Registrar, if the conditions laid down under Section 9 and sub-section (2) of Section 10 of the Act of 2006 are not fulfilled, shall communicate the order of refusal to register the co-operative together with reasons to the chairman of the proposed co-operative by registered post within fifteen days from the date of such decision taken provided that no order of refusal to register a co-operative shall be made without providing a reasonable opportunity of being heard to the applicants.

4) Where the application for registration is not disposed of by Registrar within sixty days or the Registrar fails to communicate the order of refusal to register co-operative within the stipulated period specified under sub-section (3) of the Act, the application for registration shall be deemed to have been accepted for registration by Registrar and he shall issue the Registration certificate in accordance with the provisions of the Act and rules.

5) In the event of a co-operative is deemed registered as per sub-section (4) of the Act and the registration certificate is not received within seventy five days from the date of submission of application for registration, the chairman of such proposed co-operative shall prefer a specific application to the Registrar indicating the manner by which deemed status has been

attained by the co-operative with a specific request to issue a registration certificate in accordance with sub-section (4) of Section 10 of the Act.

6) The Registrar, on receipt of such request under sub-section (5) of the Act shall issue a registration certificate to the cooperative.

### **5.12 Registration Certificate: Conclusive evidence for registration:**

The registration certificate issued under sub-section (2) or (4) or (5) under Section 10 of the Act by the Registrar shall be a conclusive evidence to the effect that the co-operative mentioned therein is duly registered under the act.

### **5.13 Co-operative to be a body corporate:**

1) The Registration of a co-operative shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal.

2) The co-operative shall, *inter-alia*, have power to acquire, hold and dispose of property, both movable and immovable, enter into contracts on behalf of co-operative, institute and defend suits and legal proceedings and to do all other things necessary for the purpose for which it was constituted and shall sue or be sued by its name.

3) All the transactions entered into good faith prior to the registration of a co-operative shall be deemed to be transactions of the said co-operative entered after registration in furtherance of the objects of its registration.

#### **5.14 Display of name of co-operative in prominent places and documents:**

1) Every registered co-operative shall display by paint or affix its full and complete name and address of its registered office and keep the same displayed, affixed or painted in legible characters in conspicuous positions such as :

- a) At every office or place at which the co-operative carries on business;
- b) In all notices and other official publications;
- c) On all its contracts, business letters, orders for goods, invoices, statements of accounts, receipts and letters of credit;
- d) On all the bills of exchanges, promissory notes, cheques, endorsements, hundies, orders for money or goods it signs or that are signed on its behalf;
- e) Have its name engraved in legible characters on its seal.

2) The word "Limited" shall be the last word in the name of every cooperative society with limited liability registered under the Act.

**5.15 Cancellation of registration:**

1) The Registrar shall have the power to pass an order of cancellation of registration of a co-operative for the following reasons, namely, the co-operative

- a) transferred the whole of its assets and liabilities to another co-operative;
- b) amalgamated with another co-operative;
- c) divided itself into two or more co-operatives;
- d) affairs are wound up;
- e) is deregistered under the Act.

2) The co-operatives that the acted in one or more of the above said manner shall be deemed to be dissolved and ceased to exist as a body corporate from the date of such order of cancellation passed by Registrar.

**5.16 Deregistration of a co-operative:**

1) The Registrar shall have the power to deregister a co-operative for the following reasons, namely:

- a) The registration of co-operative is obtained by misrepresentation or fraud made by promoter applicants;
- b) The co-operative failed to commence the business within a period of two years after the receipt of registration certificate;



- c) After the commencement of business, the co-operative failed to continue the business for a further period of two years;
- d) The work or task of the co-operative is completed or exhausted;
- e) The purpose for which the co-operative has been registered is not served within a reasonable time;
- f) The cooperative deemed registered under sub-section (4) or (5) of section 10 of the Act failed to fulfill the conditions required for registration of cooperative which fact was noticed only after it received the deemed status.

2) The power under sub-section (1) of the Act shall be exercised by the Registrar only after providing a reasonable opportunity of being heard to the existing chair person or chief promoter applicants and the answers or replies furnished by the existing chair person or chief promoters are not found satisfactory.

#### **5.17 Bye-laws:**

1) Every co-operative may make its own bye-laws or adopt in toto or adopt with necessary changes the bye-laws prepared and published by State Government or the Registrar or that of same or similar kind of co-operatives, consistent with the provisions of the Act and rules made there under.

2) The bye-laws of co-operative shall have legal force only when it is registered by the Registrar under the Act.

3) The bye-laws of co-operative may provide for all or most of the following subject matters, namely:

- a) The name, address and area of operation of the co-operative;
- b) The objective and purpose behind the formation of the co-operative explicitly stated as a common central need of members;
- c) The principles of cooperation as stated in the Act, according to which the co-operative shall conduct its affairs;
- d) The type and kind of services to be provided to its members and non members as well, if any;
- e) Eligibility condition or criterion essential for obtaining membership in cooperative;
- f) Incorporation of the procedure for :
  - (i) obtaining membership,
  - (ii) withdrawal or transfer of membership,
  - (iii) termination and cessation of membership;
- g) Fulfillment of conditions necessary for continuing as a member;

- h) The time limit within which a potential member must seek and obtain membership in order to continue to use the services of co-operatives;
- i) right made available to members and the extent of its enjoyment and non-enjoyment;
- j) fixation of minimum involvement or performance required annually of each member vis-à-vis use of services, financial commitment, participation in meetings, in order to be eligible to exercise the rights of membership including the right to vote;
- k) the consequences of default in payment of any sum due to co-operative by a member;
- l) the nature, type and amount of capital, if any, of the co-operative;
- m) the maximum capital upto the extend a single member can subscribe;
- n) the nature and extent of the liability of members for the debts contracted by the co-operative;
- o) the sources and type of funds to be raised by the co-operative;
- p) the purposes for which the funds may be applied or utilized with express specification of approval or consent required from Registrar or management committee;

- q) the extent and conditions under which deposits, loans, debentures and other funds may be mobilized or utilized, as the case may be;
- r) the conditions and purpose for which state aid and aid from other financial institutions may be sought and obtained;
- s) the manner of disposal of surplus;
- t) the constitution of various funds, reserves and the purposes for which the same may or may not be utilized;
- u) the manner of convening general body and other special general meetings and quorum thereof required to conduct such meetings;
- v) the frequency of conducting general body meetings;
- w) the manner of making or bringing amendment in the bye-laws;
- x) the procedure for conducting elections in a (a) normal circumstances and (b) in case the co-operative fails to conduct election;
- y) the size and constitution of the board of directors;
- z) fulfillment of conditions essential for : (a) becoming a director, (b) retaining directorship and (c) removal of directors and for filling up of vacancies;

- za) the term of office of the directors, chairperson and other office bearers;
- zb) the manner of convening management committee meetings and quorum required;
- zc) the frequency of conducting board meetings;
- zd) powers and functions of office bearers including chairman;
- ze) penalties for acting against the interest of members and for non-fulfillment of duties by members, directors and staff;
- zf) conduct of audit: (a) the appointment, role and functions of auditors, (b) procedure for conduct of audit where co-operatives fail to make necessary arrangements, (c) time limit for making audit compliance;
- zg) the authorization of an officer(s) to sign documents and to institute and defend suits and other legal proceedings on behalf of the co-operative;
- zh) the terms and condition on which a co-operative may : (a) deal with non-members, (b) associate with other co-operatives and (c) deal with organizations other than co-operatives;
- zi) the rights, if any, which the co-operative may confer on any co-operative or other federations and the circumstances under which these rights may be exercised by the federation/s;

- zj) the manner of disposal of funds of a co-operative under liquidation;
- zk) the specification of accounting year for the co-operative;
- zl) procedure and terms and conditions for transfer of shares and interest of deceased member in the name of a nominee after the death of a member;
- zm) the grounds for the procedure to be followed for the dissolution of a co-operative;
- zn) restrictions, if any, on services rendered or to be rendered to non-members;
- zo) organization of self-help groups of people living in its area of operation and to conduct education and training programmes.

#### **5.18 Amendment of bye-laws:**

1) Every co-operative shall have the authority to amend or delete any of its existing bye-laws or add new bye-law provisions by a resolution passed by majority of two thirds of members present and voting at a general body meeting of the co-operative called for the purpose.

2) The said resolution shall be valid only when it is passed by general body after giving a twenty days clear notice of the proposal amendment to all its members.

3) Every application for registration of the amendment of bye-laws shall be forwarded by registered post or submitted directly by hand with due acknowledgement to the Registrar within a period of thirty days from the date of the resolution passed or sixty days from the general body meeting whichever is later, duly signed by the chairman and two members of the committee together with the following particulars and documents.

- a) the date of the general body meeting in which the proposed amendment of bye-laws was approved along with a copy of the resolution adopted;
- b) a copy of the issuance of notice to members for calling general body meeting;
- c) the details of actual number of clear days notice given to convene the general body meeting along with a copy of such notice issued;
- d) the total number of members on the rolls of the co-operative having the right to vote on the date of such general body meeting;
- e) the quorum required for conducting such meetings;
- f) the number of members having the right to vote and present at such general body meeting;
- g) the actual number of members who voted in such meetings;

- h) the actual number of members who voted in favour of as well as against the proposed amendment respectively;
- i) a copy of the relevant bye-laws in force with the proposed amendment to be made together with reasons justifying such amendment.

4) The Registrar, on receipt of an application under previous subsection, if satisfied that the proposed amendment of bye-laws :

- a) is not contrary to the provisions of this Act and rules;
- b) does not conflict with the principles of cooperation;
- c) is likely to promote the economic and social interest as well as serve the overall interest of the cooperatives
- d) shall register the proposed amendment within a period of sixty days from the date of receipt of the application meant for the purpose.

5) The Registrar shall forward a copy of the registered amendment of bye-laws together with a certificate duly signed and sealed by him to the cooperative within a period of fifteen days after making such registration. The certificate so issued by the Registrar shall be conclusive evidence that the proposed amendment of bye-laws has been duly registered.

6) Whereas, the Registrar formed an opinion that the proposed amendment of bye-laws failed to qualify for registration in accordance with the



provisions of the Act and rules, he may refuse to register the same or make alternation and communicate his decision to the chairman of the co-operative by giving reasons for not registering the proposal for amendment within fifteen days from the date of such refusal.

7) If the application for registration is not disposed of within sixty days after the receipt of such proposal or no order or refusal is communicated within that period to the chairman of the co-operative, the said application shall be deemed to have been accepted for registration of amendment of bye-laws and the Registrar shall issue a registration certificate to that effect in accordance with the Act and rules.

8) The Registrar shall not register the amendment of bye-laws proposed or the bye-laws deemed to have been registered shall not have legal effect, if the proposed or deemed registered amendment of bye-laws, as the case may be, is either contrary to or repugnant to the policy directions issued by the state government as the case may be or contrary to the principles of cooperation or likely to effect the very purpose and objective behind the formation of such co-operative.

#### **5.19 Power to direct amendment of bye-law in public interest:**

1) If, at any time, the Registrar forms the opinion that an amendment of bye-laws of co-operative is necessary or desirable in the interest of co-

operative or co-operative movement, he may advise such co-operative to make the amendment proposed by him within the specified time.

2) If the said co-operative fails to make the proposed amendment by the Registrar within the specified time, the Registrar may, after giving such co-operative an opportunity of being heard, register such amendment and issue a copy of such registered amendment of bye-laws duly certified by him to the co-operative. The bye-laws so registered shall be deemed to have been duly amended and shall become legally effective and binding on the co-operative and its members.

#### **5.20 When amendment of bye-law comes into force:**

The amendment of bye-laws of a co-operative, unless expressed to come into operation on a particular date, shall come into force on the date on which it was registered.

#### **5.21 Change of liability, transfer of assets and liabilities, amalgamation, division of co-operatives:**

1) A co-operative may, by a resolution passed by a two-thirds majority of members present and voting in its general body meeting, change the extent of its liability as provided under law, rules or bye-laws.

2) A co-operative may, by a resolution passed by a two-thirds majority of members present and voting in its general body meeting, decide to transfer its assets and liabilities, either in whole or in part to any other co-operatives which agree to such transfer by the said resolution in its general body meeting in accordance with the provisions of law, rules or bye-laws.

3) A co-operative may, by a resolution passed by a two-thirds majority of members present and voting in its general body meeting, divide itself into two or more co-operatives.

4) Any two or more co-operatives may, by a resolution passed by majority of members present and voting in their respective general body meetings, decide to amalgamate themselves to form a new co-operative.

5) The resolutions referred under sub-section (1), (2), (3) of the Act shall contain all relevant particulars regarding the extent of liability, transfer of assets and liabilities, division, amalgamation of co-operatives, respectively, as the case may be.

6) Where a co-operative has passed a resolution under this section, it shall give notice thereof together with a copy of the resolution to all members, depositors, debtors and creditors with an advice either to express their consent in favour of the resolution or exercise the right of option to withdraw their shares, deposits, loans or services within a period of thirty days from the date of service of notice.

7) A resolution passed by co-operative under this section shall not take effect until:

- a) all the members, depositors, debtors and creditors have assented to or deemed to have been assented to the resolution referred under sub-section (6) or (7) of the Act;
- b) all claims of the members, depositors, debtors and creditors who have exercised the right of option referred under sub-section (6) or (7) of the Act have been fully met or otherwise satisfied.
- c) in the case of change of liability, the proposed amendment of bye-laws of concerned co-operative for the purpose have been either registered or deemed to have been registered;
- d) in the case of division or amalgamation, the certificate of registration of new co-operatives have been either issued or deemed to have been issued.

8) On receipt of an application for registration of new co-operatives either by making division or amalgamation of existing co-operatives in accordance with the resolutions passed under sub-sections (3) or (4) of the Act as the case may be, the Registrar may register the new co-operative(s) or societies and the bye-laws thereof. The Registrar may also have power to

refuse registration of new co-operative(s), for reasons to be recorded in writing for such refusal of registration of new co-preparative(s).

9) Where a resolution passed by a co-operative under sub-section (2) of the Act takes effect, such resolution shall be a sufficient conveyance to vest all the assets and liabilities in the transferee co-operative without any further assurance.

10) The registration of a co-operative shall stand cancelled and the same co-operative shall be deemed to have been dissolved and shall cease to exist as a corporate body :

- a) when the whole of assets and liabilities of such co-operatives are transferred to another co-operative or
- b) when such co-operatives divides itself into two or more co-operatives or
- c) where two or more co-operatives are amalgamated into a new co-operative, the registration of the co-operatives so amalgamated shall stand cancelled or deemed to have been dissolved and also cease to exist as corporate bodies.

### **5.22 Promotion of subsidiary cooperative organisation:**

1) Any co-operative, by a resolution passed by two-thirds of members present and voting in a general body meeting, may promote one or more

subsidiary organizations for the furtherance of its objectives and such organizations may be registered under any law for the time being in force, as agreed to by the general body.

2) The annual and accounts of such subsidiary co-operative organizations so established shall be placed before the general body meeting of the promoting co-operative each year.

3) Any subsidiary co-operative organization so created under subsection (1) of the Act shall exist only so long as the general body meeting of the promoting co-operative deems it necessary.

### **5.23 Partnership of Co-operatives:**

1) Any two or more co-operatives, by resolution passed by two-thirds of members present and voting in a general body meeting, a co-operative may enter into contract of partnerships for carrying out any specific business permissible under the bye-laws on such terms and conditions as may be mutually agreed upon.

2) Where such contract of partnership requires creation of new co-operative organizations, the participating co-operatives shall be its members.

### **5.24 FEDERAL CO-OPERATIVE**

#### **5.24.1 Registration of Federal Co-operative:**

1) Federal co-operatives for respective type, category or sector or co-operative unions consisting of primary or secondary co-operatives may be established and registered in accordance with the provisions of the Act in general and section 8, 9, 10 and 11 of the Act in particular.

2) Every federal, central or secondary co-operative shall be represented in its general body meeting by its member co-operatives.

3) All the provisions of the Act applicable to any co-operative shall be equally applicable to federal co-operatives.

#### **5.24.2 Functions of Federal or Central or Secondary Co-operatives:**

1) The federal or central or secondary co-operatives or co-operative union for the state may, subject to the provisions of the Act and any other law in force discharge, inter-alia, such of the functions to facilitate the voluntary formation and democratic functioning of co-operatives based on self-help and mutual aid.

2) The federal or central or secondary co-operatives or co-operative union for the state in addition to the overall functions specified under subsection (1) of the Act may also undertake or perform any or all of the following functions:

- a) secure and safeguard the observance of or ensure compliance of the principles of cooperation by member co-operatives;

- b) assist or extend support for making or preparing or modifying or deleting appropriate bye-laws and policies for the consideration of its member co-operatives;
- c) make appropriate planning and designing for providing specialized training and education programmes to employees and members respectively and provide required data based information;
- d) undertake evaluation and research works on an ongoing basis for the purpose of extending help and support in the preparation of annual or periodical perspective plan for its member co-operatives;
- e) undertake business services on behalf of its member co-operatives;
- f) evolve a common and suitable code of conduct for general observance by member co-operatives;
- g) evolve model viability norms for member co-operatives based on their business prospects and development indicators;
- h) provide legal aid, assistance and advice to member co-operatives;
- i) assist member co-operatives in organizing self-help groups and providing services for people living in their respective areas;



- j) develop market information system, logo brand promotion, quality control measures and technology up gradation details for the benefit of member co-operatives;
- k) ensure timely conduct of election in member co-operatives and assist them in the regular conduct of general body and other meetings;
- l) prepare a panel qualified auditors and ensure timely conduct of various kinds of annual and other audits in member co-operatives;
- m) promote harmonious relations amongst member co-operatives;

### **5.24.3 Establishment of co-operative union:**

There shall be established co-operative union for the whole of the state and registered in accordance with the provisions of the Act. The co-operative union so established in addition to the functions specified under Section 24 of the Act inter-alia, may also undertake any or all of the following functions :

- a) create and receive 'co-operative education fund' from member co-operatives at the rate prescribed under the Act or rules and utilize and maintain the same in accordance with the provisions of this Act.

- b) utilise the funds so received, inter-alia, for conducting awareness and education programmes for members and also providing all support services to member co-operatives;
- c) liaise with government and other promotional bodies on behalf of and amongst co-operatives;
- d) represent at state and district level bodies for the purpose of protecting the interest and welfare of all type of co-operatives;
- e) undertake research and consultancy projects towards the application of co-operative philosophy, principles and ideology;
- f) serve as a data bank on co-operative form of activities for the entire state;
- g) play a pivotal role on an ongoing basis in framing the co-operative policy by state government;

## **5.25 MEMBERS AND THEIR DUTIES, RIGHTS, LIABILITIES AND RESPONSIBILITIES**

### **5.25.1 Who may become member of co-operative:**

1) Membership in co-operative shall be made open to all eligible persons without any discrimination on grounds of sex, race, caste, creed, political or religious affinity.

2) The eligible persons as per the provisions of this Act who are desirous of utilizing the services of co-operative at the same time ready and willing to undertake the responsibilities of members alone shall be admitted as members of any co-operative.

3) Any individual natural person who, is the citizen of India above the age of eighteen years in the case of adult or between the age group of fifteen to eighteen years in the case of student and voluntarily applies for joining the co-operative may be admitted as a member only in primary cooperatives.

4) Any person other than natural person such as co-operative, government, national or state level co-operative development organizations, Government Company or any class or association of persons, may also be admitted as members of a co-operative, primary as well as secondary, central or federal cooperative.

5) Every application received by a co-operative for admission as its member shall be disposed of by such co-operative within a period of sixty days from the date of receipt of such application and the decision of such co-operative on such application shall be communicated to the applicant within fifteen days from the date of such decision taken.

6) The admission of members in a co-operative shall be made only by a board of management or by the general body meeting where such a board does not exist.

7) The administrator or committee of administrators as the case may be appointed by the Registrar during the intervening period of supersession of a co-operative shall not have the right to admit new members.

#### **5.25.2 Admission of nominal, associate or sympathizer members :**

1) A co-operative may admit persons as nominal or associate or sympathizer members if due provisions is made in the bye-laws of respective co-operatives.

2) The nominal or associate or sympathizer members shall not be entitled to subscribe to the shares of such co-operative or have any interest in the management thereof including the right to vote or to be elected as a director of the board.

#### **5.25.3 Disqualification for members of co-operative:**

1) No person shall be eligible for being a member of a co-operative whose/who :

- a) business or business interest is directly in conflict with or competitive with the business or business interest of such co-operative;
- b) used the services of co-operative below the minimum level prescribed under the bye-laws for two consecutive years;

- c) has not attended three consecutive general body meetings of the co-operative and such absence has not been condoned by its members;
- d) has made default in the payment of any amount payable to the co-operative under the bye-laws of such co-operative;
- e) any officer or employee of the government or government undertaking shall be disqualified from being elected or appointed to any position in a co-operative except in salary earners co-operatives.

#### **5.25.4 Deemed admission of member:**

1) In the event of the application for membership is not disposed of within sixty days or the decision taken is not communicated within a period of fifteen days as stipulated under sub-section(5) of section 26 of the Act, the co-operative shall be deemed to have taken a decision favouring the admission of the applicant as a member, accordingly, the person who applied for membership shall be deemed to have admitted as a member of the co-operative at the expiry of sixty days of the receipt of application for membership or fifteen days from the date of such decision taken.

2) Where a person has been denied or refused membership by the board of directors, an appeal shall lie to the general body meeting against the

decision of such board. Any applicant aggrieved by such decision of general body meeting may apply to the Registrar or Co-operative Tribunal, as the case may be, for review of the decision.

#### **5.25.5 Co-operative member not to exercise his rights till due payments are made:**

No member of a co-operative shall exercise the rights of a member, unless he has made all payment due to the co-operative in respect of his membership, or has acquired such interests in such co-operative as may be specified in the bye-laws.

#### **5.25.6 Right to members:**

The member of co-operative, inter-alia, shall have the following rights :

1) To work for the benefit of co-operative and be paid in accordance with the bye-laws of co-operatives;

2) To enjoy divided and profit corresponding to the extent of contribution made in the form such as capital, labour and production by the members and to the level or extent of using the service of the co-operative;

3) To be provided with necessary technical and economic information, copy of the Act, rules, bye-laws and annual statement of accounts of the co-operatives;

4) To enjoy common welfare benefits of the co-operative;

5) To participate in or elect representatives to general body meeting, other meetings of members for the purpose of taking part in the decision making process of cooperative and also vote on the affairs of the co-operative;

6) To contest election to the management committee, other committees such as executive committee, loan committee, deposit committee, etc. and other posts of co-operative to be filled by the process of election, selection or nomination;

7) To seek opinions from the board of management and chief executive on all aspects and functioning of co-operative;

8) To make demand or call to convene special or extra-ordinary general meeting of members for specified purposes in accordance with the provisions of the Act, rules and bye-laws;

9) To cast vote in elections conducted by co-operative;

10) To transfer share capital contribution, rights, interests and duties to other members or co-operative or other persons in accordance with the provisions of bye-laws;

11) To withdraw from the membership of co-operative in accordance with the provisions of the Act, rules and bye-laws;

12) To get the share capital contribution and other interest be returned upon the withdrawal and termination of membership from the co-operative on the ground specified under Section 33 and 35 of the Act respectively;

13) To utilize lawfully the services made available to members by the cooperative as and when required under the Act, rules and bye-laws;

14) To know the reasons for the refusal, if any, to render services by the co-operative;

15) To make representation to the Registrar or the respective federation against the refusal, if any, made to render services by the co-operative;

16) To participate in the benefit from the activities of co-operative;

17) To question its management committee and chief executive as to their failures to implement adopted resolutions and to have access to all information concerning his own interests;

18) To seek the overturning of resolution or actions by the co-operative(s) bodies which contravene the law or its statutes or are found inappropriate;

19) A member of a co-operative who has contributed land to cooperative shall further enjoy the following rights:

- i) to retain his ownership over the land as real estate or an equivalent share;
- ii) to preserve the established crops on the contributed land;
- iii) to sell the contributed land to other members of the co-operative;
- iv) to receive rent for any land thus contributed;



- v) to receive part of the rent or remuneration in the form of farm produce.

#### **5.25.7 Duties of members:**

The members shall owe the following duties to the co-operative;

1) To abide by the provisions of the Act, rules, bye-laws and other lawful decisions taken by the general body, management committee, other committees and Registrar;

2) To make share capital contribution, other fees and payment to the co-operative in accordance with the provisions of the Act, rules and bye-laws;

3) To extend full cooperation and support to other members and co-operative, thereby, contributing to the overall development of co-operative;

4) To perform or extend the minimum economic commitment and business support to the co-operative as prescribed under the Act, rules and bye-laws;

5) To undertake jointly and severally the responsibility to bear liability on debts, risks, losses, damage caused to co-operative within the limit of members share capital contribution in the case of limited co-operative and beyond the limit in the case of unlimited cooperative;

6) To compensate for damages caused to the co-operative, if any, in accordance with the provisions of the Act, rules and bye-laws.

**5.25.8 Withdrawal of membership:**

1) A member of a co-operative at any time during the continuance of his membership, may withdraw his membership from the co-operative by giving sixty days notice to the board of directors.

2) The co-operative, based on an application referred under sub-section (1) of the Act may allow a member to withdraw his membership only after fulfilling all the obligations of such member towards such co-operative.

3) The withdrawing member shall be entitled to the refund of his share capital contribution and all other interest in the co-operative subject to the condition that the assets of such co-operative, after making such repayment shall not go below the debts and liabilities of such co-operative.

**5.25.9 Expulsion of member:**

1) A co-operative, by a resolution passed by a majority of not less than two-thirds members present and voting at the general body meeting held for the purpose, may expel a member for acts which are detrimental to the proper working of the co-operative. After providing a reasonable opportunity for making representation on the subject matter.

2) Where the member of a co-operative has been expelled by the board of directors, an appeal shall lie to the general body whose decision shall be final.

3) An expelled member of a co-operative may be made eligible for re-admission as a member of that co-operative only, after the expiry of three years from the date of such expulsion, provided the concerned member assures or gives an undertaking that he shall not work against the interest or benefit of the co-operative in future.

#### **5.25.10 Termination of membership:**

1) The death, insanity, judicial sentence for any offence involving moral turpitude or any other offence with imprisonment for one year and upward shall lead to automatic termination of membership.

2) A member of a co-operative may, in addition, by vote of the majority of all members of the board of directors, be terminated for the following reasons or causes :

- a) where, the member of a co-operative failed to patronize, utilize or enjoy the services of the co-operative as per the minimum limit or standard prescribed under the bye-laws for an unreasonably longer period as may be fixed by the board of directors, which in any case shall not be less than two years;

- b) where the member of a co-operative has continuously failed to discharge, carryout or comply with his duties, responsibilities and obligations, as the case may be;
- c) where a member acted in violation of the provisions of law, rules and bye-laws of the co-operative;
- d) for any act done or omitted to do or not to do an act which is injurious or prejudicial to the interest or welfare of the co-operative;
- e) where the member of a co-operative has transferred all his share capital contribution, other rights, interests and duties towards to other persons in accordance with the provisions of the Act, rules and bye-laws;
- f) a member of a co-operative whose membership is likely to be terminated by the board of director for the reasons or causes specified under sub-section (a) to (e) shall be informed of such proposed action in writing wither in person or by registered post and such member shall be given a reasonable opportunity of being heard before such decision is finally taken;
- g) the decision of the board of directors to terminate the member of a co-operative shall be subject to an appeal before the general body within thirty days after the decision is

communicated and its decision shall become final and binding, if no appeal is preferred.

#### **5.25.11 Cessation of membership:**

A person shall be ceased to be a member of a co-operative in the following circumstances:

- 1) On acceptance of resignation from membership by the co-operative;
- 2) On transfer of whole of share capital contribution or interest in co-operative to another member, person or cooperative;
- 3) On death, removal, expulsion or termination of membership from co-operative;
- 4) In the case of institutional members i.e. firm, company, body corporate, trust etc., on its dissolution or having ceased to exist.

#### **5.25.12 Manner of casting vote and power of members:**

1) Every member of co-operative shall have one vote regardless of the number of shares held by him in primary co-operative and this right to vote shall be exercised personally and not by proxy and whereas in the case of equality of votes, the Chairman or President, as the case may be shall have a casting vote.

2) Where the share of a co-operative is held jointly by more than one person, the person whose name stands first in the share certificate, if present, shall have the right to vote and in the absence of first named person, the second named person may cast his vote.

3) In the case of institutional members, such co-operative, company, body corporate, trust, government which have invested funds in the shares of co-operatives, the authorized representative or member or director for such institution shall have the right to vote on behalf of the institution they represent.

4) The nominees of government, Registrar, financing bank or federal co-operative shall not have any right to vote at any election of office bearers of management committee or any other committees.

5) The voting right of members of federal co-operative may be regulated by the provisions of the Act, rules or bye-laws.

6) A member who has availed loan from co-operative and remained as a defaulter on due dates in making payment for two or more installments consecutively towards the repayment of loan facility availed shall not enjoy the right to vote in the affairs of any cooperative.

#### **5.25.13 Restriction on holding of shares:**

The member of a co-operative, other than government or government undertaking or financing institution shall not hold share capital of such

cooperative more than the limit prescribed under the bye-laws and in no case such holding shall exceed one fifth of the total share capital contribution of the co-operative.

**5.25.14 Restriction on transfer of shares or interest:**

1) The transfer of share capital or interest of a member in the co-operative shall be subject to the conditions and limits prescribed under section 38 of the Act.

2) No member shall be permitted to transfer the share capital held by him or his interest in the capital or property of the cooperative, unless :

- a) the member held the share or interest in the co-operative for a period not less than three years;
- b) the transfer is made to a member of co-operative or to a person whose application for membership has been accepted by cooperatives;
- c) in the event of members or prospective members not coming forward to acquire such share or interest in the co-operative, the same may be transferred to non-members who are interested in the acquirement of such share and interest and who are prepared to abide by rules and regulations governing

the co-operative with the condition that they shall become members of the co-operative at once.

**5.25.15 Transfer of share or interest on death of a member:**

1) Any co-operative on the death of its member shall, transfer the share or interest of such deceased member to the person(s) nominated to receive such share or interest, as per the provisions of the Act, rules or bye-laws and such member if, failed to nominate any person, the co-operative in such cases, may transfer such share or interest in co-operative to the legal heir or representative of such deceased member.

2) If the nominee(s) mentioned therein or legal heirs or representatives of the deceased, so desire, may require the co-operative to pay to him or them, the value of share or interests of the deceased member and on receipt of such request, the co-operative shall make the payment of share or equivalent to interest to such nominee(s), legal heirs or representatives, after duly deducting the dues, if any, due to co-operative from the deceased member.

**5.25.16 Liability of past member and estate of deceased members:**

1) The liability of past member or of the estate of the deceased member of the co-operative for the debts of the cooperative shall be determined:



- a) in the case of past members on the date on which he ceased to be a member;
- b) in the case of deceased member on the date of his death;
- c) the liability mentioned under clause (a) and (b) of sub-section (1) shall continue for a period of two years from such date(s).

2) Where the cooperative is under winding proceedings, the liability of past and deceased member shall continue until the entire liquidation proceedings are completed, of course, within the period prescribed under this Act and the liability in such cases, however, shall extend only to the debts of co-operative as existed on the date of cessation of membership or death, as the case may be.

**5.25.17 Share or interest of members not liable for attachment:**

The share or interest of a member in the capital of co-operative shall not be liable for attachment or sale under any decree or order of a court in respect of any debt or liability incurred by the member and accordingly, no person shall have any claim on such share or interest.

## **5.26 RIGHTS AND DUTIES OF CO-OPERATIVES**

### **5.26.1 Rights of Co-operative:**

The co-operative registered under this Act shall, inter-alia, have possess and enjoy the following rights, i.e. the right:

1) To choose the type or kind of business or service or activity to be undertaken;

2) To determine the form, structure and extent and economies of scale of business and services of co-operative;

3) To hire employees only in case members of co-operative are unable to satisfy or meet the requirements of business or service or activities of the co-operative;

4) To decide on admission of new members, prescription of qualification disqualification, basis or grounds for withdrawal, expulsion and termination of membership and procedure therefore in accordance with the provisions of this Act.

5) To decide or determine the manner and method of distribution of surplus or losses incurred by co-operative;

6) To decide on grant of appreciation and reward for individuals who made substantial contribution and achievement in building, promoting and developing the co-operative;

7) To take appropriate action against members who violate provisions of the Act, rules and bye-laws;

8) To direct erring members, officers and employees to compensate for damages they may or might have caused to the co-operative;

9) To borrow money from banks, raise funds from other sources and lend money to members of co-operative in accordance with the provisions of this Act, rules and bye-laws;

10) To legally refuse or deny demands of individuals, institutions and organizations which are contrary to the provisions of this Act and rules.

#### **5.26.2 Duties of co-operative:**

The Co-operative shall, inter-alia, owe, follow, observe or discharge the following duties:

1) To undertake or carry on business or service or activities in conformity with law and legally recognized or accepted standards or norms;

2) To follow and observe the legally reorganized accounting systems, procedure and standards prescribed under the Act or any other laws for the time being in force;

3) To pay the prescribed tax, fee and duty and fulfill all financial obligations as per provisions of law in force from time to time;

4) To mobilize, maintain and raise working capital for the co-operative as per the provisions of this act, rules and bye-laws;

5) To undertake the responsibility for the repayment of debt and discharge of obligations of cooperative to be met by the capital and assets owned by such co-operative;

6) To ensure enjoyment of right of members and provide economic; social and business commitment to members;

7) To protect the interest of members who work for the benefit of cooperative and other employees engaged by such co-operative;

8) To ensure regular and periodical conduct of educational and training programmes for members, officers, employees and officials and ensure that all such members, officers, employees and officials of co-operative actively participate in building the co-operative;

9) To create favourable conditions for the production, business and service oriented co-operative to operate within co-operative framework by following the principles of cooperation;

10) To protect, promote and preserve the environment, landscape and human ecology in accordance with the provisions of law.

## **5.27 MANAGEMENT OF COOPERATIVE**

### **5.27.1 Constitution, power and functions of general body:**

1) The general body of a co-operative shall consist of all the members of co-operative.

2) Where the area of operation of the co-operative is far and wide that it shall be neither possible nor feasible for all members to meet in one place without much inconvenience, the bye-laws may provide for the constitution of smaller representative general body consisting of delegates of members of cooperative either elected or selected in accordance with the provisions of Act, rules and bye-laws and in such cases, the smaller representative general body shall exercise all or such powers of the general body as prescribed or specified in the bye-laws of the cooperative.

3) The ultimate authority of co-operative shall subject to the provisions of the Act, rules and bye-laws, vest in the general body consisting of its own members and any reference under this Act to general body shall equally apply to the representative general body wherever exists.

4) The representative general body, however, shall not have the right to amend bye-laws of co-operative except those in relation to which the bye-laws have delegated the power of amendment to the representative general body.

#### **5.27.2 Annual General Meeting of General Body:**

1) It shall be the duty and responsibility of existing board of management committee of every co-operative to call the annual general

meeting within ninety days after the closure of the financial year, for the purposes specified under sub-section (2) of this section of the Act.

2) The annual general body meeting shall deal with all or any of the following subject matters:

- a) election of directors of the board of management committee.  
Election of Board of Directors of State Level Societies shall be conducted biennially and the term of office shall be two years;
- b) removal of directors of the board of management committee and filling up of vacancies;
- c) consideration of the :-
  - i) balance sheet and annual reports presented by the board of management committee;
  - ii) audit reports and auditor's statement of accounts;
  - iii) audit compliance report;
- d) grant of approval for the maintenance of qualified auditors, make appointment and removal of such auditors including statutory and internal auditors;
- e) consideration of the action taken report on inquiry under section 91 of the Act, if any ;
- f) disposal of net surplus;
- g) review of :

- i) operational deficit, if any;
- ii) actual utilization of reserve and other funds,
- iii) annual report and accounts of subsidiary organizations;
- h) approval of the long term perspective plan, the annual operational plan and the annual budget;
- i) creation of specific reserves and other funds;
- j) report on membership of the co-operative in other co-operative;
- k) decide on partnership with other co-operatives;
- l) to hear and decide appeal of a person whose application for membership has been rejected or whose membership has been terminated by the board of management committee;
- m) list of employees recruited who are relatives of board of directors or the chief executive;
- n) amendment of bye-laws;
- o) formulation of code of conduct for the board directors, officers, employees and members;
- p) admission, termination and expulsion of members;
- q) dissolution, liquidation or winding up of the co-operative;
- r) any other functions specified in the bye-laws.

3) Where the board of management committee of a co-operative failed to convene the annual general body meeting within the period specified under

sub-section (1) of the Act without cogent and convincing reasons, the Registrar shall convene such annual general body meeting within a period of sixty days from the date of expiry of period mentioned under sub-section (1) of the Act and the expenditure incurred for calling such meeting shall initially be borne by the co-operative, which amount shall be recovered from the members of the board of management committee responsible for not calling such meeting as per law.

4) At every annual general body meeting of a co-operative, the board of management committee, in addition to all other matters shall lay before such meeting a statement containing details of loans or goods or services on credit, if any, given to any members of the board of management committee or to their spouse, sons, daughters or relatives of the members of the board of management committee.

5) Proceedings of all meetings of the Annual General Assembly, Special assembly, Managing Committee of the Primary and Secondary Cooperatives shall be submitted to the concerned District Cooperative Officers for approval, and in case of Federal Cooperatives to the Registrar for approval. Until and unless such approval is obtained from such competent authority proceedings of such meeting shall not be valid and all decisions taken in such meetings shall not have legal force or, validity or binding.



**5.27.3 Calling of special General Body Meeting:**

1) The Chief Executive of the co-operative shall, on the direction of board of management committee, call a special general body meeting within thirty days after the receipt of requisition in writing from Registrar or required proportion of total number of members of cooperative, board of directors, creditors as may be provided under the Act, rules or bye-laws.

2) If the said special general body meeting of a co-operative is not convened as per sub-section (1) of the Act, the Registrar or persons authorized by him shall have the power to call such meeting which shall be deemed as a meeting called by the Chief Executive of the co-operative as per law and the expenditure incurred for calling such meeting shall be borne by the co-operative or recovered from such person(s) who was or were responsible for the refusal or failure to call such special general body meeting.

**5.27.4 Board of Directors or Management Committee:**

1) There shall be a board of directors or management committee for every co-operative (herein after referred as board of management committee) constituted by the general body consisting of such number of persons specified in the bye-laws which number in any case shall not exceed fifteen.

2) The Board, may however, co-opt two more additional directors who are exceptionally qualified in the areas such as finance, audit, law, economic and found useful for the essential and effective management of co-operatives.

3) The Chief Executive of the co-operative shall be an ex-officio member convener of the meeting of management committee.

**5.27.5 Reservation of seats for Scheduled Caste/Scheduled Tribe, Weaker Section and Women in the Board of Management Committee:**

1) Notwithstanding anything contained under this Act, rules or bye-laws of the concerned co-operative, the seats in the committee of management shall be reserved as per the specified number for the following category of persons:

- a) at least one seat for members belonging to scheduled caste or scheduled tribe;
- b) at least one seat for members belonging to weaker section of the co-operative as defined by state government;
- c) at least one seat for women members;

2) The representation of scheduled caste or scheduled tribe, weaker sections or women in the meeting of management committee may be more

than the number of seats specified under sub-section (1) but in no case it shall be less than such number specified therein.

3) If persons belonging to reserved categories failed to get elected in the normal course of election, the management committee shall co-opt at least such number of members not defeated in the election, belonging to such reserved categories specified under sub-section(1).

#### **5.27.6 Reservation of seat for employees in the management committee:**

Every co-operative shall reserve at least one seat in the management committee for employees' representative whose primary responsibility shall be to protect the interest of all employees while decisions pertaining to employees are taken at such meetings. The employee representative may be associated either through election or by nomination by the management committee and in the event of nomination, it shall be ensured that the person so nominated is acceptable to or having the support of majority of employees.

### **5.27.7 Qualification for becoming a member of the Management**

#### **Committee:**

The members of cooperative desirous to become members of management committee shall fulfill or meet all the requirements specified under this section:

1) A citizen of India and resident of Mizoram state for a minimum period of three years;

2) A member of a concerned co-operative for a minimum period of three years with good moral character and possess the vision and ability to administer the affairs of the co-operative;

3) Preferably a bachelor degree holder in co-operatives, economics, finance, agriculture, or other disciplines having direct relation to the type of activities undertaken or to be undertake by the co-operative and if the required number of members of management committee with bachelors degree are not available, the qualification may be relaxed to the level of senior or higher secondary education or X standard or VIII standard respectively but in any case not below V standard;

4) In the absence of qualified persons available as mentioned under sub-section(c) of the Act, a person worked or currently working for the benefit of co-operatives and its development for a period of at least 10 years may also be admitted as a member of management committee;

5) In case of Federal Cooperatives, only existing member of management committee of an affiliated cooperative society can be elected to the Board of Directors or as may be provided in the Bye-Law.

#### **5.27.8 Disqualification for being a member of Management Committee:**

1) The following persons shall be disqualified for being a member of the Management Committee:

A person who –

- a) has been convicted for an offence involving moral turpitude or for an offence involving simple or rigorous imprisonment for more than one year or fine beyond rupees five hundred or both;
- b) has been adjudged as an insolvent or a person of unsound mind by a competent court;
- c) participates or has participated in the profit or any contract with the co-operative;
- d) holds any office or place of profit under the co-operative;
- e) has been a member of concerned co-operative for less than three years immediately preceding the date of such election or appointment;

- f) has taken loan or goods on credit from the co-operative, and defaulted in making repayment of loan or failed to repay the cost of goods taken on credit, as the case may be, within a period of sixty days from the due date for repayment;
- g) is a person against whom any amount due under a decree, decision or order of court is pending recovery under the Act.
- h) has been convicted for an offence committed under the Act.
- i) is disqualified for being a member of a co-operative under section 28 of the Act.
- j) has been expelled from being a member of co-operative under section 34 of the Act.
- k) has been terminated from membership of co-operative under section 35 of the Act.

l) absented himself from attending three consecutive management committee meetings or general body meetings as the case may be and such absence has not been condoned by the members of the management committee or general body respectively.

2) In addition to the above, all the directors of board or management committee shall collectively, jointly and severally incur disqualification for a

period of three years from being chosen as directors, if the current or existing board of management committee fails to :

- a) conduct election to the management committee under Section 55 of the Act;
- b) call the annual general body meeting under Section 46 of the Act within ninety days after the closure of the corresponding financial year;
- c) prepare annual financial statement of account and present the same in the annual general body meeting within the specified period under the Act or any other related law;

3) In addition to the requirements mentioned under sub-section (1) and (2) of the Act, a person who failed to have been a member of a co-operative for at least three years or failed to attend three general body meetings of the co-operative immediately preceding the election shall also ipso facto incur disqualification.

#### **5.27.9 Term of office of the board of Management Committee:**

1) The term of office of the board of management committee shall be two years from the date of assumption of office by the management committee.

2) The term of office referred under sub-section (1) may be terminated before the expiry of the full term by the general body at its meeting specifically called for the purpose with two-third majority of members present and voting for reasons to be recorded in writing after duly providing an opportunity of hearing to the affected board of management committee.

3) In the event of a decision to retire the entire management committee before the completion of its full term, if taken by the general body as specified under sub-section (2) of the Act, it shall be the duty of the general body to prepare a scheme of election to be conducted at the earliest possible by following the required procedure and during the intervening period, the Chief Executive shall be vested with the required additional power by the general body, if any, required to look after the affairs of the management of the cooperative till the newly elected board of management committee or administrator appointed, assumed office.

Provided no member shall hold Office for more than four years in succession, or having already held Office for four years, whether in succession or not, be re-elected within a shorter interval than two years from the date on which he ceased to be a member of such Council or Body.

Provided further that if election cannot be held for any reason, the gap period so occasioned shall not be counted to form part of the interval period of two year



**5.27.10 Powers and functions of the board of directors:**

1) The board of management committee shall, in accordance with the byelaws, have the authority to :

- a) admit new members in accordance with section 26 and 27 of the Act;
- b) elect the chairperson and other office bearers of various committee meetings;
- c) remove the chairperson and other office bearers of various committee meetings from office for reasons to be recorded in writing after following the due procedure required under law, rules or bye-laws;
- d) appoint and remove the chief executive of co-operative for reasons to be recorded in writing after following the due procedure required under law, rules or bye-laws;
- e) fix staff strength in proportion to the volume of business of cooperative as determined or prescribed by concerned statutory regulatory authority, if any;
- f) frame policies concerning :
  - i) the organization and provision of services to members;

- ii) prescription of qualifications, experience, method of recruitment, service conditions and other staff related matters;
- iii) the mode of custody, mobilization, utilization and investment of funds;
- iv) method and manner of keeping books of accounts;
- v) monitoring and creation, prescription and maintenance of management information system including statutory returns to be filed;
- g) place the annual report, annual financial statement of accounts, plan and budget for the approval of general body;
- h) consider audit and compliance reports and place the same before the general body;
- i) undertake such other subjects and matters necessary for the effective performance of the co-operative including functions as delegated by the general body;
- k) terminate membership under section 35(2) of the Act and confirm termination of membership under section 35(1) of the Act;

2) The Chairperson and other office bearers as may be prescribed in the bye-laws shall be elected by the board members from among the elected

members within seven days from the date of declaration of election results in accordance with the byelaws and the chairperson shall:

- a) preside over meetings of the board and the general body;
- b) have a second vote in the event of equality of votes on any matter being decided upon by the board except in the matters relating to the conduct of election;
- c) exercise such other powers as delegated by the board specified in the policies framed or resolutions adopted by the board.

#### **5.27.11 Election of members to the Management Committee:**

1) The duty and responsibility to conduct timely elections to the management committee primarily lies with the existing management committee.

2) Elections to the management committee shall be:

- a) conducted before the expiry of the term of outgoing board of management committee as per the provisions of the Act, rules or bye-laws;
- b) held in its general body meeting by secret ballot in the manner provided under law;

3) The persons elected as directors of the management committee may be made eligible for re-election if so provided under the byelaws.

4) Whereas the existing management committee if, for one reason or the other, failed to conduct the election to constitute the new management committee as per law, the tenure of such management committee shall automatically come to an end on the expiry of its full term and in such cases, the Registrar shall hold the election within a period of sixty days from the due date of election and during the intervening period, the Chief executive may be authorized to discharge the functions of management committee to the extent necessary to continue the normal business of cooperative.

5) Except the circumstances specified under sub-section 4 of the Act, the elected members may continue to hold office till their successors are elected or nominated and assume charge of the office.

6) Where there arise vacancies on the board of directors and where there exists a quorum, the remaining directors may either exercise all powers of the management committee or may fill such vacancies from eligible persons through co-option for the remaining period if the remaining tenure of the management committee exceeds six months.

7) Where there arise vacancies on the board without having a required quorum of directors, the remaining directors, may call a general meeting for the purpose of electing members to fill such vacancies for the remaining period

8) The expenses for holding election either by the existing board or Registrar shall be borne by the cooperative.

**5.27.12 Removal of elected members by general body:**

1) Any elected member of management committee, who had acted adversely or against the interest of a co-operative shall be removed by the management committee by a resolution passed at the general body meeting with prescribed majority of members present and voting.

2) Such member, however, shall not be removed without providing a reasonable opportunity for making representation to the appropriate authority in the matter.

3) The appropriate authority for the purpose of making representation under this section shall be the general body of cooperative.

**5.5.13 Periodicity to conduct Management Committee Meeting:**

**1) Board Meeting:** The management committee shall conduct its official business only if it has a minimum quorum of more than fifty percent of the total members of the management committee as provided under law or bye-law. Any such meeting held without fulfilling the said quorum shall be considered invalid and the decisions taken in such meeting without the required quorum shall not have legal force or validity or binding.

**2) General Body Meeting:** The general body meeting shall conduct its official business only if it has a minimum quorum of one-fourth of the total members of the general body. Any general body meeting held without fulfilling the said quorum shall be considered invalid and the decisions taken in such meeting shall not have legal force or validity or binding.

**5.27.14 Minimum Quorum to hold meetings:**

1) **Board meeting:** The management committee shall conduct its official business only if it has a minimum quorum of more than fifty percent of the total members of the management committee as provided under law or bye-laws. Any such meeting held without fulfilling the said quorum shall be considered invalid and the decision taken in such meetings without the required quorum shall not have legal force or validity or binding.

2) **General Body Meeting:** The general body meeting shall conduct its official business only if it has a minimum quorum of one-fourth of the total members of the general body. Any general body meeting held without fulfilling the said quorum shall be considered invalid and the decisions taken in such meetings shall not have legal force or validity or binding.

**5.27.15 Punishment for the Board of Director for being disloyal to the co-operative:**

1) The member of board of directors or management committee, by virtue of holding the office of director of a co-operative, as and when acquires an opportunity of misusing properties and funds, which otherwise should have belonged to the co-operative, for himself or his relatives including full blood and half blood relations shall be liable for all damages caused to the cooperative and must account for double the cost or profit which otherwise should have occurred to the co-operative by refunding the same, provided that the said board of director shall be given a full and complete opportunity to defend his case before awarding such punishment

2) If the said board of directors are found willfully or knowingly vote for or assent to patently unlawful acts or found guilty of gross negligence or bad faith in directing the affairs of the co-operative or acquire any personal or pecuniary interest in conflict with their official duty, shall be made severally, collectively and jointly liable for all damages or profits resulting to the co-operative or its members or other persons.

**5.27.16 Duties and responsibilities of Board of Directors:**

1) The board of directors of management committee shall:

- a) observe and follow the provisions of this Act, rules, bye laws and abide by the decisions taken by general body, management committee and other committee;
- b) follow and adhere to the rules and regulations governing the business of the co-operative which, inter-alia, include credit regulations, production, procurement, marketing, supply and storage regulations, labour regulations, and housing regulations;
- c) perform their duties faithfully and loyally for the benefit of co-operative;
- d) be held responsible either individually or collectively to compensate the co-operative for the loss as suffered or damages incurred;
- e) If found negligent in performing their official duties, such directors shall be individually or jointly or collectively held or made liable to compensate the losses suffered or damages incurred.

2) The duties and responsibilities cast upon board of directors under section 129 of the Act shall equally, mutatis mutandi, be applicable to other board of directors, in addition to the same cast upon them under sub-section (1) of section 60 of the Act.



**5.27.17 Appointment, role, powers and functions of chief executive:**

1) There shall be a Chief Executive, by whatever designation may be called, for every co-operative to be appointed by the State Government or the management committee who shall be a full time employee of the co-operative.

2) The chief executive shall be a member of the board, executive and other committees or sub-committees as may be constituted by the co-operative from time to time.

3) The chief executive shall perform the following functions and such other functions specified in the bye-laws; he shall –

- a) have overall and general control over the day to day functions, activities and operations of the co-operative;
- b) be the authorized person to sue or be sued on behalf of the co-operative;
- c) be an authorized person on behalf of co-operative: (i) to have posers to endorse, sign, negotiate cheques and other negotiable instruments, (ii) to operate bank accounts of the co-operative either individually or along with such other person as the board may desire, (iii) be the person to enter into

agreements or contracts with other individuals, firms, concerns, companies, organisations and institutions;

- d) be responsible for staff recruitment, discipline, performance, growth and development;
- e) ensure proper maintenance of records and accounts of the co-operative;
- f) present draft annual report and financial statements of accounts for the approval of the board, within thirty days of the closure of financial year;
- g) convene or ensure the conduct of the general body, board, executive and other meetings in consultation with the chairperson as per bye-laws and record the proceedings thereof;
- h) assist the board of management committee in the formulation of policies and plans;
- i) be accountable to the general body;
- j) furnish the board necessary information for monitoring the performance of co-operative;
- k) perform any other function as specified in the bye-laws or as decided by a resolution of board and general body.

**5.27.18 Committees of Board of Management:**

The management committee is empowered to constitute executive and other committees as may be considered necessary, provided that the total number of committees at a particular time including executive committee but excluding statutory committee shall not exceed three.

**5.27.19 No confidence motion against elected officials of a co-operative:**

1) The requisition for calling a special board meeting for the purpose of moving no confidence motion against the president, vice president, chairman, vice chairman, secretary, treasurer or any other elected officials of a co-operative, by whatever description or name be called, shall be signed by not less than one third of the total members of the management committee and shall be delivered to the convener of such committee meeting by duly making a copy of the same to the registrar with a request to call such a special board meeting if the convener of such meeting failed to call the meeting within fifteen days of the receipt of such request.

2) If the proposed no confidence motion is passed by a simple majority of the total number of management committee members who are entitled to vote, it shall be deemed that such position(s) against which the motion was

passed, had fallen vacant from the date of passing such no confidence motion against such elected officials.

3) No such requisition, however, shall be made or entertained even if made, for calling a special board meeting within a period of six months from the date on which the said elected officials entered upon the office and there shall be a minimum gap of six months between the two special board meetings intended for the said purpose.

4) If the convener of the management committee failed to call a special board meeting within fifteen days from the date of receipt of the requisition under sub-section (1), the Registrar may call such a special board meeting within seven days after the expiry of fifteen days notice given to the convener of such special meeting.

5) The special meeting so referred shall be presided over by the Registrar or his authorized officer, who while presiding the meeting shall have the same power as that of president or chairman of the co-operative as the case may be.

#### **5.27.20 Supersession of a Management Committee:**

1) The Registrar for the reasons, basis or grounds specified under sub-section (2) of the Act shall have the power to supersede or remove the duly

elected management committee from office before the expiry of its full tenure and in its place appoint one or more officers to be called as administrator to manage the affairs of the co-operative for a period not exceeding six months as may be specified in the order which period may at the discretion of Registrar for the reasons to be recorded in writing, be extended for a further period not exceeding six months and that the aggregate period in any case shall not exceed one year.

2) The basis or reasons or grounds for superseding the duly elected management committee may include any one or more of the following, that the management committee:

- a) is persistently making default or is negligent in the performance of duties imposed upon it under the Act, rules or byelaws;
- b) has committed acts which are prejudicial to the interest of the co-operative or its members;
- c) has omitted or failed to comply with any direction or order issued to it by registrar or government in general or public interest;
- d) experienced a stalemate in the constitution or discharge of functions of the management committee;
- e) without sufficient cause or reason failed to conduct the election as per scheduled due date.

3) The Registrar shall prescribe the minimum qualification and experience essential for appointment of a person as an administrator referred under sub-section (1) and ensure that only qualified and experienced persons related to the particular type of co-operative alone are appointed as administrator(s).

4) For the purpose of sub-section (3) of the Act, the Registrar may prepare and maintain a panel of specialist who possess proved competency to discharge the functions in the respective field of co-operatives with the approval of government and as and when the occasion arises for the appointment of administrator, the Registrar shall appoint a person as an administrator from the said list.

a) The Registrar may fix the remuneration for the administrator as he deems fit payable out of the funds of the co-operative which is subject to

b) Recovery from the directors of the board superseded after providing adequate opportunity of hearing to the affected directors or connected persons.

5) The administrator so appointed shall have the power to exercise all or any of the functions of the management committee or of any officer of the co-operative which are essential for the continuance of smooth functioning of the co-operative or other functions considered necessary in the interest of co-

operative. The administrator during his tenure as an administrator, however, shall not exercise the power of admission of new members

6) The administrator so appointed shall, before the expiry of his tenure of office, arrange for the constitution of a new management committee in accordance with the rules or byelaws of the co-operative peacefully to the newly constituted management committee and cease to function thereafter.

## **5.28 PRIVILEGES OF STATE AID TO CO-OPERATIVES**

### **5.28.1 Creation of charge and set-off in respect of share or contribution or interest of members:**

1) A co-operative shall have a charge or first claim on the share or interest in the capital and on the deposit of its members and on any dividend, bonus or profit payable to such members in respect of any debts due from such members to the co-operative and may set-off any sum credited or payable to the members or towards payment of any such debt.

2) The members for the purpose of this chapter shall not only include present members but also the past and deceased members

### **5.28.2 Admissibility of copy of entry made in the books of accounts of the co-operative as evidence :**

A copy of any entry made in the books of accounts maintained by a co-operative shall, if certified by a competent or authorized person or authority, be

received and admitted as a prima-facie evidence of the existence of such entry in any or all legal proceedings, as that of original entry itself is admissible.

### **5.28.3 Exemption from compulsory registration of instruments:**

Nothing contained in clauses (b) and (c) of Section 17(1) of the Indian Registration Act 1908 shall apply to :

- a) any instrument relating to shares in a co-operative notwithstanding that the assets of the co-operative consist in whole or in part of immovable property;
- b) any debenture issued by any co-operative and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property, except in so far as it entitles the holder to the security afforded by a registered instrument whereby the co-operative has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefits of the holders of such debentures;
- c) to any endorsement upon or transfer of any debentures issued by any co-operative.



#### **5.28.4 Power of government to exempt co-operative from payment of taxes, fees, duty and power of refund:**

The state government may reduce or remit or exempt payment of taxes, fees, duty, whether prospectively or retrospectively for the whole or part of the state:

- a) The stamp duty with which instruments are executed by or on behalf of a co-operative or any class of instruments or awards made by Registrar or co-operative tribunal or civil court under the Act, are chargeable;
- b) Any fee payable by or on behalf of a co-operative under the law relating to the registration of documents and payment of court fees, for the time being in force;
- c) Any other tax or fee or duty payable by or on behalf of co-operative under any law for the time being in force, on which the state government is having the authority to levy;
- d) The state government may, refund the amount of any tax, fee or duty paid already, in pursuance of any law under this section, to such an extent and subject on such terms and conditions, the state government may by order determine.

**5.28.5 Prior claim of co-operative:**

1) Notwithstanding anything contained in any other law for the time being in force but subject to the prior claim of government in respect of land revenue or any money recoverable as land revenue and to the provisions of S 60 and 61 of the Code of Civil Procedure 1908:

- a) Any debt or outstanding demand owing to a co-operative by any member including past or deceased member, shall have a first charge;
  - i) upon the crops or other produce raised whether with or without any loan taken from the co-operative by members including past or deceased member;
  - ii) upon any cattle, fodder for cattle, implements, machinery, raw materials, workshop or godown, place of business supplied or purchased by such member from any loan availed from co-operative whether in money or kind;
  - iii) upon any movable property hypothecated, pledged or mortgaged by a member with the co-operative and remaining in the custody of members;
- b) any outstanding demands or dues payable to a co-operative by any member in respect of rent, shares, loans or purchase money or any other rights or amounts payable to such co-

operative shall be first charge upon his interest in the immovable property of the co-operative.

2) No property or interest in property which is subject to charge under the previous sub-section shall be transferred in any manner without the previous permission of the co-operative and such transfer shall be subject to such conditions, if any, as the co-operative may impose.

3) Any transfer made in contravention of sub-section (2) shall be invalid.

#### **5.28.6 Deductions from sale price of produce to meet dues to co-operative:**

When a loan has been advanced by any co-operative for any purpose, and if the produce is tendered by the member who has taken loan for sale by the co-operative, the sale price of such produce shall be paid to the member after deducting the amount due to the co-operative from such member.

#### **5.28.7 Deduction from salary to meet claim of co-operative in certain cases:**

1) Notwithstanding anything contained in any law for the time being in force, a member of a co-operative may execute an agreement in favour of that co-operative providing that his employer disbursing his salary or wages shall be competent to deduct every month from the salary or wages payable to him,

such amount as may be specified in the agreement and to pay the amount so deducted to the co-operative in satisfaction of any debt or other demand the member owes to the co-operative.

2) On the execution of such agreement, the employer disbursing the salary or wages of the members of co-operative shall, if so required by the co-operative by a requisition in writing and so long as the co-operative does not intimate that the whole of such debt or other demand has been paid, make the deduction in accordance with the agreement and pay the amount so deducted to the co-operative within a period of fourteen days of the date on which such deduction has been made, as if it were a part of the salary or wages payable on the day as required under the Payment of Wages Act, 1936, and such payment shall be a valid discharge of the employer for his liability to pay the amount deducted.

3) If, after the receipt of a requisition made under sub-section (2) of the Act, the employer disbursing the salary or wages of the member at any time fails to deduct the amount specified in the requisition form, the salary or wages payable to the member concerned or makes default in remitting the amount deducted already from the salary or wages, to the concerned co-operative, the co-operative shall be entitled to recover any such amount from such employer as arrears of land revenue and the amount so due from such employer shall

rank in priority in respect of the liability of such employer equal to that of the salary or wages in arrear

#### **5.28.8 Government aid to co-operative societies:**

Notwithstanding anything contained in any law for the time being in force, the central government or a state government, either suo moto or on receipt of request from a co-operative with a view to promoting the co-operative movement, may :

- a) subscribe to the share capital of a co-operative;
- b) give loans or make advances to a co-operative;
- c) guarantee the repayment of principal and payment of interest on debentures issued by a co-operative;
- d) guarantee the repayment of share capital of a co-operative and dividend thereon at such rates as may be specified by the central government or the state government;
- e) guarantee the repayment of principal and payment of interest on loans and advances to a co-operative;
- f) give financial assistance in any other form, including subsidies, to any co-operative;
- g) provide aid to any other co-operative on such terms and conditions as may be prescribed.

## **5.29 MANAGEMENT OF PROPERTY AND FUNDS**

### **5.29.1 Mobilisation of funds:**

A co-operative may mobilize equity, capital, deposits, debentures, loans and other contributions from its members to the extent and conditions as may specified in the Act, rules and bye-laws.

### **5.29.2 Restrictions on borrowings:**

1) A co-operative may mobilize debentures, deposits, raise loans and receive grants from external sources to the extent and conditions as may be specified in the Act, rules and bye-laws. However, the total deposits and loans raised from external sources, shall at no time exceed twenty times of the paid up share capital.

2) A co-operative may accept funds from the government or the financing institutions in furtherance of its objectives on the terms and conditions as are mutually agreed upon and such conditions may include the right of the government or other financial institutions or agencies to nominate one expert on the board of directors respectively regardless of the quantum and extent of funds received from such institutions and agencies.

### **5.29.3 Restrictions on holding of equity:**

A member of a co-operative shall at no time hold more than one tenth of the paid up equity capital of the co-operative.

#### **5.29.4 Disposal of surplus:**

1) In any financial accounting of co-operative year, a co-operative shall, out of the surplus arising from transactions held with members in the year, make deferred payment to members as patronage rebate, at an amount more than twenty percent but less than fifty percent of such surplus and make interest payment on share capital at a rate not exceeding the prevailing rate of interest available to depositors in the concerned co-operative bank.

2) The balance surplus accruing from members and the entire surplus accruing from transactions held or entered with others, shall be utilized in the following manner :

- a) not less than twenty five percent shall be transferred to a statutory reserve fund;
- b) not less than twenty percent shall be transferred to a separate reserve for meeting unforeseen losses;
- c) where the co-operative is a member of the stat co-operative union, not exceeding three percent may be transferred in the manner prescribed to a '**co-operative education fund**' maintained by the co-operative union;

- d) bonus shall be paid to employees in accordance with the decision of the general body;
- e) not less than twenty percent shall be transferred to an equity redemption fund by such co-operatives as already have government equity participation;
- f) not less than five percent may be transferred towards a common good fund whose purpose is approved by the general body;
- g) not more than five percent may be paid as contribution for any purpose connected with the development of the co-operative movement;
- h) the balance shall be transferred to such other funds and reserves as created by the general body;
- i) surplus accruing as a result of servicing persons other than members shall not be divisible amongst members and may be utilized in the case of other than credit co-operatives towards equity participation of potential members and towards 'credit equalization fund' in the case of credit co-operatives as specified under section 124.



3) No dividend, bonus, patronage dividend or rebate shall be paid without the previous sanction of the Registrar and on the Certificate of the Statutory Audit Report approved by the Registrar.

#### **5.29.5 Liability for deficit:**

Where a co-operative has an operational deficit in any given year, the board of directors shall place before the general body the amount of deficit along with reasons for incurring such deficit.

#### **5.29.6 Reserve and other funds:**

1) A co-operative may create statutory and non statutory reserve and other funds for the promotion of objects of the co-operative.

2) Reserves and other funds shall be used for the purpose for which they were created whenever found necessary but otherwise may be used in the business of the co-operative.

#### **5.29.7 Investment of funds outside the business:**

The funds as are not needed for use by a co-operative may be invested or deposited outside its business :

- a) in any federal co-operative of which it is a member;
- b) in any district, central or state co-operative Bank and in the absence of both the banks, in any urban co-operative bank;

- c) in a local co-operative or nationalized bank;
- d) in the equities of any other co-operatives;
- e) in any of the securities specified in section 20 of the Indian Trust Act, 1882;
- f) in the local postal savings bank.

**5.29.8 Restriction on contribution to political parties or religious institutions:**

No co-operative shall make any contribution either in money or kind, either directly or indirectly to any organization that has an object in furtherance of interests of political party or of any religious faith.

**5.29.9 Contribution to Co-operative Education fund of the State Federal Co-operative Union:**

1) Every co-operative shall contribute annually towards the Co-operative Education Fund maintained by the state or federal co-operative union by whatever description be called by virtue of power conferred upon the co-operative under section 76(2)(c) of the Act as per the rate prescribed by the Registrar and different rates may be prescribed for different type and classes of co-operatives depending upon their financial conditions, strengths, status or position.

2) The rate, so levied, in any case shall not be less than one percent and not more than three percent of the total net profit earned by the co-operative as provided under section 76(2)(c) of the Act.

3) In the event of any co-operative intending to pay more than three percent, may do so, but only with the prior approval of Registrar.

4) Every co-operative shall pay its contribution to the above said education fund within ninety days after the closure of the financial year.

5) Where any co-operative which fails to pay the contribution to education fund as specified in sub-section (4), the amount of such contribution due shall be recoverable as arrears of land revenue.

6) The federal co-operative or co-operative union as the case may be, in such cases, may submit a report containing the details and particulars of defaulting co-operatives to the Registrar and the Registrar in turn after making an enquiry in this regard shall grant a certificate for recovery of the said amount due as arrears of land revenue.

#### **5.29.10 Restrictions on grant of loan:**

1) A co-operative, other than a co-operative bank, shall not grant loans to members on the security of their share or on the security of a non-member.

2) A co-operative may, however, grant loans to depositors on the security of their deposits.

**5.29.11 Restrictions on transactions with non-members:**

The transactions of a co-operative held or to be held with non-members shall be subject to such conditions, prohibitions and restrictions, if any, as may be specified in its byelaws.

**5.29.12 Contributory Provident Fund:**

1) A co-operative having members or class of employees more than the limit prescribed under the employees Provident Fund and Miscellaneous Provisions Act 1952, for the purpose shall maintain the Employees Contributory Provident Fund for the benefit of its employees and all contributions made by employees and co-operative shall be credited to a separate account.

2) The quantum of money standing in the credit of any Contributory Provident Fund established by a co-operative under sub-section (1) of the Act shall not –

- a) be used in the business of co-operative;
- b) form part of assets of co-operative;
- c) be liable to attachment or be subject to any other process of any court or other authority.

### **5.30 REGULATION OF CO-OPERATIVES (Audit, inquiry, inspection and surcharge)**

#### **5.30.1 Audit:**

1) The Registrar shall audit or cause to be audited by person authorized by him by general or special order in writing in this behalf, the accounts of every registered Society and society under liquidation once at least every year.

2) The Auditor so appointed shall hold Office until the conclusion of the next general body meeting.

3) The Auditor's Report, in addition to the report on the accounts of the Cooperatives, shall contain a report on the attendance at meetings by directors, loans and advances sanctioned to or the business done with the co-operative by the directors, remuneration paid to directors, expenses reimbursed to directors, expenditure incurred on education and training for members, directors, officers, employees and othe₹

4) It shall be the duty of the board of Management Committee to ensure that the annual financial statement of accounts are prepared and presented for audit within forty five days of closure of the corresponding financial year.

5) In every audit of the accounts, a registered society shall pay audit fee as may be prescribed and such fee shall be deemed to be outstanding dues from the Society.

**5.30.2 Remuneration of Auditor:**

The remuneration of Auditor appointed under section 85(2) of the Act shall be fixed by the Registrar.

**5.30.3 Powers and duties of auditor:**

1) Every auditor shall:

- a) have right of access at all times to the books, accounts vouchers and all other related documents of a co-operative;
- b) be entitled to require from officers or other employees of a co-operative such information and explanations found necessary for the performance of his duties as an auditor;
- c) have right to enquire as to whether :
  - i) the loans and advances made by a co-operative on the basis of security have been properly secured;
  - ii) the terms on which such loans and advanced have been made are not prejudicial to the interest of the co-operative or its members;
  - iii) the transactions of co-operative which are represented merely by book entries are not prejudicial to the interests of co-operative.

- iv) personal expenses have been charged to revenue account;
  - v) cash has actually been received or not in respect of share allotment made on cash wherever indicated;
  - vi) the position stated in the books of accounts and balance-sheet is correct, regular and not misleading in the event of cash mentioned under previous sub clause has actually not been received;
- d) in his report also state as to whether :
- i) he has obtained all the information and explanations which in his opinion, were necessary for the purpose of carrying out audit;
  - ii) proper books of account have been kept by the co-operative for his examination and proper returns adequate for the purpose of his audit have been received from branches, units or offices of the co-operative not visited by him;
  - iii) the balance sheet and profit and loss account of co-operative dealt with by the report are in agreement with the books of accounts and returns;
- e) also undertake examination or verification of following items such as :
- i) over dues of debts, if any;

- ii) cash balance and securities and a valuation of assets and liabilities;
- iii) whether loans and advances made by co-operative have been shown as deposits;
- iv) whether the co-operative has properly utilized financial assistance granted by government, government undertaking or financial institutions for the purpose for which such assistance were actually granted;
- v) whether the co-operative is properly carrying out its objects, purpose and obligations towards members;
- f) indicate every deviation observed in actual expenditure and income vis-à-vis the estimated expenditure and income indicated in the approved budget;
- g) specify the gross remuneration or honorarium or allowances, or any other payment made, if any, to the chief executive, office bearers, directors and other during the financial year under audit;
- h) state whether or not any of the office bearer or directors had become ineligible, at any time during the financial year under review to continue in the office as an office bearer or director, as the case may be;



- i) state whether the decisions on disposal of surplus or assessment of deficit by the general body at its previous annual general meeting were implemented completely or not.
- 
- 1) The government or Registrar, as the case may be, in such co-operatives which are substantially funded by government or government undertakings or financial institutions in public interest, if found necessary and appropriate, may order or direct for the conduct of internal audit or cost audit or performance audit or special audit or test audit or any other audit for such co-operative.

#### **5.30.4 Filing of returns with Registrar:**

Every co-operative, within sixty days of the closure of the corresponding financial year, shall file the following information or returns pertaining to the co-operative with the Registrar :

- 1) Audited annual statement of accounts;
- 2) Annual report of activities undertaken by the co-operative;
- 3) The list of names of directors and their terms of office;

4) Details of amendments to bye-laws carried out by the co-operative during the relevant period;

5) Plan or proposal for disposal of surplus as approved by the general body by virtue of power conferred upon co-operative under section 76 of the Act;

6) Declaration regarding date of holding of general body meeting and actual conduct of election wherever become or fallen due;

7) Statistical details indicating:

- a) total number of members on the role of co-operative as on the last day of the financial year;
- b) the core services offered by the co-operative to its members;
- c) total liabilities such as –
  - i) funds from members and surpluses,
  - ii) funds from government, government undertaking or financing institutions, if any,
  - iii) funds from other external sources,
- d) extent and quantum of services provided to members and non-members separately and respectively.

**5.30.5 Filing of returns by Registrar before the state legislature:**

1) The Registrar shall prepare and submit every year a status report of co-operative movement for the whole of state to the state legislature.

2) The said annual status report may include the following details for each type of or sectoral co-operatives:

- a) total number of co-operatives;
- b) membership with bifurcations such as active members, regular or permanent members, inactive members, nominal members, sympathizer members or associate members;
- c) business and financial statistics;
- d) category-wise staff and employees' deployment;
- e) co-operatives registered afresh, deregistered, cancelled, closed, wound-up and under super session, during the preceding financial year;
- f) co-operatives working with profit or losses, accumulated losses or otherwise;
- g) details regarding inquiry, inspection and surcharge proceedings initiated, under progress and concluded during the year;

3) The annual report shall also contain particulars about the functioning of co-operative department in general and in particular:

- a) total category or class wise staff and officers as at the end of the previous financial year;
- b) deployment of officers of cooperation department on deputation to other co-operatives along with reasons and duration of such deputation;

4) A brief summary containing achievements and non-achievements made by co-operatives in the whole of state, strength and weakness of different type, class and category of co-operatives, policy changes or prescription introduced by the government and or Registrar, and proposed plan of action for the ensuing financial year.

#### **5.30.6 Rectification of defects in accounts:**

1) If the result, finding or outcome of the audit held or conducted, discloses defects in the constitution, financial conditions and working of any co-operative, such co-operative shall explain the defects or irregularities identified, observed or pointed by auditor, to the Registrar within a period of sixty days and take appropriate steps to rectify such defects and remedy the irregularities pointed out by Registrar and shall submit an action taken report to the Registrar within the time stipulated therein.

2) The Registrar may, inter-alia also direct or order the co-operative or its officers to take such other actions as may be specified in the order or direction to remedy the defects within the time specified therein.

#### **5.30.7 Inquiry:**

1) The Registrar either suo-moto (or based on an application made by a co-operative, or not less than one third members of the management committee or not less than one tenth of total number of members of co-operative, or creditors or debtors or depositors) may hold an enquiry himself or order or direct some other person to hold an inquiry into the constitution, working and financial condition and status of a co-operative.

2) The Registrar, before directing or ordering the conduct of inquiry into a co-operative, shall provide an adequate opportunity to such co-operative for making representation on the subject matter and if not satisfied with the reply given by the co-operative, may order or direct the conduct of inquiry on aspects identified by the Registrar on issues raised in the application, as the case may be.

3) In the event of an inquiry demanded by persons or authorities specified under sub-section (1) of the Act, the Registrar may order or direct the conduct of an inquiry only after the receipt of required fee deemed sufficient

enough to conduct and complete the inquiry from persons or authorities who demanded conduct of such inquiry.

4) The inquiry ordered or directed shall be completed within a period specified in the order and in any case, such period shall not exceed ninety days from the date of order or direction of inquiry.

5) The Registrar while holding an inquiry or persons authorized by Registrar to hold such an inquiry shall have:

- a) free access to the books of accounts, documents, securities, cash or other properties of co-operative;
- b) power to summon persons in possession or responsible for the custody of documents specified under sub-section 5(a) of the Act.

6) The Registrar, within a period of thirty days from the date of completion of inquiry, shall communicate the result or findings of such inquiry report to:

- a) the applicants or persons who demanded such an inquiry;
- b) the co-operative;
- c) the persons or authorities, if any, named therein in the application for the conduct of inquiry;
- d) the financial institutions or funding agency or authority;

e) any member or person, on payment of fee prescribed by Registrar.

7) The Registrar shall have power to withdraw any inquiry from the authorized persons or authorities to whom it was entrusted and hold the inquiry either himself or entrust the task to any other persons or authorities as he deems fit.

#### **5.30.8 Inspection of a co-operative:**

1) The Registrar either suo-moto (or base on an application made by a co-operative, or not less than one third members of the management committee or not less than one tenth of total number of members of co-operative, or a credit or debtor or depositors) may hold an inquiry himself or order or direct, some other person to hold an inspection into the constitution, working an financial condition and status of a co-operative.

2) The Registrar, before directing or ordering the conduct of an inspection in a co-operative, shall provide an adequate opportunity to such co-operative for making representation on the subject matter and if not satisfied with reply given by co-operative may order or direct for conduct of inspection on aspects identified by the Registrar or on the issues raised in the application, as the case may be.

3) In the event of an inspection demanded by persons or authorities specified under sub-section (1), the Registrar may order or direct the conduct of inspection only after the receipt of required fee deemed inspection only after the receipt of required fee deemed sufficient enough to conduct and complete the inspection from persons or authorities who demanded conduct of such an inquiry.

4) The inspection ordered or directed shall be completed within a period specified in the order or direction and in any case such period shall not exceed ninety days from the date of order or direction of such inspection.

5) The Registrar while holding an inspection or persons authorized by Registrar to hold such an inspection shall have :

- a) free access to the books of accounts, documents, securities, cash or other properties of co-operative;
- b) power to summon persons in possession or responsible for the custody of documents specified under sub-section 5(a).

6) The Registrar, within a period of thirty days from the date of completion of inspection, shall communicate the result or findings of such inspection report to :

- a) the applicants or persons who demanded such an inspection;
- b) the co-operative;



- c) the persons or authorities, if any, named therein in the application for conduct of inspection;
- d) the financial institutions or funding agency or authority;
- e) any member or person, or payment of fee prescribed by Registrar.

7) The Registrar shall have power to withdraw any inspection from authorized persons or authorities to whom it was entrusted and hold the inspection either himself or entrust the task to any other persons or authorities as he deems fit.

#### **5.30.9 Cost of inquiry and inspection:**

1) Where an inquiry is held under section 91 or an inspection is carried out under Section 92, the Registrar may apportion the cost of inquiry or inspection as the case may be between the co-operative, members, creditors or debtors or depositors demanding such an inquiry or inspection and officers of co-operative. The members and officers, for the purpose of this section shall not only include present members and officers but also former officers and past members.

2) The Registrar, before apportioning cost of inquiry or inspection as the case may be, as referred under sub-section (1) of the Act shall provide a

reasonable opportunity of hearing to co-operative or other persons such as creditors, debtors or depositors liable to pay such costs.

3) While apportioning the cost of inquiry or inspection, the Registrar shall record in writing the reasons, ground or basis on which the costs were apportioned either proportionately or disproportionately.

#### **5.30.10 Recovery of cost:**

The cost awarded under Section 93 of the Act may be recovered, on an application made by Registrar to the Magistrate having jurisdiction over the place where the persons against whom the cost is recoverable resides or carries on business or trade or property of such persons is situated and such Magistrate shall recover the same as if it were a fine imposed by himself.

#### **5.30.11 Initiation of surcharge proceedings against delinquent officers or members by Registrar:**

1) Where the Registrar is satisfied either on the basis or as a result of audit report made under section 85 of the Act or an inquiry report made under Section 91 of the Act or an inspection report made under Section 92 of the Act or winding up of co-operative under section 110 of the Act that any person who has been entrusted with or taken part in the organization or management of a co-operative or who is or has at any time been an officer or employee of a

co-operative, has made payment contrary to the provisions of the Act, rules or bye-laws or caused any loss, damage to or deficiency in the assets of co-operative by breach of trust or willful negligence or has misappropriated or fraudulently retained any money or other property belonging to the co-operative, the Registrar may on his own motion or on the application made by management committee, auditor, liquidator, or any creditor, may frame charges against such persons and inquired by himself, or direct any authorized person in writing, to inquire into the conduct of such persons and after providing a reasonable opportunity to reply or answer the charges framed to the concerned persons may make an order directing him or them to repay or return the money or restore property with interest as determined by Registrar or to pay compensation with regard to the misappropriation, misapplication, retention, misfeasance or breach of trust as the Registrar may determine.

2) The persons or such persons or concerned person referred under sub-section (1) of the Act, shall not only include present members or officers or employees or board members, etc. but also include past, or deceased, legal heirs or representatives, members or employees or board members respectively.

The act of framing charges, conduct and completion of proceedings referred under sub-section(1) of the Act shall be completed within three years

from the date of submission of reports of audit, inquiry, inspection or date of the order or winding up of co-operative. 4) The Registrar or persons authorized by him in this regard may also provide for the payment of total cost or part thereof and direct that such costs shall be recovered as arrears of land revenue from such persons against whom such orders have been passed.

#### **5.30.12 Power to enforce attendance:**

The Registrar or persons authorized by him while conducting an inquiry under Section 91 of the Act, an inspection under Section 92 of the Act or surcharge proceedings under Section 95, shall have the power to summon and enforce attendance of any person or to compel the production of documents or other material objects in the same manner and procedure as provided under the Code of Civil Procedure, 1908.

### **5.31 SETTLEMENT OF DISPUTES**

#### **5.31.1 Reference of dispute:**

1) Notwithstanding anything contained in this Act or other Acts for the time being in force, any co-operative dispute arising between or among the parties touching :

- a) constitution,
- b) management,
- c) business,
- d) conduct of elections,
- e) conduct of general meetings of co-operative shall be referred to Registrar until co-operative tribunals are constituted or arbitration for the purpose who or which shall function as a court of law.

2) The dispute between or among parties referred under sub-section (1) of the Act may include the following:

A dispute arising :

- a) among present, past or deceased members, legal heirs or representatives or lawful claimants past or deceased member, a co-operative which is a member of federal or central co-operative;
- b) between present, past or deceased member, legal heirs or representatives or lawful claimants of past or deceased member, a member co-operative and the co-operative, its board, any officer, employee or agent of the co-operative or the liquidator past or present;

- c) between the co-operative or its board and any past board, officer, employee or agent or nominee or respective legal heirs or representatives or lawful claimants of the co-operative;
- d) between the co-operative and another co-operative or between a co-operative and liquidator of another co-operative or between a liquidator of one co-operative and another.

**5.31.2 What shall constitute co-operative dispute:**

For the purpose of section 97(1) of the Act, the following shall also be deemed to be a co-operative dispute touching the constitution, management or business or conduct of elections or general meetings of a co-operative:

a) a claim by a co-operative for any debt or demand due to it from a member or nominee, heirs or legal representatives of a deceased member;

b) a claim by surety against principal debtor where the co-operative has recovered a sum from surety any amount in respect of any debt or demand due to it from the principal debtor as a result of default of principal debtor;

c) any dispute arising in connection with the election of any officer of a co-operative;

d) a claim by a co-operative for any loss caused to it by a present or past or lawful claimants or deceased member or any officer including past or deceased or lawful; claimants or by its committee, past or present;

e) any refusal or failure by a member, including past or deceased, and their legal heirs or representatives or lawful claimants to deliver possession of assets to a co-operative resumed or recovered by the co-operative for breach of conditions as to the assignment.

### **5.31.3 What shall not constitute co-operative dispute:**

For the purpose of this chapter, the following shall not be construed as co-operative disputes:

1) An industrial dispute covered under Section 2(k) of the Industrial Disputes Act 1947;

2) Rejection of nomination paper at the election to a committee of any co-operative;

3) Refusal of admission of membership to any person or institution by a co-operative;

4) Any proceedings for the recovery of dues due to co-operative as arrears of land revenue on a certificate granted by Registrar under sections 104 and 106 of the Act.

5) Any proceedings, for recovery of dues to co-operative by Registrar or any other person authorized by him or an officer of co-operative authorized or notified by state government who is empowered to exercise power for the purpose.

**5.31.4 Ouster of jurisdiction of courts on co-operative disputes:**

No court other than criminal court for offences covered under Indian Penal Code or High Court and Supreme Court by way of writ, shall have jurisdiction to entertain any application, suit or application or other proceedings in respect of any co-operative dispute referred under Section 97 and 98.

**5.31.5 Limitation:**

1) Notwithstanding anything to the contrary contained in the Limitation Act, 1963 but subject to specific provision provided in this Act and rules, the period of limitation in the case of a dispute referred to Registrar or persons authorized by him or arbitrator shall be:

- a) when the dispute relates to the recovery of any sum including interest thereon due to co-operative by member thereof, be computed from the date on which such member dies or ceases to be a member of co-operative;
- b) save as otherwise provided in clause (c), when the dispute relates to any commission or omission of any act on the part of any of the parties referred to under section 95 by six years from the date on which such commission or omission of act, with



reference to which the dispute arose, or took place as the case may be;

- c) when the dispute is in respect of an election of an officer of a co-operative, by one month from the date of declaration of the result of election.

2) The period of limitation in the case of any dispute, except those mentioned in sub-section (1) of the Act, which are required to be referred to Registrar or persons authorized by him or arbitrator as the case may be shall be regulated by the provisions of the Limitation Act, 1963, as if the dispute were a suit and the Registrar or persons authorized by him or arbitrator a civil court.

- 2) Notwithstanding anything contained in sub-sections (1) and (2) of the Act, the Registrar or persons authorized by him or an arbitrator may admit a dispute or appeal as the case may be, after the expiry of the period of limitation, if the applicant satisfies the registrar or persons authorized by him or an arbitrator that he had sufficient cause for not referring the dispute or preferring the appeal within such period.

#### **5.31.6 Attachment before award or order and interlocutory orders:**

1) Where a co-operative dispute has been referred to Registrar or persons authorized by him or arbitrator hears a person against whom charges

are framed under section 95 of the Act, is satisfied on inquiry or otherwise that such person with the intent to defeat or obstruct the execution of any award passed or carrying out any order made already is about to dispose of or remove the whole or any part of the property from its or his jurisdiction, the Registrar or arbitrator or persons authorized by Registrar may, unless adequate security is furnished, direct conditional attachment of the said property and such attachment shall have the same effect as if it was made by a competent Civil Court.

2) Where upon the property attached as per sub-section (1), the Registrar or persons authorized by him or the arbitrator as the case may be, shall issue a notice calling upon such person whose property is so attached to furnish adequate security within a specified period and if the person so directed fails to provide adequate security so demanded, the authority who issued the notice, may direct the disposal of the property so attached towards the claim awarded, if any.

3) The Registrar or persons authorized by Registrar or the arbitrator may, in order to prevent the ends of justice being defeated, make appropriate interlocutory orders as may appear to be just, proper and convenient pending decision in any co-operative dispute referred under Section 97 or 98 of the Act.

**5.31.7 Decision of Registrar or person authorized by Registrar or the arbitrator final and binding:**

1) Where a co-operative dispute referred to Registrar or persons authorized by him or the arbitrator as the case may be, is decided or an award has been made, after providing a reasonable opportunity to the parties in dispute to be heard, shall be binding on such parties and become final subject to appeal, if any, provided.

2) The expenses incurred towards making settlement of co-operative dispute shall be recovered or collected from parties to dispute as determined by Registrar or persons authorized by him or the arbitrator appointed as the case may be.

**5.31.8 Recovery of co-operative dues: Cooperative Demand Certificate issued by Registrar or persons authorized by him to be treated as court decree:**

1) Every order passed in favour of co-operative by Registrar or his subordinate officers or persons or officers of co-operatives as authorized by Registrar or the arbitrator involving payment or repayment of money due or borrowed or assets of co-operative, guarantee owned or created out of the funds of the co-operative shall, if not carried out :-

- a) on a Cooperative Demand Certificate as in Schedule-A issued by the Registrar or his subordinate officers or persons authorized by him or the arbitrator shall be deemed to be a decree passed by Civil Court and shall be executed in the same manner as if it were a decree of civil court and such decree shall be executed by Registrar or any person or officer authorized by him in writing in this behalf by attachment and sale or sale without attachment of any property of the person or co-operative against whom or which such decision or order has been made;
- b) where the decision or order provides for recovery of money be executed as per law or rules in force for the time being in force for the recovery as arrears of land revenue. For this purpose, the party or co-operative in whose favour the order has been passed shall apply to Registrar for an issuance of Cooperative Demand Certificate;
- c) The Cooperative Demand Certificate under the signature of Registrar or his subordinate officers or other persons or officers of co-operative as authorized by Registrar shall be executed by Recovery Officer appointed by him as arrears of land revenue;

2) The Registrar is authorized or empowered to delegate the powers specified under sub-section (1) of the Act to any of his subordinate officers and of co-operatives including co-operative banks and credit co-operatives.

3) The Registrar or his subordinate officers or officers of co-operatives including co-operative banks and credit co-operatives authorized by Registrar as referred under sub-section(1) of the Act, shall also have the power of execution of the decisions, awards and orders passed by themselves or arbitrators or appellate tribunal.

**5.31.9 Registrar or Arbitrator or persons authorized by Registrar to be civil court for certain purposes:**

The Registrar or the arbitrator or any person authorized by him including officers of co-operatives, co-operative banks and credit co-operatives, in writing in this regard shall be deemed to be a civil court while exercising powers under this Act for recovery of amounts by attachment and sale or by sale without attachment of any property, or when passing any orders on any application made to them respectively for such recovery or for taking steps in aid of such recovery.

**5.31.10 Recovery of dues to co-operatives as arrears of land revenue:**

1) The Registrar, based on an application made by a co-operative for recovery of arrears of any sum advanced by it to any of its members or any co-operative, including co-operative bank, credit co-operative and salary earners co-operative, for the recovery of arrears of its dues as the state government may notify in the official gazette, may after making such inquiry as deemed fit, grant a certificate for recovery of the amount stated therein to be due as arrears of land revenue.

2) The certificate issued by Registrar under the previous sub-section shall be final and conclusive proof for the arrears stated to be due therein and the amount so specified shall be recoverable as per law in force for the recovery of land revenue.

**5.32 OFFENCES AND PENALTIES****5.32.1 Offences:**

1) The actions specified under sub-section (2) if omitted or committed by the management committee or office bearers or employees or paid servants or officers or persons or members of a co-operative shall constitute offences under the Act.

2) The offences specified under sub-section (1) shall include the following actions or omissions or commissions or admissions :

- i) the willful submission of false returns or information or maintenance of false accounts or failure to maintain accounts or maintenance of accounts with dishonest intention by the board of management committee;
- ii) willful disobedience of summons directed, requests made, lawful orders and directions issued without reasonable excuse;
- i) willful withholding of any information or failure to furnish information as are lawfully required from any officer, employee, paid
- ii) servant, past or present members or others, by persons or authorities authorized under law;
- iv) any action by person in contravention of specific provisions of law such as failure to deposit or entrust custody of property belonging to the co-operative, failure to create charge in favour of co-operative as per law;
- v) the use of the word 'co-operative' without getting it registered under this Act or without the sanction of government;
- vi) the failure on the part of co-operative, office bearers, employees, servants to give effect to the decision or award or order passed by appropriate legal authority;

- vii) the misuse of properties belonging to co-operative by officers, employees, paid servants of the co-operative, past or present members;
- viii) the corrupt practices adopted by officers, employees or paid servant, past or present members of the co-operative which inter-alia, may include: (a) sanction or receipt of benami loans, (b) commission of irregularities in the sanction or receipt of loan or in purchases, (c) acceptance of illegal gratification for doing illegal acts or for the purpose of extending illegal favour to anybody, (d) the utilization of funds of co-operative contrary to the provisions of law, (e) the signing of minutes book of the management committee meeting by officers of co-operative without attending the meeting actually;
- ix) failure to deposit share money collected for the formation of co-operative with co-operative within specified period;
- x) making use of share money collected for the formation of co-operative for the purpose of conducting any business or trading in the name of same co-operative;
- xi) willful recommendation or sanction of loan for one's own personal use or benefit, but in the name of another person;



- xii) destruction, mutilation, alteration, falsification or secret ink of any books of co-operative, papers, securities by officers or members or others either by themselves or who help others to commit the same acts;
- xiii) willful failure to hand over the custody of books, records, cash, security, properties and other instruments belonging to the co-operative;
- xiv) fraudulent disposal of property belonging to the co-operative or the property over which the co-operative has prior claim, by members, employees or other persons;
- xv) failure to comply with the provisions of law by employer, directors of co-operative or any other authority;
- xvi) acquirement or abatement in the acquisition of property on which the possession change;
- xvii) failure to produce cash balance on demand by board or officers or members or any other authorized person of the co-operative;
- xviii) failure to make available the records for audit, inquiry, inspection by the board or officers or employees of the co-operative;

- xix) failure to deduct amount from salary of employees for the purpose of meeting claims of the co-operative;
- xx) failure to pay the amount specified under clause(19), deducted within specified period to the co-operative;
- xxi) failure to communicate decision on the application for admission of members;
- xxii) failure to transfer the interest on the death of members to nominees, legal heirs or representatives;
- xxiii) failure to call special general meeting within the specified time period provided under law;
- xxiv) division or distribution of funds (other than net profit) belonging to the co-operative in the form of bonus or dividend contrary to the provisions of law;
- xxv) failure to make investment of funds belonging to co-operative as per law or as provided under law;
- xxvi) giving loans to non-members and other co-operatives without the approval of Registrar;
- xxvii) violation of restrictions imposed on borrowings by co-operative;
- xxviii) failure to create contributory provident fund for the benefit of employees;

- xxix) grant of admission to members who are disqualified or ceased to be members under law and allowing them to exercise their rights and privileges;
- xxx) exercise of rights of members contrary to the provisions of law;
- xxxi) grant of lease of mortgaged property contrary to the provisions of law;
- xxxii) the exercise of right to vote by persons who are ineligible to vote;
- xxxiii) offences committed by companies are to be deemed as offences committed by the persons in-charge of company, or persons responsible to conduct the business of the company for the commission of offences mentioned above.

### **5.32.2 Penalties:**

1) Every committee member, officer, employee, board member, past or present of a committee or any other person shall, without prejudice to any action taken against him under any law for the time being in force, for the offences specified under section 107(2) of the Act shall be subject to punishment as provided under column (2) of section 108 (2) of the Act.

## 2) Nature of Offences committed and punishment prescribed thereof.

*Serial number of offences committed as specified under Section 107 (2)	Punishment prescribed
1	(a) Fine ranging from Rupees 5,000 to Rupees 20,000 in the case of board of co-operative (b) In the case of employees and paid servants past as well as present imprisonment upto six months or fine upto Rupees 2,000 or with both.
2	Imprisonment upto six months or fine with Rupees 2,000 or with both.
3	Fine upto Rupees 2,000 and if the offence is continuing, then additional fine of Rupees 500 for each day.
4	(a) In the case of the board of co-operative fine upto Rupees 5,000. (b) In the case of employees and paid servants etc, imprisonment upto six months or fine upto Rupees 2,000 or with both.
5	Fine upto Rupees 5,000.

6	Fine upto Rupees 5,000 or imprisonment upto one year or with both.
7	Fine upto Rupees 5,000.
8	Imprisonment upto one year or fine upto Rupees 50,000.
9	Fine ranging from Rupees 5,000 to Rupees 10,000
10	Fine ranging from Rupees 5,000 to ₹ 10,000.
11	Fine upto Rupees 20,000.
12	Fine upto Rupees 20,000.
13	Fine upto Rupees 2,500.
14	Fine upto Rupees 20,000 over and above the value or property fraudulently disposed or imprisonment ranging from six months to three years or with both.
15	Fine upto Rupees 5,000.
16	Fine upto Rupees 10,000 over and above the value of property fraudulently disposed or imprisonment ranging from six months to three years or with both.
17	Fine upto Rupees 5,000.
18	Fine upto Rupees 5,000.
19	Fine upto Rupees 5,000.
20	Fine upto Rupees 5,000.
21	Fine upto Rupees 1,000 and further fine of ₹ 100/- for each day delay.
22	Fine upto Rupees 3,000.
23	Fine upto Rupees 3,000.
24	Fine upto Rupees 3,000 in addition to compensating the loss caused to the co-operative.
25	Fine upto Rupees 3,000 in addition to the compensating the loss caused to the co-operative.
26	Fine upto Rupees 3,000 in addition to the compensating the loss caused to the co-operative.
27	Fine upto Rupees 3,000 in addition to repayment of total loan outstanding amount.
28	Fine upto Rupees 3,000.
29	Imprisonment upto 3 months or fine upto Rupees 3,000 in addition to compensating the loss caused to the co-operative.

30	Imprisonment upto 3 month or fine upto Rupees 3,000 in addition to compensating the loss caused to the co-operative, if any.
31	Imprisonment upto 3 months or fine upto Rupees 3,000.
32	Fine upto Rupees 3,000.
33	Punishment as provided against offences specified under law ie. Section 108(2) of the Act.

**Explanation:**

**\* The serial number mentioned under sub-section (2) of the Act refers to the nature of offences committed as elaborated under section 107(2) of the Act.**

**5.32.3 Cognizance of offences, procedure to be followed and outcome:**

1) An offence under the Act shall be tried only by a court not inferior to that of Metropolitan Magistrate or Judicial Magistrate of first class.

2) No prosecution shall be instituted under this Act without the previous sanction of Registrar and such sanction or approval shall not be given or granted by Registrar without providing an opportunity to represent the case to the person sought to be prosecuted.

3) In the event of punishment prescribed for non-officials under section 108(2) of the Act for the corresponding offences committed under section 107(2) of the Act stand annulled, modified or cancelled either on appeal or

revision, the affected persons shall be restored back to the original position occupied for the remaining period for which such person was nominated or elected.

4) In the event of punishment prescribed for officers and employees of co-operative under Section 108(2) of the Act for the corresponding offences committed under Section 107(2) of the Act stand annulled, modified or cancelled either on appeal or revision, such affected officers or employees shall be restored back to the original official position held at the time of conviction for the rest of the service period.

5) The persons, officers, employees not covered under sub-section (3) and (4) of the Act shall incur permanent disqualification for offences involving corrupt practice and moral turpitude.

6) Any authority created or appointed under the Act such as Registrar including Additional, Joint Deputy or Assistant Registrar, administrator, liquidator, auditor or any other officer or authority authorized by Registrar or government while discharging the official duties and functions assigned to them respectively, if proved beyond doubt that such authorities passed orders, issued directions or failed or refused to take decision either contrary to the provisions of law or without following the procedure prescribed under law or exercise inherent power under the direction or dictation of higher authority shall be deemed to have committed offence under this Act and accordingly be

proceeded and punished as per the service rules governing such persons or authorities and shall be subjected to heavy financial penalty or imprisonment as determined in consultation with Registrar or government as the case may be.

### **5.33 WINDING UP OR LIQUIDATION OF CO-OPERATIVES**

#### **5.33.1 Winding up of co-operative:**

When the Registrar:

1) Based on the reports of audit under Section 85, or an inquiry under Section 91 of the Act or an inspection under Section 92 of the Act;

2) On receipt of an application made upon a resolution passed by three fourth of the members of the co-operative present and voting at special general body meeting called for the purpose;

3) On his own motion, in case of a co-operative which/or whose :

- a) has not commenced its working within a period of one year from the date of registration,
- b) has ceased working,
- c) the shares or deposit of members have been reduced below the minimum level prescribed under the Act, rules or bye-laws,
- d) membership has been reduced below the minimum number prescribed for registration of a co-operative under sub-section



(4) or (5) of section 9 of the Act, is of the opinion that the co-operative ought to be wound up, he may, after giving reasonable opportunity for making representation by concerned co-operative and if not satisfied with the reply or answers furnished by such co-operative, he may direct the co-operative to be wound up.

### **5.33.2 Appointment of liquidator:**

1) Where the Registrar has formed an opinion based on valid grounds or reasons to windup a co-operative, he may appoint a suitable and qualified person as liquidator for the purpose and fix his remuneration accordingly.

2) The liquidator, on his appointment, shall take into his custody or under his control all the property, effects and actionable claims to which the co-operative is or appears to be entitled and shall take all steps deemed necessary or expedient to prevent further loss or deterioration of or damage to, such property, effects and claims and he may carry on the business of a co-operative so far as may be necessary with the approval and permission of Registrar.

3) Where an appeal is preferred against the order of winding up of a co-operative, such winding up order shall not become operative until the order is confirmed in appeal.

4) Where an order for winding up of co-operative is set aside in appeal, the property, effects and actionable claims of such co-operative shall revert in the same co-operative again.

### **5.33.3 Appeal against the order of winding-up:**

The management committee of co-operative or one third members of co-operative or creditors of co-operative which is ordered to be wound up, may prefer an appeal to Registrar against the order of winding up within sixty days from the date of issuance of said winding up order.

### **5.33.4 Power of liquidator:**

1) The liquidator appointed under section 111(1) of the Act shall have the following powers subject to the overall supervision, control and direction of Registrar:

- a) to institute and defend suits and other legal proceedings on behalf of co-operative by the name of his office;
- b) to determine from time to time the contribution (including debts due and costs of liquidation) to be made or remaining to be made by members or past members or by the estates or nominees, heirs or legal representatives of deceased members or by officers or former officers, to the assets of the co-operative;

- c) to investigate all claims against co-operative and subject to the provisions of the Act, to decide questions of priority between claimants;
- d) to pay claims against the co-operative, including interest up to the date of winding up according to their respective priorities, if any, in full or ratably, as the assets of co-operative may permit; and the surplus, if any, remaining after payment of claims being applied in payment of interest from the date of such an order of winding up at a rate fixed by the liquidator but not exceeding the contracted rate in any case;
- e) to determine by which persons or authorities and in what proportions the cost of liquidation proceedings are to be borne;
- f) to determine whether any person is a member or past member or nominee of a deceased member;
- g) to give such directions in regard to the collection and distribution of the assets of co-operative as may appear to the liquidator to be necessary for winding up the affairs of such co-operative;
- h) to carry on the business of co-operative under winding up so far as may be found necessary and essential for the beneficial winding up of the same co-operative;

- i) to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging to have any claim, present or future, whereby the co-operative may be rendered liable;
- j) to make any compromise or arrangement with any person between whom and the co-operative there exists any dispute and to refer any such dispute for decision;
- k) after consulting the members of the co-operative, to dispose of the surplus, if any, remaining after paying the claims against the co-operative, in such manner as may be prescribed;
- l) to compromise all calls or liabilities to calls and debts and liabilities capable of resulting in debts, and all claims, present or future, certain or contingent, subsisting or alleged to be subsisting between the co-operative and a contributory or other debtor or person apprehending liability to the co-operative and all questions in any way relating to or affecting the assets or the winding up of the co-operative on such terms as may be agreed and take any security for the discharge of any such call, liability debt or claim and give a complete discharge in respect thereof;
- m) to sell the immovable and movable property and actionable claims of the co-operative by public auction or private contract,

with power to transfer the whole or part thereof to any person or body corporate or sell the same in parts.

2) As and when the affairs of a co-operative have been wound up, the liquidator shall make a report to the Registrar and deposit the records of such co-operative in such place as directed by Registrar.

#### **5.33.5 Disposal of surplus Assets:**

The surplus assets, if any, shown by the liquidator of a co-operative which is wound up :

- 1) May be utilized by the Registrar for purposes specified in its by-laws;
- 2) If the byelaws do not specify the said purpose, the surplus may be divided by Registrar amongst its members in such manner as he prescribed.

#### **5.33.6 Priority of contributions assessed by the liquidator:**

The contribution assessed by a liquidator shall rank next to debts due to central or state government or local authority in accordance with the order of priority in insolvency proceedings.

**5.33.7 Cancellation of registration of co-operative:**

1) The Registrar, after considering the report of the liquidator submitted to him under Section 113(2) of the Act, may order the cancellation of registration of the co-operative which is wound up and such co-operative, on cancellation of its registration, shall stand dissolved.

2) An order of cancellation of registration of wound up co-operative referred under sub-section (1) of the Act shall be communicated to its chairman or president as the case may be including the financial institutions.

**5.34 APPEAL AND REVIEW****5.34.1 Right to appeal:**

1) Subject to the provisions of the Act in general and section 118 in particular, an appeal to the next higher authority shall lie against:

- a) An order passed by the Registrar:
  - i) refusing to register a co-operative under Section 10(3) of the Act;
  - ii) refusing to register an amendment of byelaws of a co-operative under Section 17(6) of the Act;
  - iii) apportioning the cost of inquiry and inspection made under section 93(1) of the Act;

- iv) directing the supersession of a co-operative under section 64 of the Act;
  - v) directing the repayment of cost after conducting surcharge proceedings under section 95 of the Act;
  - vi) directing the winding up of a co-operative under section 100 of the Act;
- b) A decision of a co-operative refusing or deemed to be refusing to admit any person as a member of the co-operative under sections 26( 5) and 29 of the Act who is otherwise qualified to become a member of a co-operative as per law.

2) An appeal against any decision taken or direction issued or order made under sub-section (1) of the Act shall be preferred within sixty days from the date of such decisions taken or direction issued or orders made to the appropriate authority.

3) The appellate authority may admit the appeal even after the expiry of sixty days referred under sub-section (2) of the Act if the appellants show or provide sufficient reasons or causes for not preferring the appeal within the specified period of sixty days.

4) The appellate authority may, after giving the parties to the appeal a reasonable opportunity of making their representation, pass such an order as deemed fit.

5) The decision or order of the appellate authority on appeal shall be final and binding on all concerned.

6) The orders passed or directions issued or decisions made as specified under sub-section (1) of the Act by concerned authority shall become final and binding if appeal is not preferred within the stipulated period of sixty days.

#### **5.34.2 No right to appeal in certain cases:**

Whereas a co-operative bank, with the previous sanction of Reserve Bank of India is being wound up or a scheme of amalgamation or reorganization in respect of such co-operative bank is given effect under chapter XIII of the Act, no appeal against it shall lie or be permissible and the sanction or approval of Reserve Bank of India shall not be called in question before any court of law.

#### **5.34.3 Review:**

1) The appellate authority referred to under Section 117 of the Act may, based on an application made by either of the party, review its own order, direction or decision provided, there has been a discovery of new and important facts or matter or evidence after the order has been passed or decision has been taken or direction has been issued or there has been some mistake or error, apparent on the face of the record or for any other reason,



the appellate authority, may entertain such an application referred earlier and pass such other order as deemed fit, but only after providing a reasonable opportunity of being heard to all concerned or affected parties.

2) An application for review under sub-section (1) of the Act shall be made within thirty days from the date of communication of the order passed or direction issued or decisions made of the appellate authority sought to be reviewed.

## **5.35 CO-OPERATIVE BANKS**

### **5.35.1 Interpretations:**

1) The co-operative bank, for the purpose of this chapter means a co-operative bank registered under any one of the following Acts.

- a) The Credit Co-operative Societies Act, 1912;
- b) The Co-operative Societies Act, 1912;
- c) The Multi Unit Co-operative Societies Act, 1942;
- d) Assam Co-operative Societies Act, 1949;
- e) The Multi State Co-operative Societies Act, 1984 or 2002;
- f) The Mizoram Co-operative Societies Act, 1991;
- g) Any other co-operative societies Act.

2) A bank which obtained a license from Reserve Bank of India for the purpose of carrying out the business of banking defined under S. 5(b) of the Banking Regulation Act, 1949.

3) A bank registered as an insured bank with deposit Insurance Corporation created under Deposit Insurance and Credit Guarantee Corporation Act, 1969.

**Explanation:** A bank in order to be called a co-operative bank under sub-section (3) of the Act must fulfill the requirements stipulated under sub-section (1) and (2) of the Act.

### **5.35.2 Qualification for a member to exercise the right to vote in the election of any committee:**

A person who remained as a member of a co-operative bank for the whole financial year preceding the financial year in which the election is held and continuing as a member at the time of election and promise to continue as a member in future as well, is eligible to exercise the right to vote at any election of a member of committee held in that year.

### **5.35.3 Qualification and disqualification for being a committee member of a co-operative bank :**

1) No person shall be eligible to contest the election or chosen as a committee member of a co-operative bank:

- a) unless he is a member of the co-operative bank for a minimum continuous period of three years;

- b) unless he has maintained a minimum deposit balance of rupees two thousand on an average every day for a minimum continuous period of three years and continues to maintain such deposit even three years;
- c) if the cooperative he represents is cancelled.

2) Any person failed to or ceased to possess any of the minimum qualifications prescribed under Clause (a) and (b) of sub-section (1) of the Act shall be disqualified from becoming a committee member.

3) In addition, a person shall be disqualified from becoming a committee member:

- a) if such person has made default in the repayment of any loan taken from any co-operative bank or other co-operatives;
- b) if a company in which the person or any member of his family has any interest, has made default in repayment of any loan taken from any co-operative bank or other co-operatives after the date when repayment of the loan has become due.

4) A committee member of a co-operative bank shall cease to hold office, if at any time during the term of office he becomes disqualified for being a member by reason of provisions of sub-section (2) of the Act.

5) If any question arises as to whether a committee member has ceased to hold office under sub-section (3), the Registrar may, after giving an

opportunity to the committee member of being heard, determine the question and where the Registrar determine that the committee member has ceased to hold office, may remove such member by passing an appropriate order.

#### **5.35.4 Essential duties and functions of a management committee of co-operative bank:**

It shall be the duties and functions of management committee of a co-operative bank to ensure that:

1) Information containing the details of loans taken from co-operative bank by each committee member, members of the family and companies with which such member is associated in any manner, is furnished regularly and periodically once in three months to the Registrar or his subordinate officers specified if any, and the same information is also placed before the management committee and annual general body meetings;

2) The defects and deficiency, if any, in the working of co-operative bank and financial irregularities disclosed in the course of audit, inspection or inquiry of the co-operative bank are rectified or remedied as the case may be at the earliest possible;

3) Appropriate action to recover loans and advances given by the co-operative bank to members and non-member borrowers are taken within six months from the date when the repayment of loan has become due, failing

which a no confidence motion shall lie against all members of present management committee;

4) No financial loss is caused to the co-operative bank and debts due to the co-operative bank are fully recovered without showing any leniency or negligence;

5) Appropriate civil and criminal proceedings against persons who have misappropriated funds of the bank are initiated timely;

6) The provisions of Banking Regulation Act, 1949 as applicable to co-operative societies are complied with and contravention of any provisions of the said Act, of 1949 so observed shall be reported to the Registrar immediately.

#### **5.35.5 Establishment of co-operative credit equalization fund:**

1) Every co-operative bank coming under the purview of Section 120 of the Act shall establish a fund to be called 'Credit Equalization Fund' of concerned co-operative bank consisting of payments made in to it as provided or specified under sub-section 2 or 3 of the Act or both.

2) The statement, with or without the contribution made by central government may, contribute a onetime lump sum contribution to the 'credit equalization fund' as referred under sub-section (1) of the Act of such co-

operative banks whose financial condition are precarious, hence in need of government contribution at such rates may be determined by the government.

3) Every co-operative bank after providing for reserve fund, dividend, education fund and contribution for public purpose shall set aside a sum of not less than 15 % of its profit and transfer it into the said co-operative 'credit equalization fund'.

4) The co-operative 'credit equalization fund' shall be maintained as per the rules to be framed by the Registrar in consultation with state co-operative bank, district central co-operative banks as and when formed and urban co-operative banks with the previous approval of Reserve Bank of India.

5) For the purpose of sub-section (4) of the Act, the failure or refusal to reply within the period specified therein by state co-operative bank, district central co-operative bank as and when formed, urban co-operative banks and Reserve Bank of India shall be deemed to have consented to the rules framed by Registrar and come into force on the expiry of such date specified therein.

6) In cases where the co-operative bank ceases of function, the amount of the said fund shall be paid to the depositors as the Registrar may determine in consultation with the Reserve Bank of India and general body Meeting of such co-operative bank.

**5.35.6 Offence and punishments and recognizance of offences:**

1) It shall be an offence if the managing committee of the co-operative bank fails to comply with any of the provisions of section 123 of the Act.

2) Where an offence under this section has been committed by a management committee or any other committee of a co-operative bank, every person who at the time the offence was committed was a member of such committee shall be deemed to be guilty of the offence and be liable to be proceeded against and punishment accordingly.

3) If any such member of a management committee or any other committee of a co-operative bank proves beyond doubt that the offence was committed without his knowledge or that he has exercised all due diligence and care to prevent the commission of such offence, such member may not be held liable for any punishment as provided under this section.

4) Every committee member who is found or deemed to be guilty of any offence under sub-section (1) and (2) of the Act shall on conviction be punished as under: if it is an offence for failure to comply with the provisions of sub-section (a) to (f) of Section 123 of the Act, the member shall be punished with imprisonment for a term which may extend up to one year or with fine which may extend to ₹ 1 lakh or with both.

5) Whoever after having been convicted of an offence under sub-section (4) of the Act for failure to comply with the provisions of sub-section(a)

of section 123 of the Act is again convicted there under on every such subsequent conviction and be punishable with fine which may extend up to ₹ 50,000/-.

6) Whoever after having been convicted of an offence under sub-section(4) of the Act for failure to comply with the provisions of sub-section (c) of Section 123 of the Act continues to commit such offence shall be punished @ ₹ 1,000 for each day during which period the offence was continued.

7) No court inferior to that of metropolitan magistrate or the first class magistrate court shall have the jurisdiction to try an offence under this chapter.

8) Without prejudice to the interest of either of the parties, the metropolitan magistrate or the first class magistrate shall have discretionary power to award sentence of imprisonment or fine on any person in excess of his powers conferred under the Code of Criminal Procedure (Section. 29).

9) It is, however, not lawful to lodge a complaint under this chapter without the previous sanction of Registrar.

#### **5.35.7 Chapter to have overriding effect on other provisions of the Act:**

The provisions of this chapter shall have overriding effect on any of the provisions of the Act or Rules made thereunder or byelaws in regards to Cooperative Banks.



**5.35.8 Winding up order, supersession of the committee, amalgamation or division of the co-operative bank not to be made without the sanction or requisition of Reserve Bank of India :**

1) No co-operative bank shall be divided into more than one, or one or more co-operative bank be amalgamated into one or superseded or wound up as the case may be, without the previous sanction or approval in writing of the Reserve Bank of India.

2) The Reserve Bank of India is equally empowered to, in the interest of public or for preventing the affairs of a co-operative bank from being conducted in a manner detrimental to the interest of depositors or for securing proper management of the co-operative bank, direct the Registrar to divide a co-operative bank into more than one or amalgamate more than one co-operative bank into one or supersede the management committee of a co-operative bank or wind up the affairs of the co-operative bank as the case may be. Any such direction issued by the Reserve Bank of India shall be binding upon the Registrar who shall execute such direction immediately, failing which disciplinary proceedings shall automatically lie against the Registrar or concerned officer responsible for not giving effect into the request or direction or Reserve Bank of India.

3) The order of division, amalgamation, supersession or winding up passed by the Registrar with the previous approval or sanction or consent in writing or deemed approval or sanction or consent of Reserve Bank of India shall not be called in question in any manner before any court of law.

4) The management of the co-operative bank, the liquidator or trustee of the bank shall be under legal obligation to pay the require deposit insurance fee to the Deposit Insurance Corporation established under Deposit Insurance and Credit Guarantee Corporation Act, 1961 as provided under section 21 of the Act.

#### **5.35.9 Guarantee by state government:**

It shall be lawful for the co-operative bank to honour the guarantee provided by government towards the principal amount or interest or both on the loans and advances sanctioned by the co-operative bank subject to the maximum amount as may be fixed by the government on such terms and conditions as it may deem fit. It shall, however, be the endeavor of the state government to gradually withdraw from providing any guarantee to co-operative banks in the years to come which period may be decided the government, in any case such period shall not exceed ten years from the date of enactment of the Act.

**5.35.10 Duties and responsibilities of Board of Directors of Co-operative Bank:**

- 1) The member of Board of Directors of a Co-operative Bank shall –
  - a) attend board meetings of management committee of a co-operative bank regularly with due diligence, care, caution, precision and work effectively in true spirit of cooperation;
  - b) as soon as after being elected, shall gain familiarities with the broad objectives of concerned co-operative bank, the policy laid down by government, Registrar and Reserve Bank of India;
  - c) work as a team and not sponsor or be prejudiced against any individual proposals;
  - d) pay added attention on the following aspects and working of co-operative bank:
    - i) that the loans and advances to board of directors and their relatives are made in conformity with guidelines and directions issued by concerned bank and Reserve Bank of India;
    - ii) that the loan recoveries are promptly made and over dues reduced to minimum level;
  - e) discourage individual officers or employees of co-operative bank upon approaching him in any manner;

- f) maintain secrecy on all bank related matters and ensure confidentiality of banks' internal management and functions;
- g) work in furtherance that the funds of co-operative bank are utilized in proper and judicious manner for the benefit of all members strictly in accordance with the guidelines, instructions and directions issued by Registrar and Reserve Bank of India from time to time;
- h) avoid extension of protection to defaulters by making recommendation for postponement or rescheduling of loan repayment;
- i) ensure maintenance of cash reserve ratio and statutory liquidity ratio as per directions issued by Reserve Bank of India from time to time.

2) Every board of Director shall not –

- a) involve or interfere himself in matters relating to :
  - i) personnel administration, be it an appointment transfer, posting, promotion, demotion or redressal or individual grievances of employees,
  - ii) interfere in the routine or every day today business and management functioning of co-operative bank;

- b) send any instruction or give direction to any individual officer or employee of the co-operative bank in any manner;
- c) reveal any information relating to any constituent of the co-operative bank to any one as he is under an oath of secrecy and fidelity;
- d) participate in the discussion in any proposal in which he has direct or indirect interest when such proposal comes up for discussion;
- e) call for any papers or files or notes either directly or indirectly for scrutiny in respect of agenda items to be discussed in meetings;
- f) sponsor any loan proposal, building and sites for bank premises or recommend individual names for enlistment or empanelment or auditors, contractors, architects, and lawyer<sup>₹</sup>

## **5.36 INSURED COOPERATIVE BANKS**

**5.36.1 Notwithstanding anything contained in the Act, “eligible cooperative bank” means a Co-operative Bank the law for the time being governing which provides that:**

1) An order for the winding up, or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction, of the bank may be made only with the previous sanction in writing of the Reserve Bank;

2) An order for the winding up of the bank shall be made if so required by the Reserve Bank in the circumstances referred to in section 13D of the Deposit Insurance & Credit Guarantee Corporation Act, 1961;

3) If so required by the Reserve Bank in the public interest or for preventing the affairs of the bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank, an order shall be made for the supersession of the committee of management or other managing body (by whatever name called) of the bank and the appointment of an administrator therefore for such period or periods not exceeding five years in the aggregate as may from time to time be specified by the Reserve Bank;

4) An order for the winding up of the bank or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction or an order for the supersession of the committee of management or other

managing body (by whatever name called) of the bank and the appointment of an administrator therefore made with the previous sanction in writing or on the requisition of the Reserve Bank shall not be liable to be called in question in any manner; and

5) The liquidator or the insured bank or the transferee bank, as the case may be, shall be under an obligation to repay the Corporation in the circumstances, to the extent and in the manner referred to in section 21 of the Deposit Insurance & Credit Guarantee Corporation Act, 1961.

## **5.37 MISCELLANEOUS PROVISIONS**

### **5.37.1 Act not to apply:**

The provisions of following Acts shall not apply to the co-operatives registered under Mizoram Co-operative Societies Act, 2006:

- 1) The Companies Act, 1956;
- 2) The Monopolies and Restrictive Trade Practices Act, 1969 and the Competition Act, 2002;
- 3) The Industrial Disputes Act, 1947;
- 4) Any other Act notified by government from time to time.

**5.37.2 Power to make Rules:**

1) The government shall have power to make necessary rules to carry out various provisions of the Act.

2) Every rule made by government under sub-section (1) shall be laid before the state legislature while it is in session. When the state assembly is not in session and if the government is of the opinion that certain rules have to be framed and put into use immediately in public interest, the government may do so. However, the same shall be laid before the state legislature immediately on its ensuing assembly within thirty days for suggestions and modifications, if any, by the legislature and the rules deemed to have been modified to the extent of suggestions and modifications made by the legislature.

**5.37.3 Power to remove difficulties:**

1) If any difficulty arises in giving effect to the provisions of this Act, the government may, by order published in the official gazette, make such provisions not inconsistent with the provisions of this Act may appear to be necessary for removing the difficulty;

2) Every order made under this section shall be laid, as soon as it may be, before the state legislature.



**5.37.4 Repeal and saving:**

1) The Mizoram Co-operative Societies Act, 1991 (Act 19 of 1991) is hereby repealed.

2) All the notifications, rules, orders, requirement, registration, certificate, notice, decision, direction, approval, authorization, consent, application, request or things made, issued, given under the Mizoram Co-operative Societies Act, 1991 (Act 19 of 1991) in force at the commencement of this Act shall continue to be in force and have effects as if made, issued, given or done under the corresponding provisions of the Act.

3) Every co-operative existed immediately before the commencement of this Act which has been registered under the Mizoram Co-operative Societies Act, 1991 (Act 19 of 1991) or under any other Act relating to co-operatives in force from time to time shall be deemed to be registered under the corresponding provisions of this Act and the byelaws of such co-operative shall, in so far as they are not inconsistent with the provisions of this Act or rules framed under the Act continue to be in force until altered or rescinded.

4) All appointments, rules and orders made, all notifications and notices issued and all suits and other legal proceedings instituted under any of the Acts referred to in sub-section (1) of the Act shall in so far as they are not inconsistent with the provisions of this Act, be deemed to have been respectively made, issued and instituted under the Act.

5) The provisions of the Act shall also apply to:

- a) any application for registration of a co-operative;
- b) any application for registration of amendment of byelaws of a co-operative;
- c) any proposal for amalgamation or division of co-operatives pending at the commencement of this Act and the proceedings consequent thereon and to any registration granted in pursuance thereof.

6) Save as otherwise provided under this Act, any legal proceedings pending in any court or before the Registrar or government or any other authority at the commencement of this Act shall be continued to be in that court or before the Registrar or any other authority for final decision as if the Act had not been passed.

#### **5.37.5 Indemnity the action taken in good faith:**

No suit, prosecution or other legal proceedings, but subject to sub section (2) of section 127 of the Act shall lie against the Registrar, any person subordinate to him or other persons or authority acting on his authority or against any other person, in respect of anything done in good faith or purporting to have been done in good faith under the Act.

**5.37.6 Prior notice necessary before filing suits against any co-operative or its officers:**

No suit shall be instituted against any co-operative or any of its officers or employees in respect of any act touching the constitution, management, business of election or conduct of general meetings of any co-operative until the expiry of ninety days after notice in writing has been delivered to the Registrar or left at his office, stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims and the plaint shall contain a statement that such notice has been so delivered or left.

**5.37.7 Registrar, liquidator, auditor, arbitrator and other officers to be public servant:**

The Registrar, or persons exercising the power of Registrar, liquidator, arbitrator, administrator or any other person or authority authorized to exercise power under this Act and rules framed there under shall be deemed to be public servant within the meaning of section 21 of the Indian Penal Code.

**5.37.8 Enabling provisions for different type of co-operatives:**

In order to facilitate autonomous or appropriate formation, constitution, management and conduct of business for different type or sector co-

operatives, special legal provisions may be enacted and provided for as a separate chapter in this act of 2006.<sup>147</sup>

### **5.38 APPLICATION OF COOPERATIVE PRINCIPLES IN MIZORAM**

In accordance with the principles of co-operations, co-operatives in Mizoram have voluntary ad open membership. The first part has been explained, the second part i.e. open membership is also followed. Anyone who is interested can join the co-operative, but it is clearly desirable that the person concerned should be involved in that particular type of co-operative, for example, a person who wants to join a co-operative must be someone who is involved in that particular trade. Otherwise, if any Tom, Dick and Harry join the co-operative, running the co-operative may not be profitable. It may only lead to chaos.

The principle of democratic management is being followed to the letter. Their affair should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than Primary Societies the administration should be conducted on a basis in a suitable form. In regard to a federation, a Annual General Assembly elects Chairman, Vice

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<sup>147</sup> *The Mizoram Co-operative Societies Act 2006. Published by the Registrar, Co-operative Societies, Government of Mizoram, Aizawl*

Chairman and the board of Directors, by the members of the primary societies. This may differ from federation to federations as stated in their bye-laws. Again, when voting takes place, the principle of on-man-one-vote is followed.

The principles of limited interest on capital and patronage dividend in proportion of members, transactions are being followed. According to the by-laws of The Mizoram Multi-Commodity Producers' Co-operative Union Ltd. (MULCO), upto 12 % of the net profit shall be distributed as dividend on paid up share capital. On the other hand, the bye-laws of the Mizoram State Cooperative Marketing and Consumers' Federation Ltd. (MIZOFED) states that (a) for payment of dividend on paid up shares to a maximum of 25 % of the net profits. In no case shall the dividend in any year exceed 12 ½ percent of the value of shares paid up by the members, and (b) for rebate or patronage dividend to members, in proportion to the sales made by them through the society upto a maximum of 15 % of the net profits. In terms of other societies or federation, the method followed may slightly differ. However, economic results arising out of the operations of a society belong to the members of the society and they should be distributed in such a manner as would avoid one member gaining at expense of others. Any surplus should be distributed on the basis of patronage.

Co-operative Education and Training is seriously being imparted in Mizoram. All Co-operative Societies should make provisions for the education

of their members, officers and employees and of the general public in the principles and technique of co-operation, both economic and democratic. Mizoram State Co-operative Union is providing co-operative education, training, publicity and propaganda not only to the members but also to the common people in the State.

The Mizoram State Co-operative Union (MSCU) propagates co-operative ideology, themes and principles to the public in general through publications – Co-operative Tlangau (magazine), Visual Aid, Film show and Slide etc. It also conducts member Education Programmes. Junior Co-operative Training Institutions to train Board of Directors, members of Managing Committee and Junior Officers.

Co-operative societies are trying their level best to best serve the interest of their members and community by actively co-operating with other co-operatives in every practical way at local, State, National and even at International levels. However, there has not been much progress in this area. Cooperation between co-operatives has been negligent at the local level, let alone the State, National or even the International level. One big factor is that many at times the management of the various co-operatives do not see eye to eye-ideas clash, personal egos loomed large and so on. The one other reason may also be that the interests of the co-operatives themselves are in conflict

with each other. In a small state of Mizoram where market is small, the fight for the share of the market can be quite intense.

The Mizoram Multi-Commodity Producers' Union (MULCO) at the time of its established decided to follow the Anand Pattern. A great prospect was seen in establishing a dairy co-operative on the lines of the Anand Pattern more so because of the fact that the same type of commodity was involved. The overall success in this effort in building a truly autonomous, self sustaining and vigorous producer organization has been less than expected.

The 'Anand Pattern' which is also known as the 'Amul Model' is a three-tier structure – at the base level or village level there is the Dairy Co-operative Society; at the middle level or the district level, the Milk Unions; and at the state level, the Milk Federation. The three-tier structure was set up in order to delegate the various functions. Milk Society, Milk Procurement and Processing at the District Milk Union and Milk Products Marketing at the state Milk Federation. This helps to eliminate not only interest competition but also ensure that economics of scale is achieved.

The Village Dairy Co-operative Society (VDCS) is at the base level – it is the primary society. Its members consist of the milk producers of the village. The society is governed by elected Management Committee consisting of 9 to 12 members, who are elected based on principle of one man, one vote. A Secretary of the society looks into the day-to-day functioning of the society.

The **functions** of the Village Dairy Co-operative Society (VDCS) are:

1) Collective of surplus milk from the milk producers of the village and payment based on quality and quantity of milk.

2) Providing support services like veterinary first aid, A1 services, cattle feed sales, mineral mixture sales, fodder and fodder seed sales, conducting training on animal husbandry and dairying etc.

3) Selling liquid milk for local consumers of the village.

4) Supplying milk to the District Milk Union.

A village Dairy Co-operative Society is an independent entity, managed locally by the milk producers and assisted by the Dairy Milk Union.

The District Co-operative Milk Producers' Union (Milk Union) is the middle level in the three-level structure. The membership of the Milk Unions is the Village Dairy co-operative Societies of the district concerned and they are governed by the Board of Directors. The Board consists of 9 to 18 representatives of the Village Societies. A professional Managing Director is appointed to look into the day to day functioning of the Milk Union.

The main **functions** of the Milk Union are:

- i) Procurement of milk from Village Dairy Societies of the District.
- ii) Arranging transportation of raw milk from VDCS to the Milk Union.



- iii) Provide input services.
- iv) Conducts Training in Co-operative Development, Animal Husbandry and Dairying for Milk producers and conducts specialized skill development and leadership development training for VDCS along with regular supervision.
- v) Establishing chilling centres and Dairy Plants for processing milk.
- vi) Process milk into various milk and milk products as per the requirements of State Marketing Federation.
- vii) Selling liquid milk and milk products within the district.
- viii) Decide on prices of milk to be paid to milk producers as well on the prices of support services provided to members.

The State Co-operative Milk Federation is the apex tier of the three-tier structure. It is governed by Board of Directors, one elected representatives of each Milk Union. The Managing Director looks after the day-to-day administration of the Federation.

**Functions:**

1) Marketing of milk and milk products processed / management by Milk Unions.

2) Established distribution of network for marketing of milk and milk products.

3) Arranging transportation for milk and milk products for Milk Unions to Market.

4) Creating and maintaining a brand for marketing of milk and milk products – Brand building.

5) Provide support services to Milk Union and members like technical inputs, management support and advisory services.

6) Pooling surplus milk from Milk Unions and supplying to deficit Milk Unions.

7) Arranging for common purchase for raw materials used in manufacture / packaging of milk products.

8) Decide on prices of milk and milk products to be paid to Milk Unions.

9) Decide on the product to be manufactured at various Milk Unions (product-mix) and capacity required for the same.

10) Conduct long-term milk production, Procurement and Processing as well as marketing planning.

11) Arranging finance for Milk Unions and providing them the technical know-how.

12) Designing and providing training on co-operative development, Technical and Marketing functions.

13) Conflict Resolution and keeping the entire structure intact.<sup>148</sup>

The three-tier structure of the Anand Pattern has not been followed in toto by Mulco Ltd. In the first instance, Mulco is not a three-tier but a two tier structure. It has the base or village level societies – the primary societies and combines the middle and the apex level i.e. the Milk Unions and the State Federation. The village primary societies also collect milk from the milk producers and payment is also made on quality and quantity of milk. They also provide for some support services like cattle feed sales and fodder and fodder seed sales. The milk thus, collected is supplied to the Milk Union i.e. Mulco. The administration of the society is also done by the elected Board, and a Secretary looks into the day-to-day affairs.

The District Level Milk Unions are missing from the three-tiered structure as also a purely State Federation. As stated earlier the two levels have been amalgamated. The main reasons for this arrangement has been the low population of the State of Mizoram and more so the districts, and the

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<sup>148</sup> *Wikipedia encyclopedia – Amul*

small size of the State of Mizoram itself.<sup>149</sup> The majority of the population of Mizoram lives in and around the capital Aizawl and the town of Lunglei, capital of Lunglei District. Therefore, Mulco Ltd. is an agency which combines the functions of the District Milk Union and State Federation.

As a District Milk Union, it procures milk from the village level societies, and makes arrangement for transportation of raw milk. It also provides for input services like cattle feed, loans for the members of primary societies as well as conducting training. It has an established chilling centre at the Dairy plant at its headquarters at Thuampui, Aizawl. As a Milk Union/State Federation, Mulco Ltd. Sells, liquid milk to most part of Aizawl district and nearby districts. In the same capacity, it decides on the prices to be paid to the milk producers. Mulco Ltd. is also engaged in brand-building. At present, it is trying to create a brand acceptable at the all India level. The product-mix of Mulco Ltd. (Dahi, Ghee, Rosagulla, ice-cream etc.) is decided by it as a State-level federation. And in the same capacity tries to resolve conflict between the different primary societies so that the entire dairy co-operative structure may be intact and strengthen.

Mulco Ltd., in effect, has not followed all the 'six core propositions' of the Anand Pattern. The modest success of Mulco Ltd. can also be attributed to the fact that the demand system was studied – which was the marketing

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<sup>149</sup> *Interview of MULCO MD*

strategy for the product. This the key reason why Amul and other Anand-type co-operatives in Gujarat and elsewhere achieved success was because they succeeded in processing and marketing milk; where marketing was under-emphasized or mishandled, co-operatives failed.

Mulco Ltd. also be said to follow 'principle of pump-priming'. Mulco Ltd., cannot survive on its own share capital, therefore, it has to receive grants-in-aid from the State and Central Governments. It may not be too farfetched to say that it is the very life line of Mulco Ltd.. However, because of this, the Union is not able to function as a purely independent co-operative union. It must toe the line of the government without risking its autonomous state.

The co-operative societies in the state of Mizoram do follow broadly the world-wide co-operative principles and policies – mainly having to do with the Rochdale Principles. In part, it may also be stated had generally, the principles put forward by Freidrick Raiffeisen (1818-1888) and Franz-Herman Schulze-Delitzsch(1808-1883) were followed. For example, the principles Raiffeisen like of self-help, self-adminstration, self-responsibility, voluntary participation, members promotion, open membership were followed in full. The others like identity principle, linking-up principle, regionalism principle and independence of co-operative principle are being followed as and when feasible. Schulze-Delitzsch principle of self-help i.e. universally followed. However, his other principles are relates to credit system which is not a very common co-

operative in this area. Most of the co-operatives in this state chalked out their own bye-laws, and it is these bye-laws which guide the working of the co-operatives.

## **6.1. Introduction**

The Mizoram Multi-Commodity Producers' Co-operative (MULCO) was originally organized and registered under the name of the Mizoram Milk Producers' Co-operative Union Limited (MMU), when a few primary societies came together under the guidance of Dr.Kapthuama, the then Director Animal Husbandry and Veterinary Department on 5<sup>th</sup> December 1983.

The first Annual General Meeting of the Union was held on 24<sup>th</sup> February,1984 at the Office of the Animal Husbandry and Veterinary Department, Khatla. In this Annual General Meeting, Board of Directors-including Chairman and six members were elected for a one year term. In the initial stage, the authorized share capital was fixed at ₹ 10,00,000/- and the paid up share capital was to the tune of ₹ 4,29,200/- The Union, at this stage, was classified as 'C' class, according to audit classification.

The Milk Union was organized with the aim of developing the town milk supply in and around Aizawl, the capital of the state of Mizoram. This was to be done by organizing Primary Milk Cooperative Societies in and around Aizawl area. Operation Flood II Scheme was supposed to provide financial

support for this project. In spite of this financial support, the main objective of developing the town milk supply could not be fully implemented. Organizing the primary Co-operative Societies and recruitments and training of core staffs was, however undertaken.

Reviewing the situation, the National Dairy Development Board (NDDB) came to the conclusion that in a small state with less population like Mizoram, a single commodity union dealing only in liquid milk had a poor chance of survival. This was because the Union viability depended on the volume of trade undertaken. A fresh project was drawn up so as to convert the present Mizoram Milk Producers' Co-operative Union into a Multi-Commodity Producers' Cooperative Union and the activities would include trading in vegetable/spices, sale of pork by establishing a modern slaughterhouse of 30 pigs per day capacity. Eventually, The Mizoram Multi-Commodity Producers' Co-operative Union Limited (MULCO Ltd) was established and registered on 4.12.1991 under the Cooperative Societies Act 1991.

### **6.1.2 Objectives :**

- 1) The main objective of the organization is to promote and facilitate the operation of the Primary Dairy Producers' Cooperative Societies affiliated to it by coordinating their activities so as to improve their economic condition by implementing scientific way of Dairy farming.

- 2) To facilitate these societies for income generating Dairy farming for poor beneficiaries specially women.
- 3) To promote Dairy farming.
- 4) To train poor farmers and women beneficiaries for the successful implementation of the development programme.
- 5) To provide facilities for better farming, better business and better living.
- 6) To carry out work of common and economic interest so as to benefit the members and thereby, ensure increase welfare in every way.
- 7) To undertake special programmes for the betterment of the weaker section of the community for the improvement of their socio-economic conditions.

### **6.1.3 Management of the Union:**

a) **Administration** : The Board of Directors consists of nine members. The affiliated primary member societies in the annual assembly elect six members, but only those belonging to B class societies are eligible. The other three members are appointed by the state government. They are Registrar, Cooperative Societies, Director, Animal Husbandry and Veterinary Department, and one representative from National Dairy Development Board. The Chairman of the Board of Directors is elected from amongst its members.



b) **Manpower** : The head office of MULCO Ltd. is located at Thuampui Veng, Aizawl, capital of the State of Mizoram. The day to day administration of the Union is carried on by the Managing Director with the following member of staff.

1. Manager	-	1 (deputed from Animal Husbandry & Veterinary Deptt.)
2. Accounts Officer	-	1 (deputed from Cooperation Deptt.)
3. Deputy Manager	-	1
4. Accountant	-	1
5. P&M Supervisor	-	2
6. Dairy Plant Supervisor	-	1
7. Stenographer	-	1
8. Sr.Account Assistant	-	2
9. Plant Operator	-	1
10. Driver	-	2
11. Peon	-	2 (attached from Animal Husbandry & Veterinary Deptt.)
12. Chowkider	-	1 (attached from Animal Husbandry & Veterinary Deptt)
13. Muster Roll (M.R)	-	34

#### **6.1.4 Services offered to the milk producers:**

##### 1. Milk procurement

- a) Procuring all the surplus milk of the producers round the year, base on quality.

b) Providing technical support and training facilities to producers and field staff.

2. Animal breeding services

a) Providing artificial insemination through the AI centers maintained by the Department of Animal Husbandry.

b) Providing high pedigree frozen semen.

c) The organization is maintaining breeding bull for natural services.

3. Animal health programme.

a) The organization has Veterinarians and dairy specialist to assist in providing healthcare and veterinary services to the animals in the villages on fixed date. Dairy specialist also assists the farmers in dairy farming.

b) Supplying vaccines for preventing Hemorrhagic Septicemia (HS) Black quarter (BG) and Foot and Mouth disease (FMD) at subsidized cost.

c) Supplying deworming medicines for calves and adult cattle.

d) Arranging veterinary first aid training to the staff and farmers.

e) Conducting mastitis control.

f) Organising Brucellosis prevention programme.

g) Organising health and fertility camp.

h) Organising training camp for milk producers on scientific management.

4. Training camps: Providing training for farmers on clean milk production and management of milch animals.

5. Quality control : Quality control is being maintained by the technical staff of the organization to confirm the milk as per the standard.

**Table No 6.1 Present status of MULCO Dairy Plant**

<b>Sl. No.</b>	<b>PARTICULARS</b>	
1.	Installed Plant capacity	15000 LPD
2.	Present Capacity utilization	66%
3.	Present market share	32.80%
4.	Milk storage capacity (Milk silo 5000x4)	20 KL
5.	Number of DCS (Dairy Cooperative Societies)	38
6.	Number of Producer member	618
7.	Number of member pouring milk	618
8.	Number of milk collection centres	29
9.	Average daily sale of milk	10000 litres
10.	Number of commission Agents	154
11.	Number of sale booth	3
12.	Number of Bulk Milk Cooler (500 Litres)	5
13.	Number of Vehicle	4

14.	Ice Cream Plant	1
15.	Other Milk products (average daily sale)	
	a) Rasagulla	800 pieces
	b) Rasmalai	1000 pieces
	c) Gulab Jamun	400 pieces
	d) Paneer	30 Kgs.
	e) Ghee	5 Kgs.
	f) Lassi	100 liters
	g) Dahi	60 liters

Source: MULCO

The map in Annexure I show that the number of collection centres as follows.

1) Serkhan	- 1 (1 BMC)
2) Lungdai	- 5 (1 BMC)
3) Lungdai 'A'	- 3
4) Sihphir	- 4 (1 BMC)
5) Sihphir Arpu	- 3
6) Sihphir Vengthar	- 2 (1 BMC)
7) Durtlang North	- 1
8) Durtlang	- 2 (1 BMC)
9) Durtlang Leitan	- 2
10)Thuampui	- 1
11)Tlangnuam	- 1
12)Melthum	- 1
13)S.Hlimen	- 1
14)Hualngohmun	- 1
15)Melriat	- 1

So, altogether MULCO has at present twenty nine (29) collection centres in and around Aizawl City and five (5) Bulk Milk Coolers (BMC).

MULCO Ltd. carries on its main business activity of procurement, processing and distribution of fresh milk and its allied products to the people of the state of Mizoram. By 2008, MULCO has thirty eight (38) affiliated Milk Producers' Cooperative Societies from which it collects fresh milk everyday and distributes the same to various places in Aizawl City as well as outside. In addition to this, the Union has also undertaken procurement and distribution works of cattle feeds like wheat bran, oil cake and medicines to its member societies at reasonable prices and by 2003 - 04 earned a gross profit of ₹ 46.92 lakhs and a net profit of ₹ 5.71 lakhs.

**Table No. 6.2 Total Milk Procurement (1<sup>st</sup> April, 2009 to 31<sup>st</sup> January, 2010)**

Sl. No.	Name of Society	No. of Producer member	Quantity of Milk Procured (litres)	Value in Rupees
1.	Durtlang North	27	103684	31,10,520.00
2.	Durtlang	32	236088	70,82,640.00
3.	Durtlang Leitan	27	139848	41,95,440.00
4.	Sihphir Vengthar	25	114996	34,49,880.00
5.	Sihphir Arpu	22	139516	41,85,480.00
6.	Sihphir	34	343803	103,14,090.00
7.	Lungdai 'A'	19	131840	37,55,200.00
8.	Lungdai	24	221549	66,46,470.00
9.	Serkhan	17	143135	42,94,050.00
10.	S.Hlimen	2	4532	1,35,960.00
11.	Hualngohmun	6	8995	2,69,850.00
12.	Melthum	12	10059.50	3,01,785.00
13.	Melriat	2	4645	1,39,350.00
14.	Tlangnuam	7	9669	2,90,070.00
15.	Thuampui	26	165304.50	49,59,135.00
16.	Chite	12	44148	13,24,440.00
17.	Armed Veng	5	18665.50	5,59,965.00

18.	Samtlang	2	85	2,550.00
19.	Lungleng North	3	7383	2,21,490.00
20.	Muthi	8	16900.50	5,07,015.00
21.	Bawngkawn	3	955	28,650.00
22.	Chhingchhip	3	2651	79,530.00
23.	Individual	7	56712	17,01,360.00
	<b>TOTAL</b>	<b>325</b>	<b>1925214</b>	<b>577,54,920.00</b>

**Source : MULCO Ltd.**

During this period under study, from Sihphir Cooperative society, with the highest number of producer member at thirty four (34) MULCO procured 343803 litres of milk valued at ₹103,14,090/- From Durtlang Cooperative Society 236088 litres of Milk was procured valued at ₹ 70,82,640/- from Lungdai Society 221549 litres of milk valued at ₹ 66,46,470/-, followed by Thuampui Cooperative Society from where 165304.50 litres of milk was procured by the union valued at ₹ 49,59,135/- Serkhan Cooperative Society supplies 143135 litres of milk valued at ₹ 42,94,050/- ; from Durtlang Leitan Cooperative Society Milk procured was 139848 litres valued at ₹41,95,440/- and from Sihphir Arpu Cooperative society 139516 litres of milk valued at ₹41,85,480/- was procured by MULCO. It is interesting to note that the location of cooperative societies from where MULCO has been procuring the largest quantity of milk is adjacent to one another. Total amount of milk procured during this period by MULCO Ltd. works out to be 1925214 liters of milk valued at ₹ 577,54,920/- One clarification that is needed here is that the table no. 6.2 shows the number of Societies from where milk procurement is done

by MULCO Ltd. at twenty two (22) societies, whereas the present number of Societies under MULCO Ltd. is thirty eight (38). The difference in the number is due to the fact that sixteen (16) Societies are not milk producing societies under MULCO Ltd. and so do not pour any quantity to milk to MULCO Ltd. Their activities involve products other than milk. This is possible under MULCO Ltd. as MULCO is a Multi-Commodity Cooperative Society from the total milk supply by MULCO Ltd.

The average monthly supply of milk by MULCO Ltd. in Aizawl City for the same period 2009-10 in the various routes is shown in the Table no. 6.3.

**Table No 6.3. Average Monthly Supply of Milk by MULCO for the period 2009-2010**

<b>Route Name</b>	<b>Average Monthly Supply of Milk (Litre)</b>	<b>Standard Deviation (Litre)</b>	<b>Maximum (Litre)</b>	<b>Minimum (Litre)</b>	<b>Coefficient of Variations</b>
M-I	12469.67	2458.92	15425	8788	0.20
M-II	20422.04	2508.01	24305	16393	0.12
M-III	21772.00	2878.09	25539	17471	0.13
M-IV	37919.54	2849.47	31486	23992	0.10
M-V	38679.29	4003.11	46544	32172	0.10
M-VI	6984.29	2076.74	11657	4662	0.30
All Routes	21374.47	2795.72	28826.00	17246.33	0.16

*Source: MULCO Ltd.*

The average monthly supply of milk and the corresponding measure of variability in different routes during 2009-2010 is presented in the table. The highest average monthly supply of milk is observed in the Route M-V followed by M-IV; while the lowest is found in Route M-VI. The co-efficient of variations, as a measure of variability, presented in the last column of the table reflected low variability of milk supply in Aizawl that the overall monthly milk supplies is 0.16. The highest degree of variability 0.30 is found in Route M-VI; with the lowest average supply; while the route having the highest average supply has the minimum variability of 0.10. The average monthly milk supply through MULCO in Aizawl is 21374.47 litres with a range of 17246.33 litres being the minimum and 25826 litres being the maximum.

Milk and milk products are also distributed to Champhai Town (Capital of Champhai district), Saitual, Keifang, Thingsul, Ratu (villages within Aizawl district) and Mamit Town (capital of Mamit district) on a daily basis. The union also supplies milk to various Integrated Child Development scheme (ICDS) centres within and outside Aizawl city. This is being done through the Social Welfare Department, Government of Mizoram.

At present, MULCO has three (3) main sales booth located at Aizawl Civil Hospital, Presbyterian Hospital at Durtlang and another located near the Tennis Court at Aizawl city. Besides, this MULCO Ltd., distributes milk through it various agents/vendors in and around Aizawl city. Table No. 6.4 below



shows the number of vendors in different routes of Aizawl city under MULCO Ltd.

**Table No. 6.4 Number of vendors in different routes.**

<b>Routes</b>	<b>Number of Vendors</b>
M-I	15
M-II	19
M-III	21
M-IV	26
M-V	23
M-VI	8
All Routes	112

*Source: MULCO Ltd.*

The various localities of Aizawl city covered by the different routes are as follows:

**M-I:** Thuampui (MULCO plant), Zemabawk, Zemabawk Kawn Veng, Zemabawk Field Area, Zemabawk Venglai, Zemabawk AL Road, Zemabawk Galili Veng, Zemabawk Zokhawsang, Bawngkawn, Bawngkawn SBI Office Area, Near Greenwood Hospital, Bawngkawn, Laipuitlang.

**M-II:** Bawngkawn Chhim Veng, Ramhlun North, Ramhlun South, Venglai, Electric Veng, Saron Veng, Zarkawt, Laipuitlang, Chaltlang Dawrkawn.

**M-III:** Ramhlun North, PWD Tlang Ramhlun, Ramhlun (near RL Building), Chanmari, Chanmari East, Chhinga Veng, Tuikhuahtlang, Sikulpuikawn, Upper Republic, Republic Kawipui, Republic, College Veng, ITI Veng, Mualpui, Bethlehem Vengthlang, Bethlehem Vengchung.

**M-IV:** Mac Donald Hill Zarkawt, Khatla Kawn, Khatla, Khatla near Directorate of AH & Vety, Bungkawn Vengthar, Maubawk, Nursery, Khatla South, Mission Vengthlang, Model Veng, Kawltheihuan peng, Thakthing, Thakthing Damveng, Tlangnuam, Melthum, Melriat.

**M-V:** Chanmari Kawn, Zarkawt, Treasury Square, Temple Square Tuikual, Tuikual, Dinthar, Vaivakawn, Kanan, Chawnpui, Zotlang, Zonuam, Government Complex Luangmual, Chhangurkawn, Company Peng, Edenthar.

**M-VI:** Civil Hospital Dawrpui, New Street and Kulikawn.

**Table No.6.5: Total milk sold in Aizawl city in the financial year 2009-2010 by different vendors in the different routes.**

<b>Milk Sold (Litres) in Different Route</b>							
Month	M-I	M-II	M-III	M-IV	M-V	M-VI	Total
April 2009	8788	16393	18360	23992	32172	4728	104433
May 2009	9402	17678	17471	24593	34601	4662	108407
June 2009	9745	17836	18665	24074	34894.5	4805	110019
July 2009	10557	18655	19534	25466	5545.5	5990.5	115748
August 2009	10782	18887	19420	26228	37026.5	6167	118511

Sept. 2009	13485	21310	24870	28297	39593	6875	134430
October 2009	13797	20055	23610	29793	40178.5	6677	134111
Nov. 2009	15425	22383	23635	29851	41241	6850	139385
December 2009	14537	24305	25539	31486	46544	7927	150338
January 2010	12997	22864	23175	30578	42574	7852	140040
February 2010	14826	22249	22430	29964	40530	9621	139620
March 2010	15295	22450	24555	30714	39251.5	11657	143922
<b>Total</b>	<b>149636</b>	<b>245065</b>	<b>261264</b>	<b>335035</b>	<b>399257</b>	<b>83811.5</b>	<b>1538962</b>

*Source: MULCO Ltd.*

During the month of April 2009, the total milk sold by the different vendors in different routes was 104433 litres which is the least during the period under observation and during December 2009, 150338 litres of milk were sold which is the highest. The total milk sold during the months of May 2009 to February 2010 kept fluctuating. During the entire period of study (April 2009 to March 2010) Route M-V vendors have sold the largest quantity of milk while Route M-VI vendors have sold the least amount of milk. During the entire period, the largest amount of milk was sold in the month of December 2009 by Route M-V vendors and the least amount of milk sold was in the month of April 2009 by Route M-VI vendors. The table reveals that during winter the total

quantity of milk sold seems to go up and by summer months decline again. From September 2009 total milk quantity sold goes on increasing at peaks during December 2009 at 150338 litres.

Route M-V sells the highest quantity of milk even though Route M-IV has the highest number of vendors. The reason is that the area that fall under Route M-V has the highest density of population in Aizawl city and therefore, the demand for milk is greater than other routes.

**Table No. 6.6: Average quantity of milk sold by different vendors during 2009-2010 in a month.**

<b>Average Quantity Of Milk Sold (Litres) in Different Route</b>							
Month	M-I	M-II	M-III	M-IV	M-V	M-VI	Total
April 2009	732.33	964.29	966.32	1043.13	1398.78	945.60	1054.88
May 2009	783.50	1038.88	919.53	1069.26	1504.39	932.40	1095.02
June 2009	812.08	1049.15	982.37	1046.70	1517.15	961.00	1111.30
July 2009	879.75	1097.35	1028.11	1107.22	1545.46	1198.10	1169.17
August 2009	898.50	1111.00	1022.11	1140.35	1609.85	1233.40	1197.08
Sept. 2009	1123.75	1253.53	1308.95	1230.28	1721.44	1375.00	1357.87
October 2009	1379.70	1253.44	1388.82	1418.71	1826.30	1335.40	1473.74
November 2009	1285.42	1243.50	1313.06	1297.87	1793.09	978.57	1380.05
December 2009	1118.23	1279.21	1502.29	1311.92	2023.65	1132.43	1459.59
January 2010	999.77	1203.37	1363.24	1223.12	1851.04	1121.71	1346.54
February 2010	1059.00	1171.00	1246.11	1152.44	1762.17	1202.63	1292.77

March 2010	1092.50	1181.58	1364.17	1181.29	1706.59	1457.13	1332.61
<b>Total</b>	<b>1013.71</b>	<b>1153.94</b>	<b>1200.42</b>	<b>1185.19</b>	<b>1688.33</b>	<b>1156.11</b>	<b>1272.55</b>

*Source: MULCO Ltd.*

Here in this table too, it has been observed that during this entire period (April 2009 to March 2010) the lowest average quantity of milk sold in a month was in the month of April 2009 at 1054.88 litres, the highest average quantity of milk sold in a month was in the month of October 2009, at 1473.74 litres. Route wise, it can be observed that Route M-I sold the lowest amount of milk in a month on an average of 1013.71 litres, while Route M-V has sold, 1688.33 litres the highest amount on an average in a month for the period which is higher than the total average for all routes at 1272.55 in the month of April 2009, it sold 732.33 litres the least average quantity of milk and sold the highest in month of October 2009 at 1379.70 litres. Route M-II sold the least average quantity of milk (964.29 litres) also in April 2009 and the highest in December 2009 (1279.21 litres). As for Route M-III, in May 2009 the least average quantity of milk at 919.53 litres was sold and the highest at 1502.29 litres in December 2009. Route M-IV, again April 2009 saw it selling the lowest average quantity of milk in a month at 1043.13 litres, while selling the highest in the month of October 2009 at 1418.71 litres. For Route M-V, lowest average quantity was sold in the month of April 2009 at 1398.78 litres, and the highest average quantity in January 2010 at 1851.04 litres, whereas for Route M-VI,

lowest average quantity of 932.40 litres was sold in May 2009 and the highest in March 2010 at 1457.13 litres. The average quantity of milk sold by the different vendors depends on the milk supplied by MULCO Ltd. as well as the individual vendors demand for the milk. The monthly fluctuation in MULCO's supply of milk is due to the fluctuation in the procurement of milk by MULCO Ltd from the cooperative society members, which in turn depends on the milk production by their animal. Individual vendors demand in different routes depends on the public's demand of milk for consumption.

In 2006-2007 a grant of ₹ 50.00 lakhs was received under the IDDP-IV Project. The grant was utilized to expand the horizon of the Union. This was done by setting up Ice Cream Plant, Ice Cream Building, purchase of Refrigerated Van, Deep freeze fridge, trolley etc. the Ice Cream Plant is being completed although the actual production of the ice cream named 'LAKTOZ' is yet to take place.

In Mizoram Dairy farmers need assistance on a constant basis to enable them to have a sustainable means of livelihood. Realizing this need, the Union adopted the Dairy Venture Capital Fund Scheme since 2005-06. This is for the establishment of 8-10 dairy cows unit. Till 31<sup>st</sup> March, 2008, 140 families have availed of this loan. Target up to 1<sup>st</sup> April, 2009, stands at 300 families. The scheme is being implemented through the National Bank for Agricultural Development which will serve as a nodal agency for the scheme.

As parts of its plans to expand its activities MULCO, decided to take up the following activities :

1. Organising women motivation programme in the state.
2. Providing training for rural women in order to expose them to dairy farming.

In order to fulfill the above objective a project was submitted to the Ministry of Women and Child welfare, Government of India under the 'Support to Training an Employment Programme' (STEP) scheme. Request for financial assistance was to the tune of 162.90 lakhs i.e, ninety percent grant and ten percent (₹18.10 lakhs) would be contributed by MULCO.

The Scheme known as 'Project on Dairying for Benefit of Women Beneficiaries in the State of Mizoram' sought to organize women beneficiaries into self help groups. Women beneficiaries will be given training in Dairy farming with technical assistance from the dairy specialist and Veterinary Doctors of the organization. The Self help group will have to purchase a good crossbred jersey cow as a source of their income with the assistance of the department of the Animal Husbandry, Government of Mizoram. The implementing agency of which MULCO is a member will take up the matter of making arrangement for milk marketing and also for the supply of feed, fodder and medicine. The organization will make arrangement to provide support services like health care including child care and health education to women

beneficiaries in the three districts of Kolasib, Lunglei and Aizawl. Gender sensitization will go hand in hand with health education. Efforts will be made for social mobilization, approach to address right and needs of women beneficiaries, to respect them as individuals who must be ultimately empowered to gain control over resources and exercises choices. The Mizoram Rural Bank has agreed to extend financial assistance to women beneficiaries under the project.

## **6.2. BUSINESS TURNOVER AND PROFITABILITY**

MULCO started initially with only seven primary cooperative societies. The Union had collected in 1993-94 paid up share capital from the State Government and affiliated primary producer's society as under :

- a) From the State Government ₹ 4,05,000.00
- b) From Primary Societies ₹ 24,200.00

The total business turnover during the corresponding year was ₹61,63,650.75 with a total profit amounting to ₹10,28,041.90 from the sale of milk, maize and wheat bran. This is quite a remarkable achievement considering the fact that MULCO was at its nascent state. By 1995-96, the Primary Cooperative Societies had increased to 26, this is indeed a step forward. One of the main reason seems to be the grant received by the Union



from the Ministry of Agriculture, Department of Animal Husbandry and Dairying, Government of India under the “Integrated Dairy Development Project”, ₹ 367.99 lakhs was received by the Union and important benefit from this project being the provision of Dairy Cow subsidy, feed supply, feed transport subsidy and manpower development the total turnover also went up to ₹ 95,73,659.45/-

MULCO continued to grow steadily as the demand for milk and milk products continue to grow. The reason for this is the increased demand by hotels and restaurants, and of the general population due to better income and standard of living. This in turn spurred the supply of milk, enabling more people to resort to dairy farming as a means of livelihood. This is verified by the fact that in 1993-94 the Union spent ₹ 50, 54,112/- on the purchase of milk; by 1996-97 this went up to ₹ 117, 56,114.90/-. After a decade or so expenditure on milk purchase had gone up to ₹ 371,97,014/-. The table No. 6.7 below for the past sixteen years will make this amply clear.

**Table No.6.7: Growth Income and Expenditure of MULCO.**

<b>Year</b>	<b>Income (₹ Lakhs)</b>	<b>Expenditure (₹ Lakhs)</b>	<b>Gross Profit (₹ Lakhs)</b>
1993-1994	10.46	4.47	5.99
1994-1995	4.43	8.99	-4.56

1995-1996	25.02	21.15	3.87
1996-1997	36.55	34.58	1.96
1997-1998	23.17	24.10	-0.93
1998-1999	5.03	30.37	-25.34
1999-2000	50.02	44.10	5.92
2000-2001	69.89	67.07	2.82
2001-2002	49.47	47.18	2.30
2002-2003	58.19	53.21	4.98
2003-2004	89.54	84.09	5.45
2004-2005	78.93	70.72	8.21
2005-2006	83.05	82.39	0.67
2007-2008	147.23	142.21	5.02
2008-2009	307.41	304.85	2.56
CAGR(%)	23.40	22.48	(-)4.91

*Source : MULCO Ltd.*

The table No.6.7 shows the income and expenditure of MULCO Ltd. From the year 1993-1994 till 2003-2004, the income of MULCO Ltd. has been fluctuating a great deal. In 1993-1994, income was ₹10.46 lakhs, declined to just ₹ 4.43 lakhs the following year in 1994-1995. For the next two years (1995-1996 and 1996-1997) the income went up again, only to decline to ₹ 23.17 lakhs the next year. The income by 2000-2001 was ₹ 69.89 lakhs. However, the next two years saw a declining trend. By 2004-2005, income rose again from ₹ 78.93 lakhs in 2004-2005 to ₹ 307.41 lakhs by 2008-2009.

The income of MULCO Ltd. during the entire period of study has increased at a compound annual growth rate (CAGR) of 23.40 per cent.

Even though the income was increasing, the expenditure has also gone up at almost the same rate. Between 1993-1994 and 2003-2004, the expenditure like the income has been fluctuating to such an extent that in 1994-1995, 1997-1998 and 1998-1999, the gross profits were negative at ₹ -4.56 lakhs, ₹ -0.93 lakhs and ₹ -25.34 lakhs respectively. This shows that at times, the Union had to operate at a loss. Expenditure of MULCO Ltd. too climb steadily from 2004-2005 (₹ 70.72) lakhs to ₹ 304.85 lakhs by 2008-2009.

The CAGR of MULCO Ltd. expenditure during the period is 22.48 per cent. So, it can be observed that while the income is growing, the expenditure of MULCO Ltd. is also growing at almost the same rate.

Gross profits have shows an up and down trend the 16 year under observation. It has shown negative (or deficit) value during the year 1994-1995, 1997-1998 and 1998-1999. The compound annual growth rate have shown a negative value of -4.91 per cent p.a. this indicates that even though there is a profit for 13 years this study finds that profits is declining every year. This may be due to the lack of improvement in the management and quality of the product.

The socio-economic profile of the members of primary cooperative societies under MULCO Ltd. was studied for a period of 1(one) year i.e.,

2010. This was done based of four (4) primary cooperative societies- Durtlang Primary Cooperative Society, Sihphir Vengthar Cooperative Society, Sihphir Vengthar Cooperative Society, and Thuampui cooperative Society. These societies were selected because their overall performance is better than the other cooperative societies and their close proximity to the Aizawl city.

The members of these four (4) societies earn good income through their own dairy cooperative societies. Firstly, the family income distribution of the members of these four (4) societies is studied taking sample survey which is presented in the table below.

**Table No. 6.8: Income Distribution of Families.**

<b>SOCIETY</b>					
<b>Income (₹)</b>	<b>Durtlang</b>	<b>Sihphir</b>	<b>Sihphir Vengthar</b>	<b>Thuampui</b>	<b>Total</b>
Below 20000	1	1	1	Nil	<b>3</b>
20000 – 40000	3	2	6	2	<b>13</b>
40000 – 60000	4	Nil	5	1	<b>10</b>
60000 – 80000	1	Nil	Nil	1	<b>2</b>
Above 80000	Nil	2	1	1	<b>4</b>
<b>Total</b>	<b>9</b>	<b>5</b>	<b>13</b>	<b>5</b>	<b>32</b>

*Source: Sample Survey.*

The table indicates that while at Durtlang, Sihphir and Sihphir Vengthar societies have one (1) families earning below 20000, Thuampui society had none. In the 20000 – 40000 income range, Sihphir Vengthar has the highest number of families at six (6) and the total number of families in this income range is also the highest. In the income range of 60000 – 80000, only two (2) families, one (1) each in Durtlang and Thuampui fall in this range. The income range of 80000 above has, however, four (4) families – two (2) from Sihphir society and one (1) each from Sihphir Vengthar and Thuampui societies.

The same table of income distribution is calculated percentage wise which is presented in the table No. 6.9 below:

**Table No.6.9: Distribution of Family Income in the selected societies.**

<b>Income (₹)</b>	<b>No. of Families</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Below 20000	3	9.38	9.38
20000 – 40000	13	40.63	50.00
40000 – 60000	10	31.25	81.25
60000 – 80000	2	6.25	87.50
Above 80000	4	12.50	100.00
<b>Total</b>	<b>32</b>	<b>100.00</b>	

*Source: Sample Survey.*

This table indicates that 50% of the families are with income of less than 40,000. 87.50% of the families are earning income below 80,000. This also indicates that a few families at 12.50% earn income above 80,000. Percentage wise it can be said that dairy cooperative societies in these four localities – Durtlang, Sihphir, Sihphir Vengthar and Thuampui earning good income is quite high.

Average monthly family income of these four societies was also worked out, using the same sample survey of these four – Durtlang, Sihphir, Sihphir Vengthar and Thuampui cooperative societies. This is presented in table No. 6.10 below:

**TableNo.6.10: Average Monthly Family Income.**

Society	Ave. Fly. Size	Ave. Monthly Income of the Family (₹)	Std. Dev (₹)	Range		Coeff. of variation
				Min.	Max.	
Durtlang	6	37766.67	19192.19	10000	65000	0.51
Sihphir	6.8	61078.8	56340.98	7115	140000	0.92
Sihphir Vengthar	6.77	47246.15	45874.4	16000	196000	0.97
Thuampui	7.4	57800	39669.89	7115	196000	0.83
<b>Total</b>	<b>6.65</b>	<b>48390.44</b>	<b>39948.66</b>	<b>7115</b>	<b>196000</b>	<b>0.83</b>

*Source: Sample Survey.*

The highest monthly average family income is found in Sihphir primary cooperative society at ₹ 61078.8 average family monthly income, while the lowest is observed in Durtlang primary cooperative society at ₹37766.67/- average family income. The coefficient of variation as a measure of variability, presented in the last column of the table reflected quite high variability of overall average monthly family income among the four of the above society members at 0.83.

The highest degree of variability average monthly income of the family is found in Sihphir Vengthar cooperative society (0.97) where the minimum and maximum range of average monthly family income is between 16000 – 196000. Whereas the lowest degree of variability of average monthly income of the family is found in Durtlang primary cooperative society (0.51) where the minimum and maximum range of average monthly family income is 10000 – 65000.

At the same time, a study was also done to look at MULCO Ltd. from the employment side. The four (4) primary cooperative societies at Durtlang, Sihphir, Sihphir Vengthar and Thuampui were again used as a base for the study. The process of whether the members of these societies hire labourers or not will reveal the scale of their operations.

**Table No. 6.11: Number of families who hired labour.**

Status	No. of families	Percent	Cumulative Percent
No hired labour	10	31.25	31.25
Hired labour	22	68.75	100
<b>Total</b>	<b>32</b>	<b>100</b>	

*Source: Sample Survey.*

It will be observed from the table that on the basis of our sample information 31.25 per cent of families do not hire labour; while 68.75 per cent do hire labour.

*Table No.6.12: Average Number of Labour Hired*

Society	Ave. No.	Std. Dev (₹)	Range		Coeff. of variation
			Min.	Max.	
Durtlang	1.11	1.05	0	3	0.95
Sihphir	2.2	1.64	1	5	0.75
Sihphir Vengthar	0.92	0.86	0	2	0.93
Thuampui	0.6	0.55	0	1	0.92
<b>Total</b>	<b>1.12</b>	<b>1.099</b>	<b>0</b>	<b>5</b>	<b>0.98</b>

*Source : Sample Survey*



The table shows that on the whole only 1.12 numbers of labourers are hired. Sihphir society members hire the highest number of labourers at 2.2. However, Sihphir society has the lowest variability at 0.75 with minimum and maximum at 1 and 5 respectively. Highest variability (shows in the last column of the table) at 0.95 with a minimum of 0 and maximum of 5 is found in Durtlang society.

The observation that can be made from the two tables above is that even though overall on an average of 1.12 the members of these societies hire labourers, even though and 68.75 per cent of the families hire labours; the observation led us to conclude that the activity under MULCO Ltd. is family based; even though there is a good scope for employment generation. A study was undertaken of the overall performance of five (5) primary cooperative societies under MULCO Ltd. for the year 2006-2007 and 2007-2008. For this study the primary cooperative societies located at Chite, Durtlang, Sihphir, Sihphir Vengthar, Thuampui were selected. The selection of these five societies was due to their close proximity to Aizawl city.

2006-2007						2007-2008				
Chite	Durtlang	Sihphir	Sihphir Vengthar*	Thuampui*	Chite	Durtlang	Sihphir	Sihphir Vengthar*	Thuampui*	
15	37	45	31	31	15		47	32	32	
10000	10000	20000	16000		100000	NA	20000	16000		
	5800	2720				NA	2720			
1500	21100	16760	3700	3100	1500	NA	16760	3800	3360	
1500	26900	19480	3700	3100	1500	NA	19480	3800	3360	
136300	4363357	14213369	4690467	3845489	297901	NA	14746414	6048880	5522943	
180050	127096	14683198	5088905	83249	342909	NA	16174830	142673	58463	
151380	4230029	14463095	4718059	3928288	312979	NA	14971494	6091169	555552922	
15080	-66664	249726	27592	82799	15078	NA	225080	42289	29679	
1310	-106793	50067	-66801	59749	2770	NA	52758	-100384	-12934	
Nil	Nil	Nil	Nil	Nil	Nil	NA	Nil	Nil	nil	
10092	114325.11	321402.11	152195.45	126718.97	20865.27	NA	138542.4	190349	173519.4	
1005.333	-1802.73	5549.4667	890.064	2670.94	1005.5	NA	4788936	1321.531	927.4688	
87.33333	-2886.297	1112.6	-2154.876	1927.39	184.6667	NA	1122.468	-3137	-404.188	
0.009909	0.0063593	0.0013469	0.0007842	0.00079	0.004793	NA	0.001301	0.000624	0.000605	

**Table No. 6.13. Performance of 5 Societies under MULCO for the year 2006-07 and 2007-08**  
*\*Since data not available for the year 2006-07, data for the year 2005-06 has been used as a proxy.*

Source: Sample Survey

One clear situation that is observed from the study, as shown in the table above is that all the societies in these four localities have no new investment plan for the future. The entire capital- output ratio indicates poor performance by each of these primary cooperative societies. The capital-output (c-o) ratio has been worked out by dividing total paid-up capital by total income i.e. C/I. Capital-output ratio may be viewed as a measure of the efficiency of capital investment. The Capital-output ratio for Sihphir Vengthar society was the lowest at 0.0007842 in 2006-2007, followed by Thuampui society at 0.00079 in the same year. Performance declined further for these two societies the following year i.e. 2007-2008 at 0.000624 and 0.000605 capital-output ratio respectively. During the two years under study Chite society had the highest capital-output ratio at 0.0009909 in 2006-2007. However, this also declined to 0.004793 capital-output ratios in 2007-2008. Low capital-output will indicate low capital low capital investment and here there is lower scope for up gradation and quality improvement.

The Union has helped to strengthen the rural economy of the state. This is in part due to the elimination of middlemen, by purchasing milk from the producers directly. This has enabled safe milk and milk products to be available to the general public. In 1994-95, milk procured by the Union was less than ten thousand liters, the value of the sale being around ₹106,48,340.10. After a decade, that is by 2004-2005, milk procured went up

to 18.54 lakhs liters, valued at ₹ 3.06 crores; the sales value was ₹ 4.00 crores. Then again the next year in 2005-2006, milk procured was of the order of 21.25 lakhs liters, valued at ₹ 3.72 crores. The sales value was ₹4.59 crores. In 2006-2007, the milk procured was 21.81 lakhs liters, valued at ₹4.01 crores; sales value being ₹ 5.10 crores.

During more than a decade of its existence, the Unions' membership of Dairy Cooperative Societies has gone up to from a mere 7 to 38 by 2007-2008. Producer's member reached 1440 during the same period. This figures indicated that the Union has done a great deal to develop the societies and improve the lives of its members. Most of the Society's member has been able to free themselves from the shackles of poverty and lead a life of dignity and honor. But for the Union, many of the producer members would be at a loss as how to carry on their business. In the days of rampant unemployment, the Union has enabled the members of the cooperative societies to become self-employed and obtained substantial income throughout the year.

The following are the major findings of the study. The first part relates to the problems and the second part to the prospects of cooperative movement in Mizoram.

## **7.1 PROBLEMS :**

### **7.1. (a) Lack of Finance: Source of capital of the cooperatives societies in Mizoram are mainly -**

- i) Share capital
- ii) Governmental aid / grant including subsidies,
- iii) Loans from banks.

From the primary data collected from various parts of Mizoram, the resource crunch of the societies has been highlighted in a very significant manner. Questionnaires were sent to the respondents for information. All of them have responded that financial constraint was a major problem for them and thus resulted in hindering their development.

A question may come to mind as to why there is such a financial constraint among the cooperative societies in Mizoram. The answer may be found in the fact that the sources of finance mentioned above are inadequate. Share capital per member is only ` 100 in all the societies. On an average, the total membership of the societies works out to be around 50 members. Obviously not much will be forthcoming from share capital contribution.

In addition, there is limitation on the number of shares to be purchased by a single member. This is dictated by the bye-laws of each of the societies. The total share purchased by a single member should not exceed 1/5 of the total share capital contribution of the society.

The cooperative societies in Mizoram depend very much on the government for grants having failed to mobilize resources by internal mobilization. The secondary data provided by the Registrar of Cooperative Department, Government of Mizoram shows that the paid up share capital contribution of the State Government has also slowly gone up. The problem peculiar to Mizoram in this regard is that the financial aid or grant to be given to a cooperative society is decided by the Registrar, who dispenses the financial aid more or less according to his pleasure. Financial aid or grant may be given for management or for operations and so on. This kind of haphazard financial aid cannot release the societies from their financial woes in Mizoram.

Again, it has been observed that the banks also find it difficult to accommodate the cooperative societies' demand for bank finances, mainly because of their unsound financial position. The financing banks cannot or are unwilling to provide the desired amount of loan, at the time needed by the cooperative societies to fulfill many of their objectives and projects they wish to undertake. Thus, a vicious circle is created in Mizoram, where the cooperative societies because of their unsatisfactory financial position have to go to the financing banks for funds while the latter cannot meet their demand for funds because of the formers' unsatisfactory financial position. One of the main reasons for hesitation on the part of the banks to provide loans in Mizoram to the cooperative societies is due to non-repayment of loans on the parts of

members. Also another reason which can be cited is the misutilisation of loans by the borrowers. Often the loans are used to buy consumer goods instead of using it for the purpose-say for improvement of their farming operations, purchase of inputs, and so on – for which loans were provided.

Thus, the study reveals that the volume of working capital of the cooperative societies fall short of what is needed for performing their essential functions. One solution out of this impasse is to mobilize internal resources in the form of share capital and deposits. The share value of the cooperative societies which at present is only ₹ 100/- may be raised and also the number of shares which can be purchased by the members should be increased in order to mop up more internal resources. Members of the societies should also be made to deposit more of their own finances, in the form of contributions. Government funding should also be properly utilized, as also the banks loans which are provided.

However, internal mobilization of resources will also pose a problem especially due to the fact that the cooperative societies have a very low profit margin and in some cases may even be negative. Through a sample survey done on the case study of the Mizoram Multi Commodity Producer's Cooperative Union Limited (MULCO) regarding the growth of its income and expenditure for the last sixteen years, a clear picture emerges regarding the financial inability of MULCO shown in table 6.7. It has been observed that

even though income has gone up during the mentioned period, expenditure also has gone up to the same extent. Calculating the gross profits by Compound Growth Equation, the resultant compound annual rate of growth (CARG) shows the gross profit to be  $-4.91$  per cent per annum. Internal mobilization may also be difficult from this angle.

### **7.1.(b) Inefficiency in management of cooperative societies :**

The question of management is the single most important factor that decides the success or failure of cooperative societies in Mizoram. Efficient management is a sine-qua-non for its survival and growth. Managerial inefficiency has been one of the most important reasons for the failure of many cooperative societies in Mizoram. Even good resources can be dissipated by inept management.

The management of cooperative societies in Mizoram is vested theoretically with the general body of the society concern. However, the management committee, consisting of elected non-official local members under the leadership of the Chairman, manages the affairs of the society. The management committee meets only once a month, so it is left to the Chairman to manage the day-to-day affairs of the cooperative society. In Mizoram, the problem is that the Chairman may be literate but not well educated. Therefore, he does not possess managerial expertise to run the society. As a result he



does not have control over other members of the management committee, the paid employers or members of the society. In addition, he also usually does not have knowledge about accounting and financial management. So, the cooperative society is like a ship without a rudder. In such a scenario, the cooperative society cannot succeed. Also the term of the Chairman and members of the management committee is very short, usually 1 or 2 years and they also work in an honorary capacity. Therefore, it becomes difficult for them to demonstrate successful results.

Table 4.2: Growth of Cooperative Societies in Mizoram shows that the number of cooperative societies and their membership have decline over the years. The number of societies was 1496 in 2000 – '01; and the total membership was 47271 which decline to 1419 in 2003 –'04 and total membership decline to 42813; and by 2007 – '08, number of societies was 1367 and membership was 43986. The declining trend in both the number of societies and membership is due to the inefficient management of societies.

Laxity in management of cooperative societies in Mizoram is in many cases due to lack of awareness on the part of the leaders. Most of the local leaders are unaware of the provisions of bye-laws, their powers and authority and even of the basic cooperative principles. Some leaders regard cooperative societies as a 'close shop for the benefit of few' and potential 'vote banks'

Thus, for the success of the cooperative societies, it is imperative that the leadership has to improve qualitatively. It has been seen from this investigation that whenever the quality of leadership is good, there has been cooperation and understanding. Whenever the quality of leadership, both official and non-official is at the bottom of the scale, success of cooperative is absent. There is no doubt the quality of leadership can be improved among the local leaders.

#### **7.1.(c) Lack of Cooperative Education and Training:**

Cooperative Education can be defined as a set of practices and means used to make members aware of the cooperative principle and advantage. Lack of awareness even of ignorance of the members and the general public at large of the principles, methods and objectives of the cooperative way of operating, in a word of cooperative advantage is a big problem in the state of Mizoram. This was highlighted by the sample survey and interviews of members through questionnaire posed to them.

Cooperative societies are still seen as an instrument of the government to control a targeted population or as a capitalist enterprise. Further, cooperative societies are seen as a means for a few to promote their own interest and not for the members. If cooperative education and training is not taken up in a more effective manner, cooperative societies in Mizoram will

loosen their originality and purpose. In fact, cooperative education is to cooperative organization what strategy is to business. It gives a clean lead to follow while encouraging consistency in daily activities.

In Mizoram, the responsibility of providing Cooperative Education and Training lies with the Mizoram State Co-operative Union and Cooperation Department of Mizoram Government. However, they are very lax in regard to this and herein lay the problem. The Union and the Cooperation Department have to play an effective role in spreading cooperative values in the State. The Union too, should stop functioning like an extended government department and do the part it was set up for. It should organize seminars, symposia workshops and exhibitions on matters relating to the basic principles of cooperation, the Cooperative Act, Rules, Bye-laws and so on. Special trainings may be organized on procedure and maintenance of accounts, credit, marketing of agricultural surplus for the managers, secretaries, accountant of the cooperative societies.

Moreover, Mizoram still does not have Cooperative Training Institute or Basic Cooperative Training Centre. In order to overcome the problem, Institute of Cooperative Management under the National Council for Cooperative Training (NCCT) has to be set-up in the State.

**7.1.(d) Erosion of Share Capital:**

This problem of the cooperative societies in Mizoram is due to the financial mismanagement and non-repayment of loans by members. In Mizoram, it has been observed and studied, that financial mismanagement is mainly due to lack of knowledge about financial management on the part of the leaders of the societies, lack of honesty and integrity on the part of the leaders as well as members of the societies, and also lack of diligence and hard work both of the leaders and members. Many members feel that the society is only a loan granting and subsidy granting body and do not really take interest in the activities of the societies.

Therefore, members of the cooperative society are indifferent to the workings of their own cooperative societies. Another reason for this may be the fact that many cooperative societies are set up as a result of the State Government policy and initiative, not due to the initiative of the members. Therefore, feelings of ownership are lacking.

In Mizoram, even the non-credit cooperative societies provide loans to their members. In many cases this becomes a problem for the societies due to non-repayment of loans by the members. This causes erosion of the total share capital of the society and in turn brings down the working capital. If the amount of working capital falls, eventually the society will not be able to perform its functions, and may have to shut down.

**7.1.(e) Lack of value addition to their products:**

It has been observed that the primary cooperative societies in Mizoram do not add any value to their products. For example, the farmers' producing oranges sell their products as it is. The oranges are not processed in any form say for juices, squashes, jams etc. Moreover, the farmers do not have any proper storage facilities to preserve the fruit. Since, oranges are perishable commodities; they have to be sold quickly. So, all these problems cause the farmers huge financial losses. As a result, their profit margins will come down.

**7.1.(f) Small Volume of Business:**

This is another big problem of the cooperative societies in Mizoram. The sale and distribution of the cooperative society's product is much localized. It does not reach all districts of the State, not to speak of areas beyond the State. It can be said that market size is very small. The problem here is that the total amount of products produced is small. Also as population density is low especially in the rural areas of Mizoram demand for product is low. In reality, we know that the population forms the market. Therefore, market size cannot be large in Mizoram.

**7.1.(g) Other Problems:**

1. The Cooperation Department of the Government of Mizoram has to do spot verification of the primary cooperative societies before registration of the society concern. However, the problem is that many at times, registration is given to those societies who are not qualified. This belittles the cooperation movement itself in the eyes of the public.

2. The study has also identified as a problem for the cooperative societies in Mizoram the fact that the State Level Cooperatives are not fulfilling their functions and objectives. The State Level Cooperative Societies in the State are established by the Government of Mizoram providing all their financial needs. Therefore, it is their duty to look after the primary cooperative societies under them. However, it is observed that in Mizoram, most of the State Level Societies operate as separate entity from the primary cooperative societies. Not enough incentives and advantage are provided for the members' primary cooperative societies by State Level Societies like MCAB, MIZOFED, MAFF, PIGFED and MULCO. In terms of the number of membership too, these State Level Societies has still a long way to go. For example, the Mizoram Cooperative Apex Bank which has the largest number in terms of membership has only one third of the total number of members of all primary cooperative societies in Mizoram. This was possible too, only with

the help of Centrally Sponsored Schemes which acted as incentives for the members to join the societies.

3. One big problem for the Cooperative Societies in Mizoram, is lack of infrastructural facilities. In Mizoram, road and communication systems needs further development. Most of the roads in the rural areas are not all-weathered roads. This causes a problem for the societies in rural areas in terms of sale and distribution of their products especially in monsoon season. There is also lack of housing for the society and store houses or godowns especially cold storage facilities. Most of the primary cooperative societies function out of rented houses or use the houses of society's Chairman/Secretary as offices. This makes the functioning of the societies very unprofessional. Due to lack of proper storage facilities, members of the primary cooperative societies particularly of farming societies have to dispose off their products immediately since their goods are perishable items. They cannot wait for the right time to sell their products at higher prices and earn higher profit margins.

In Mizoram, most of the rural areas are not reached by the banking sector. Mizoram Regional Rural Banks have branches mostly in the district capitals and in some small towns only, even though it is a rural bank. Therefore, most of the rural primary cooperative societies can not avail of any loans even if they so desire. This acts as a stumbling block for their further development.

4. Lack of scientific/technical knowledge on the part of the members of primary cooperative societies mainly of farming societies is a huge obstacle for the increase in their productivity. The farmers are not trained scientifically, by the Government of the State or otherwise on any new and scientific method of farming to increase their production and productivity. And to add to these problems many of the farmers are barely literate.

5. In almost all the Societies of Mizoram it has been observed that there are always a few persons – leaders and members – who are interested in promoting their own interests only. In order to achieve this, they create ‘groupism’ within the primary cooperative societies’ members. This causes divisions within the society. Many dedicated members become indifferent and even leave the society. This in turn acts as an obstacle to the further development of the society itself.

6. In addition to the above problem, many members of the primary cooperative societies indulge in an activity which goes against the interest of their own societies. For example, some members of milk producer’s societies sell part of their product in the open market or to some other associations, while at the same time selling part of their milk to their own society. The main reason for this is because they can sell their product at higher prices and get better profits thus. This is a thorn in the flesh of the societies concern, when members indulge in such activities.



7. Excessive control over the cooperative by the state government in accordance with the provisions of the Act and byelaws acted as one of the constraints in the working of the cooperative societies in Mizoram. On the plea of providing assistance through legislation, administration, planning and participation in finance and management, more and more powers came to be exercise by the State machinery in the functioning of the cooperatives, so much so that they have lost their autonomy.

Officers from the cooperation department and from other departments are frequently deputed to the cooperatives as Managing Directors or Managers or simply to represent government's interest in the Managing Committee. This leads to an infringement upon the functioning of the societies.

The General Assembly is the highest authority of the cooperative societies in regard to decision making. However, decisions that are taken in such General Assemblies can be vetoed by the Registrar of the Cooperative Department. This makes the decisions taken in such General Assemblies null and void. Decisions that are taken are concern with the cooperative societies directly in regard to their financial needs and other policies. These decisions are superseded by the State Government and decisions are then made without much care for the societies concern. In the long run this becomes a stumbling block for the societies development and healthy growth. To make matters worse, in Mizoram, the Registrar of Cooperative Societies are posted

for only a short duration, say a year or so. So there is no continuity in the decision making process and this causes problems for the cooperative societies.

## **7.2 PROSPECTS**

The following, according to the study has been identified as prospects for the cooperative movement in Mizoram.

### **7.2.(a) Increase in employment opportunities:**

The cooperative movement in the state has directly resulted in the setting up of the Cooperation Department. The department has directly employed 213 people in the different districts of the state.

The study has also found that the cooperative societies are also directly responsible for providing employment in their own locality. In a sample survey carried out for the case study of Mizoram Multi-Commodity Producer's Cooperative Union Limited (MULCO) which can be seen in Table 6.12 reveals that each member of the primary cooperative societies in Durtlang, Sihphir, Sihphir Vengthar and Thuampui areas have hired 1.12 labourers on an average. Table 6.11 from the same sample survey also shows that in the same area 68.75 percent of the families have hired labourers. Also it may be mentioned that each and every society in the whole of Mizoram employs at

least 1 person, usually a secretary, to look after the daily functioning of the society. MULCO itself provides employment directly to 17 regular staff and indirectly employs many others in the sale and distribution process. Table 6.4 shows the different routes where milk is distributed daily, MULCO has 112 vendors in these different routes. Thus indirect employment is provided by MULCO also.

### **7.2.(b) Income :**

Sample survey conducted on the members of MULCO in Durtlang, Sihphir, Sihphir Vengthar and Thuampui areas – Table 6.10 shows that the average monthly income of some members is as high as 61,078.80 in the Sihphir area. From all the income of the members of the cooperative societies of these four areas, the total average monthly income calculated is ₹ 48,390.44. Table 6.9 also indicates that 12.50 per cent of families earn monthly income above ₹80,000 of the same area. Therefore, empirical findings lead us to conclude that cooperative societies lead to higher income in Mizoram.

### **7.2.(c) Economic of large scale :**

This benefit becomes available to all the members of the cooperative societies. Findings from the case study of MULCO shows that the federation

has been able to provide cattle fodder at cheaper rates for all the members of the societies. Most importantly, MULCO has been able to sell milk procured from member primary societies at a profitable price. This is possible only because milk is procured in large quantities.

#### **7.2.(d) Poverty Reduction :**

Cooperative Societies are an important means of fighting rural poverty in the State. The rural population have benefited from all types of cooperatives especially milk/dairy, piggery, agricultural, handloom and weaving cooperatives. The majority of cooperatives in Mizoram are the farming and agricultural cooperative societies, numbering 252 cooperative societies in 2008 with 11835 members (Table 7.1). Percentage wise they constitute 17.19 percent in 2007- '08 (Table 7.2). This shows that poorer people in Mizoram are flocking towards cooperative societies for their economic upliftment.

<b>COMPARATIVE POSITION OF REGISTERED DISTRICT WISE PRIMARY COOPERATIVE SOCIETIES AS ON 31.03.2008</b>															
Sl. NO	Societies	Aizawl West		Aizawl East		Lunglei		Saiha		Champhai		Kolasib		Serchhip	
		Soc	Mem	Soc	Mem	Soc	mem	Soc	Mem	Soc	Mem	Soc	Mem	Soc	Mem
1	Service	5	166	11	636	5	97	6	128	7	199	7	495	8	479
	Canteen	1	16	1	145	4	93	3	74	3	57	2	86	-	-
	Multi purpose	42	1951	35	1504	13	279	22	682	46	1307	3	106	15	802
	Dairy and livestocks	9	157	31	830	30	534	10	276	26	539	-	360	-	-
	Fisheries	4	78	4	88	33	596	11	245	3	62	9	-	5	150
	Handloom	58	1520	73	1967	17	316	6	132	7	162	3	65	8	155
	Piggery	45	1126	45	1302	45	820	7	146	19	430	11	305	-	-
	Consumer	20	490	23	1703	17	472	21	980	15	448	8	602	9	668
	Farming	32	1487	40	1840	52	1897	32	1346	50	2425	23	708	23	2132
	Housing	3	62	1	15	-	-	1	52	2	46	-	-	-	-
	Labour	1	15	-	-	1	15	1	25	2	267	2	103	-	-
	multi commodity	9	174	-	-	-	-	-	-	-	-	15	331	-	-
	Industrial	30	539	20	386	14	219	11	240	7	119	3	71	-	-
	LAMPS	-	-	2	308	2	312	2	60	2	290	1	208	-	-
	Sericulture	-	-	10	292	7	134	1	18	8	195	3	218	-	-
	Dist marketing	-	-	-	-	1	-	3	144	1	196	2	30	-	-
	Total	259	7781	296	11016	241	5828	137	4549	198	6742	92	3688	68	4386



**7.2.(c) Infrastructural facilities :**

The development of supportive infrastructure is essential for the growth of various types of cooperatives. The diversification of production activities and marketable surplus growth has also generated the demand for such services like banking, insurance, electricity, cold storage facilities, appliances, repairs and maintenance, furniture and fixtures and in hundred other ways. For example, cooperative society members want to insure their cattle and crops, cold storage facilities have been set up at Sihphir areas (Aizawl District) to preserve squashes produced in large quantities in this area, Bulk Milk Coolers (BMC) have been placed in and around Aizawl city for preserving milk in large quantities. Thus, cooperative is likely to have a spiraling effect on industrialization in the backward state of Mizoram.

**7.2.(f) Upliftment of Women :**

Women in Mizoram society are consistently undermined and underrated. The women only primary cooperative societies and WOMENFED, the federation of these societies, have made valuable contribution to enhance the status of women. Women, have been able to assume the role of leadership in many societies if not play a leading role. These societies are a means of livelihood to women especially widows and single mothers.

**7.2.(g) Indirect Benefits :**

a) The setting up of cooperative societies have indirectly benefited the consumers at large in the State. For example, the milk/dairy cooperative societies have enabled the public to get better quality and regular supply of milk at reasonable rates. Consumers also get a larger variety of goods to choose from. For example, a variety of different designs of 'Mizo Puan' is being produced by the handloom cooperative societies in large quantities. Therefore, consumers particularly women can purchase traditionally 'Mizo Puans' at affordable prices.

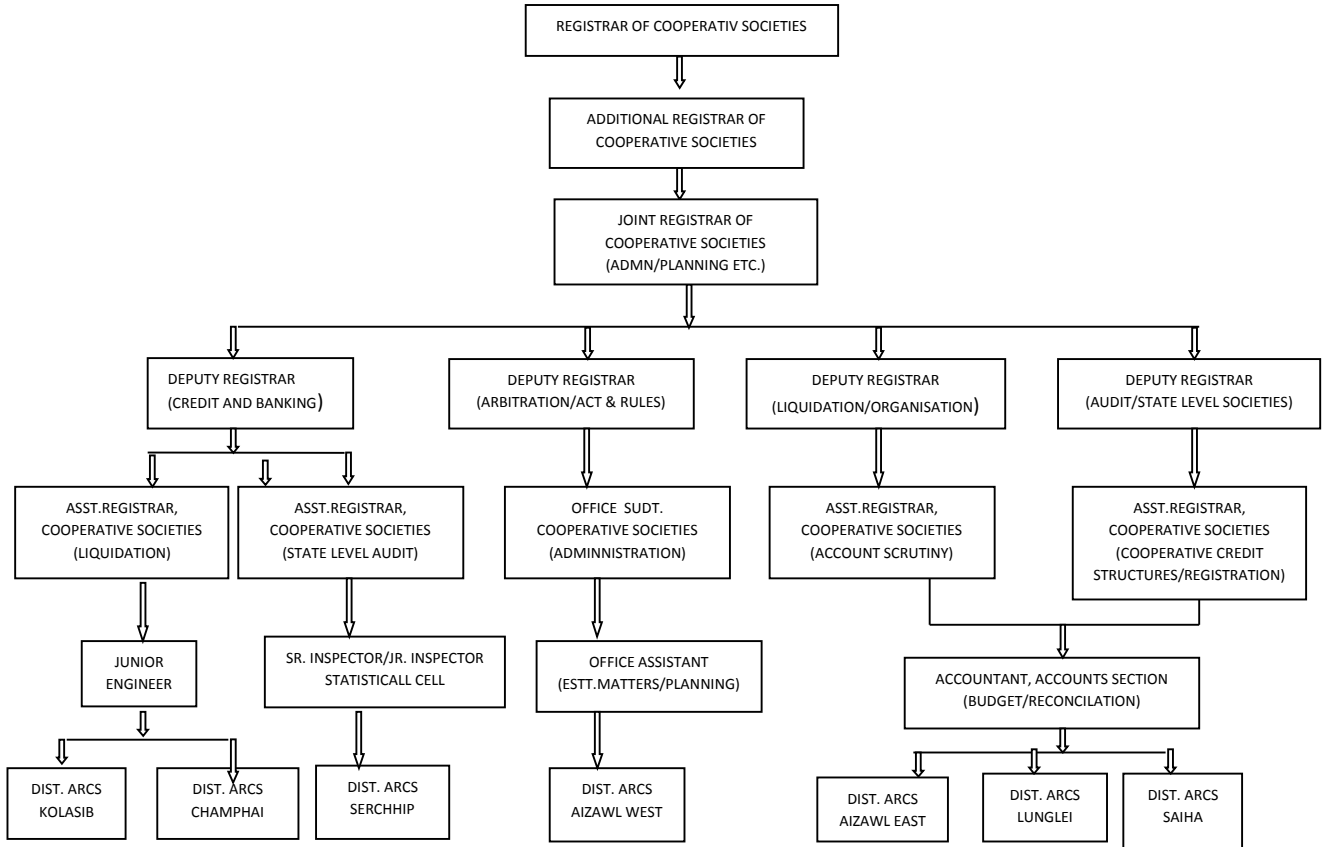
b) The cooperative especially in the rural areas of Mizoram, introduced the concept of organization and democratic management in the villages. This concept of organization and management of an economic institution is being applied to other facets of life like in the management of the village council and local non-governmental organisations (NGOs) like Young Mizo Association (YMA).

c) Observation has been made that the cooperatives provides great educative value to the rural people in Mizoram. Through their participation in the primary cooperative societies, the members learn how to interact with one another, learn how to manage their own financial affairs, and have their knowledge and views widened.



In conclusion we may say that Cooperatives in Mizoram have been expected to achieve a number of economic and social goals inspite of a host of problems faced by cooperative movement itself. Cooperative movement, however, do provide great hope for the people of the state particularly in the rural areas to break the hold of poverty in their life. All types and categories of cooperatives may not be equally successful. Therefore, there is need to determine what type of cooperative may be successful under different kinds of local conditions, and to learn whether success in the sense (such as increased production) leads to a better distribution of income and opportunities, i.e., in what respects it benefits the poor.

APPENDIX-I



**Figure.1** Adminstraive set-up vis- a- vis Organisational Chart Of Department  
 (Source: Department of Cooperative Societies, Mizoram 2007-08)

Co-operatives	Number of Societies	Of which reported	Total membership	Total employment
<b>Credit Co-operatives</b>				
Central Co-operative Bank	368	368	2312354	112691
<b>Credit Total</b>	<b>368</b>	<b>368</b>	<b>2312354</b>	<b>112691</b>
Non-credit Co-operative				
Marketing Co-operative	394	395	3334350	NA
Consumer Co-operatives	706	706	2644923	16868
Weavers Co-operatives	37	37	3812	-
Industrial Co-operatives	119	119	101993	-
Dairy Co-operatives	268	268	101993	-
Fisheries Co-operatives	108	56	21535	-
Labour Contract Co-operatives	92	36	2210	-
Forest Labour Co-operatives	26	26	NA	-
Co-operatives Union	264	155	83156	-
Ghee Unions	379	379	9323	-
<b>Non-Credit Total</b>	<b>2393</b>	<b>2176</b>	<b>6227210</b>	<b>16868</b>
Credit total	368	368	2312354	112691
<b>Grand total</b>	<b>2761</b>	<b>2544</b>	<b>8539564</b>	<b>129559</b>

**Figure: 2 Indian Co-operative Movement (Central Level), Number and Memberships:  
At a glance (2000-2001)**

Co-operatives	Number of Societies	Of which reported	Total membership	Total employment
<b>Credit Co-operatives</b>				
Central Co-operative Bank	368	368	2312354	112691
<b>Credit Total</b>	<b>368</b>	<b>368</b>	<b>2312354</b>	<b>112691</b>
Non-credit Co-operative				
Marketing Co-operative	394	395	3334350	NA
Consumer Co-operatives	706	706	2644923	16868
Weavers Co-operatives	37	37	3812	-
Industrial Co-operatives	119	119	101993	-
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Labour Contract Co-operatives	92	36	2210	-
Forest Labour Co-operatives	26	26	NA	-
Co-operatives Union	264	155	83156	-
Ghee Unions	379	379	9323	-
<b>Non-Credit Total</b>	<b>2393</b>	<b>2176</b>	<b>6227210</b>	<b>16868</b>
Credit total	368	368	2312354	112691
<b>Grand total</b>	<b>2761</b>	<b>2544</b>	<b>8539564</b>	<b>129559</b>

Source: Indiatat.com

**Figure 3. Indian Co-operative Movement (Central Level) Finance: At a Glance (2000-2001)**  
(Rupees in Lakhs)

Co-operatives	Share Capital		Working Capital	Total Reserve	Total Borrowing	Total Deposits	Total Assets
	Total	Govt.					
<b>Credit Co-operatives</b>							
Central Co-operative Bank	282363.3	48263.3	8298952	551876.6	1553341	5552390	7672636
<b>Credit Total</b>	282363.3	48263.3	8298952	551876.6	1553341	5552390	7672636
Non-credit Co-operative							
Marketing Co-operative	7268.36	3622.36	104455.3	7085.15	20237.6	2482.7	93563.03
Consumer Co-operatives	8650.08	5939.69	51853.29	3863.02	11927.6	3714.49	18723.86
Weavers Co-operatives	1043.16	575.95	3068.57	61.29	1460.47	270.8	3068.57
Industrial Co-operatives	389.3	148.14	2999.77	382.64	695.8	217.06	2999.77
Dairy Co-operatives	12625.39	2720.3	160889.1	47717.68	82947	NA	160889.1
Fisheries Co-operatives	149.42	123.82	1626.72	254.11	523.82	NA	1229.76
Labour Contract Co-operatives	8.24	4.8	357.58	159.07	5.7	NA	357.58
Forest Labour Co-operatives	NA	NA	NA	NA	NA	NA	NA
Co-operatives Union	NA	NA	NA	NA	NA	NA	NA
Ghee Unions	32.18	14.88	80.77	2.2	7.11	NA	80.77
<b>Non-Credit Total</b>	30166.13	13149.9	325331.1	59525.16	117805	6685.05	280912.5
Credit total	282363.3	48263.3	8298952	551876.6	1553341	5552390	7672636
<b>Grand total</b>	<b>312529.4</b>	<b>61413.2</b>	<b>8624283</b>	<b>611401.8</b>	<b>1671146</b>	<b>5559075</b>	<b>7953548</b>

Source: Indiatat.com



Figure 4. Map of Mizoram

### LOCATION OF MIZORAM

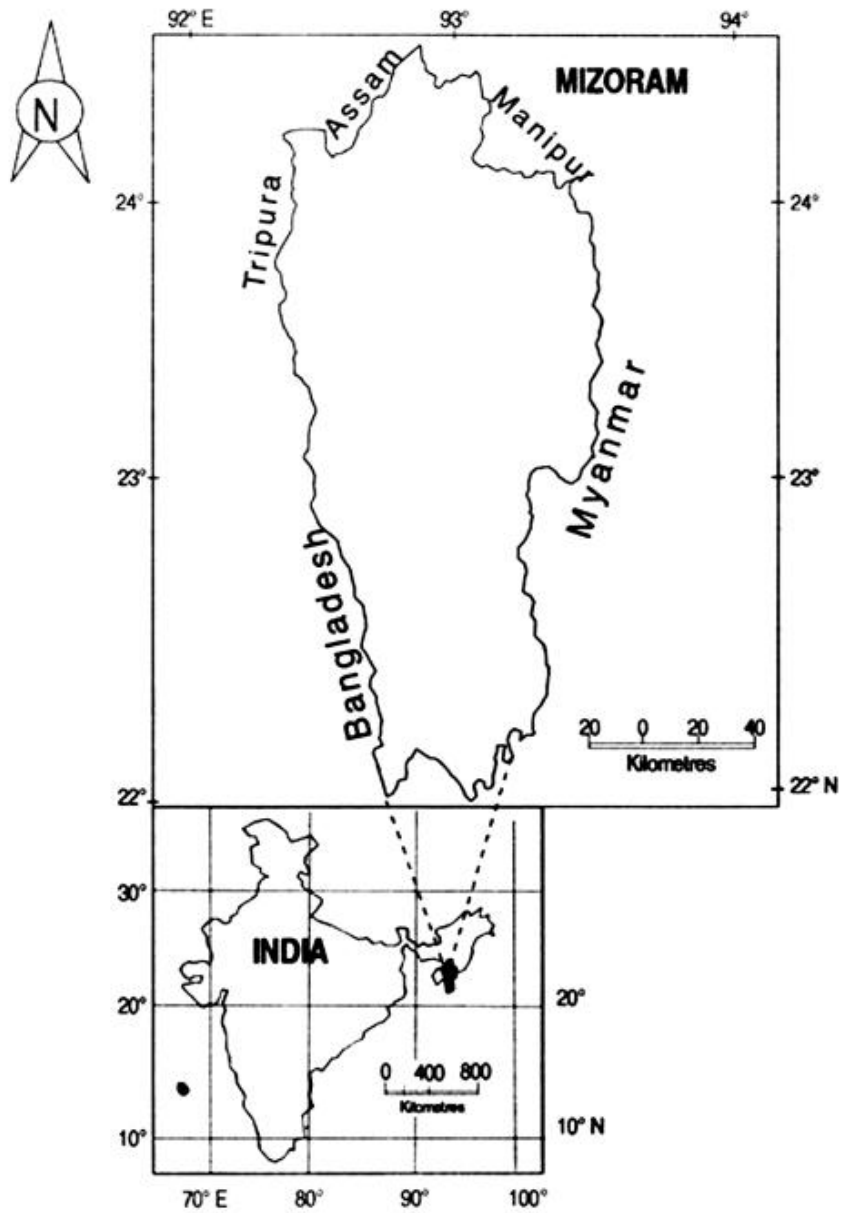
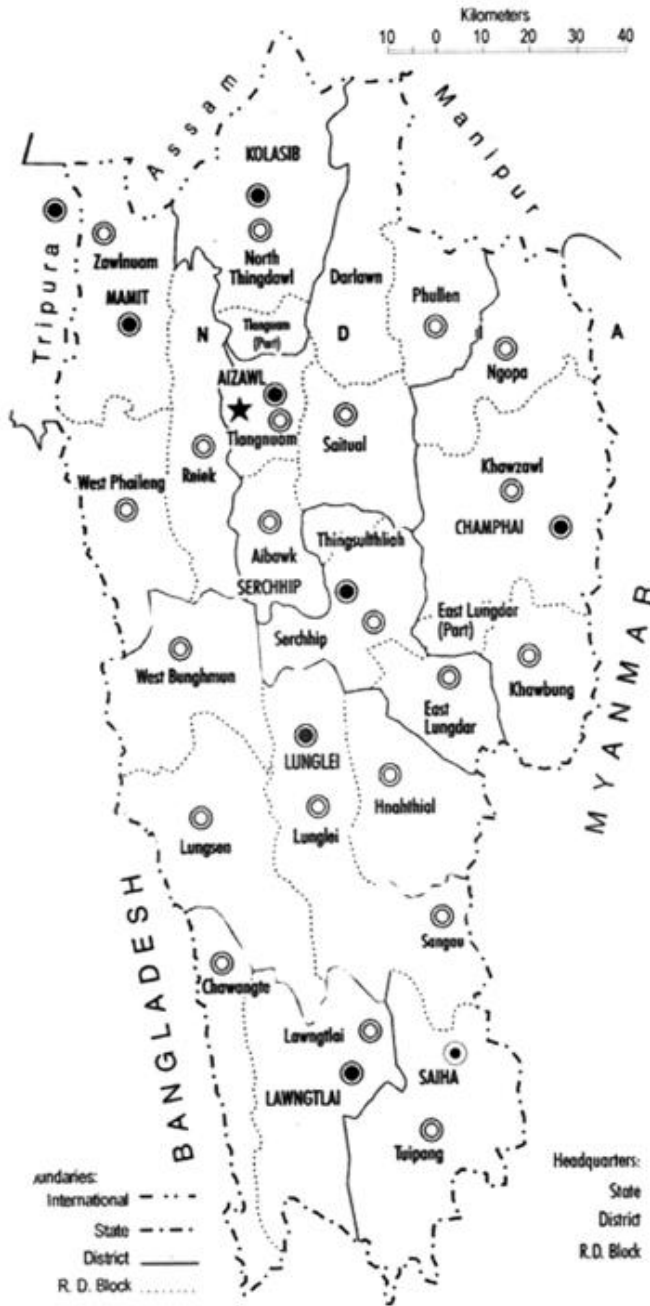


Fig 5



Fig 6



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