

## **Session 1:**

# **UNDERSTANDING THE CONCEPT AND DIMENSIONS OF COOPERATIVE BUSINESS ENTERPRISE**

## **Cooperative identity, values and principles**

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

### **Cooperative Principles**

The cooperative principles are guidelines by which cooperatives put their values into practice.

#### **1. Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### **2. Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

#### **3. Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

#### **4. Autonomy and Independence**

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

#### **5. Education, Training, and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so 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 co-operation.

## **6. Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

## **7. Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

### **Business dimensions and principles**

There are five dimensions of the business environment that influence many firms. These dimensions include the economic environment, the social environment, the political environment, the legal environment, and the technological environment.

The economic environment includes what the rate of inflation is, the current level of interest rates, and how much money is made by consumers, as well as local, state, and national economic policies. These factors influence the performance of a company. For example, if consumer income drops, it may be more difficult for a company to sell its products and to make an acceptable profit.

The social environment includes customs, educational levels, literacy rates, demographics, and lifestyle choices. For example, a company that misinterprets local customs and traditions may struggle to be successful.

The technological environment includes the changes in technology that may aid in the operation of a business. A company must stay current with new technological trends. These may impact consumer preferences for products. These may also impact the cost of the production of products. For example, landline phones are disappearing as more people use cell phones. Newer, more efficient machinery may help reduce a company's operating costs that could help the company be more competitive.

The legal environment includes the rules and regulations that impact the business environment. It is important that the business leaders understand these rules and regulations and follow them. Failure to do so could be very costly.

The political environment includes the political stability within a country and how supportive the government is towards the business community. A lack of political stability may deter business investment and expansion. Governments that develop unfriendly policies towards businesses may risk losing those businesses to other countries or may discourage businesses from increasing investment and expanding their operations.

### **Pre Requisite For Success Of Cooperatives**

Where a multi coop is effective:-

- ✓ it becomes worthwhile for all producers to manage their production assets effectively, as inputs are available on reasonable terms and the market is in their hands
- ✓ it becomes lucrative for the smaller producers to invest in production
- ✓ with all producers effectively using their production tools, a demand for labour is created throughout the year, and that which is not abundantly available has necessarily to be competed for
- ✓ much of the wealth generated is recycled locally through consumer services
- ✓ additional employment avenues are created directly within the coop for the management of various services, and indirectly in the area of operation of the coop for the production and maintenance of various tools
- ✓ local manpower and material resources are harnessed
- ✓ accountability of local leaders to the community is increased

#### An Effective multicoop-

- ✓ Employs competent staff recruited from the open market, accountable to the management of the coop
- ✓ Offers integrated services including savings, credit, input supply, marketing and consumer services
- ✓ Succeeds in ensuring regular, free and fair elections
- ✓ Introduces systems whereby even the smallest man steadily increases his financial commitment to his cooperative, over the years.

However, there are several reasons why most multicoops have failed to deliver the goods. Some of the major reasons are:

- ✓ Lack of professional management – for so sophisticated an enterprise, a multicoop needs well qualified, trained personnel.
- ✓ Lack of integrated services – most multicoops have confined their activities to organization of crop loaning services, and without a package offer of integrated services, a farmer has little to thank his coop for.
- ✓ In effective cooperative legislation – in India, cooperation is a state subject and each state has its own cooperative laws, which may at times be ineffective to harness growth potential.
- ✓ Lack of democratic control by members – conduct of elections as per law is the responsibility of government, and not that of the cooperatives.
- ✓ Over dependence on external funds – even shares in cooperatives are subscribed to by governments and financing banks. With little at stake, a member can hardly be expected to be committed.

However, with the recent reforms and constitutional amendment, these limiting factors are expected to be addressed to a good extent.

#### **Factors Contributing to the Success of a Cooperative**

##### 1. Users only as members

Members are owners and patrons. A non-patron has no business participating in owner functions in a cooperative. Therefore, only patrons, that is, users should be encouraged to be members.

2. Entire equity from members

Equity defines the owners of an enterprise, who after all shall make decisions. Since equity contribution by external agencies such as financing agencies, governments, etc., may interfere in decision-making, such contribution should not be encouraged. The entire equity must come from members.

3. High equity-debt ratio

The equity-debt ratio represents the quantum of risk that members are willing to take in their enterprise and their faith in and commitment to their organization. The financial stakes of members must be significant if they are to take the management of their own organization seriously.

4. Member-centric services

All services organized by a cooperative should keep members' needs in view and accordingly, the business activities be planned, implemented and diversified.

5. Elected Board from members

Where the ownership is wide-spread and large, management accountability can be at risk. Boards of Directors must consist of deserving individuals, elected by the owner members from amongst themselves. Boards consisting of government or financing agency or federation nominees cannot be expected to feel accountable to the owners.

6. Professional management

Along with a democratic system of management, cooperatives must be professionally managed by competent, trained and qualified persons, so that the cooperative as a business enterprise prospers.

7. Employees accountable to cooperative

If employees are to work for attaining the objectives of an organization, they must be fully accountable to the organization, and their future must be linked with the future of the organization. Government officials and other deputationists from financing agencies may not serve as employees of cooperatives, and all those who do work for a cooperative must be fully accountable to the cooperative.

8. Cooperative Education and Training

In order to enhance members' orientation and to imbibe professionalism in society's functioning, it is imperative that cooperative education and training in relevant areas are organized at regular intervals for all categories of cooperative personnel so as to upgrade their awareness, skills and competencies as essential for cooperative success.

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## **SESSION 2:**

### **GOVERNANCE AND MANAGEMENT IN COOPERATIVES**

- Governance is defined as “The systems and processes concerned with ensuring the overall direction, supervision and accountability of an organisation.” (Chris Cornforth Governance Overview, Governance and Participation project, Co-operatives UK, 2004).
- Cooperative governance is the act of steering cooperatives toward economic, social, and cultural success. It consists of answering key questions, defining roles and responsibilities, and establishing processes for setting expectations and ensuring accountability.
- Cooperative governance is about striking a fine balance between the process of making the decisions and the process of implementing the decisions.
- Co-operative experts agree that good governance is at the heart of a successful cooperative.

### **Characteristics of Good Cooperative Governance**

#### **1. Participatory**

- Participation of members is a key cornerstone of good governance
- Participation could be either direct or representative (intermediate) through officers or committee members

#### **2. Follows The Rule Of Law**

- Good governance requires fair legal frameworks that are enforced impartially.
- Good governance also requires full protection of rights.

#### **3. Transparent**

- Making and enforcing decisions in a manner that follows rules and regulations
- Making information freely available and directly accessible
- Providing sufficient and easily understandable information

#### **4. Responsive**

- Good governance requires that cooperatives and processes try to serve all stakeholders within a reasonable timeframe

#### **5. Consensus Oriented**

- Reconciliation of the different interests to reach a broad consensus on what is the best interest of the whole organization and how this can be achieved

## **6. Equitable And Inclusive**

- Ensuring that all members of the cooperative feel that they have a stake in it and do not feel excluded from the mainstream
- All groups, particularly the most vulnerable, have the opportunities to improve or maintain their well being

## **7. Effective And Efficient**

- Processes and institutions produce result that meets the needs of society while making the best use of resources at their disposal
- Sustainable use of natural resources and the protection of the environment

## **8. Accountable**

- Officers are responsible to the stakeholders and to the regulator and the public
- Cannot be enforced without TRANSPARENCY and RULE OF LAW

## **Role & Function of Management Bodies of Cooperatives**

- Management functions in a Cooperative Society vest in various management bodies: General Body, board of Directors, Chairman and Manager. Manager, in turn, is assisted by various employees depending on the size of cooperative.
- The management bodies discharge their managerial powers and functions in accordance with the provisions of bylaws and the State Cooperative Societies Act and Rules.
- Examination of these powers and functions of management bodies reveals that they are more of mechanical or routine nature and lack development orientation. Hence, it is necessary to examine present role and functions of various management bodies and their effect on the growth and stability of cooperative.
- If these role and functions do not have much effect on development of the cooperative, we may visualize some new and progressive managerial role and functions for them. This has become very important in view of the project approach of development, changing economic scenario and the need for professionalisation of cooperative management.

## **Present Role and Functions of Management Bodies:**

### **1. General Body in the General Meeting:**

- a) Approval of the next year's plan and programmes
- b) To elect directors of the board of management
- c) To consider and approve annual reports and financial statements of cooperative society

- d) To consider audit report
- e) To decide maximum borrowing power
- f) To distribute net surplus
- g) To consider budget
- h) Any other matters

## **2. Board of Management:**

- a) To grant loan, to obtain deposits and loans
- b) To admit member, allotment of share, and permit transfer of share
- c) To submit annual report, provisions for bad and doubtful loans and recommend distribution of net surplus
- d) To acquire land, building etc. on free hold or lease hold for business
- e) To appoint manager and other employees, remove, suspend and other related matters
- f) To maintain safe custody of cash and other valuable documents
- g) To get building, stocks and other assets insured
- h) To provide storage facilities/construction of godowns for business
- i) To buy shares of other cooperatives and sent representatives
- j) To arrange marketing, processing activities, transportation etc.
- k) Any other matters assigned by General Body.

## **3. Chairman/President:**

- a) To preside over the meetings of the general body and Board of Directors.
- b) To discharge all powers and functions of the Board of Directors under emergency condition

## **4. Manager/Managing Director:**

Under the overall control of the President and the Board, he/she shall discharge following duties:

- a) Day to day management of the affairs of society-authorized and general duties.
- b) To operate accounts, certify and sign accounts.
- c) Maintenance of books registers and accounts as per the order of RCS and Govt.
- d) To convene general body meeting, Board meeting or other meetings and maintain meeting books properly.
- e) To discharge such duties/responsibilities delegated to him.

## **Critical Appreciation**

The power and functions/rights and duties of different management bodies enumerated above are important for running the affairs of cooperative. But they lack professional touch, managerial contents and developmental orientation. Hence they need fresh look and redefinition. An effort in this direction has been made for deliberation and adoption.

### **Modern Role and Functions**

General body and board of Directors are top management bodies alongwith Chairman. Chairman occupies very crucial position in cooperative and can play vital role for its development. Next to him is Manager/Managing Director of Cooperatives who in fact is the chief executive of cooperative and can play major role in managing and developing cooperative. The former represents cooperative democratic management system and the later is paid employee-owner and manager.

### **Role of Manager**

The manager in an organisation is invested with formal authority and status, giving rise to roles: "With authority comes status; the status leads to various interpersonal relationships, which influence access to information; and information enables the manager to make decisions and strategies." Manager is expected to play below specified roles:

Both more or less, have to perform the following role/functions which may be said as modern professional management role and functions:

#### **1. Interpersonal**

- a) Figure head - As head he has to perform many legal & social duties.
- b) Leader - Motivating and directing members and employees.
- c) Liaison - Maintaining outside contacts who provide favour and Information

#### **2. Informational**

- a) Monitor - Receive internal & external information
- b) Disseminator - Transmit information to members/employees received from outside.
- c) Spokesperson - Transmit information to outsiders on organisation plans, programmes etc.

#### **3. Decisional**

- a) Entrepreneur - Searching opportunities and initiates projects to bring about change
- b) Disturbance - Corrective action in case of unexpected problems/ disturbances / trouble shooting
- c) Resource Allocator - Making/approving decisions
- d) Negotiator - Responsible for major contacts/negotiations

#### **4. Managerial**

- a) General direction and control

- b) Policy formulation
- c) Planning Coop. Business and future development.
- d) Organize resources, facilities and budgeting
- e) Monitoring, control and evaluation
- f) Framing/amending bylaws.
- g) Developing and maintaining good relationships
- h) Building and maintaining good image

## **The Role of Board of Management**

Let us ask the following questions and try to find their answers

1. Is the Board proactive or reactive?
2. Is it a learning board?
3. Has it recently carried out a review of its functions, compositions and operations?
4. Do the Directors understand what is expected of them in the board room and outside?
5. Do they work well together as a team?

## **The Role of the Board**

1. Determined a distinctive purpose for the cooperative, a rationale for its continued existence and articulate and share a compelling vision.
2. Establish achievable and measurable objectives derived from the vision and formulate a strategy for their achievement.
3. Ensure the cooperative has adequate finance people, organization, supporting technology and management and business processes to implement the agreed strategy.
4. Appoint a management team and establish the framework of policies and values within which management operates.
5. Agree and review plans and monitor performance against agreed targets taking corrective action where appropriate.
6. Safeguard the physical, financial and intellectual assets of the cooperative and ensure ethical conduct.
7. Report performance to various stakeholders in the cooperative particularly to those with ownership right and a legal entitlement to certain information.

## **Duties of Members:**

The member shall owe the following broad duties to a co-operative society, namely:

- (a) To abide by the provisions of the Act, there rules, bye-laws and other lawful decisions taken by the General body, committee, other committees and the Registrar;
- (b) To make share capital contribution, other fees and payment to the co-operative society in accordance with the provisions of the Act, rules and bye-laws;
- (c) To extend full co-operation and support to other members and the co-operative society, thereby, contributing to the overall development of co-operative;
- (d) To perform or extend the minimum economic commitment and business support to the co-operative as prescribed under the Act, rules and bye-laws;
- (e) To undertake jointly and severally the responsibility to bear liability on debts, risks, losses and damage caused to co-operative society within the limit of members share capital contribution as provided in the bye-laws of the co-operative society; and
- (f) To compensate for damages caused to the co-operative society, if any, in accordance with the provisions of the Act, rules and bye-laws

### **SESSION 3:**

## **ROLE OF NCDC AND ITS SCHEMES IN DEVELOPMENT OF COOPERATIVES**

### **About NCDC:**

The National Cooperative Development Corporation (NCDC) was established by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Agriculture & Farmers Welfare.

### **Functions :**

Planning, promoting and financing programmes for production, processing, marketing, storage, export and import of agricultural produce, food stuffs, certain other notified commodities e.g. fertilisers, insecticides, agricultural machinery, lac, soap, kerosene oil, textile, rubber etc., supply of consumer goods and collection, processing, marketing, storage and export of minor forest produce through cooperatives, besides income generating stream of activities such as poultry, dairy, fishery, sericulture, handloom etc.

NCDC Act has been further amended which will broad base the area of operation of the Corporation to assist different types of cooperatives and to expand its financial base. NCDC will now be able to finance projects in the rural industrial cooperative sectors and for certain notified services in rural areas like water conservation, irrigation and micro irrigation, agri-insurance, agro-credit, rural sanitation, animal health, etc.

Loans and grants are advanced to State Governments for financing primary and secondary level cooperative societies and direct to the national level and other societies having objects extending beyond one State. Now, the Corporation can also go in for direct funding of projects under its various schemes of assistance on fulfillment of stipulated conditions.

### **Purposes for which assistance is provided :**

- ❖ Margin money to raise working capital finance (100% loan)
- ❖ Strengthening of share capital base of societies (100% loan)

- ❖ Working capital to regional/state level marketing federations (100% loan)
- ❖ Term loan for creation of infrastructural facilities like godowns, cold storages, equipment financing, purchase of transport vehicles, boats and other tangible assets
- ❖ Term and investment loan for establishment of new, modernisation/ expansion/rehabilitation/diversification of agro-processing industries.
- ❖ Subsidy for preparation of project reports/feasibility studies etc.

## Activities Funded by NCDC

### a) Marketing

- ✚ Margin Money assistance to Marketing Federations
- ✚ Strengthening share capital base of primary / district marketing societies
- ✚ Marketing (Fruit & Vegetable)\
- ✚ Working Capital Finance

### b) Processing

- ✚ Setting up of new Sugar factories (Investment Loan) / Modernisation and Expansion/ Diversification of existing Sugar Factories (Investment loan + term loan)
- ✚ Margin Money assistance to cooperative Spinning Mills / State Cooperative Cotton Federations / Share Capital participation in New Spinning Mills / Modernisation/ Expansion of Spinning Mills / Modernisation of Existing and Establishment of Modern Ginning & Pressing Units / Rehabilitation of Sick Spinning Mills / Cotton Development Programmes
- ✚ Other Processing Units: Food Grains / Oilseeds / Plantation Crops / Cotton Ginning and Pressing / Fruit & Vegetable / Maize Starch / Particle Board, etc.
- ✚ Power Loom Cooperatives covering pre and post loom facilities

### c) Cooperative Storage

- ✚ Construction of godowns (Normal)
- ✚ Upgradation/renovation of existing godowns
- ✚ Construction of Cold Storages / Upgradation/ Rehabilitation of Cold storages

### d) Distribution of essential articles through cooperatives

- ✚ Distribution of Consumer articles in rural/ urban/ semi urban areas.

### e) Industrial Cooperatives

- ✚ All types of Industrial Cooperatives, Cottage & Village Industries, Handicrafts/rural crafts etc.

f) Service Cooperatives

- ✚ Agriculture Credit
- ✚ Agriculture Insurance
- ✚ Labour Cooperatives
- ✚ Water Conservation works/services
- ✚ Irrigation, micro irrigation in rural areas
- ✚ Animal care/health disease prevention
- ✚ Rural sanitation/ Drainage/ Sewage system through Cooperatives

g) Agricultural Services

- ✚ Cooperative Farmers' Service Centres
- ✚ Agro Service Centres for Custom hiring
- ✚ Establishment of Agricultural inputs manufacturing and allied units.
- ✚ Irrigation/ Water harvesting programmes.

h) District Plan Schemes

- ✚ Integrated Cooperative Development Projects in selected districts (ICDP)

i) Cooperatives for Weaker Sections

- ✚ Fisheries
- ✚ Dairy
- ✚ Poultry
- ✚ Tribal
- ✚ Handloom
- ✚ Coir & Sericulture

j) Assistance for Computerisation

k) Promotional and Developmental Programmes

- ✚ Technical & Promotional Cells
- ✚ Consultancy for studies/project reports, management studies, market survey & evaluation of programmes, etc.
- ✚ Training and Education

l) Consultancy Services

The “**NCDC Consultancy Services Division**” (**NCS**) was set up in January 2004 to provide expertise developed by NCDC over the years. NCDC continues to provide Consultancy Services for the benefit of various type of cooperatives, other financial institutions, departments and organizations of

various Ministries. Consultancy is offered on a very nominal fee and NCDC also considers financing of such projects as per its normal terms and conditions. NCDC's consultancy is purpose oriented, efficient, time bound, cost effective and client friendly to help organizations in expansion/diversification of their activities, value-addition, human resource development etc., thereby enabling them to become of self sustaining. NCDC provides consultancy in the following areas:

- ✚ Project formulation and feasibility studies
- ✚ Appraisal of projects
- ✚ Monitoring of projects
- ✚ Investment potential surveys
- ✚ Financing arrangement and loan syndication
- ✚ Domestic marketing and import/export of agriculture produce
- ✚ Performance rating of cooperative societies
- ✚ Training and exposure visits

### New Schemes

- ✚ Financial assistance to Cooperatives for Tourism, Hospitality, Transport, Electricity (New/Non-Conventional) and Rural Housing programmes – Guidelines
- ✚ Financial assistance to Cooperatives for Hospital, Healthcare and Education – Guidelines
- ✚ Corporate Social Responsibility Programme of NCDC – Guidelines
  
- ✚ Scheme for Strengthening Monitoring and Evaluation Functions of the Corporation by utilising Professional Expertise of Retired Officers
- ✚ Scheme for extending NCDC's Short Term Loan to Agricultural Credit Cooperatives towards Working Capital

### **SAHAKAR 22 : An NCDC Mission 2022 for New India**

- ✓ Cooperatives: A Formidable Force with Farmers
- ✓ India has 01 MILLION COOPERATIVES with 300 MILLION MEMBERS, mostly FARMERS
- ✓ NCDC reaches the FARMERS DIRECTLY
- ✓ NCDC has extended financial assistance to DIVERSE RANGE of COOPS:
- ✓ Credit and Non-Credit Coops.
- ✓ Small (supplying inputs like fertilizers) to Very Large (Dairy/ Sugar / Textiles)
- ✓ Small Coop Banks to Large Coop Banks- UCBs, DCCBs, STCBs
- ✓ Small fish pond based activity to Large Export Oriented Prawn Processing units
- ✓ Small Consumer Stores to Large Retail Chains / Malls

- ✓ Small Health Centres to Large Hospitals
- ✓ NCDC is almost a ZERO NPA statutory organization ONLY for COOPS
- ✓ NCDC aims at cost reduction of inputs through their purchase by Coops in wholesale and output value enhancement through scaled up sales
- ✓ NCDC advances more than Rs.20,000 crore to Coops annually
- ✓ Comprehensive value addition focus through infrastructure, processing and competitive credit to farmer members of cooperatives.
- ✓ NCDC has assisted Coops in about 400 Districts and has offices in 18 States.
- ✓ NCDC works with States / UTs closely.
- ✓ NCDC brings in respite from rigid formal credit institutions and exploitation of money-lenders and traders.

**To achieve the Mission of New India by 2022 in Cooperatives, through Doubling the Farmers Income, NCDC would launch a new Mission Mode activity, SAHKAR 22**

**SAHKAR 22 would include**

- ❖ FOCUS 222- Converge NCDC assistance for Cooperatives in 222 Districts
- ❖ PACS HUB- Transform PACS and other Coops as APNA KISAN Resource Centre
- ❖ AENEC- ACT East and North East Coops
- ❖ CEMtC- Centres of Excellence to Market through Coops
- ❖ SAHKAR PRAGYA: Laxmanrao Inamdar National Academy for Cooperative Research & Development as Capacity Development base for SAHKAR 22

**Procedure To Avail Financial Assistance from NCDC**

**Procedure of Sanction / Disbursal of Assistance**

NCDC assistance is not individual beneficiary oriented but is meant for institutional development of Cooperatives. NCDC supplements the efforts of State Government. The State Governments recommend the proposal of individual society / project to NCDC in the prescribed schematic format. The Society may

also avail direct funding of projects under various schemes of assistance on fulfillment of stipulated conditions. The proposals are examined in the concerned functional division and if need be on the spot field appraisal is undertaken. Thereafter, formal sanction of funds is conveyed to the State Govt. / Society. The release of funds depends on progress of implementation and is on reimbursement basis. The period of repayment of loan ranges from 3 to 8 years. The rate of interest varies from time to time.

**Common Application Form**

The Application Form is available at NCDC website <http://claf.ncdc.in/claf/>.

## **Brining Producer Organisations (POs), Farmers Producer Organisations (FPOs) and Self Help Groups (SHGs) into cooperative fold**

In recent past various forms of collectives have been organised by primary producers like farmers, milk producers, fishermen, weavers, rural artisans, craftsmen and the general public in rural areas for improving their production and access to credit for taking up income generating activities. These are working parallel to the registered cooperatives broadly on the cooperative principles.

PO is a generic name for the organisation of producers of any produce, be it agril., non-farm products, artisans etc. In case produce is a non-farm item for example handloom or handcraft than the POs is of a non-farmers while if the members are farmers when it is called FPO. These are basically constituted to provide the benefit of economies of scale and cut the long chain of intermediaries to provide better return and also to enhance bargaining power. POs are registered under Indian Companies Act.

Self-Help Groups (SHGs) are voluntary associations of people to attain a collective goal. People who are homogenous with respect to social background, heritage, caste or traditional occupations come together for a common cause to raise and manage resources for the benefit of the group members. Few important characteristics of SHGs are:-

- Voluntary and small organizations, mostly of members, homogenous in terms of caste/occupation/farm size/sex or income
- Posses an economic objective, frequently alongwith other social objectives.
- Members have equal status and elect their own leadership in democratic manner.
- Functioning is participatory in character.
- Work on the basic concept of savings first and credit later
- These are not adhoc associations but have rules and regulations, bye-laws or constitution which may be in writing.
- Some of the SHGs are formal, registered organizations while the other are unregistered and informal associations.

SHGs are largely functioning as savings and credit group ensuring local and easy accessibility of loan to members to undertake economic activities. SHGs work on their own initially but later in order to meet the

higher demands of funds by the members operate under SHG-Bank Linkage Programme with PACS/DCCBs, RRBs or commercial banks.

POs, FPOs and SHGs, however, face various constraints when they have to grow and increase their reach and volume of business to provide better returns to the farmers by engaging in marketing and value addition activities. The cooperatives being a tried and tested model are highly patronised by the governments. Various kinds of schemes and programmes are available from the central and state governments for cooperative development. The machinery to guide, monitor, supervise and advice the cooperatives is in place and easily accessible. POs, FPOs and SHGs have limited access to funds while cooperatives can easily mobilise funds from the RFIIs like DCCBs and other institutions like NCDC. The SHGs may not be registered and do not have legal status therefore find still difficult to mobilise funds. SHGs currently are only working as small credit groups and need to have a legal status like cooperatives to upscale and become an enterprise to serve their members better. The govt. / NGO support is also available only to few selected members in SHGs. Many of SHGs also fail due to interference from outside mostly political and also less of professionalism. It is also seen that SHGs when become large, sometimes become unmanageable. A large number of SHGs have saturated as credit group and needs to look beyond savings and credit services to provide end to end solution for sustainable livelihood in rural areas. There is an urgent need for the various kind of collectives to expand by adopting right kind of business, improvement of the skills, providing marketing linkages etc. which would be carried out effectively and efficiently if these register themselves as cooperatives in view of inherent advantages and available patronage from governments. As registered cooperatives, all type of collectives can have access to financial assistance (including subsidy) for business promotion and creating infrastructure and facilities besides professional guidance, training and promotional benefits from institution like NCDC.

#### **SESSION 4:**

### **OBJECTIVES, FUNCTIONS OF PRIMARY COOPERATIVES AND GOOD MANAGEMENT PRACTICE FOR SERVICES/ BUSINESSES**

#### **Objectives, Functions of Primary Cooperatives**

A co-operative society is a voluntary association of individuals having common needs who join hands for the achievement of common economic interest. Its aim is to serve the interest of the poorer sections of society through the principle of self-help and mutual help. The main objective is to provide support to the members. Nobody joins a cooperative society to earn profit. People come forward as a group, pool their individual resources, utilise them in the best possible manner, and derive some common benefit out of it.

The Statement of Objects and reasons states as follows: (a) Cooperative Society can be established for purpose of credit, production or distribution. (b) Agricultural credit societies must be with unlimited liability. (c) Unlimited society is not best form of cooperation for agricultural commodities. (d) Unlimited society can distribute profits with permission of State Government. A society which has as its object the promotion of economic interests of its members in accordance with cooperative principles can be registered as a Society. Similarly, a society established with the object of facilitating operation of such a society can also be registered under the Act. The society can be registered with limited or unlimited liability. However, unless State Government otherwise directs, (1) Liability of a society of which a member is a registered society shall be limited. (2) Liability of a society of which object is to creation of funds to be lent to members, and of which majority of members are agriculturists and of which no member is a registered society shall be unlimited.

Thus, a registered society can be member of another society, but liability of such other society must be limited, unless State Government otherwise directs. The last word in name of society should be 'Limited', if the Society is registered with limited liability. If a society has limited liability, any individual member of such society cannot have share capital more than one-fifth of total capital. An individual member cannot have interest in shares exceeding Rs 1,000. This restriction of 20% shares or Rs 1,000 shares value is not applicable to a registered society which is member of another society. Thus, if a registered society is member of another society, it can hold shares exceeding 20% or exceeding Rs 1,000 in value. A registered cooperative society can hold property, enter into contracts, institute and defend suit and other legal proceedings and to do all things necessary for the purposes of its constitution. A registered society can give loans only to its members.

However, it can give loan to another registered society with permission of Registrar. A society with unlimited liability cannot lend money on security of movable property without sanction of registrar. State Government, by issuing a general or special order, can prohibit or restrict lending of money on mortgage of immovable property by any registered society or class of registered society. Registrar, after inspection or inquiry, or on application received from 75% of members of society, may cancel the registration of society, if in his opinion, the Society should be dissolved. Any member can appeal against the order of Registrar within two months to State Government or other Revenue Authority authorized by State Government. If no appeal is filed within two months, the order of dissolution shall become effective. If appeal is filed, the order will become effective only after it is confirmed by appellate authority. Although all types of cooperative societies work on the same principle, they differ with regard to the nature of activities they perform.

### **Managerial Practices for different services and businesses**

Cooperative business corporations are run much the same as commercial business corporations. The members elect a board of directors which employs a manager and makes other arrangements for providing service. The manager is responsible for running the business, subject to the direction and review of the board of directors, which, in turn, is accountable to the membership of the cooperatives.

The annual membership meeting plays a very important part in a cooperative. At this meeting, not only are the directors chosen, but broad policies are laid down to guide directors and manager. Most cooperatives provide that members who cannot attend the meeting may vote by mail on specific questions referred to them to advance, but most co-ops do not permit "proxy voting." This is the practice, common in ordinary

business corporations, of allowing an owner of voting stock to assign the votes belonging to his shares to somebody else for casting. In a cooperative, a member generally has only one vote, no matter how many shares of the co-op's stock he may hold. Cooperators feel that proxy voting would violate the essential principle and mutual character of the cooperative.

Because those who are served by a cooperative are members and owners as well as customers, the cooperative must keep careful account of members' transactions so that savings can be properly returned to them in proportion to their patronage.

In order that members may be able to meet their responsibilities intelligently, cooperatives find it necessary to provide them with full information on current operations. A cooperative business is the instrument of its members and its success depends largely upon how much and how steadily the members make intelligent use of its services. A cooperative, in other words, must tie together management and patrons as essential parts of a mutual undertaking.

## **AGM-CONVENING OF MEETINGS AND RECORDS OF MINUTES.**

### **How To Convene Meeting And Record Minutes**

Objective: To enable the participants to convene meeting as per provisions of the Act, Rules and the bye-laws of the societies and record the minutes of such meetings.

Time: Three hours.

Materials: Handout 1: Notice for a Meeting (Tape Dialogue)

Handout 2: Agenda Notes

Handout 3: Role play Briefs

Handout 4: Model Proceedings

- 1) Remind the participants that the highest authority in respect of a cooperative society rest with the general body. The managing committee works within the frame-work of the cooperative societies Act, the rules and the bye-laws, and under the policies decided by the general body, it manages the affairs of the society and has the necessary authority for this. Also explain to the participants that the general body of the members and the managing committee decide the various issues, relating to the affairs of the society, in their respective meetings. Ask the participants as to the types of meeting. They may answer as follows:

- General body meeting
- Managing committee meeting

Ask the participants what types of general body meeting and managing committee meeting are referred to in the state Act. The reply may be on the following lines

General Body Meeting:

- Annual general meeting

- Special general meeting
- Requisitioned general meeting, at the instance of a majority of members of the society or at the instance of the Registrars, Cooperative Societies.

Managing Committee Meetings:

- Managing committee meetings (normal)
- Managing committee meetings (emergency)
- Requisitioned managing committee meetings

- 2) A trainer should familiarize himself with the provisions of the State Cooperative Societies Act, and the rules framed there under, regarding the definition of different types of meeting, the manner in which such meetings are convened, the agenda which could be discussed in each meeting and the person responsible for convening of different types of meetings and explain these to the participants. Ask questions on each point and elicit replies.
- 3) Explain to the participants what is meant by a 'notice' for a meeting and what the 'notice' should contain. Ask them not to forget indicating the date, hour and venue of the meeting in the notice. Stress that timely issue of notice for general meetings and the managing committee meetings is very important. Inform the legal provisions with regard to the same in respect of different types of meetings. Mention that for calculation of clear day, the date of issue of the notice and the date of holding the meeting shall be excluded. Also inform them about the legal provision in respect of the manner in which the notice is to be issued/sent such as by registered post (with acknowledgement due), under certification of posting, hand delivery with the proof of receipt etc. remind the participants as to the consequences of not holding the annual general meeting in time.
- 4) ask the participants to draft a notice for the meeting after hearing a taped dialogue between the manager and the president of a society. (Record the dialogue before hand). Distribute Handout 1 to the participants and play the tape dialogue. Divide them into syndicates and ask them to draft a notice for the managing committee meeting and ask them to show each group's work through overhead transparencies or flip-chart. Allow 30 minutes to complete, the work.

Reconvene the class and ask one of the syndicates to present their findings and the "draft notice. The flaws in the dialogue may include the following:

- Misinterpretation of the term "screen" by the manager. He has understood it to mean that the non-user members are to be thrown out of the society, whereas, the circular envisages that the "non-user" members be treated as separate category.
- Lack of awareness on the part of the president and the manager regarding the notice period for convening meetings. Three clear days notice is required for the managing committee meeting.

The "Draft Notice" may be as follows:

The meeting of the managing committee of PACS will be held on .....at .....(hrs.) at the office of the society at Dharampur to discuss the following agenda:-

- To confirm the proceedings of the last meeting of the managing committee

- To take a decision on the circular issued by the R.C.S. on screening of the non-user members, and on sanctioning of loan to the weaker sections
- To sanction patronage rebate
- To review the position in respect of collection of loan from the members
- To change the business hours of Nadia sales centre
- Miscellaneous points, with the permission of the chair.

All the members are requested to attend the meeting accordingly.

Place:

sd/-

Date:

Manager/Secretary

PACS

- 5) After the presentation of the "Draft Notice" through OHP or flipchart, give an introduction as to the manner in which the minutes of the meetings are to be kept. Remind them that the minutes of the general meetings and managing committee meetings are important documents and are to be preserved for all times. There should be separate books for the minutes of the general meetings and that of the managing committee meetings.
- 6) Distribute Handout 2 to all the participants and tell them that a meeting, in the form of a role play, will be held on the basis of the notice and the notes. Distribute the role briefs to 5 participants – one for the chairman, one for the stage for the meeting. Give instructions to the participants individually about the roles. Watch the role play so that no overacting takes place.
- 7) After the role play, ask the participants to divide themselves into the same syndicates to write down the minutes of the meeting. Allow them 30 minutes' time. After the work is completed, ask one of the syndicates to display their report on a flipchart or OHP. Distribute the model minutes (Handout 6) among the participants.
- 8) Sum up the discussions by stressing that it is desirable that the minutes of the meetings are recorded and finalized simultaneously with the meeting. In case it is not possible the matter must be completed within the stipulated time. It is also desirable that the chairman of the meeting writes the minutes and signs the same. In case the chairman is not in a position to write the minutes the manager/secretary may write the minutes and get it signed by the chairman.
- 9) Distribute the "Key Issues" and ask the participants to list out in the proforma supplied those aspects of the session that they would like to implement, on their return to the PACS.

### **Handout 1**

(Tape Dialogue)

### **NOTICE FOR A MEETING:**

Narrator: The Registrar, Cooperative Societies has issued a circular to screen the inactive members, and identify members from the weaker sections and advance loans to them under the preferential terms and conditions. The manager, having carefully studied the circular, meets the president of the PACS, and the following dialogue takes place.

Manager: Namasteji. There is a good number of members in our society, who are not taking loans. The Registrar of Cooperative Societies has instructed us to eliminate them from membership.

President: I think those members who have contributed the full value of a share cannot be removed.

Manager: But sir, non-user members who have contributed anything to the functioning and the progress of the society.

President: DO you think that the members who are not availing the loans, can be treated as “non-user”.

Manager: Yes. Loan advancing is our main business.

President: we are selling agricultural inputs and dealing in consumer goods; these members are purchasing inputs and consumer goods from our society. How can they be treated as “non-user”.

Manager: We are not keeping records to prove whether these members have done business as we are only selling goods on cash.

President: Oh God! What is this? You are not keeping the particulars of cash sales? Then, how you going to calculate patronage rebate?

Manager: We will take a decision in our next managing committee meeting. The Registrar has further instructed us to identify the members belonging to the weaker sections for giving loans, under liberal terms and conditions, in order to increase their living standard.

President: Prepare an agenda note and convene the managing committee meeting day after tomorrow.

Manager: Yes. I have prepared an agenda note as the matter is very important and it will be better to have a meeting this evening.

President: See, up-to-date collection position of our society will be reviewed. Make an agenda note on it.

Manage: Members of Nadia village are insisting on changing the business hours of our Nadia sales centre, as most of villagers there belong to agricultural labour class.

President: Yes. We have to take a decision on this also.

## Handout 2

### AGENDA NOTES:

- 1) Registrar of Cooperative Societies desires that the cooperative societies must screen the passive members and make out a list of weaker section members, for giving them financial assistance under preferential terms and conditions.
- 2) It is necessary to devise proper method of distribution of patronage rebate. At present the society is not distributing patronage rebate as per the principles of cooperation. Steps should be taken to distribute the rebate on the basis of transaction made by the members with the society.
- 3) Any other item with the permission of the chair.

### **Handout 3**

(Role Play Briefs)

#### Brief for the President

You are the Chairman of a PACS. A meeting has been convened to consider the following agenda:

- Confirmation of the proceedings of the last meeting
- To take a decision on the circular of the Registrar, Cooperative Societies, for screening of non-user members and financing to the members of weaker sections.
- Sanction of patronage rebate
- Review of the collection position
- Change of business hours of the retail selling centre at Nadia.

You are of the opinion that members who do not receive loans from the society but make purchases from the inputs and consumer section are also user-members. You are also of the opinion that finance to the members of weaker sections can be allowed if such loans can be paid under differential rate of interest.

You are under the impression that proper records are maintained by the manager of all the members making purchase from the society.

You are under the impression that all big loanee members including the members of the managing committee and their relations are repaying their loans in time. But from the list submitted by the manager, you find that most of the big loanee members, including one director, are in default. The present collection position you find is less than 30% of the total demand. But you know that unless 40% collection is made the society will not be in a position to finance new members.

Nadia village is 6kms away from the headquarters of the society. The salesman who is working there is a resident of the headquarter village. If the shop is kept open upto 7 p.m., it will be difficult from the salesman to complete all books of accounts etc. after closing of shop and to return to his residence with cash. It is also not possible for the society at this moment to appoint a new salesman.

### **Brief for the Manager**

As manager, you hold the opinion that the members who have not been taking loans from the society cannot be deemed as user members. You have also not maintained any particulars of purchase made by the members. You have an intention to stop the payment of patronage rebate this year. You have your arguments for this.

For collection you have not prepared member-wise demand lists and also not issued any demand notice to big defaulters. You have an argument that since there was a drought during the last year, the members are not in a position to repay their loans and most of them are also not willing for the same.

In the matter of change of business hours you are for appointing a new salesman for Nadia from the same village, and to post the present salesman in the head office.

## **SESSION 5:**

### **IMAGE BUILDING AND PUBLIC RELATIONS**

#### **Image Building**

"The greatest risk to your professional image is the failure to factor image into your business decisions".  
Marilyn Mondejar

If image is important for the individual, it is essential for a cooperative. Image should be treated as an asset and should be planned, developed analysed and managed along with other valuable assets. The right image greatly enhances a cooperative's sphere of influence and its good will among the members and the public.

It will be determined by all the activities, business and actions of the cooperative. The management of the cooperative image is thus an ongoing task. Cooperative image includes information and inferences about the cooperative as an employer, as a seller, as a service provider, as a banker, as an investment and as a socio- business organisation.

A cooperative will have more than one image depending on the nature of the interaction it has with the different groups. Since people tend to "humanize" cooperatives, cooperative image may also include characteristics often attributed to humans such as "helpful", "caring", "friendly", and "ruthless" and so on. The first step in attempting to influence and manage the image of a cooperative is to understand the process by which the cooperative image is formed.

#### **Sources that influence and affect the image of a cooperative**

There are numerous sources that influence and hence affect the image of a cooperative. These sources can be broadly classified into two major groups or spheres of influence:

- a) Internal and controllable sphere of influence; and
- b) External and non controllable sphere of influence.

#### **Internal sphere of influence**

Major sources under the internal sphere of influence that help form a cooperative image :

##### **I. Cooperative personality and identity**

The term, cooperative personality, refers to who and what the cooperative is, rather than how the cooperative is perceived by the members and public. Every cooperative has a "personality" which can be defined as the sum total of the characteristics of that cooperative. These characteristics can be quantitative (e.g., size of the cooperative, number of members, volume of sales) or qualitative (e.g. reputation, quality of products and services) in nature; and they serve to distinguish one cooperative from another. These qualitative and quantitative characteristics collectively comprise the cooperative personality.

A cooperative also has an "identity" which can be described as an ideal self-image. Ideal self-image is that image which the cooperative would like the public to hold (Sirgy, 1982)

## **ii. Cooperative advertising**

Cooperative advertising seeks to inform and influence the member and public's attitudes about cooperative actions, characteristics, or viewpoints. It is a tool often used to deliver this information and, by doing so, influence stakeholders' image of the cooperative.

## **iii). Infrastructure**

Well-maintained infrastructure and buildings including stores, offices, godowns etc. of a cooperative send a positive image about the cooperatives. Cooperatives should strive to maintain cleanliness in their offices, stores and as well as provide basic amenities like clean drinking water, good sitting arrangements and other amenities that are modern and contemporary in nature.

## **iv) Frontline employee /Manager**

In many situations, direct contact with the manager of the cooperative serves to form impressions about the cooperative. The courtesy and knowledge, the efficiency of the service provided and the manner of dealing with the complaints of the members, by the manager will help form the cooperative image.

## **External sphere of influence**

- i. **Press Reports:** There is also a link between cooperative public relations, press reports and the image of the cooperative. Cooperatives can create newsworthy stories and events to attract media attention in order to gain public notice. Create cordial relations with local press/media by inviting in AGM and sharing the success/special achievements etc. will go a long way in creating a positive image of the cooperative.
- ii. **Word-of-mouth:** Word-of-mouth is personal communications between two or more people. This includes members' conversations with family, friends, colleagues, acquaintances, and so on. In the absence of direct interaction with the cooperative, the stakeholder may form opinions and impressions of the cooperative based on what others say about the cooperative.

### **Development of Cooperative image:**

The development of a cooperative image should revolve around many things including:

- Staff training to help develop a customer service “culture”
- Community awards, including Certificates of Merit for sporting and cultural achievement and Staff Excellence Awards
- School education programs
- Involvement in community and social activities and events
- The wearing of Cooperative uniform by staff
- The wearing of a name badge by staff in all encounters with the member and public.
- The preparation of cost effective, informative and interesting publications.
- Surveys and the invitation for member and public comment, where appropriate, should be included in some of these publications to evaluate stakeholder interest and to promote community involvement.

### **Some of the important roles for developing Cooperative Image:**

#### 1. Role of the BODs and Manager

BODs and Manager should rate the enhancement of a cooperative image highly in the day to day running of the cooperative and its functions i.e. informing the members of what is happening on a weekly or even daily basis.

#### 2. Role of the Manager

In order to improve and maintain the cooperative image managers should play a crucial role for preparation, development and reviewing of the Cooperative Image. They should also proactively manage and oversee the implementation of the various plans and strategy of the cooperative. Further, they have to provide input into the development and review of the Cooperative image

#### 3 Role of Employees

Employees of a cooperative are at the forefront in liaison with the cooperative members and stakeholders. Each and every action that is performed by staff members is deemed to be an act of the cooperative. Therefore, the way the staff deals with members at the counter, in the field, on the telephone and in response to written or electronic requests will reflect on the cooperative. As a result they are in the best position to recommend changes to Management which will benefit both the members, in the form of superior levels of service, and the cooperative, by way of time and cost

## Public Relation

- Public relation is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics. (IPR)
- “Public relation is the management function that establishes and maintains mutually beneficial relationships between an organization and the publics on whom its success or failure depends.” (Broom & Sha)
- Public in context of public relation includes both outside public/members and internal employees.

## What does PR do and its benefits?

PR involves a planned, sustained program as part of a cooperative’s management:

- It deals with the relationship between a cooperative and its stakeholder publics, largely members in case of cooperatives.
- It monitors awareness, opinions, attitudes and behavior – both inside and outside an organization
- It analyzes the impact of cooperative programme and services on members and public
- It provides feedback to management for new policies, and actions that are mutually beneficial to the cooperative and the public
- PR also establishes and maintains a two-way communication between an organization and its publics
- It results in new and/or maintained relationships between a cooperative and its publics

## Public Relation vs. Advertising

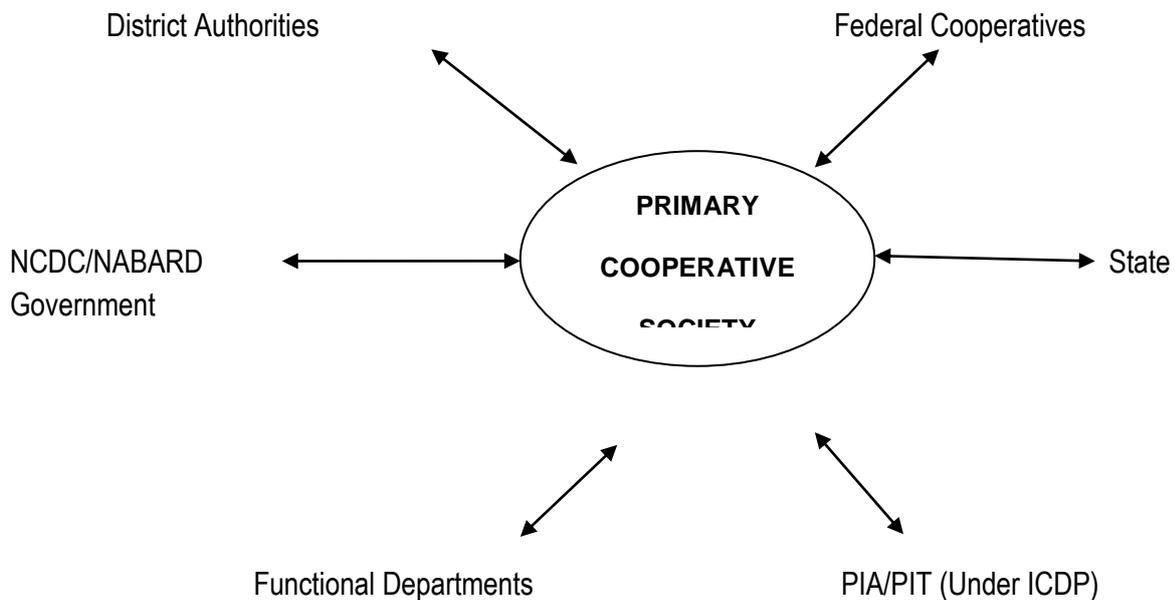
PR is not the same thing as advertising:

| Advertising  | Public Relation   |
|--|---|
| <ul style="list-style-type: none"><li>• Advertising is information placed in the media by an identified sponsor that pays for the time or space. It is a controlled method of placing messages in the media</li><li>• In advertising, there is often an expectation of control associated with paid placement of a message</li></ul> | <ul style="list-style-type: none"><li>• In PR, you typically do not pay for media placement (and there is no control over how your message will be distributed)</li></ul> |

## Need of Public Relations in Cooperatives:

- Weakness of cooperatives can be overcome if masses are educated/awakened
- By informing, educating and motivating the member of cooperatives.
- Necessary to project the achievements of cooperatives, so that people develop faith in cooperatives and professionals, management experts start seeking a career.
- By dealing with the masses in general, elected representative, the bureaucrats, opinion builders, community leaders and the intelligentsia.
- Cooperatives can promote and market their values which are their real advantages through proper PR
- People in general don't have proper knowledge about cooperatives though there are many achievements; PR can be used as tool to create awareness in this regard.

## Agencies/Organizations Promoting PACS Interest



## **Types of Public Relations**

### **Employee Communication:**

Internal communications helps build and maintain a mutually beneficial relationship between managers and the employees on who the organization's success depends

### **Publicity:**

Information provided by an outside source that is used by media because the information has news value. It is an uncontrolled method of placing messages in the media as you do not pay the media for placement.

Examples:

Creation of press releases to news outlets – These can be delivered via print, email, “press kits,” social media, video news releases and the Internet

Creation of newsworthy events - Press conference with an executive, “Grand opening” ceremony, Dedication etc.

### **Local Press and Media Relations**

Cooperative can create newsworthy stories and events to attract media attention in order to gain public notice. Create cordial relations with local press/media by inviting in AGM and sharing the success/special achievements etc.

### **Public affairs**

Public affairs are the specialized part of public relations that builds and maintains organizational relationships with governmental agencies and community stakeholder groups to influence public policy.

### **Lobbying**

Lobbying is the specialized part of public relations that builds and maintains relations with government, primarily to influence legislation and regulation. – To help with transparency and to combat the perception of corruption, there are laws that regulate how and who can lobby government entities. – The role of lobbyists is to ethically advocate the interests of their clients in the public policy debate.

## **Member relations**

Members are owners, users and indirectly manage their cooperative. A certain special measures are required to provide them education of their role, and responsibilities on regular basis. The best member relation can be developed by providing them highly satisfactory services.

## **Development**

Development is the specialized part of public relations in nonprofit organizations that builds and maintains relationships with donors, volunteers, and members to secure financial and volunteer support.

## **Constraints in conducting effective Public Relation**

- Lack of consciousness among the board of directors, managers and staffs of cooperatives regarding the need and importance of public relations for the growth and sustaining the cooperative's business.
- Lack of will in cooperative leadership to undertake and develop public relation for the cooperative, which is mainly due to lack of awareness and consciousness on part of the leaders about the need and role of public relation for developing and sustain the cooperative's business.
- Everybody's responsibilities and also nobody's responsibility. Development of good and strong public relations by a cooperative requires a lot of initiatives, planning, persuasions and implementation of planned programmes and monitoring and sustaining of the efforts made. This involves collective efforts by all including the members. However, due to lack of will and consciousness in the leadership, among the employees and also among the members
- Casual approach or deliberate apathy shown by most of the cooperatives. Most of the cooperatives have been doing business quite well for decades without any efforts on building strong public relations. These societies are running and banking on the good will of the members and customers. As such extra efforts on building public relations seems to be unnecessary to them thereby taking no interest and efforts for building public relations.
- Provisions of financial resource. Development and maintain public relations requires a certain amount of funds. Most of the cooperatives especially at the primary level are facing fund constrains and running on loss or very low profits. In this scenario, it becomes difficult for the cooperatives to think anything beyond running and sustaining the core business.