

SOUTH ZONE COOPERATIVE CONFERENCE

**“Opportunities and Challenges before
the Cooperative Business”**

**(With reference to States of Kerala, Andhra Pradesh,
Karnataka, Tamil Nadu and Puducherry)**

On Monday, 12th March, 2012

Proceedings

Venue:

Kanakakunnu Palace, Thiruvananthapuram

NATIONAL COOPERATIVE UNION OF INDIA

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CONTENTS

Proceedings Report	1
Inaugural Session	
Technical Session	
Valedictory Session	
Recommendations	16

South Zone Cooperative Conference

(Kerala, Andhra Pradesh, Karnataka, Tamil Nadu and Puducherry)

*Opportunities and Challenges
before the Cooperative Business*

**on 12th March, 2012 at Kanakakunnu Palace,
Thiruvananthapuram**

“In India, as in many other countries, co operations started as a means of ensuring for the poorly equipped citizens advantages, which better place citizens who are able to command by their own individual resources. The principle of mutuality, which is the basis of cooperative organization and which sustains it and the practice of swift and self-help, which sustains it generate a sternly feeling of self reliance, which is of basic importance in a democratic way of life by pooling their experience and knowledge and by helping one other. Members of cooperative societies can not only find the solution for individual problems, but also become better citizens in an unregulated economy. In an unregulated economy, the terms of contract are frequented weighted in favour of persons of large means. Those who have the command of scarce resources are left free to drive a bargain with those who need such resources, but are ill equipped to compete for their position.”

–First five-year plan of India

“They are an alternative institutional mechanism for enlisting the participation of our people in economic processes of direct relevance to them and for ensuring equitable distribution of benefits. They continue to be important social and economic institutions, which gave a voice to the voiceless millions. In order to continue to have this validity, they must therefore be seen to be performing the functions with efficiency and dedication. They must succeed, as they are the only viable way of reaching out into the vast inter-land of this country where the poor and marginalized live and for whom the cooperate world has few answers.”

–Dr. Manmohan Singh
Prime Minister of India

(These two quotes were read by the Chief Guest Shri K.M. Chandrasekhar, Vice-Chairman, Kerala State Planning Board during his inaugural speech)

PROCEEDINGS REPORT

The National Cooperative Union of India in collaboration with State Cooperative Union, Kerala organized South Zone Cooperative Conference for the states of Kerala, Andhra Pradesh, Karnataka, Tamil Nadu and Puducherry on 12th March, 2012 in the Kanakakunnu, Trivandrum. The theme of the conference was opportunities and challenges before the Cooperative Business. The South Zone Cooperative Conference was organized to review and deliberate

the progress and achievements of various sectors of the cooperative movement, best practices, success stories and challenges being faced by the cooperatives in the region and also draw an action plan to promote and strengthen the cooperative movement in the southern region. The conference was inaugurated by Shri K.M. Chandrasekhar, Vice-Chairman, Kerala State Planning Board and former Cabinet Secretary of Government of India. The valedictory address was delivered by Shri E. Narayanan, Chairman, Kerala State Cooperative Union. The Conference was organized in four phases i.e. inaugural, technical session-I, technical session-II and valedictory function.

Inaugural Function:

The inaugural function began with lighting of lamp, followed by floral welcome of Chief Guest, Guest of Honour and other dignitaries on the dais.

The following were the Chief Guest, Guest of Honour and dignitaries on the dais. :

1. Shri K.M. Chandrasekhar, Vice-Chairman, Kerala State Planning Board
2. Shri E. Narayanan, Chairman, Kerala State Cooperative Union
3. Advocate K. Shivadasan Nair, MLA, Chairman, National Cooperative Agriculture and Rural Development Bank Federation,
4. Shri K.C. Shashidhar, Chief General Manager, NABARD, Kerala Regional Office,
5. Dr. V.M. Gopalakrishnan Menon, Secretary (Cooperation), Government of Kerala
6. Shri K.V. Suresh Babu, Registrar, Cooperative Societies, Government of Kerala
7. Shri Arjun Rao, Additional Registrar of Cooperative Societies, Government of Andhra Pradesh,
8. Adv. Hardya Nath, MLA, Chairman, Institute of Cooperative Management, Thiruvananthapuram, and
9. Dr. Dinesh, Chief Executive, National Cooperative Union of India

Shri E. Narayanan, Chairman, State Cooperative Union, Kerala in his welcome speech highlighted the achievements and progress made by the different sectors of cooperative movement in Kerala with particular emphasis on credit, consumer, educational, coir and health care sectors. He said that the cooperative sector in the state of Kerala plays an important role to stabilize the price of essential commodities, livelihood to farmers and other disadvantaged groups, job opportunities to unemployed persons in the rural areas and also empowering the women and schedule caste and schedule tribe persons in the state. He also said that the outreach and networking of cooperative sector in Kerala is deep-rooted and every village is having good number of cooperatives. He also said that almost two crore members with 25 thousand institutions under the cooperative sector places it as a balancing sector for the growth and development of Kerala economy. He also said that till date, the Kerala has not signed the MOU with NABARD for financial assistance as per of Vaidyanathan Committee recommendation due to certain clause are against the state policies of the Kerala. He also

informed that Kerala has a strong cooperative credit and banking sector besides dairy, coir, etc.

Dr. V.M. Gopalakrishnan Menon, Secretary (Cooperation) Government of Kerala said Kerala has a very strong base of Cooperative Movement and has many success stories in its fold. The weaker-section cooperatives particularly coir, handloom and fishery cooperatives, Government is giving more emphasis in strengthening them as its priority area through various schemes and support mechanism. He also said that cooperatives are more relevant to-day in the State of Kerala due to its values and principles. The movement has given an able leadership and participatory members make it a unique business model for various challenges being faced by the masses in the rural areas.

Shri K.C. Shashidhar, Chief General Manager, NABARD, Kerala Regional Office, said that cooperatives are a successful business model and presents a lot of opportunities for the cooperative sector. He further said that Kerala is a first state in the country to achieve 100% financial inclusion due to contribution made by the cooperative banking sector in the state of Kerala. He cautioned that financial inclusion does not mean that just opening a bank account for the poor persons but the person should get complete banking facilities to fulfill the financial need. He said that in the Kerala, Vaidyanathan Committee Recommendation is not implemented and some good aspects of the committee may be implemented without any problem particularly in the area of audit etc. He emphasized for giving greater autonomy to the State Cooperative Bank, District Cooperative Banks and PACS in the State so that they are able to function as professional entities under the guidance of the state government. He raised the issues pertaining to human resource, induction of professionals in the cooperative banks and succession plans which are very important for making the cooperative banks competitive and client-oriented. He also emphasized introducing modern technologies in the functioning of cooperative banks particularly the system of computerization of records, banking operations, installation of low cost ATMs etc. so that cooperative banking services are available to the masses at ease. He also gave emphasis for establishment of credit counseling centre at district cooperative bank level so that farmers and other users can receive guidance and solutions in the changing economic scenario. He urged the members that if state cooperative bank needs any help and support from district level cooperative banks they must come forward and support the SCBs by way of share capital contribution and similarly, the primary should also come forward to strengthen the DCBs at the time of financial crunch so that the imbalance in the tear system can be rectified. He also said that the cooperative banking sector needs to improve their internal house-keeping system so that the high loopholes are plugged in the long run.

Shri Arjun Rao, Additional Registrar of Cooperative Societies, Government of Andhra Pradesh in his speech gave a brief review of progress of cooperative movement in the state and highlighted some of the issues and challenges, the cooperative credit sector is facing in the state. He said that Andhra Pradesh is the first state in India which had signed MOU with Vaidyanathan Committee, and NABARD to implement the Vaidyanathan Committee Recommendations in the year 2007. He said that after the implementation of Vaidyanathan Committee Reform package, the PACS (2949) which were supposed to be very strong did not strengthen to the extent expected rather the DCCBs and state level cooperative institutions got very-very strong. He further shared his experience that the credit cooperatives at the

PACS level are weak though there is a common accounting system professionally in the management and audit conducted by the Chartered Accountants. The PACS health needs to be revived through additional dosages of recapitalization package. In Andhra Pradesh the cooperatives are also planning to enter into new areas and to other sectors like tourism, travel, insurance and health. He also emphasized that the better practices of cooperative model should be emulated in the region.

Shri K.V. Suresh Babu, Registrar, Cooperative Societies, Government of Kerala said that the cooperative movement in the Kerala is well-developed and is very strong and also focusing in new areas like tourism, education and health care sectors. He said that due to 97th Amendment of the Constitution the Cooperatives in Kerala will be more autonomous and independent with members' participation. He raised the issue of low-land holding in the Kerala has led to reduction in the quantum of agriculture loan to the farmers.

Hon'ble Chief Guest of the inaugural function Shri K.M. Chandrasekhar, Vice-Chairman, Kerala State Planning Board and former Cabinet Secretary of Government of India highlighted the importance and significance of cooperatives in Indian economy since First Five Year Plan and an instrument for rural transformation and community development. He said that there are great numbers of success stories in the cooperative fold with emphasis on AMUL, Sugar factories, IFFCO, KRIBHCO etc. and these success models need to be emulated in the other parts of the country. He also said that time has come to re-invent the cooperative movement more particularly when cooperative is facing lot of challenges from different quarters and cooperative movement will find answer to these challenges by adopting modern technology and professionalism in its functioning. At the end of the speech he also quoted the view of the present Prime Minister Dr. Man Mohan Singh about the cooperative movement

"They are an alternative institution mechanism..... participation of our people and economic progress of direct relevance to them and for ensuring equitable distribution for the benefits. They continue to be important social and economic institutions which give a voice to the voiceless millions. In order to continue to have this validity, they must, therefore, seem to be performing the functions with efficiency and dedication. They must succeed as they are the only viable way of reaching out into vast hinter land of this country where the poor and marginalized lived and for whom the cooperative world has a few answer.

Advocate K. Sivadasan Nair, MLA and Chairman, National Cooperative Agriculture and Rural Development Banks' Federation in his presidential address highlighted the silent feature of 97th Amendment of Constitution by the Government of India to bring uniformity in the cooperative law by the states and to create an enabling legislative environment necessary for the growth and the development of the societies in the country. He also said that forming cooperatives by the group of people is a fundamental right and they need to apply for registration to the Registrar of the Cooperative Societies. He also said that this amendment will enable timely election, audit, participation of women and other weaker-sections in the board of cooperative societies, to give better representation and members participation and will encourage professionalization and democratic functioning of the cooperatives. He further said that the cooperative movement in the southern states should highlight their achievements and progress on the occasion of International Year of Cooperatives and also quoted an example that inspite of world global recession and turmoil of big businesses in the Europe and other developed nations, the cooperatives in India and other countries could perform very well and

had no impact of global recession. He also highlighted that the cooperatives are capable to compete in the era of liberalization due to their strong rural base and professionalization of their working. He also cautioned that the other southern states have already taken the benefit of revival package of Vaidyanathan Committee but Kerala could not do so. Whether such approach is good for the cooperatives in Kerala to be discussed in threadbare, he said.

As regards financial inclusion is concerned in the region, the emphasis should be given on fulfilling all the financial needs of each household rather than just opening a bank account only.

Vote of thanks was proposed by Dr. Dinesh, Chief Executive, National Cooperative Union of India at the inaugural function. He thanked to the Chief Guest, Guest of Honour and other dignitaries on the dais besides conference delegates, cooperators and faculty members from ICMs.

TECHNICAL SESSION

Technical Session-I : Discussion on the Opportunities and Challenges before the Cooperative Business in the State of Kerala, Andhra Pradesh, Tamil Nadu, Karnataka and Puducherry

Advocate K. Sivadasan Nair, MLA and
Chairman, National Cooperative Agriculture and
Rural Development Banks Federation : Chairman

1. Shri K.K. Ravindran : Speaker
Managing Director
NAFCARD, Mumbai

2. Ms. Nandini : Speaker
Representative, Working Women's Forum
Multi-State Cooperative Societies at Chennai

3. Shri G. Srinivasa Rao : Speaker
Managing Director
Andhra Pradesh State Cooperative Union

4. Shri R. Muralidharan : Speaker
Deputy Registrar (Planning & Legal)
Government of Puducherry

5. Mohd. Jafarullah Khan : Speaker
Dy. Registrar-cum-Secretar
Karnataka State Cooperative Fedn. Ltd.

Shri K.K. Ravindran, Managing Director, NAFCARD, Mumbai said that the share of cooperative rural credit has come down from nearly 100% , 60% in the nineties and today it is just above 20% to 25% but still occupies an eminent position in the rural sector. Their presence and their operations inevitable because of their videspread presence and very particular class of people they are serving, he said. He further explained that the share of cooperative credit sector is 20% and these 20% people are probably, the people who are not eligible for any kind of support by any other financial institution are being served by the cooperative credit sector. In southern zone there are about 15646 PACS and that is about 14%, situated in this state and their share in the total business done by the PACS in terms of loan disburse and loan outstanding is about 52%. This shows primary level societies are very strong in the rural areas. As far as long-term credit structure is concerned in the southern zone about 25% of the total business done by all these institutions and the membership is coming to about 25% of the total membership of the long term structure from the southern zone. The most important challenge faced by the rural credit institutions in southern states is that they still have to attend financial reliance. The members contribute their own resources and this leads to over dependence on external funding for resource need. The long-term credit sector is 100% dependent on NABARD for lendable resources but unfortunately NABARD is shine away from the cooperative credit sector and only 10% of their business is coming to cooperative sector. The commercial banks

are required to lend 18% of their total advances to agriculture sector but in order to fulfill the target they are just contributing to rural infrastructure development fund of NABARD instead of giving it to the farmers. This is a serious anomaly existing in the financial system and is adversely affecting the operations of rural credit system. Another important challenge faced by the cooperative financial institutions is the need to change their operations from only credit to a wide range of financial service which is not in practice. This has led to almost 50% of the total credit structure. The cooperative credit structure also needs to upgrade human resources to take up other banking functions in the era of competition. He further demanded an early implementation of revival package for long-term credit cooperatives in the country.

Shri R. Muralidharan, Deputy Registrar of Co-operative Societies, Puducherry, presented a thought provoking thought paper on “Applicability, Impact and Implications of the Right to Information Act on Co-operative Societies”. It was studded with case laws on the subject rendered by various High Courts in India. He traced the history of the co-operative movement and the Right to Information Act.

Though the High Courts hold divergent views on the applicability of the Act on co-operatives in general, the unanimous view in all the judgments is that when the societies are substantially funded by the appropriate Government the societies do answer the definition of ‘public authority’ in terms of Section 2(h) of the Act. Various States like Madhya Pradesh, Goa, Tamil Nadu, Jammu and Kashmir, Maharashtra and Rajasthan have brought the co-operative societies within the fold of the Act. There is no authoritative pronouncement of the Supreme Court of India on this subject yet.

He allayed the apprehensions of the societies in implementing the Act and highlighted that personal or official inconvenience can never be an impediment in the implementing the Act. By implementing the Act there is better scope of professionalism in societies. Further when various Acts like Income Tax Act, labour legislations, Sales Tax Act etc. are tackled by the societies, the societies cannot be heard to say that enforcing the Right to Information Act would be a tough proposition to them. When the societies have grown in magnitude, they cannot contend that they are answerable only to the members and not to the public. When the societies get constitutional status under the 97th Constitution Amendment they cannot shy away from the Right to Information Act to combat corruption and ensure transparency in administration.

Ms. Nandini, Representing, Working Women’s Forum, Multi-State Cooperative Societies, Chennai highlighted the best practices of India Cooperative network for women in the state of Andhra Pradesh, Karnataka and Tamil Nadu. It is a success story of over 5,41,963 women share holders in the cooperative fold aiming towards poverty reduction, micro-credit and micro-enterprises by the poor urban and rural women to help themselves. She said that the Working Women Forum serves the poorest borrowers and sustains the livelihood options at the micro level. She informed that the members are weavers, agriculture workers, fisher women, hawkers, vendors, lace-makers etc. and the primary objective is to organise these poor women on credit lines and establish a structure and encourage them to participate at all levels of the organizational outfit through micro credit and address other critical needs. This model has not only helped the poor women’s financial and social independence but also empowered them. The WWF provides them participatory training to transform these women to full grown entrepreneurs and it has been endeavour of ICNW to promote leadership from the below and

the grass-root level women occupy important position in the board and are part of the decision making process, she said. At the end, she said that this model is able to infuse confidence among the members to raise their standard of living, upholding human dignity and help redistribution of resources towards ensuring social justice.

Shri G. Srinivasa Rao, Managing Director, Andhra Pradesh State Cooperative Union highlighted the challenges and opportunities before the cooperative societies in Andhra Pradesh. He said that a big number of PACS in Andhra Pradesh have accumulated huge losses which is roughly Rs.500 crore accumulated losses and has weakened the financial strength of these PACS. He said that it is strange to note the apex level credit cooperatives both at the district and state level are recording profits at the cost of primary cooperatives at grass-root level. He was of the opinion that the only way to make PACS self-reliant is giving direct funding to them so that their revival is ensured. He also stressed that any development package must start from the grass-root level. We must have bottom to top approach then only the cooperative institutions at the grass-root level will be strong and serve the masses. He said that the Vaidyanathan Committee revival package which was entered through MOU with the NABARD, needs a third party evaluation and assessment of the whole package given to the organization which is neutral and professional. A Cooperative Society registered under needs to be accountable and in the name of autonomy and independence society can not be allowed to lead to an anarchy. He said that in the State of Andhra Pradesh there are thousands of societies registered under Mutually Added Cooperative Society Act and without any solid contribution they disappeared. The cooperative societies are the medium for socio-economic improvement of members and the social aspect is very important flank of cooperative principle, he said. He highlighted the significance of human resource development in the cooperative sector which is very important for professionalization of cooperatives on one hand and to fill up the gap. On the other hand the financial support, particularly grant-in-aid from the central and state governments is the need of the hour to ensure the inclusive growth of our economy.

Mohd. Jafarullah Khan, Dy. Registrar-cum-Secretary, Karnataka State Cooperative Fedn. Ltd., highlighted the achievements and progress of various sectors of cooperative movement in the Karnataka State and due to government support to the dairy cooperative societies in terms of providing subsidy to every litre of milk, the milk production has increased manifold in Karnataka. He also said that the recent global economic recession has not hampered the growth of urban cooperative banking sector in the state. However, the short term credit cooperative institution face inadequacy of fund flow with raising NPA. He highlighted the problems faced by the marketing cooperative societies mainly inadequate finances, godown facilities, in sufficient number of cold storage and processing system. He highlighted the feature of scheme, Yasashwini, farmers help scheme with the objective to cater the need of the farming community. The self-help group involving rural women for their socio economic development is another significant sector in the state, he said.

Thereafter question and answer session was taken up. The Chairman while summing up the technical session-I, highlighted the difficulties of implementation of revival package of Vaidyanathan recommendations in terms of cut of date and the implementation date due to gap of four years, the accumulated losses incurred by the various tier of short term credit sectors has not been covered under the package and also the difficulties which is being faced by the PACS for not receiving their dues in time from DCCB level. The second point was, the

Constitutional Amendment of Cooperatives will help us in strengthening the cooperatives in the state level with more vigor and professionalization. He was also of the opinion that tax code bill should be opposed by all the cooperatives across the country.

Question Answer and view expressed by the participants (Unedited version)

Mr. Haridas, KPCSA (Kerala Primary Cooperative Societies Association):

We are conducting this seminar on the part of the celebration of the 2012 International Year of Cooperatives and our main subject is the challenges and the opportunities that we face in the cooperative field. My request is that this session should definitely pass a resolution regarding the main challenges we face especially in Kerala. The rules and stringent measures the Central Government has adopted at present which is going to kill the cooperative sector of Kerala within a short time. I would appreciate our dignitary from Andhra Pradesh for sharp criticism of Vaidyanathan Commission Package has done to that State. The very same thing is going to happen in Kerala not by introducing Vaidyanathan Commission Report but by introducing all the amendments and the regulations that are passed in the Parliament by the Central Government authorities in the very short term and that means to cooperative international year. The thing is that by amending Section 111, the Government has forced the cooperatives to take the license and to restrict the membership to the overall rural development of the poor sector, especially labourers and the down road and masses of Kerala. If we take the Reserve Bank License, we have to conduct only one type of banking that is credit and only for the credit purposes, but whereas we are conducting our so many banking affairs, even though it is not banking, we have license to do that as per State Government Regulations which are being supervised by State Govts. The State Government is giving us actual permission for conducting all these things in the wide section of the society. The Kerala's model of socio-economic development is based on the work of the cooperative sector of Kerala and that is what actually Kerala's model of development issue and for that cooperative sector is mapping much effort and we are in the forefront of death. These all things will be shortened or cut off within a few months' time if the law is actually taken to effect here in Kerala. The same things like taking license, taking membership, taking everything will be restricted.

The same is the case with Banking Regulation Act. As per Section 59, we enjoy all the benefits for the business as well as banking sector sections. Primary agricultural credit societies are exempted from all the regulations of the Central Government tax giving and tax assessment and other sections, but now in Kerala, we are going to face the very strict restriction by Banking Regulation Act which RBI is going to regulate. Within three years, we have to take license for the pure banking section as the nationalized banks or the scheduled banks are doing here, then how can we go for the masses or the farmers or to down to road people of Kerala for the welfare of their numerous schemes to be implemented and that too is going to be restricted.

The same is the case with Direct Tax Code the third bill that has been passed by the Parliament is going to be implemented within a short time. State Government can never do anything against that. The State Government though is controlling the cooperative societies at this time with a very fine audit system. We've cooperative departments whose audit measures are taken by the State Government are going very fairly and if all those things will be restricted as per Central Government rules than the system will become typical. Even without license, we can't work for banking purposes and all the cooperative success will be closed down within

three years. Within three years, we should take license, otherwise, we can't go ahead and that is going to be the final and end of the cooperative sector.

So, on behalf of KPCSA (Kerala Primary Cooperative Societies' Association, it is requested to pass a resolution requesting the Central Government to make exemptions for the Kerala Cooperatives, as now they are enjoying many exemptions, the same exemptions should be allowed and the new rules should not be regulated as far as Kerala is concerned.

Mr. K. P Thomas, Managing Committee Member of State Cooperative Union, Kerala:

Actually, I've not attended the full session as I was away for some time so I couldn't participate in the full deliberation. In my absence my predecessor, the person who spoke just before me, has presented certain ideas so I thought I must get a clarification about all those things. He referred himself to some association and since that is an association, it is an important issue that he has raised. Now, one thing, I don't know whether his opposition is to the Vaidyanathan Commission Report or whether it is to the 111th Constitution Amendment, anyway he has referred to two things. One, he has taken a clue from Andhra Pradesh that he has spoken about this revival package – if there is something wrong in the distribution of the revival package amount then they have to correct it. So that is one important issue that he has raised and that I agree, but what about this constitutional amendment?

Chairman, Technical Session:

Regarding the Vaidyanathan Committee Report, implementation package, there is one problem – the cutoff date and the implementation date that difference is there. The cut off date is 2004 and the implementation date is 2008. If that be so for three or four years of that period, from 2004 onwards, there will be accumulated losses and those losses will not be met by the package. So that loss is still remaining there and that exactly is one thing I think the problem is there and moreover the way in which they have adjusted the amount because the amount which is due to the primaries was adjusted at the DCCB level for their dues to the DCCB and that is fault of the DCCB and that should not have been done like that. That is a fault. It is not the fault of the package. It is the way in which it has been implemented there, that is it, and my friend Mr. Haridas has mistaken what he has spoken.

Then the constitutional amendment is a clear landmark in the history of cooperatives in India. Without going into the details of what exactly is the constitutional amendment, there are other things, the tax code and all those things which are not beneficial to the cooperatives should fight out, always it'll be there, but the amendment bill, don't oppose each and everything naming that is wrong and this is wrong. The constitutional amendment is one of the steps taken by the Government of India and in the history of cooperatives that is a landmark. This is the real thing and since it is a democratically run organization, there are various opinions and we're running the institutions in a consensus and each and every institution is run by that.

Technical Session-II : Discussion on the Opportunities and Challenges before the Cooperative Business in the State of Kerala, Andhra Pradesh, Tamil Nadu, Karnataka and Puducherry

Dr. Dinesh, : Chairman
Chief Executive,
National Cooperative Union of India &
Director General
National Council for Cooperative Training

1. Mr. S.K. Srikanth : Speaker
Managing Director (I/C)
Karnataka Horticulture Federation

2. Shri Srikanth B.R. : Speaker
Assistant General Manager
Karnataka State Souharda Federal Cooperative Ltd.

Mr. S.K. Srikanth, Managing Director (I/C), Karnataka Horticulture Federation highlighted the progress and achievements of Cooperative Horticulture Marketing in the state and the business of marketing of fruits and vegetables and processed products in all the twenty one districts in the Karnataka State. Thus cooperative also act as a facilitator between the farmer, grower and consumer and product is sold in the procurement centre while giving the benefit of extra money to the farmers. He said that as on date, nearly 70 to 80 tonnes of fruits and vegetables are handled every day through their 260 outlets. The success story of this model is needed to be replicate in other states in the Southern Zone more particularly in the neighbouring states of Kerala and Andhra Pradesh for the benefit of the consumer and grower by developing a strong network.

Shri Srikanth B.R., Assistant General Manager, Karnataka State Souharda Federal Cooperative Ltd. informed the August House about the special provisions made in the Karnataka Souharda Sahakari Act, 1997. He said that K.S.S.F.C. is a statutory body formed under the KSS Act and all the cooperatives registered under this act shall be automatically member of Souharda Federal Cooperative Act and it develops guidelines to the member cooperatives besides providing training and education. The Federation is also established e-stamping centres across the states in collaboration with Stock Holding Corporation of India.

Question and Answer Session:

Question : Could you give little detail how your organization functions? What exactly do you do when some cooperative goes out of track or does something which is violative in nature? Do you have some penal clauses or what exactly do you do? If you have done something, give an example to clarify this and after this any other person can come and ask a question here.

Answer : Mr. Srikanth : First of all it is a federal cooperative that means it is formed by the act. Under the act it was formed when the 50 cooperatives were registered under Souharda Act, then the federation was born. In the act itself, it was then enacted. In the regulation issues, when one cooperative is faced to do, conduct the general body, or face to conduct the

audit or do some discrepancy in the affairs of the cooperative. Then, we go to the cooperative and inspect them and if any discrepancy found during inspection, we supersede the board and appoint immediately Administrator for the period of six months. In the later issues and any financial issues or any other some cumbersome issue is there, then we refer to the inquiry. The Registrar will conduct the inquiry. First of all I clarify that it is a federal cooperative, it is body of all the Souharda Cooperatives. Every revenue district has a one director, one representative to the cooperative. Among the directors, one president is there and the vice president will be there. Penal action is concerned as I told that supersede the board and administrator will be appointed. One more is we have the inspection squad regularly conduct the inspection on the cooperative and one more thing we have the chartered accountant panel. Every cooperative should audit within that panel only. They can't refer any auditing to some other persons who is not well versed in the auditing and we provide the training also. Every chartered accountant has to take training from the federal cooperative. This is the stipulated condition in our act.

Question : Dr. B. Niranjan Raj Urs : Deputy Director, Institute of Cooperative Management, Kannur.

First of all I have to clarify one thing that he told the KHF is the only organization with that model, we don't have such models in India. Yes, you don't have a federation in other states, but Maharashtra I remember have read some case studies about Orange Growers Cooperatives in Nagpur and Banana Growers Cooperatives in Jalgaon District of Maharashtra and we in Kerala in Taliparamba i.e. Kannur and Kasaragod district together. We are having fruits and vegetables marketing cooperative society. So, we are having fruits and vegetable marketing cooperative societies at the primary level. Yes, I don't know about states having there own federation, that's one part of it.

In case of milk cooperative, the real success is maintenance of quality that two axis formula, 3.5% fat and 8.5% SNF, based on that the milk price is determined. Now, fruits and vegetables, it is not a homogenous commodity, any vegetable or fruit. Do you grade them and are the farmers getting a better price? Are they having any incentive for getting a better price if they produce a better grade?

Thirdly, are you thinking of any activity for value addition? You had told about some juice making unit. Okay that is one part of it, but in your future plans if you have to give better prices to the farmers, there is lot of scope for value addition. Are you thinking in that direction?

Answer : Mr. Srikanth : If I am not wrong what you have mentioned in Maharashtra, they are commodity organizations. Their associations, I don't think it is a cooperative, it is an association, our model is state level federation where all the districts are having HOPCOMS sir. Independent cooperative societies at the district level who are mainly doing the business of fruits and vegetables and linked to the KHF. I don't think this HOPCOMS model is there in any other state, except Mother Dairy in Bangalore. If any state is having, I may be corrected, one thing. What I learnt in Maharashtra, it is only government organizations, may be mango associations or lime associations or grapes associations. Their function is different and their mandate is different. We deal with all fruits and vegetables required for a common man on day-to-day basis and the second question is regarding grading. Yes, we do grade at the selling. At the procurement center itself, we grade all the materials. The farmers which bring, we don't

accept everything. We grade then only we send it to the retail outlets. We grade it and farmer is getting price as I told because on the wholesale market, say for example in Bangalore City if a farmer goes to Kalasipalyam Market, so he has to pay the wholesale market plus commission everything, but based on the Kalasipalyam Market wholesale market price, we give 1 rupee more to him and we don't charge any commission. Definitely farmer is benefited. The third question what you asked sir regarding processing, yes we are in the direction and at present we are doing grape and mango juice at our HOPCOMS level and we are truly modern juice centers. We are selling it to public. Now we want to have small scale processing units of fruits and vegetables in near Channapatna, roughly about 50 kms from Bangalore. Under Bangalore HOPCOMS, 2 acres land has been given by our Department of Horticulture to the HOPCOMS, where we will start a small processing unit and one tender coconut preservation unit, packing a preservation unit which we have submitted to the state government and it has been forwarded to CDB, Kochi, for approval. If the Coconut Development Board gives approval, we will go ahead with the project, project is of Rs. 1 crore. So, the tender coconut will be processed and packed in Tetra Pak and sold through our HOPCOMS outlet. Also that project has been sent to CDB for approval. So, processing also we do sir. First, we want to establish and increase our handling of fruits and vegetables, so side-by-side we are going for processing also.

Question : Mr. Babu V.N., Faculty Member, Institute of Cooperative Management, Thiruvananthapuram :

Very good effort by Karnataka Horticulture Federation, throughout his presentation, he was talking about the forward integration, but what is your arrangement for backward integration? Providing input services to the farmers and do you have any model byelaws and what is your plan and effort to form the primary level cooperatives for those farmers growing fruits and vegetables?

Another one more question is whatever surplus that you are gaining, how you will share that surplus with your immediate federation means at district level and for farmers? You are dealing with fruits and vegetables and it will be subjective to price fluctuations and in order to stabilize the price, what is your arrangement?

Answer : Mr. Srikanth : As regards the backward linkage, each HOPCOMS come under the byelaws. They are permitted to purchase fertilizers, chemicals, pesticides, whatever is needed for the farmers and members and distributed to them. That many of the HOPCOMS are doing, some are not doing. We have all advised them to do this for Bangalore, Mysore, and they are all doing one thing and the State Department of Horticulture under the National Horticulture Mission Program and the Rashtriya Krishi Vikas Yojna where the banana precision farming is taken up and many a state schemes, most of the inputs required by the farmers for demonstration or any other purpose, so it will be met through the departmental schemes. So, rest of the chemicals and fertilizers, the agricultural department is arranging and the government schemes, the farmers are given the inputs under subsidy. We are also giving our member some specialized chemicals or growth hormones, especially for grapes or mango, particularly in Bangalore HOPCOMS we are giving it.

As far as the second question about surplus At present, we are procuring as much as possible may be whatever we can handle. As I told you, our handling capacity of all the entire 21 HOPCOMS put together is 100 to 120 tonnes per day, so only that much a little 10% or

20% more we are procuring. We are giving indent in advance to the farmer, our members, so they will bring on that particular day, so the rest because as I told your recently under RKVY scheme and the state scheme, we have built a number of procurement centers and then more retail outlets, so that our handling capacity will increase. So, next year, our handling capacity will be increased and we will be handling more of fruits and vegetables. Like that, we will be expanding our business. At present, we are taking about 10% to 20% more than we can handle and the surplus will be sold the next day and of course we don't have any cold storage so far. Two cold storage projects are coming in, one in Bijapur for raisins, dry grapes and another in Gulbarga and Shimoga. So, then, we can think of cold storing the produce which is left unsold. Also, we are diversifying our activities towards processing, where the unsold fruits and vegetables can be send to processing center, processing unit for processing and value addition, so that is our plan.

Profits, actually as I told you, each district HOPCOMS is independent, so they are deciding upon their sharing of profits. The KHF does not have any say or ruling on that, so they are independent. They decide on the profits and you know on their turnover each district HOPCOMS gives 1% of the turnover to the KHF as a fee. Because all the government money is channelized through KHF and KHF is arranging inter-HOPCOMS marketing facility, interdistrict or interstate like that, so each HOPCOMS is giving 1% of their turnover to KHF, that is our revenue.

Question : Ms. Sangeetha, Faculty Member, ICM, Trivandrum: My question is to know how far this cooperative has been successful in creating a price stabilization mechanism. Actually, in this globalization era, we know that the retail giants like Reliance, then the Big Bazaar everything is operating in India and they are offering these products, the fruits and vegetables at competitive prices, may be they have the mechanism of bulk purchase and mass storage. So how far your cooperative has been successful in creating a price stabilization mechanism for the fruits and vegetables? Are you able to compete against these giants?

Answer : Mr. Srikanth : Of course, in Bangalore, Mysore, Mangalore and all, we are facing a stiff competition from Reliance, Farm Fresh, and Heritage Fresh and all. Of course, you know these HOPCOMS, first HOPCOMS was started in 1959, is the oldest in Bangalore HOPCOMS and our all district HOPCOMS are very, may be, I think they are all about 15-20 years old, so they are in the business for the past 20-25 years. So, we have our own consumers. You know in Bangalore, Mysore, and Mangalore our consumers don't go to Reliance; however, cheap they may give, but we have our own customers who trust on us because they know very well if you go to a HOPCOMS stall, it is a government body, they know it is government body first thing. They get fresh fruits and vegetables everyday and they will get at a very nominal price, so in that respect we could face competition from these private retailers. Of course there is competition, but we could, as I told you, we have our own set of customers because we have been in Bangalore, Mysore a very sizeable population that come to HOPCOMS stall everyday. So, in that respect, our business is not affected one thing throughout state.

The other one is as I told you regarding price stabilization. At times of this glut, there may be tomato or onion or potato. The state government of the Karnataka State Consumers Federation and HOPCOMS to jointly buy the produce may be tomato or potato from the farmers at the fixed price and store it and selling it through our retail outlets or even sell it to other states also. So, we enter market through MIS also on the advice of the state government,

that also we do. At times, recently there was this onion problem in Karnataka, onion was grown in larger extent and there was a steep price fall and HOPCOMS through the Karnataka Marketing Federation, the state government procured it and we also procured whatever quantity we could handle, we procured and the price was stabilized. So that also HOPCOMS will do. Wherever in throughout state, any distract HOPCOMS which the state government directs will enter the market. We will buy and sold it for sometime and then sell it to neighboring states as well as locally also, that also we do.

Valedictory Function

At the valedictory function Dr. Dinesh, Chief Executive, NCUI read out the resolution to be adopted at the South Zone Cooperative Conference and also informed that some of the suggestions and recommendations received from during the course of deliberation would be examined and the same will be duly placed in the final recommendations of the South Zone Cooperative Conference. Shri E. Narayanan, Chairman, State Cooperative Union, Kerala said that the recommendations and sharing of best practices by the participants would be highly useful for the cooperative societies of south zone. He also said that the experiences of tourism, health care and education cooperatives of Kerala State can be utilized by the other states for the benefits of the members. He also asked for better coordination, exchange visits and networking of cooperatives in the region.

Shri K.P. Udayabhanu, Additional Registrar-cum-Secretary, State Cooperative Union, Kerala proposed the vote of thanks.

Participants :

The South Zone Cooperative Conference was attended by 300 delegates and observers mainly the Chairmen and Managing Directors of National and State level Cooperative Federations, prominent cooperators of the region, representatives of NABARD, NCDC, Educational Institutions, students of ICMs and Government representatives of various states of Southern Zone.

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South Zone Cooperative Conference

RECOMMENDATIONS

- The Conference recommended the growth and development of cooperative should be regarded as one of the important priority for socio-economic and cultural development as well as human resource development in the southern region.
- The cooperatives should be developed and established as a means of improving the economic, social and cultural aspect of person of limited resources and opportunities as well as encouraging entrepreneurship and self-initiatives in the south zone.
- The State Governments should formulate State Cooperative Policies to encourage growth and development of cooperatives without affecting autonomy and independence of the cooperative in the state and give significant role to the cooperatives in the development of the states and these policies should be integrated in the state development plans.
- Since the year 2012 is International Year of Cooperative declared by United Nations, it is the duty to strengthen and promote cooperatives in different sectors of our economy by organising various programmes and activities by the State Government, Cooperative Organisations and other civil societies in the Southern states.

A. COOPERATIVE LEGISLATION

1. 97th Constitutional Amendment Act, 2011 passed by Parliament and received the assent of the President of India on January 12, 2012 will empower rural sector and protect from political interference. State cooperative organisations in the region are advised to impress upon the respective state governments to incorporate these changes in the State Cooperative legislation to empower the State laws. This will not only ensure the autonomous and democratic functioning of cooperative but also ensure the accountability of Management to the member and other stakeholders in the states.
2. Recently the Multi-State Cooperative Societies (Amendment) Bill, 2010 has been sent to Standing Committee on Agriculture with a view to examine the proposed amendments to the Multi State Cooperative Societies' Act, 2002. Some of the amendments proposed in the Bill are detrimental to the interest of cooperative movement, and restricting the freedom and autonomy of cooperatives. Some of the proposed provisions such as : power to wind up or convert itself into any other legal entity and to transfer its assets and liabilities in whole or part, refund of full or part of the share capital held by the government on the face value of book value of shares, power to declare a society "sick", the Central Registrar, the case of disputes, Central Registrar himself act as an Arbitrator are some of the restrictive provision. It was suggested by the conference to approach standing committee for removal of these restrictive provision for autonomous democratic functioning of Multi State Cooperative Societies.
3. The Direct Tax Code Bill, 2010 introduced in the Parliament is proposed to be made effective from 1st April, 2012. The Direct Tax Code Bill has many adverse implications

for the cooperative sector which will cause severe hardship to the cooperatives in India and will be detrimental to the interest of small and marginal farmers and the poor & weaker sections of the society.

Following changes are recommended in the provisions of DTC- 2010 in respect of cooperative societies:

- (a) All existing 100% deductions to cooperative societies under section 80P should be restored. All other cooperative societies should have minimum limit of Tax free incomes.
- (b) All the proposed provisions related to bad & doubtful debts as applicable to 'scheduled banks' be made applicable to 'cooperative banks'
- (c) 100% deduction should be allowed to all amounts that need to be debited to Profit & Loss Account by a cooperative society as per provisions of any statute or regulatory authority (both central and state and including RBI) applicable to such cooperative society.
- (d) Interest incomes, either received by a cooperative society from its members or paid by a cooperative society to its members, should not be covered by the provisions of TDS.
- (e) 100% exemption should be allowed for dividend received from a cooperative society.

Financial Inclusion

- Kerala is the first state in the country to achieve 100% financial inclusion. Financial inclusion in the other states in Southern Zone, where members and account holders should get the full fledged facilities of banking and financial services, should be the aim of the cooperative banking sectors.

B. SECTORAL RECOMMENDATIONS

Housing Cooperative

- The State Governments in the South Zone namely Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu may also consider including a separate chapter in their Cooperative Societies Acts.
- The State Governments in the South Zone and their local authorities may consider allotting land to housing cooperatives on priority basis and at reasonable cost and the remaining State Governments may also authorize their respective State Federations to acquire land for development and allotment of the same to housing cooperatives.
- It is, therefore, suggested that the major funding agencies like LIC, HUDCO, and NHB may suitably enhance their allocation to housing cooperatives. These agencies may also consider reducing the rate of interest to 7.5% per annum on their loans to State Federations.
- The Government of Pondicherry, Kerala and Andhra Pradesh respectively have contributed 65.1 percent, 46.3 percent and 4.4 percent of the share capital of their

State Federations, whereas the contribution of the Government of Tamil Nadu to the State Federation is negligible and that of Karnataka is nil.

- NCHF has been requesting the States to exempt housing cooperatives from payment of these charges. States of Andhra Pradesh, Kerala, Pondicherry and Tamil Nadu.
- The remaining State Government in the South Zone namely Karnataka should make necessary amendments in the State Act so as to grant full exemption to housing cooperatives from payment of stamp duty and registration fee.

Labour Cooperatives

- As per recommendations of National Advisory Council on Labour Cooperatives work reservation for Labour Cooperatives should be made upto Rs. 15 lakhs (minimum) and unskilled work without any limit. In addition to this 10% price preference should also be given to these societies over lowest tendered rates as well as exemption from earnest money and security deposit.
- Government of Tamilnadu should issue necessary instructions to conduct the elections of Labour Contract Cooperative Societies in the State.
- State level Labour Cooperative Federations be formed in Karnataka, Tamilnadu and Kerala State.

Fisheries Cooperatives

- Strengthen the structure and activities of fisheries cooperatives.
- Avoid dual control, the management of fishery cooperatives be under the Department of Fisheries.
- Remove the middlemen/moneylenders among the fishers.
- Develop fish marketing infrastructure.
- Adopt strong leasing policy of the water bodies in favour of fisheries cooperative particularly in the inland states.
- Conduct training programmes/ workshops for the fishers at the village level.
- Provide inputs to the fisheries cooperatives to enhance the fish production.
- Create awareness among the fishers about the welfare schemes sanctioned by the Central Government as well as the state Governments.
- Awareness campaign among the fishers to join the cooperative sector.

Cooperative Credit Sector (Both Short & Long Term)

- The ARDBs should be permitted to work as full fledged bank. The village level cooperative may also be permitted to deposit money from members/villagers for raising financial resource.

- The SHGs are working on cooperative pattern and should be linked with cooperative banks for lending activities.
- The recommendations of the Vaidyanathan Committee under MOU with NABARD is not implemented in the State of Kerala. The conference recommended that at least the good aspects of Vaidyanathan Committee can be certainly implemented by state government in order to strengthen the cooperative credit sector in the state of Kerala.
- The audit of the LDB banks will be done by the professional chartered accountants as a statutory responsibility. Similarly, the short term may also start the audit by its chartered accountants. The need to improve the financial parameters of the cooperative banks in the southern states.
- The cooperative credit sector should give importance to the human resource aspect which may include induction of professionals in the cooperative banks, training the staff and succession plan etc. so that these banks may work in professional lines.
- The cooperative banks are facing stiff competition from RRBs and other commercial banks in the rural areas. In this era of competitive environment they need to equip themselves through induction of technology which may include computerization of banking operation and also the computerization of records so that they are able to deliver the efficient services to their customers.
- The low cost ATMs need to be introduced in the cooperative banking sector for which necessary support may be taken from the NABARD for installation of the ATM.
- Starting of a credit counseling centre for the counseling of the farmers by the cooperative Banks in the southern states so that farmers may be given professional guidance and advice through these centres.
- Internal House-keeping system of Cooperative Credit Sector requires lot of improvement. This will facilitate plugging the loopholes through the internal audit department or the internal inspection department so that improve the overall work of these financial institutions.
- Resolving the issues of higher level of NPAs of cooperative banking sector i.e. managing the NPA well in time which are not only plugging but are eating up of the net worth of cooperative banking sector.
- The experience of Andhra Pradesh with regard to Vaidyanathan package is that the PACS are very weak and all the DCCBs and State level Apex Cooperatives have become very strong. Due to weak structure PACS are unable to implement common accounting system or hire professionals for expert advices, audit works being conducted by the Chartered Accountants. The financial assistance received under the Vaidyanathan package is not enough for the revival of the PACS.
- The biggest challenge faced by cooperative credit institution is that they still have to attain financial self-reliance and over dependence on external funding weakens the basic financial base of rural credit institutions.

- Cooperative rural credit institutions need to change their operations from credit to a wide range of financial services. The early implementation of revival package of long term credit sector on the same line as was implemented from short term credit sector.

Urban Cooperative Banks

- Emphasis should be laid on opening of women urban cooperative banks.
- It is time that our urban cooperative banks strive to adopt the latest technologies viz. CORE banking, cloud computing, automated lobby banking etc.
- The working of the Urban Cooperative Banks in Andhra Pradesh is fairly good and giving better services to their cliental in urban areas. Learning of best practices from neighboring states is need of the hour i.e. from UCB fold strong net-working among the UCBs of the region are needed for the growth of cooperatives in the region.
- Better coordination with state government, RBI and NAFCUBS for various issues and challenges confronted by the UCBs in the region.

Dairy Cooperatives

- Consolidation and growth in milk and milk product marketing, promoting better equity for regional cooperative brands and developing qualified and skilled manpower.
- Education of producer members, opinion leaders and trained professionals to be expanded and strengthened.
- Empower local leaders, strengthen societies and equip their staff and members with the skills and information they need.

Education and Training

- Cooperative human resource development is vital for professionalization of cooperative management and needs sufficient funding from the state cooperative federations and respective state governments.
- The higher diploma programmes in cooperative management and other related courses meant for the cooperative employees, office bearers, BODs needs revamping and these programmes do not have affiliation from recognized institution/universities. Therefore, it is recommended that to get the recognition of these programmes and courses, NCCT at the national level and State level institutes should approach through the Central and the State Government.
- Junior level Institute of Cooperative Management needs revamping of its present structure and incorporate of computerization and modern technologies, case studies as a part of cooperative education system.
- An expert committee may be constituted to examine the cooperative education and training system in India and also suggest ways and means to strengthen cooperative HRD in the country by the central government.

- A committee may be constituted by NCCT and State Cooperative Unions to examine HDCM & DCM courses at least once in a three years period to ensure uniformity and better standard of the syllabus.
- A better collaborative efforts and interface with key training institutes in India like BIRD, NABARD, RBI training institutes, Topics of NCDC etc. besides IRMA and IIMA so that excellent human resource development may be developed.
- Lack of infrastructure particularly at the grass root level is one of the major problems regarding the implementation of the cooperative education programmes. Most of the centres do not have infrastructure like computers, internet and other upgraded technology facilities. Conference recommends strengthening the Junior Cooperative Training Centres.

Women Cooperatives

- Cooperative education personnel including women extension workers should establish close coordination with local Panchayat and Mahila Mandal for formulating and implementing community development programmes.
- The cooperatives should make efforts to promote the unorganized women in the different sector of cooperatives viz. labour, forestry, dairy, fishery etc.
- Creation of women cells in the cooperative business federations and in the National cooperative organizations to handle gender issues.
- The approach of Self Help Groups should be extended to larger areas covering rural as well as urban women belonging to lower strata of the society.

Consumer Cooperatives

- The capital formation at various levels of consumer cooperatives need to be encouraged so that they can compete in the open market.
- The working capital of the consumer cooperatives must be funded by the government at reduced rate with the specialized credit facilities for undertaking large scale intervention.
- Human Resources must be strengthened and upgraded to facilitate better role models and development of consumer cooperatives as independent bodies not requiring constant government support.
- The Infrastructure of the consumer cooperatives should be utilized by the State Government as a matter of policy for public distribution of essential commodities.

New Areas

- The cooperative institutions in Kerala have ventured in the education centre, health care, Kirana shops, medical shops, housing etc. and doing fairly well and this example of diversification needs to be replicated in the other southern state.

- The State Cooperative Union may provide right kind of orientation and field exposure for developing the leadership in the southern state through field visits etc.
- It was observed by the representatives of southern zone that the cooperative to be covered under the Right to Information Act 2005 under the category of Public Authority for better transparency and fairness in the working of the societies.

Success Story/Better Practices

- Working Women Forum Model as a best practices need to be replicated in the other part of the country to encourage entrepreneurship, livelihood and poverty alleviation.
- Need for promoting success stories and best practices to encourage entrepreneurship, livelihood towards poverty eradication in the southern zone.
- Field study for the cooperative members to learn the better practices and replicate the same in their region was recommended.

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