BANKING, PRODUCTION,TRADING AND SERVICE CO-OPERATIVES

VI SEMESTER

CORE COURSE

B.Com

(Specialisation - Co-operation)

(2011 Admission)

UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

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STUDY MATERIAL

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VI Semester

B.Com – (Specialisation - Co-operation)

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SYLLABUS

BC6B14 BANKING, PRODUCTION, TRADING AND SERVICE CO-OPERATIVES

Lecture Hours per week: 5 Credits: 4

Objectives:

- To enable the student to acquire in-depth knowledge regarding the structure and functioning of different types of co-operatives

Module - I

Co-operative Banking in India: co-operative banking structure in India – organizations under short term & medium term credit structure – PACS, DCB,SCB – objectives, functions, resources and lending operations- asset –liability management , management of NPAs.

10 Hours

Module - II

Organisations under long term credit structure- PCARDB-SCARDB-objectives, functions, resources & loan operations - Urban co-operative banks – evolution, objectives, functions, **structure, resources & loan operations** - Employees credit societies - objectives, functions and lending operations - Role of NABARD in co-operative credit - Role of National federations, NAFSCOB, NAFCUB, NCARDBF. 18 Hours

Module - III

Agri-business co-operatives**:** Need and significance of Agri-business co-operatives -types of Agri-business co-operatives – production, processing and marketing cooperatives- producer's co-operatives – co-operative farming societies, types, objectives& functions - Dairy co-operatives- types, traditional vs. Anand pattern, objectives and operations of APCOS- regional unions and federation – KCMMF (MILMA) – processing co-operatives- need- objectives & functions processing of agricultural commodities (Paddy, coconut, rubber) Marketing co-operatives – evolution, types, objectives & functions - structure of co-operative marketing - Role of national institutions – NAFED, NCDC, NDDB 25 Hours

Module - IV

Non-Agricultural co-operatives: Consumer co-operatives- organizational structure, objectives & functions, operations of primary stores, wholesale stores, state federation & NCCF - housing co-operatives- objectives & different types state federation (KSCHF),(NCHF) - Industrial co-operatives – different types- weaver's co-operatives, (HANTEX), coir-co-operatives Kerala state co-operative coir marketing federation (COIRFED) - Fisheries co operatives – Kerala state co-operative federation for Fisheries development (MATSYAFED) - Labour contract co-operatives - objectives, functions - Hospital cooperatives- objectives& functions 22 Hours

MODULE – I –

CO-OPERATIVE BANKING IN INDIA

The origins of the cooperative banking movement in India can be traced to the close of 19th century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany, such societies were set up in India. Cooperative banks are an important constituent of the Indian financial system. They are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. The Anyonya Co-operative Bank Limited in India is considered to have been the first cooperative bank in Asia.

CO-OPERATIVE BANKING STRUCTURE IN INDIA

Co-operative banks are an integral part of the Indian financial system. They comprise urban co-operative banks and rural co-operative credit institutions. Co-operative banks in India are more than 100 years old. Though much smaller as compared to scheduled commercial banks, co-operative banks constitute an important segment of the Indian banking system. They have an extensive branch network and reach out to people in remote areas. They have traditionally played an important role in creating banking habits among the lower and middle-income groups and in strengthening the rural credit delivery system.

Credit cooperatives are the oldest and most numerous of all types of cooperatives in India. The cooperative credit institutions in the country may be broadly classified into urban credit cooperatives and rural credit cooperatives. There are about 2090 urban credit cooperatives and these societies together constitute for about 10% of the aggregate banking business and therefore regarded as an important segment of the banking system.

The Urban Credit Cooperatives are also commonly known as Urban Cooperative Banks. The Rural Credit Cooperatives may be further divided into short- term credit cooperatives and long-term credit cooperatives. With regard to short-term credit cooperatives, at the grass root level there are around 92000 Primary Agriculture Credit Societies (PACS) dealing directly with the individual borrowers. At the central level (district level) District Level Cooperative Banks (DCCB) act as a link between primary societies and State Cooperative Apex Banks (SCB). It may be mentioned that DCCB and SCB are the federal cooperatives and thus the objective is to serve the member cooperatives. As against three-tier structure of short-term credit cooperatives, the long-term cooperative credit structure has two-tiers in many states with Primary Cooperative Agriculture and Rural Development Banks (PCAROB) at the primary level and State Cooperative Agriculture and Rural Development Bank at the state level. However, some statue in the country has unitary structure with state level cooperative operative with through their own branches and in one state an integrated structure prevails. The organizational structure of the credit cooperatives in India is as under:

Under the Banking Regulation Act, 1949, only State Cooperatives Apex Banks, District Central Cooperative Banks and select Urban Credit Cooperatives are qualified to be called as banks in the cooperative sector. In other words, only these banks are licensed to conduct full-fledged banking business. The cooperative banks function in India on State levels. Most of the rural cooperative banks function on three-tier and the Urban Banks function on two-tier. At the national level there is NABARD to organize the Agricultural Cooperatives. Also there is National Cooperative Union of India as an apex institution at national level. The Reserve Bank of India controls the cooperative banks that falls under the banking regulation act of 1949.

Urban Co-operative Banks (UCBs) also referred to as primary cooperative banks play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. UCBs mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. Scheduled UCBs are under closer regulatory and supervisory framework of the RBI. Rural cooperative banks operate mainly for the benefit of rural areas, particularly the agricultural sector.

ORGANIZATIONS UNDER SHORT TERM & MEDIUM TERM CREDIT STRUCTURE

India's co-operative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit - one for short and medium term credit and the other for long term credit. The co-operative credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the central co-operative bank at the district level and state co-operative bank at the apex level. Over and above these institutions, grain banks are actively functioning as primary societies in certain states. Though the organization of central and state co-operative banks was mainly for the benefit of the agricultural credit sector, they serve non-agricultural societies too.

The long term structure includes Primary and Central Land Development Banks at the state level under Two-Tier Credit structure. The long term loans are provided for purchase of land, permanent improvement on land, Irrigation facilities and so on.

I. Primary Agricultural Credit Societies (PACS)

Primary Agricultural Credit Societies (PACS) are the foundation of the co-operative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members. The share capital of a society is divided into units, called shares, contributed by the members. The most important source of finance of PACS is members' deposits. Borrowings constitute the most important element of their working capital. The criteria for borrowings differ from state to state according to their liability. Punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of overdues all over the country.

In India PACS were organized as per the provisions of Cooperative Societies Act, 1904. During 1904 only rural, small sized and single purpose societies were organized. Later the amendment Act of 1912 opened new avenue to the sector and the movement entered into other walks of life of the farmers which led to the organization of Multipurpose Co-operatives during 1945 onwards.

A large majority of the village banks were first organized in India on the Raiffeisen model. Their chief features were

i. Limited area
ii. Shares of small value
iii. Permanent indivisible reserve fund
iv. Unlimited liability
v. Loans for productive purposes
vi. Loan only to members
vii. Credit for relatively long periods with facilities for repayment by installments
viii. Determination of the limit of the maximum credit that may be held by an individual member at any time as well as the maximum total savings, deposits receivable and of loans that may be taken up by the society
ix. Absence of profit making; dividends being limited to the rate of interest paid by borrowers for loans
x. Office-holders, except the secretary, were not paid
xi. Promotion of moral as well as material advancement of the members.

Objectives

The banks had the following objects:

1. To borrow funds from members as well as other to be utilized for giving loans to the members for productive purposes;
2. To act as the agent for the joint supply of agricultural, domestic and other requirements of the members, and for the joint sale of the produce;
3. To purchase and own implements, machinery or cattle for hire to the members;
4. To disseminate knowledge of the latest improvements in agriculture, handicrafts, etc; and
5. To encourage thrift, self-help and cooperation among the members

New rural credit societies are generally organized among the members, such as local cooperative unions with the help and assistance of the departmental officials. These societies are organized either on unlimited or limited liability basis.

Functions of Primary Agricultural Credit Societies

Prior to 1959, the primary credit societies have been mainly the agencies to provide short-term credit to their members for productive purposes. In May 1959, the Government of India appointed a Working Group on Cooperative Policy which indicated the broad functions of these societies as under:

1. To accept deposits
2. To provide short and medium term credit
3. To supply agricultural and other production requirements
4. To market agricultural produce
5. To help plan the agricultural production for the village
6. To undertake to educate, advice and work for the welfare of its members.

Broadly speaking, the main function of a primary credit society is to accept deposits and give loans. A cooperative credit society lends only to solvent, credit-worthy and eligible members. In the beginning, these cooperatives only lent to the peasant proprietors or to the land-holders on the security of their lands. Consequently, very little credit was given to the small and needy cultivators. Then as it was realized that bulk of the agricultural community consists of such small and medium cultivators, the credit policy for agricultural community was shifted from credit-worthiness of person to the credit-worthiness of purpose.

Loans are generally sanctioned to the farmers for short-term, medium-term and long-term. Short term loans are given for seasonal agricultural operations, such as purchase of seeds, fertilizers, insecticides, pesticides, transplantation, small repairs, etc. Medium-term loans are given for purchase of cattle, pump-sets, agricultural implements, cattle sheds etc. Long-term loans are given to the farmers either for the redemption of old debts or for effecting permanent improvement and development of lands, for the purchase of lands, for machinery, reclamation of land, sinking of tube-wells, construction of permanent irrigation channels, etc.

Short term loans are given for periods ranging between six months and one year, medium term loans for periods ranging between 3 and 5 years and long term loans for periods ranging between 15 and 24 years. In certain countries, long-term loans are granted even for 30 years and 75 years.

Sources of Funds of PACS

The working capital of a rural primary credit society is composed of

a) Paid up share capital
b) Deposits
c) Borrowings

d) Surplus assets or reserve funds

(a) Share capital: - The primary societies issue only ordinary shares to their members. Nowadays emphasis is being laid on raising sufficient share capital to provide a strong financial base to the society so that the liquidity and financial stability of the organization are not affected by the shock of over dues. Moreover the larger the share capital contributed by the members, the more interest he takes in the affairs of the society.

(b) Deposits: - Deposits of members' savings in the most important source of finance of primary credit societies. It is the primary duty of these societies to mobilise rural savings and for this purpose they must be able to inspire confidence and invoke local interest. It is therefore, necessary that they be strengthened and their activities be diversified. It can be possible only when they are made viable units and are managed efficiently and honestly. But in view of the fact that the rural people with some savings are tempted to lend privately to earn higher interest rather than deposits they make with the cooperative societies, the interest rates of society's deposits have to be higher and attractive.

(c) Borrowings: - The primary credit societies depend largely on borrowings. It is the most important element of their working capital. The borrowings of the societies are based on some criteria which differ from State to State according to their liability.

(d) Surplus assets or reserve funds: - The rest of the fund requirement is met from the surplus assets or reserve funds.

II. District Central Cooperative Banks(DCCB)

District Co-operative Banks (DCBs) occupy the middle level position in the three tier co-operative credit structure of the country. In the beginning of the formation of PACSs, they could not function effectively without gaining financial support from an outside agency. Over and above this, they were in need of technical guidance and administrative support. At the same time, there were some societies which have gained strength and possess surplus funds as well as talents. As a precondition to get mutual help it became necessary that all these primary societies form a federation for ensuring rational use of their funds and provide a common place to meet

for exchange of ideas and co-operative experience. The formation of DCBs was thus a felt need for mutual help.

The Co-operative Societies Act of 1912 permitted the registration of DCBs. Even before the enactment of this Act, some DCBs were established to cater to the needs of primary societies. In 1906, forerunner of the first DCB was established as a primary society in Uttar Pradesh. At Ajmer in Rajasthan the first DCB was established in 1910. But the first full-fledged DCB as per the provisions of the Act of 1912 was started in Jabalpur District of the Central Province.

As recommended by Maclagan Committee (1915) DCBs in India were classified into, (Nakkiran, S., 1980, p.162).

1. Banks whose membership is open to individuals – These are banks wherein membership consists entirely of individuals or in which societies are admitted as shareholders on exactly the same footings as individuals, without any special provision for their adequate representation on the board of management. The Maclagan Committee was of the opinion that these types of banks should not be given registration under the Co-operative Societies Act. Hence, no such banks exist in our country at present.
2. Banking Unions wherein only primary societies are allowed to become members under this category. As the shareholders, lenders and borrowers are the same, the clash of interest between the shareholders and borrowing societies can be eliminated.
3. Mixed type banks whose membership includes both individuals and societies. Certain portions of shares are assigned to societies and they also have separate representation in the board of directors. This category is considered to be better as it provides a combination of both rural and urban population. Majority portion of the DCBs in India are of this type.

Objectives of DCBs

The DCBs are formed mainly with the objective of meeting the credit requirements of member societies. As an institution for helping the societies in times of need, they finance agricultural credit societies for production purposes, marketing societies for marketing operations, industrial societies for supply operations and other societies for working expenses.

In short, the major objectives of the DCBs are:

1. To provide loans to affiliated societies
2. To act as a balancing centre of finance for primary societies when they face shortage and by serving as a clearing house for their surplus funds
3. To arrange for the supervision and control of the affiliated societies
4. To raise deposits from members and non-members
5. To provide a safe place for the investment of the resources of primary societies
6. To convene conferences of the member societies
7. To prescribe uniform procedure for the working of primary societies
8. To develop and extend banking facilities in rural areas
9. To maintain and utilize state partnership.

Generally, the area of operation of a DCB is limited to one district.

Sources of Funds of DCCBs

The central banks derive their working capital from five sources, viz,

a) Shares
b) Deposits
c) Loans
d) Reserve funds
e) Government grants.

They also receive small amounts by way of entrance fees, transfer fees and other miscellaneous items.

Share Capital

The central banks issue shares to individuals and society members. The major portions of the shares are issued to the society shareholders. Nowadays, the States' contribution to the share capital of the central banks is quite substantial. Ordinarily, the share capital to be subscribed by the society members is linked with their borrowings from the central banks.

Deposits

The central cooperative banks may receive deposits in the current account, in the savings account and fixed deposit account. In view of the nature of their operations it has been generally agreed that the central cooperative banks should not increase their deposits in the current account and instead concentrate on their deposits under savings and fixed deposit accounts. Clientele of the central cooperative banks belongs to the lower middle class and upper middle class. The holders of small savings account would not like to touch their savings unless compelled by circumstances and thus large sums may be available to central cooperative banks for comparatively longer periods.

Fixed Deposits are the safest form of deposits for the cooperative banks and very popular with the public. Since these deposits can be withdrawn only after the expiry of a fixed period, the problem of maintaining fluid resources (cash) becomes insignificant, and the amounts so received can be safely invested in their normal loan operations for financing seasonal agricultural operations.

The central cooperative banks may also accept recurring deposits, day deposits and provident fund deposits. A recurring deposit is one which is made by a person who undertakes to pay the society a fixed amount of money for a certain period. Day deposits are meant for encouraging saving habits among daily wage earners in towns and cities. A person has to pay every day to the bank an agreed fraction of his daily wage for one year, after the expiry of which the entire amount along with the interest is payable to the depositor.

All cooperative societies are required to create a statutory Reserve Fund out of their profits. The manner in which this fund is to be invested differs from state to state. In some states it is invested by way of deposits with the central cooperative bank or higher federal orgaisations. In some states it is invested in the loan transactions of the society, while in other states it is invested partly in their business and partly in outside investments. The funds of the central cooperative banks are augmented (increased) by the reserve fund deposits of the cooperative societies.

Deposits thus form an important constituent of the working capital of the central cooperative banks. So far as deposits of the central cooperative banks are concerned, the position has not been very satisfactory. The central cooperative banks which are the backbone of cooperative finance need to become self-reliant. The All India Rural Credit Survey Committee and the Mahajan Committee had emphasized that the central cooperative banks, with a view to enhancing their savings, must tap deposits from urban areas so that adequate funds are available for agricultural development in rural areas.

Loans

The borrowing power of the central cooperative banks is fixed: (i) under the rules of cooperative societies (ii) under the bye-laws; and (iii) by the Registrar Cooperative Societies. Under all these systems it is customary to relate the borrowing power to their own owned funds, eg., to fix it at 12 times or 15 times of their paid-up share capital and reserve fund.

The working capital of cooperative banks thus includes the borrowings from 1. State Cooperative Banks 2.Government 3.Reserve Bank of India 4.State Bank of India 5.Other Central Cooperative banks 6.Joint Stock Banks.

The apex bank is the most important source of funds for the central cooperative banks. The central cooperative banks borrow from the state cooperative banks various short and medium term loans at varied rate of interests for various periods. The Reserve Bank charged interest at the rate of 2% below the bank rate for short-term loans and 1 ½ % below the bank rate on medium-term loans.

The central cooperative banks can also obtain advances, overdrafts and cash credit accommodation from the commercial banks on easy terms and conditions on securities acceptable to the commercial banks. Such borrowings may be for urgent purposes. These form a very negligible part of their working capital. The security offered may be Government Promissory Notes or Central Agricultural and Rural Development Bank Debentures.

Reserve Funds

Generally, it has been the practice to relate the borrowing capacity of central and state cooperative banks to their owned funds.

'Owned Funds' is defined differently in different states. They are :

1. In states like UP, West Bengal, Assam and Punjab it is defined as the total of paid-up share capital and reserves and other funds created out of profits.
2. In Tamil Nadu and Andhra Pradesh it is defined as the total paid up share capital and statutory reserve fund.
3. In Maharashtra, it means the total paid-up share capital and all reserves minus accumulated losses in the case of state cooperative banks and the total paid up share capital, statutory reserve fund and building fund minus the accumulated losses, in the case of central cooperative banks.

Loan Operations of DCCBs

Although the operations of the central cooperative banks do not apparently differ from those of the commercial banks, it should not be forgotten that the commercial banks deal with other individuals for their business and are at liberty to invest their funds at their choice. But the central cooperative banks mainly have to finance their own members and have no choice in the investment of their funds. The central cooperative banks have to invest major portion of their resources in agricultural loans. So there is a lot of risk for the banks in this situation as Indian agriculture is full of risk and the farmer has no other security to offer than his land which is not easily saleable without any loss.

At the same time, the central cooperative banks have to be run on modern banking lines in which deposits have to play a crucial role. But deposits will not flow since the people are not sure of the financial stability of these banks.

III. State Cooperative Banks (SCB)

The State Co-operative Banks (SCBs) or the apex banks occupy a crucial position in the three tier co-operative credit structure in India. These apex banks or State Co-operative Banks are formed by federating DCBs in each state. The apex banks assume a key-position in the co-operative credit structure because the financial assistance from RBI and the National Bank for Agriculture and Rural Development are invariably routed through them.

A State Cooperative Bank is the federation of central cooperative banks in a State. It is the pivot around which all economic activities of the cooperative movement in the State rotate. It is the vertex of the pyramidal structure in a State for the provision of short and medium term credit to agriculturists on cooperative basis. It is the "keystone of the cooperative movement in the State; it links the movement not only with the commercial money market, but also with the Reserve Bank of India as a potential source of credit for seasonal and emergent needs." It derives physical support from the primary credit societies.

The State Cooperative Banks deals with central cooperative banks, primary societies and individuals. The board of management of the various State Cooperative Banks in the country, today consists of the representatives of individuals, elected by te general body, a few representatives of affiliated societies and cooperative urban banks, a representative each from the State Cooperative Agriculture and Rural Development Bank and Central

Industrial Banks and a few representatives (not exceeding 1/3 of the total strength of the board) of the State Government.

Like central cooperative banks, state cooperative banks are also of two types, one in which the membership is open to societies only and the other in which the membership is open to individuals as well.

Functions of SCBs: The functions of SCBs are as follows;

1. Borrowing and Lending constitute the main functions of State Cooperative Bank. It borrows from small and medium savers of money in the form of current, savings and fixed deposits. It also borrows directly in the form of loans and advances against agricultural bills or government guarantee from the Reserve Bank of India/NABARD and sometimes also from the State Bank Of India. At times it borrows from State Governments also
2. State Cooperative Banks lends mainly to the central cooperative banks affiliated to it and to some extent, to other types of cooperative institutions. It gives short and long term loans to the central cooperative banks to finance the farmers through their primary credit societies. This lending takes the form of loans and advances, cash credit and overdraft.
3. A state cooperative bank also acts as a balancing center and clearing house for the central cooperative banks. It borrows surplus funds from the central cooperative banks and lends to deficit central banks and does away with inter-bank lending. Thus, a state cooperative bank is the bankers' bank and custodian of the surplus resources of cooperative banks.
4. It functions as a parent institution to the entire cooperative banking structure in the state. It helps the state government in drawing up cooperative development and other development plans and in their implementation. It coordinates its own policies with those of the cooperative movement and the government. It also supervises and controls the central cooperative banks and societies through regular inspections by its inspection staff and rectifies the defects in their working.
5. The State Cooperative Banks also perform certain general utility functions like issuing drafts, cheques, and letters of credit on various centres and thus help remittance of funds.
6. They also collect and discount bills with the permission of the Registrar.
7. In certain places they also provide safe deposit lockers and facilities for safe custody of valuables, etc.
8. Some of the State Cooperative Banks have also been issuing cash certificates for the benefit of medium investors.

Thus, the state cooperative banks have been promoting the cooperativisation of the rural economy of the country and have been balancing the finances of the cooperative movement in their area of operation.

Sources of Funds

The sources of the working capital of SCBs are as follows;

1. **Shares:** The State Cooperative Banks raise their capital by issuing shares. These shares are issued to central banks, primary societies and the government. In accordance with the recommendations of the All India Rural Credit Survey Committee, the shares are issued to the state government to the extent of 51% of the total capital. The share capital of these banks have increased from 18.24 crore in 1960-61 to 1094.24 crore in 2005-06.
2. **Reserves:** The State Cooperative Banks maintain various types of reserves. The statutory reserve fund of these banks increased from Rs.2.66 crore in 1960-61 to Rs.7342.51 crore in 2005-06. The progress in building up of the stabilization funds at the state cooperative banks has also been very encouraging.
3. **Owned Funds:** The share capital and statutory reserves constitute the owned funds. The owned funds are very important for the cooperative organizations as it provides security for the creditors, it is a cushion against over dues and increase their borrowing capacity. The total owned funds of all the state cooperative banks stood at Rs.8,436.75 crore in 2005-06.
4. **Deposits:** Deposits are an important part of the working capital of the state cooperative banks. The state cooperative banks accept current, savings, fixed and call deposits. Deposits are received from members and non-members, individuals and societies. Special deposits are received from local boards, municipalities and institutions. Deposits also include reserve fund deposits of affiliated DCCBs and societies, provident fund deposits of employees and security deposits etc. Major portion of deposits are from the individuals, firms and companies. The confidence of the investing public in the soundness and safety of state cooperative banks is reflected in the low rate of interest at which they are able to attract large amount of deposits. These deposits touched Rs. 47672.21 crores in 2005-06.
5. **Borrowings:** Borrowings from the major source of the working capital of the SCBs. These banks borrow from the Government, NABARD/Reserve Bank of India and other sources. In June 1991, they accounted for about 29% of the total working capital of all SCBs. The borrowing powers are defined under the rules framed by the various State Governments under the respective Cooperative Societies Act and the ceiling on borrowing varies from 12 times the owned funds to 20 times. They also obtain loans and overdraft facilities against Government Securities from the State Bank of India.

Lending Operations

Generally a State cooperative bank finances the central cooperative banks and other apex societies in its area operation and other affiliated societies. Loans may also be given to depositors on the pledge of their fixed deposit receipts. Loans to individual members may be granted as special cases.

Financing is primarily done for agricultural purposes in the form of (i)loans (ii) cash credit and/ or (iii) overdrafts. The state cooperative banks have now decided to give preference to short term loans; hence the central banks have been advised to apply more for such loans. The maximum period of short term loans are for 12 months. Such loans are given for (i) meeting cultivation expenses (ii) meeting domestic expenses (iii) payment of rent (iv) holding of produce for a better market (v) purchase of fodder for the cattle (vi) production and sale of animal husbandry and forest produce.

Medium term loans are generally for three years and are given for the following purposes; (i) purchase of bullocks and other livestock (ii) purchase of implements, machinery, cans etc. (iii) reclamation of land (iv) sinking and renovation of irrigational wells, tanks and channels (v) building, enclosures and fencing and construction of farm sheds, godowns, etc. (vi) laying down of gardens and orchards and plantations (vii) purchase of machinery and equipment for animal husbandry and dairy farming (viii) repairs, replacements and renewals of machinery and equipment. Diversion of loans for purposes other than for which they are sanctioned may result in the immediate recall of the loans or refusal of further loans or penal interest on the loans.

Cash credit may be sanctioned on the pledge of securities like agricultural produce, finished goods, semi-finished goods, stores, supplies, Government Promissory notes, Central Land Mortgage Bank Debentures, Treasury Certificates, National Saving Certificates, National Defence Bonds etc. Loans may also be given for six months against fixed deposit receipts to any holder. The rates of interest on various loans are fixed in consultation with the Registrar and the Reserve Bank of India.

Liability Management and Non Performing Assets

State cooperative banks have achieved significant success so far as the provision of finance to the central cooperative banks is concerned. The working capital and owned funds of these banks have increased considerably but there are certain weak spots in their liability management on a day to day basis. They are;

1. It has been observed that in some cases the book adjustments regarding payment of loans have been fictitious. The loans repaid have not been genuinely recovered by some of the SCBs from the DCCBs. Further the SCBs have failed to check the fictitious transactions of the central cooperative banks. Thus these banks have failed to exercise strict supervision and inspection of the central cooperative banks. There is lack of adequate staff and hence compliance reports are neither received nor checked thoroughly. Thus most of the SCBs have not been able to play effectively the role of the caretaker of the DCCBs.
2. Some of the SCBs have not been following a policy of caution in the matter of investment of their funds. They have invested their funds in purchase of shares of other cooperative institutions, advancing loans to PACSs for cold storage, cinema

societies etc. It is advisable for these banks to strictly follow the principles of sound financial management.

3. Despite the objections raised by the Reserve Bank of India/NABARD, some of the SCBs have continued to make large advances to individuals.
4. The overdues of SCBs have also shown a rising trend. Thus the SCBs should take immediate steps to recover their outstanding loans from the DCCBs.
5. The SCBs in some of the states have not been careful in fixing the credit limits of the DCCBs. The credit limits of the DCCBs have been fixed on the basis of the owned funds without taking into consideration the past performance of the bank concerned, the SCBs' own financial position, etc. Thus the SCBs have failed in assessing the genuineness of the borrowings of the DCCBs. Consequently many DCCBs have borrowed funds in excess of their requirement and deposited them with the commercial banks. It was also observed that the borrowing institutions did not deposit the share money before the loans were advanced to them. There are many instances where the SCBs have given loans to the DCCBs whose overdues exceed 20 o 30%. Thus the SCBs have not followed the prescribed loaning procedure and consequently, the overdues have been constantly increasing.

MODULE – II

Chapter-II Organisations under long term credit structure

Long-term loans required by the farmers are taken for purposes which are expected to bear fruits gradually over a considerable period of time. Hence, their repayment is expectedly out of the net savings of the borrowers and not out of their gross income which, otherwise, is bound to disturb is normal business and adversely affect the standard of his living. The success of such loans will, therefore, depend upon; (i) the amount of loan; (ii) the manner of repayment.

The long term loans are always mortgage loans. The security offered for loans must be durable, indestructible, and stable and capable of being used by the borrower even during the period of the loan. Long term loans are peculiar in nature and character and hence it requires a special institution using specialized techniques of raising funds and disbursing them.

The money lenders cannot provide long-term credit to the farmers and the commercial banks do not believe in financing agriculture, because the mortgage lending is against the principle of deposit lending. The commercial banks cannot afford to lock up their short term resources in long term loans, and thereby reduce the 'liquidity' of their asset. Insurance companies and other financial institutions also do not undertake this venture because the agriculture industry is very risky and small. Hence, a separate agency, specially constituted for mortgage lending, is necessary and has been set up in almost all the countries of the world.

Germany is the birth-place of land mortgage banking. Silesian Land Schaft (Association of Farmers) was set up in 1769 after a seven year war and was very successful, which led to many new organisations providing long-term credit to farmers. These land shafts are non-profit making institutions which raise funds by issuing bonds and give loans to members by mortgaging land and immovable property. In 1873 the Central Land Schaft came into existence by merging all these land shafts. Subsequently, a new institution named Ladwrit-schaftiche Renten bank, was started in May 1949 to provide loans on interest to credit institutions providing short-term, or long-term credit in place of the Central Land Schaft.

In France the "Credit Foncier De France" provides long term loans to agriculturists against land and other immovable property, repayable in installments over a period ranging between 10 and 30 years. In England, "The Agricultural Market Corporation" provides long-term credit to the farmers. The corporation gives two types of loans, viz., (i) against mortgage of agricultural land, and (ii) improvement loans for effecting improvements in agricultural land and buildings. The former loans are for a maximum period up to 60 years, and the latter for a period not exceeding 40 years. In the United States farm mortgage credit is provided by the Federal Land Banks and the National Farm Loan Associations which are working under the control and guidance of the Farm Credit Administration of the government. The period of loan ranges from 20 to 30 years. In the same manner there are special institutions in Australia, Sri Lanka, Japan, Switzerland and other countries for long term credit.

LAND MORTGAGE BANKING IN INDIA

The first cooperative land mortgage bank was established in 1920 at Jhang in Panjab. The second such bank was started at Nowgon in Bengal, and the third such bank was established in 1926 at Gauhati in Assam. The Registrars' Conference held in 1926 adopted a comprehensive resolution urging the organization of land mortgage banks based on cooperative principles. In Madras, 12 such banks were started by June 1927. At the instance of the Townsend Committee on Cooperation (1927-28), three primary land mortgage banks were started in 1929 in the Province of Bombay and a Central Land Mortgage Bank was formed in Mysore.

Many such banks were started all over India but all these banks paid more attention towards the redemption of old debts and cared little for the improvement of land and agriculture.

Again, the policies and procedures followed by them were cumbersome and suited only the big landlords and agriculturists. It was from the beginning of the Third Five Year Plan that the policies oriented towards development purposes were adopted and these banks were called "Land Development Banks".

Structural Patterns of Land Mortgage Banks

Land mortgage banks have been organized all over the world, either as (i) a private shareholders' bank; or (ii) a cooperative institution; or (iii) a semi-State Bank; or (iv) as Government managed institution. In India, these banks have been organized on a cooperative basis. These are voluntary association of farmers with the State Governments as partners by subscribing to their share capital.

As per the recommendation of various committees, the Land development banks are organized in 3 tiers namely; state, central, and primary level and they meet the long term credit requirements of the farmers for developmental purposes. The state land development banks oversee, the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India. Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state government. These banks do not accept deposits from the general public.

From LMBs to CARDBs

Their role was initially confined to providing long term loans to farmers for redeeming old debts. But in the sixties it was expanded to finance agricultural development and hence were renamed Land Development Banks (LDBs). Then responding to the development needs of the country, LDBs operations were further expanded to cover virtually all rural economic activities including financing of non-farm and housing activities. Consequently, they are now known as Cooperative Agriculture and Rural Development Banks (CARDBs).

Operations of PCARDBs

The long term rural cooperative credit structure consists of state cooperative agriculture and Rural Development banks at the top level dispensing investment credit and Primary Cooperative Agriculture and Rural Development Banks at bottom level (PCARDBs). The PCARDBs invest, as required under rules, a certain portion of their paid-up share capital in the shares of the Central/State Agricultural and Rural Development Bank to which they are affiliated. The amount so invested in shares is 3 to 4% of PCARDBs loan outstanding. The balance is advanced as long-term loans to the members. These loans are repayable in 15 to 20 years by annual installments.

If the loans are taken for the repayment of old debts, the primary bank pays the amount direct to the creditor of the borrower. Development banks have started advancing loans for improvement of agricultural lands and for productive purposes in large numbers.

The total share capital of PCARDBs marginally increased from ₹ 1515 crore as on 31.03.2009 to ₹ 1525 crore as on 31.03.2010. The outstanding borrowings of PCARDBs as on 31 March 2010 were ₹ 12690 crore. The deposits of the PCARDBs decreased to ₹ 434 crore as on 31 March 2010 from₹467 crore as on 31 March 2009. Of the reported 696 PCARDBs, 296 PCARDBs earned profit to the extent of ₹132 crore and 400 PCARDBs incurred losses of ₹526 crore during 2009-10. The aggregate NPAs of PCARDBs as on 31 March 2010 estimated at ₹4840 crore. Percentage of gross NPAs of PCARDBs to total loans outstanding worked out to 42% as on 31 March 2010.

Structure of SCARDBs

The management of a central/state CARDB vests in a Board of Directors numbering from 16 to 18. They hold office generally for three years. Of these members 2/3 or ¾ can be the representatives of primary CARDBs. The Registrar of Cooperative Societies of the State is an ex-officio member. Some representation is also given to the debenture holders. The representatives of debenture holders are generally nominated by the Registrar. The sanctioning of loans and disposal of administrative matters are done by an Executive Committee consisting of President, Vice President, treasurer, Registrar, and two or three directors of the board.

Objectives of Cooperative Agriculture and Rural Development Banks (CARDBs

The objectives of CARDBs are as follows;

1. The chief objective is to provide long-term loans to its members against the security of land and immovable properties.

   The primary CARDB obtains funds from the State CARDB (SCARDB) and lends it to its members for:

   i. The settlement of old debts
   ii. Improvement of agricultural lands
   iii. Redemption of mortgage on agricultural lands
   iv. Purchase of land and machinery
   v. Non-land based activities like animal husbandry, fisheries, gobar gas plants etc
   vi. Farm mechanization
   vii. Waste land/dry land development
   viii. Non-farm sectors and rural housing
2. SCARDB raises long-term funds for financing the PCARDB by floating debentures on the security of its assets and of mortgage bonds transferred by primary banks to it.
3. Granting loans to primary banks
4. Setting up branches offices, etc for facilitating smooth conduct of its business.
5. Acquiring immovable properties and constructing buildings
6. Appointing suitable staff for the day-to-day management of its affairs.
7. Inspecting the primary banks.

Briefly, the functions of a Central/State CARDB are to provide long-term finances to its affiliated societies, to arrange for the inspection, supervision and guidance of its members, to develop long-term banking in the country, to act as a link between long-term banking and the government, to mobilize rural savings and to stimulate capital formation in the agriculture sector by issue of debentures, to protect the farmers from moneylenders, and from the alienation of land, to help them in affecting permanent improvements on their lands. The central/state PCARB is thus, the axis around which the entire long-term banking structure in the state revolves.

Sources of finance of Central/State Cooperative Agriculture and Rural Development Banks (SCARDBs)

Sources of finance of SCARDBs are:

1. These banks raise capital by issuing shares to their members. The subscribers to the shares of SCARDBs are primary banks and the State Governments.
2. The SCARDBs accept long-term deposits from primary banks. They are also allowed to accept deposits to a limited extent from special sources and with special objects.

3. The central/SCARDBs in India issue Registered Debenture Bonds on the basis of mortgages collected from the borrowers through the primary banks.

URBAN CO-OPERATIVE BANKS

The primary co-op. banks commonly called Urban Cooperative Banks are small sized co-operatively organized banking units. The unit of deposit and advances of this bank is small as compared to that of the commercial banks. They do not depend on higher financial agencies for their resources by way of refinance or other loans but mobilise their own resources based on their owned funds and deposit mobilized by them.

The first study of Urban Co-operative Banks was taken up by RBI in the year 1958-59.The Report published in 1961 acknowledged the widespread and financially sound framework of urban co-operative banks; emphasized the need to establish primary urban co-operative banks in new centers and suggested that State Governments lend active support to their development. In 1963, Varde Committee recommended that such banks should be organized at all Urban Centers with a population of 1 lakh or more and not by any single community or caste. The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban centre where UCBs were incorporated.

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the cooperative movement in Britain and the co-operative credit movement in Germany, such societies were set up in India. They mainly rely upon deposits from members and non-members. The following types of deposits are there in Urban Cooperative Banks:

(i) Fixed Deposit
(ii) Savings Bank Deposit
(iii) Current Deposit
(iv) Recurring Deposit
(v) Home Safe Deposit

The banks are also giving certain agency services to its customers. Eg:-Collection and payment of the cheques. Modern utility services are also rendered by these banks to its customers. Eg:- the safe custody of valuables and securities.

The Urban Banks provide financial assistance mostly to small scale industrialists, education, salaried employees, and other urban and semi-urban residents. Loans are advanced against tangible securities for house maintenance, purchase of consumer durables like TV and fridge etc. They also provide loans to service type of industries, cottage industries, and allied agricultural activities. Urban banks are also providing gold loans and loans on the security of FD receipts.

Advantages of UCBs

The advantages enumerated by a Study Group on Credit Cooperatives appointed by the Government of India are as follows

1. They can organize and bring together middle and working classes in urban and semi-urban areas and inculcate in them the habit of thrift and self-help and acquaint them with the ordinary banking principles.
2. The mobilization of savings by urban cooperative banks and the consequent drawing of urban resources into the apex and central cooperative banks which are in need of funds to finance the rural, industrial and other functional cooperatives, can contribute to general economic development.
3. By providing credit on reasonable terms to the middle classes, they can rescue them from the exploitation of moneylenders and other unscrupulous agencies, which is particularly important in the context of rising prices and cost of living. This has consequential effects also on non-co-operative holdings.
4. By financing individual industrialists and artisans working in urban areas they can make a significant contribution to industrial development.
5. They can make certain essential banking facilities such as remittance of funds etc., available in areas not suitable for commercial baking and to persons not able to get such facilities from commercial banks.
6. They can provide intelligent, experienced and active leadership to the cooperative movement including the central and apex cooperative banks, which in view of the federal character draw their directors from member institutions.

Objectives of UCBs

The following are the main objects of an urban cooperative bank:

1. To borrow funds from members and others to be utilized for giving loans to members for useful purposes.
2. To act as an agent for the joint purchase of domestic and other requirements of the members.
3. To undertake collection of bills drawn, accepted or endorsed by members and discount cheques and bills of approved members.
4. To encourage thrift, self-help and cooperation among members.
5. To arrange for the safe custody of valuables and documents of members
6. To carry other instructions for periodical collections, remittances, etc. of the members and depositors, to act as agents for the collection of the value of incoming Railway Receipts and parcels on behalf of the members and remittance of the same.

A feature of the urban banking movement has been its heterogeneous character and itsuneven geographical spread with most banks concentrated in the states of Gujarat,Karnataka, Maharashtra, and Tamil Nadu. While most banks are unit banks without anybranch network, some of the large banks have established their presence in many stateswhen at their behest multi-state banking was allowed in 1985. Some of these banks are also authorized dealers in Foreign Exchange.

Among the non-agricultural credit societies Urban Cooperative Banks occupy an important place. The role of Urban Banks is becoming more and more important in the development of the urban economy of our country.

Urban Banking Structure

Generally, the Urban Banks have unitary structure. It was based on the presumption that the urban banks will be affiliated to the district central cooperative banks and therefore, there was no necessity of organizing separate district and apex organisations for such banks.

In actual practice, since most of the Urban Banks were self-sufficient, they did not require any substantial funds from the district central cooperative banks. It was only when the societies were weak, that they required help from the central cooperative banks. In fact, some of the urban banks were stronger than the central cooperative banks.

In Maharashtra, however, a District Central Cooperative Urban Bank has been established at Ahmednagar. It is a mixed type of federal structure. It raises funds mainly through deposits, and finances its affiliated units as well as the individual members. The bank is efficiently managed and has achieved a commendable success. It is a solitary example of a federal structure in the field of Urban banking in the country.

Under the general structure, UCBs are liked with the District Central Banks and State Cooperative Banks which engage mainly in financing the agriculturists. The main arguments advanced against the formation of separate financing agencies for urban banks were: (i) the central cooperative banks might lose the surplus funds tapped from urban banks after meeting their demands out of such funds; (ii) it will mean competition at the district level and will result in diffusion of funds available for the cooperative movement and might create a dearth of honorary workers to manage the cooperative institutions. In actual practice the example of Ahmednagar District Central Bank has proved that the above arguments are not always everywhere applicable.

Methods of Raising Funds

Share Capital

Every Urban Bank must raise adequate share capital to serve as the main foundation and a security to the depositors and other creditors. This can be possible only when membership is large and denomination of shares slightly higher. Urban Banking is more or less like deposit banking.

Deposits

Like commercial banks, Urban Banks also raise a large proportion of their working capital by way of deposits. The following types of deposits are accepted by these banks. (i) current (ii) fixed (iii) savings (iv) recurring (v) home safe (vi) chit funds (vii) provident fund deposits of staff (viii) provident deposits and (ix) day deposits.

Borrowings

The urban banks can borrow either from members or non-members or from other institutions. Their borrowings are limited to certain times of their paid up share capital and reserve fund. In actual practice, direct borrowings form a nominal part of the working capital of these banks. These banks do not come under the purview of the Reserve Bank's concessional finance to cooperative banks.

Loan Operations

In Urban Cooperative Banks, the deposits are mainly short-term and medium-term and hence their investments are also short-term and medium-term. Their lending policy is laid down in their bye-laws. The urban cooperative banks have to maintain liquidity of their funds by investing a certain proportion of their resources in such assets as can be easily and quickly converted into cash without any loss. The standard and form of fluid resources as laid down by the Reserve Bank for the cooperative financing agencies, are also applicable to these banks. Broadly speaking, the urban banks maintain their liquid resources in cash and government and other approved securities. After the passage of the Banking Regulation Act, the urban banks have also to maintain 3% cash reserve and liquid resources to the extent of 20% in regard to time and demand liabilities.

Loans

Urban banks also advance loans to their members. After meeting the demands of the members they give loans to the non-members on the security of their deposits for a number of useful purposes. These purposes can be : (i) advances to artisans for the purchase of implements and raw materials. (ii) advances to traders (iii) payment of prior debts (iv) purchase of food grains and other necessary requirement (v) ceremonial purposes (vi) educational purposes (vii) payment of insurance premia (viii) medical expenses (ix) payment of rent, taxes etc (x) building, buying or repairing of dwelling houses (xi) improvements on land and purchase of land (xii) manufacture or purchase of country carts (xiv) purchase of seeds, manures or agricultural implements, etc.

The loans are granted for a period not exceeding 3 years. Loans are generally given on the following securities (i) fixed deposit receipts up to 90% of their face value (ii) on the guarantee given by solvent members (iii) un-encumbered immovable property not exceeding 40 to 50% of the market value of the hypothecated property (iv) Government securities and life insurance policies (v) Central land mortgage bank debentures up to 80%

of their market value (vi) agricultural produce and finished products up to 60 to 70% of their market value.

Discounting of Bills

The urban banks also undertake business of discounting bills and cheques. For this purpose a list of banks and member approved by the Board is prepared from time to time. A maximum limit is fixed up to which cheques of a single member can be discounted. Such members have to execute a letter of guarantee to the bank with one or two sureties.

They may also invest surplus funds in current deposits with the commercial banks, in shares of cooperative bank, in shares of the State Cooperative Bank, etc.

EMPLOYEES CREDIT SOCIETIES

Indebtedness among the industrial workers is widely known fact. Industrial employees have been a prey to the atrocious activities of the professional money-lenders chiefly owing to the absence of any institutional agency for providing them with cheap credit facilities. Although sporadic attempts have been made by employers to help their employees, a permanent solution was found in organizing workers into cooperative societies. Such societies are also known as labour banks. Separate employees' credit societies have been organized for separate categories of workers. There are separate credit societies for each department or section even in the same undertaking. There are separate credit societies for railway men, government servants, big public undertakings, etc. A good majority of these societies have made satisfactory progress. But their progress has been commendable in Tamil Nadu, Maharashtra, West Bengal, Uttar Pradesh and Hyderabad area of Andhra Pradesh.

Objects and Function

These societies have the following objects: (i) to raise funds by means of issuing shares, borrowing money, accepting money as deposits on interest or otherwise; (ii) to lend money to shareholders (iii) to encourage thrift, self-help and cooperation among the members (iv) to invest money or funds of the society (v) to prevent the shareholders from falling into permanent indebtedness and (vi) to carry on trade for the benefit of the members.

Lending operations

They give loans only to members, whose credit limits are fixed with reference to the value of fully paid up shares held by them. They may be allowed loans up to the value of 10 times of the value of the shares. In certain societies the limit of loans is also linked with the pay or salary of the members. Generally, personal security is not acceptable to these societies. Therefore, Loans are sanctioned on the security of one or two members. Sometimes loans are granted on the assignment of an insurance policy, the surrender value of which covers the amount of the loan. The loan is repayable in monthly installments which are deducted at source. This is the key of the success of these societies.

ROLE OF NABARD IN CO-OPERATIVE CREDIT

One of the recommendations of the CRAFICARD (Committee to Review Arrangements For Institutional Credit for Agricultural and Rural Development) under the chairmanship of Sri B Sivaraman who was appointed by the Government of India in 1979 was the establishment of National Bank for Agricultural and Rural Development (NABARD) by integrating the functions of RBI (Agricultural Credit Department-ACD) and the Agricultural Refinance and Development Corporation-(ARDC)

The National Bank for Agricultural and Rural Development (NABARD) was setup on 12th July 1982 under the National Bank for Agricultural and Rural Development Act, 1981.

NABARD is an apex institution for making policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. NABARD has paid up capital of Rs. 2000 crores, which was contributed by the Government of India and RBI in equal proportion.

Functions/Objectives NABARD:

1. It works as an apex body, which looks after the financial needs of agriculture and rural development.
2. Provides short-term loans to state cooperatives for seasonal agricultural operations
3. Provides medium-term loans to state cooperatives and RBBs for approved agricultural operations.
4. Provides log-term loans to state cooperatives, RBBs and commercial banks for investmentinagriculture.
5. It develops policy and plans relating to agriculture and allied activities.
6. It prepares rural credit plans for all districts in the country.
7. IT maintains research and development funds for research in agriculture and rural development.
8. It inspects the central and state cooperative banks and RRBs.

NABARD and Rural Credit

1. Production Credit Refinance

   It provides Short-Term Credit to State Cooperative Banks, and Regional Rural Banks and other Financial Institutions approved by the Reserve Bank. This is usually for a period of 18 months for the following purposes

   a) Seasonal Agricultural operations

   b) Marketing of crops

   c) Marketing and distribution of fertilizers, seeds, pesticides etc.

   d) Production and marketing activities of village and cottage industries and SSI

2. It provides Medium Term Credit to State Cooperative Banks, State Land Development Banks, Regional Rural Banks, Commercial Banks and other Financial Institutions approved by RBI. This loan is extended for a period of up to 7 years for the following purposes
    a) Investment in agriculture and allied activities, e.g. irrigation, land development, soil conversation, dairy, sheep, poultry, fishery, horticulture, forestry.
    b) Investment activities of village and cottage industries and SSI.
3. It provides Long Term Credit to State Land Development Banks, Regional Rural Banks, Commercial Banks, State Cooperative Banks and other Financial Institutions approved by RBI. This loan is extended for a period up to 25 years for the purposes like:
    a) Re-finance for investment in agriculture and allied activities. (Minor irrigation, Land Development, Soil Conservation etc.).
    b) Re-finance for Artisans/Small Scale Industries/Tiny Industries/Village and Cottage Industries etc.(non-farm sector)
    c) Loans to State Government, for Share Capital contribution to Co-operative Institutions.
    d) Investment in Share Capital/ Securities of Institutions concerned with agriculture and rural development.
4. It provides refinance to eligible institutions, normally to SCBs and RRBs for conversions and re-scheduling of loans under conditions of drought, famine or other national calamities and so on.
5. Financing Cottage/Village/Small Scale Industries, etc. located in rural areas are also eligible for re-finance from NABARD.
6. Cooperative Development Fund ie., National Agricultural Credit Stabilization Fund and National Long Term Operations Fund for the development of Co-operative Institutions.

Cooperative Development Fund

NABARD had constituted Co-operative Development Fund during 1992-93 with the objective of supporting cooperative credit institutions in undertaking various developmental activities such as Human Resource Development, building up Management Information System, Infrastructure Creation, Setting up o Business Development Department with technical, personnel, etc. The fund is augmented every year through contribution from NABARD. Disbursements during the year 2005-06 were Rs.5.63 Crores including withdrawals pertaining to the sanctions in previous years.

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ROLE OF NATIONAL FEDERATIONS

NAFSCOB

The National federation of State Cooperative Banks Ltd. (NAFSCOB), Mumbai was established on May 19, 1964 with a view to facilitate the operations of State and Central Cooperative banks in general and Development of Cooperative Credit in particular.

The specific objectives of National Federation of State Cooperative Banks Ltd. (NAFSCOB) include the following:

1. Conducting studies in agriculture and rural credit.
2. Review the performance of short term cooperative credit institutions and also disseminate

   information on relevant aspects of the credit structure through working papers, pamphlets, booklets, brochures etc. NAFSCOB has been making sincere efforts in his direction and published about 420 such documents so far on variety of issues. In addition to these publications, NAFSCOB on a regular basis has been bringing out Directory on All India Mutual Arrangement Scheme (AIMAS), annual publications of Basic Data on State Cooperative Banks (SCBs), District Central Cooperative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS)and a few analytical occasional papers on selected performance parameters. NAFSCOB also brought out eighteen publications on the data pertaining to PACS.

3. Provide a common forum to the member banks to examine the problems of cooperative credit, banking and allied matters and evolve suitable strategies to deal with them.
4. Promote and protect the interests of the member banks in all spheres of their activities and to give expression to the view of the member banks.
5. Co-ordinate and liaison with Government of India, Reserve Bank of India, respective State Governments, NABARD and other higher financing institutions for the development of cooperative credit on behalf of the member banks.
6. Provide research and consultancy inputs to the member banks in order to facilitate them to strengthen their own organisations.

7. Organize conferences/ seminars/ workshops/programmes/meetings to share the views of common interest with view to contribute for better policy decisions.

The NAFSCOB functions with three of its wings, viz. (1) Planning, Research and Development (PRD); (2) All India Mutual Arrangement Scheme (AIMAS) and (3) Computer Services Division (CSD).

NAFCUB

The National Federation of Urban Cooperative Banks and Credit Societies Ltd. (NAFCUB) is an Apex Level Promotional body of Urban Cooperative Banks and Credit Societies Ltd. in the Country. The main objective is to promote the urban cooperative credit movement and protect the interest of the Sector. The Federation was registered under the Multi-State Cooperative Societies Act as a Multi-State Cooperative Society on 17th February, 1977. The Registered Office of NAFCUB is at Delhi and the area of operation is whole of the country. NAFCUB represents around 1600 Urban Cooperative Banks and more than 50,000 Cooperative Credit Societies functioning all over India.

Vision and Mission

NAFCUB is committed to work towards building a strong and viable urban co-operative banking and credit system across the Country, to strive for level playing field for the institutions, to be an effective voice of the sector, to work towards eliminating visible weaknesses and infirmities, to provide the training and other support and to knit the institutions into a cohesive unit for them to benefit from strength of being in co-operative system

Objectives

The main objective of the National Federative is to promote Urban Cooperative Credit movement in the country. The other objectives of the Federation are as under:

1. To provide a forum for discussion and follow up of issues relating to urban cooperative banks and cooperative thrift and credit societies.
2. To promote and protect interest of member institutions and take up their problems individually and collectively at appropriate forum as well as with the concerned authorities/regulators.
3. To interact and liaise with the Ministries of the Union Government, State Governments, the Reserve Bank of India, NABARD, Commercial Banks, financial sector institutions, representatives of various bodies of financial, industrial and trading sectors both at national and at international levels.
4. To promote urban cooperative credit movement in India and to undertake studies /research projects related to the Movement.
5. To organize by itself and / or in collaboration with other bodies, conferences, conventions, workshops, seminars and discussions on banking and financial services, cooperation, management and allied subjects.

6. To arrange publication of periodicals, news bulletins and journals, to interact with media on behalf of the sector and to exchange information of common interest of member banks and to cooperate with the NCUI, NCCT, ICA, ICBA, CAB, NIBM, NIBSCOM, BIRD, IIB, IBA or any other such national or international organization in the field of education, training and publicity.
7. To develop and administer by itself or along with other institutions, schemes for mutual benefit of urban cooperative credit institutions, and to take such action or enter into such agreements as may be necessary for furtherance of the objectives.
8. To develop expertise in the areas of banking, management, technology and offer consultancy services to the member institutions.
9. To take membership of other national and international institutions.
10. To undertake all activities and discharge all functions of a Federal Cooperative as envisaged in section 24 of the Multi State Cooperative Societies Act, 2002.

National Cooperative Agriculture and Rural Development Banks Federation (NCARBF)

National Cooperative Agriculture & Rural Development Banks' Federation Ltd is the apex level organization of Agriculture & Rural Development Banks of the sector. The Federation was set up in 1960 & is administered under the Multi-State Cooperative Societies Act, 2002.

The long term cooperative credit structure consists of the State Cooperative Agriculture & Rural Development Banks (SCARDBs) and Primary Cooperative Agriculture & Rural Development Banks (PCARDBs) which are affiliated to the SCARDBs. The total No. of SCARDB's are 19; of which 10 have Federal Structure, 7 have Unitary Structure and 2 have Mixed Structure (i.e. operating through PCARDBs as well as its own branches).

Federal Structure

Under the federal structure which is operative in 10 states viz. Chhattisgarh, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Tamilnadu. Individual borrowers are members of primary units, or PCARDBs which, in turn, are federated into state level SCARDB in each given state.

Unitary structure

The unitary structure which is functioning in 7 states viz. Assam, Bihar, Gujarat, Jammu & Kashmir, Pondicherry, Tripura & Uttar Pradesh, has a single state level institution which operates through a branch network; the branches are not independent entities though individual farmers are serviced through the branch network. Two states viz. Himachal Pradesh and West Bengal are serviced through the mixed structure comprising both PCARDBs and branches of SCARDBs.

The genesis of the Federation goes back to the Conference “The All India Cooperative Central Land Mortgage Banks” organized under the leadership of Veteran Cooperator & Gandhian Shri Vaikunth Mehta on 14th-15th February 1959 at Hyderabad. The Conference constituted a seven member committee under the Chairmanship of Shri Bhogranju Venkataratnam and Shri Udaybhansinhji as Vice-Chairman and Shri Dattatrayulu as Secretary. This Committee functioned as liaison body to co-ordinate the working of Land Mortgage Banks at national level and to take up the operational problems with government, RBI and other agencies.

Mixed structure

This committee drafted a constitution for creating an association of Land Mortgage Banks Cooperative Union and got it registered under Andhra Pradesh State Coop. Societies Act, with headquarters at Hyderabad. It was on 6th October, 1960 that the National Co-operative Agriculture & Rural Development Banks’ Federation was registered with the main objective of promoting the interests of the Long Term Co-operative Credit Structure (LTCCS) movement in the country. The first General Body meeting of the Union was held on 16th June, 1961 at Mussoorie where 9 members Standing Committee was elected under the Chairmanship of Shri B. Venkataratnam. Subsequently in 1969, the head-quarter was shifted to Bombay (Mumbai).

No. of SCARDBs	**19**
No. of PCARDBs 11.	**714**
No. of Branches of PCARDBs 12.	**987**
No. of Branches of Unitary SCARDBs	**795**
13. Loans Advanced at Ultimate Borrowers' Level	**Rs. 3,33,360.88 Lakh**
Deposit Mobilized	**Rs. 81,201.31 Lakh**
Total Membership	**12.40 Million**

At a Glance (as on March 31st 2013)

MODULE – III

AGRI -BUSINESS CO-OPERATIVES

Under the term “agricultural cooperation” we include all those activities which are organized on cooperative lines for helping the farmer in the professional capacity as a producer. This form of cooperation is of immense importance to under-developed countries -where agriculture is the main occupation of the people. In these countries agriculture suffers from a number of weaknesses like majority of the farmers are poor and holding very small units of land. There is a highly imperfect market, perishable nature of many agricultural products and lack of sufficient and suitable storage and processing facilities owing to which the farmer is forced to sell his produce immediately. There are also difficulties in finance.

In the developing countries these difficulties are increased by the predominance of the agricultural sector in the economy, by the frequent lack of diversification, i.e. the dependence on a smaller number of crops and by the envisaged rapid changes in agriculture from subsistence farming to the cultivation of cash crops to supply the growing needs of urban population and to earn foreign exchange through export in order to finance development.

According to the traditional school of thought the main aim of agricultural cooperation is to lend a supporting hand to individual effort as far as possible through a variety of services. The socialists, on the other hand, believe in wholesale collectivization because they feel that under this system the marginal producer will ultimately disappear. The different types of agricultural business cooperatives are production, processing and marketing cooperatives which are discussed below.

I. Cooperative Production

The concept of cooperative farming

All those activities in agriculture which are undertaken jointly and which directly influence the primary production process are included in cooperative farming. Under this system, all decisions affecting production like joint management and planning or complete control of resources are taken by the cooperative society. Hence, societies which engage in soil conservation, lad reclamation, consolidation of holdings, supply of irrigational services, etc., strictly speaking, form part of cooperative farming. The term “cooperative farming” is not synonymous with collective farming because the latter is generally used to indicate complete pooling of land and collectivization of resources. Cooperative farming, especially in the form of collective farms has been adopted in socialist and communist countries where collectivization of agriculture has been the main plank of the government policy. But in many developing countries, the introduction of cooperative farming has not seen real success.

The aims/objectives/motives of cooperative farming are the following.

i. To apply modern methods of cultivation on marginal or traditionally cultivated farms
ii. To obtain economies of large-scale production.
iii. To relieve the tenant farmers from the clutches of the landlord, improving their economic position and status.
iv. To implement settlement schemes as a measure of land reform
v. To put into practice certain political or religious ideas.
vi. To implement the government policy of collectivization.

Types of Cooperative Farming Societies

Cooperative farming societies can be of two types:

(1) Agricultural productive societies

Agricultural productive societies have a major control over resources and formulation of policies. Risks and profits are shared jointly. Such societies may be organized in more than one form:-

a) Communal farms in which hardly any personal effects are allowed.
b) Fully collectivized farms in which a small private property in the form of houses, livestock, etc. is permitted
c) Collective farms in which private economic activities are permitted on a very limited scale.
d) Partial collective farms in which cultivation is done jointly while the livestock etc. are individually owned
e) Partnership farming in which cultivation involves huge investments and large scale mechanization. Under this system even outside labour can be employed.

(2) Cooperative Joint Farming

These are societies in which members, while retaining their independence, carry on the work of farming on cooperative lines. The risk is borne individually. In this system, the society, more or less, operates as a multi-purpose society, than a productive society. It is of two types:

a) Block farms in which the society is authorized to perform certain productive functions.
b) In which the farmers have authorized the society to undertake certain sectors of production, partly or completely.

Cooperative Farming Experiments in Foreign Countries

Collective farming had been at its best in the USSR. The collective farms were highly mechanized and the machine tractor stations, maintained by the State, played a crucial role in the success of these farms. There were State farms also in the Soviet Union. Cooperative farming societies have also achieved appreciable success in Israel, Italy, Bulgaria, Hungary and Yugoslavia. The Kibbutz is a typical example of cooperative farming in Israel.

Cooperative farming in India

In India, cooperative farming societies began to be organized only towards the end of the Second World War. Such societies were organized for the settlement of ex-army personnel, for rehabilitating displaced persons after the partition of the country, for growing more food under the "Grow More Food" campaign and for economizing foreign exchange.

In Tamil Nadu, land colonization societies have been organized for the benefit of depressed classes and landless labourers. The members of these societies undertake clearance of jungles, laying of roads, sinking of wells erection of houses etc. besides cultivating the land. Each member is allotted three to four acres of land, the value of which is collected in a period of 20 years, if the land is not given free. They cultivate the land, enjoy occupancy rights but cannot sublet, mortgage or encumber the land. Agricultural, domestic and other requirements of the members, the marketing of produce, the provision of educational facilities and medical aid to the members and their families, and borrowing of loans for development of cottage industries and reclamation of land, all are done on a cooperative basis.

In Uttar Pradesh, experiments have been conducted towards "consolidated farming" under which cultivators in a village grow the main crop in one or more consolidated blocks instead of scattered fields. In the field of cooperative farming, the first society was organized in 1958 and by the end of Jun 1966, there were 1274 joint farming societies and 85 collective farming societies in Uttar Pradesh. Joint farming societies have been very popular. In these societies, members pool their land for joint cultivation and management. The ownership of land continues to be in the hands of the individual members and only the control is in the hands of the society.

The cooperative banks provided short-long term loans for seasonal agricultural operations. The government has been helping these societies by giving subsidies and grant-in-aid for taking up irrigation and other development schemes and for meeting the cost of managers of the cooperative farms.

Joint farming and collective farming societies have also been organized in Punjab, Bihar, Orissa, Madhya Pradesh, Rajasthan, and Kerala. Despite the fact that governments have formulated a number of schemes like land reclamation scheme, multi-purpose river valley schemes, introduction of land reforms, etc., there is still considerable scope for the organization of cooperative farming societies in the country.

II. Cooperative Processing of Agricultural Produce

Processing of Agricultural produce is most essential for successful marketing. Processing implies the transformation of products from their non-usable to usable form. Processing increases the value of the product and makes it possible to store them for longer period. It helps in maintaining a steady supply throughout the year and hence stabilizing the price. In under developed and developing economies processing is of immense advantage since it helps in making agriculture, a profitable profession.

The individual farmer cannot undertake processing owing to limited resources, in terms of finance, technical skill and knowledge and limited marketable surplus. Consequently it is being undertaken by middlemen in the private sector. For achieving maximum economies, processing units may be set up in areas close to the source of supply, especially if there is a risk of the loss of weight or quality during transit. In case of commodities which are bulky or perishable, processing units may even be located at the centres of consumption.

The advantages of a cooperative processing society are as follows:

1. It can help in decentralization of industries.
2. It may be cheaper because of low wages, low rent of buildings and low cost of transportation.
3. The by-products can also be used in the rural areas.
4. It would help in reducing unemployment among the rural masses.

Cooperative processing in India

The importance of the cooperative processing to the rural economy of India has been emphasized by all committees and commissions set up to review the status of cooperative movement, but nothing substantial was achieved until the beginning of the Third Five Year Plan. The establishment of such industries was considered important for accelerating the rate of economic growth and for speeding up rural industrialization. Such industries not only create new opportunities for employment but also inspire self-confidence in the farmers from whom new industrial and business leadership is to be built up. The Government of India, in the beginning of the Second Five Year Plan, took a policy decision to support and finance cooperatives for the processing of agricultural produce. In 1958- The Damle Committee recommended that the programme of cooperative processing, especially of food crops, should be enlarged. In 1961 the Saraiya Committee gave many recommendations for improving the prospects of cooperative process industries in India.

The large sized processing units such as sugar factories, spinning mills, solvent extraction plants, cattle feed factories etc, are set up by the cooperatives organized by the growers either in a federal or unitary form depending upon the size and local situation. Medium and small units such as rice mills, oil mills, jute baling units, etc. have been established as adjuncts (attached) to marketing cooperatives. Secondary processing units have also been established by a mill group of primary processing societies, eg., a cotton spinning mill established by cooperative cotton pressing and spinning societies. The cooperative processing units have organized their federations at State and national levels.

III. Cooperative Agricultural Marketing

In “agricultural marketing” we include all those activities, arrangements and preparations which help the farmer in the disposal of the farm product. In fact, the process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organized; otherwise the farmer runs the risk of not getting the full value of his produce.

The process of marketing involves a number of activities, eg., collection of the produce at one place, storage, providing finance to the members till the produce is sold; insurance against risks; standardization of the product, and transporting the produce to the market centres. When such activities are undertaken by persons having specialized knowledge, commonly known as middlemen, they charge a high price for their services. Consequently, the marketing of agricultural produce has been undertaken jointly by the farmers through the organization of cooperative societies, not only in developing countries but in advanced countries as well.

Cooperative Marketing in India

The first marketing cooperative was organized at Hubli in the former Bombay Province in 1915. Since then the number of societies has steadily increased, from 31 in 1921 to 5125 general purpose marketing societies and 5585 special commodity marketing societies in the year 2004. There are 390 district marketing federations and 28 general purpose and 29 special commodity state marketing federations with NAFED at the top.

DAIRY COOPERATIVE SOCIETIES

Most of the milk produced in the country is from the rural areas by small farmers who keep one or two animals. They have to face a number of problems in selling milk profitably such as inadequate transport facilities, non-availability of technical advice and absence of proper processing etc. These problems can be solved to a great extent by the formation of Dairy-Co-operatives. Co-operatives can reduce the number of intermediaries in the trade and societies will be in a position to supply milk to consumers, at reasonable price. Any assistance the producers may require for increasing production or improving the breed of cattle can be given more easily and effectively through a cooperative organization.

A cooperative milk producers society provides a number of services to the dairy farmers such as provision of credit for purchase of milch animals, or meeting initial investment cost, provides technical advice to the farmers for improving the breed and feed of cattle, making available suitable

Objectives / Functions of Dairy Co-operatives

1. Arrange for collection center and distribution network.
2. Arrange for processing of milk into milk products.
3. Arrange for selling of milk through their own depot and through licensed vendors.
4. Distribute cattle feed to the milk producers and also provide veterinary services.
5. Provide technical services to member farmers, like artificial insemination, veterinary facilities and supply of quality seeds and root slips for production of green fodder.
6. Protect the hybrid quality of animals.

7. Organize dairy industry on a system of rural milk production and urban marketing.
8. Conduct Research and Development activities to improve the productivity rate.
9. Provide financial assistance to poor farmers to purchase cattle.
10. Encourage co-operation and self-respect among the members.
11. Prepare and undertake necessary projects for dairy development in the area.

Problems of Dairy Co-operatives

1. Supply of inputs through the network of dairy co-operatives is not satisfactory.
2. Irregular payments to milk producers have frustrated them.
3. Balance cattle feed and fodder seed is not available regularly, which compelled farmers to use traditional feed.
4. Frozen semen technology to ensure greater productivity is used popularly.
5. Reach and effectiveness of animal health cover is still unlimited.
6. Framers induction programme is given low priority.
7. Dairy co-operatives are facing cutthroat competition with milk vendors.
8. Lack of proper coordination with district level authorities.

Benefits of Dairy Co-operatives for Members

Excludable Benefits:

1. Reliable access to the market for the milk produced.
2. Field services, insurance and market information.
3. Knowledge about the industry costs, returns and practices in the industry.
4. Access to value added margin from dairy processing activities.
5. Representation into legislative process at low cost.
6. Negotiation of overdue premiums.

Non-Excludable Benefits:

1. Balancing milk supplies among dairies.
2. Transporting milk to locations where needed.
3. Providing milk to deficit areas seasonally.
4. Affecting policies and trade practices in favour of milk producers.
5. Providing leadership for effective legislative process.

ANAND PATTERN

Anand Pattern is a doctrine of rural development. Mulani has identified 14 key elements of Anand Pattern.

1. Single commodity approach
2. Member ownership and control of the co-operative
3. Democratic control and Decentralized decisions making
4. Three-tiered structure i.e. Village Diary Cooperative, District Dairy Cooperative Unions and Dairy Federation.
5. Use of professional managers and technologies
6. Accountability of professionals to members.
7. Coordination of milk procurement, processing and marketing

8. Annual audit of village co-operatives and district unions.
9. Daily or weekly payment of milk as per the quality
10. Investment in village social expenses capital
11. Autonomy of unions in fixing of prices
12. Adoption of Anand Pattern byelaws.

The Dairy Scene

India continued to be the largest milk producing nation in 2010-11 with an anticipated milk production of 116.2 million tonnes, an increase of 3.3 per cent over the previous year. This was close to 16 per cent of world milk production. The dairy cooperatives collected 9.6 million tonnes of milk, an increase of around one per cent compared to 2009-10. Milk marketing by the cooperatives stood at 8.2 million tonnes, an increase of around four per cent compared to the previous year. The cooperatives increased producer prices by about ` 2 to 3 per litre, a part of which was passed on to the consumers. To ensure the availability of liquid milk in the lean months, and based on the requirement given by the cooperatives and city dairies, the National Dairy Development Board was asked by the Government of India to import 30,000 tonnes of milk powder and 15,000 tonnes of butter oil under Tariff Rate Quota (TRQ). World milk production increased to 710 million tonnes in 2010, an increase of 1.6 per cent over the previous year. Global prices of dairy commodities remained high on account of increased demand.

PROCESSING CO-OPERATIVES

Co-operative agro-processing is the transformation of agricultural products into consumable form on co-operative basis.

Importance of Agro Processing Co-operatives

Role of co-operatives in the development of agro-processing industry in India (Sugar Co-operatives in Maharashtra

Problems of Agro Processing Co-operatives

1. Pricing policy of produce like cotton, oil seed, sugarcane etc. is faulty.
2. There is inefficient supply of agricultural produce affecting the functioning of units.
3. In most cases the private traders form co-operative processing units to safeguard their interest. This affects the co-operative principles.
4. Due to stiff competition and price fluctuations processing societies cannot work to the fullest capacity.
5. There is scarcity of experienced personnel for management of the societies.

SUGAR COPERATIVES

Indian Sugar Co-operative can be broadly classified into:

1. The organized sector e.g. Sugar Factories.
2. The unorganized sector e.g. Manufacture of Gur and Khandsari.

Out of the 453 sugar mills in the country, 252 are in the co-operative sector, 134 are in the private sector and 67 are in the public sector. The government of India has Indian Legislation passed the Sugar Industry Protection Act in 1932.

Working of Sugar Co-operatives

Problems of Sugar Co-operatives

1. **De-zoning**: Initially zoning were compulsory due to which farmer has to sell sugarcane to the prescribed factory within the zone of its field. But this policy was dismantled in 1996 due to which the factories, which could not give better price to the farmers, had to close down.
2. **Shortage of Sugarcane**: Many sugar factories are located in the main shadow region due to which there is a lack in sugarcane produced.
3. **High Cost of Water and Electricity**: High cost of water and electricity increases the cost of production.
4. **Huge Financial Loses**: Improper irrigation facility, scanty rainfall and also due to improper storage facilities result in huge financial loses.
5. **Corruption**: The main concept of "Self help through mutual help" is lost in corruption.
6. **Political Influence** and Interference in the co-operative society.
7. **Problems of Trade Union**: The trade unions come up with strikes and lockouts, which result in poor functioning of the co-operatives.

CONTRACT FARMING (Nov. 05)

Agro processing companies enter into contract with the farmers that they provide the farmers with the inputs like fertilizers, seeds, pesticides and guidelines to grow crops and buy back the products with a rate specified in advance.

Advantage for Farmers

1. They get the better price for the produce as there is no middle man
2. They have assured markets for their produce
3. They are assured about the quality of seeds and pesticides
4. They received financial support in kind
5. They obtain efficient and timely technical guidance free of cost

Drawbacks of Contract Farming

1. It involves mainly cash crops, which may lead to scarcity of food crops.
2. It may create the danger of imposition of undesirable seeds.
3. Market making outside the country may cause breaking of country market.
4. The temptation of getting profits by cultivating variety of crops may cause permanent damage to the land.

CONSUMER FOOD INDUSTRIES

Consumer food industry mainly consists of ready to eat or ready to cook products like cocoa based products, soft drinks, bakery products, biscuits etc. Bakery industry is the largest processed food industry. Annual turnover of bakery products is more than 30 lakhs. Nearly 20 industries are engaged in manufacture of cocoa products like chocolate, malted milk etc. with a production of 3400 tonnes. Production of soft drinks has increased from 5670 million bottles in 1999 to 6230 million bottles in 2000. Wheat based products such as vermicelli; macaroni and noodles are becoming popular.

COOPERATIVE MARKETING

Definition:- According to RBI, "Co-operative marketing is a co-operative association of cultivators formed for the purpose of helping members to market their produce more profitably than is possible though private trade".

Types of Cooperative Marketing Societies

1. **Single Commodity**: deal only in marketing of only one agricultural commodity e.g. Sugarcane Co-operative Marketing Society, Cotton Co-operative Marketing Society.
2. **Multi-Commodity**: deal in marketing of number of commodities such as food grains, oilseeds etc.
3. **Multi Purpose Multi-Commodity**: deal in marketing of number of commodities and also perform other functions such providing credit, supply of inputs etc.

Structure of Marketing Cooperative

The super structure of cooperative marketing consisted of the National Agricultural Co-operative Marketing Federation (NAFED) at the all India level, State Marketing Co-operative Society in a state, Dist. Marketing Co-operative Society in every district and Primary Marketing Co-operative Society at the Mandi level.

Objectives of Co-operative Marketing Societies

1. To sell the member's products directly in the market that offers best price.
2. To improve economic conditions of produce by strengthening its bargaining power.
3. To help members to produce the best product and those in most in demand.
4. To establish fair trade practices and prevent manipulation of prices.
5. To help farmers to obtain finance at cheaper rate of rate interests.
6. To give the farmers a better understanding of all stages of marketing process.

Need / Importance / Advantages of C-operative Marketing Societies

1. **Market Intelligence**: Co-operatives can obtain data on market price, demand and supply and other information.
2. **Reduce Cost**: Co-operative marketing helps to reduce cost and improve service.
3. **Improve Marketability**: It helps to improve marketability of products and reduce all undesirable market charges.

4. **Safeguards against Price Rice**: It safeguards the interests of members against the price rising.
5. **Provides Credits**: It provides credit to the framers and save them from selling their produce immediately after harvesting.
6. **Storage Facility**: Farmers can wait for better price as these societies have storage facilities.

Limitations / Problems of C-operative Marketing

1. **Illiterate Farmers**: Farmers are illiterate and do not know about the benefits of selling produce through co-operatives.
2. **Less Price**: Mostly price offered by co-operatives are less than open market price.
3. **New Societies**: Some of the societies are of recent origin and do not have adequate capital to work as efficient unit.
4. **Insufficient Godowns**: Most of the societies do not have sufficient godowns to keep the produce and pledge loans.
5. **Defective Loan Policy**: 50 to 90% of total loans are given as production and clean loans, which has resulted in high overdues.
6. **Domination of Traders**: Societies are dominated by clever and intelligent traders and non-cultivators.
7. **Shortage of Funds**: Societies are not in a position to provide trade credit to buyers because of shortage of funds.
8. **Untrained Personnel**: Society personnel are not trained, qualified and competent to compete with traders who already have a good hold.
9. **No Encouragement** given by Apex Society like NAFED to primary co-operative marketing societies.

LIZZAT – THE SUCCESS STORY

"Shadi, Utsav Ya Tyohar …Lizzat Papad Ho Har Bar" is the slogan we hear everywhere.

Lizzat Papad was a venture by seven women on the terrace of their flats in Girgam Mumbai in March 1959. Sales increased and hence production was also increased. Within three months there were 25 women working in their group and in two years number rose to 150. In fourth year they rented 8 rooms in the building for processing of papad. When business expanded, they felt the need of a brand, for this a contest was launched in their locality with a prize of 5 rupees and the name 'lijjat' meaning tasty was born. From Girgam to a plush office at Bandra Shri Mahila Griha Udyog Papad has come a long way. Today it has has a central managing committee consisting of 21 members. Any woman irrespective of religion or caste could become member. At present it has 63 branches which is run by a Sanchalika and 42 divisions and provides self-employment to about 42,000 sister members across India. They also manufacture products like Khakhra, Masala, Wadi, Detergent powder, Cakes, Bakery items and Chapaties. They also export their products to US, UK, Thailand, Singapore, Australia and other. The principle of Lijjat is promoting self-employment, dignity of labour and earning capacity of women from home.

Kerala Co-operative Milk Marketing Federation Ltd (KCMMF-MILMA)

Now well-known by the popular sobriquet 'MILMA', Kerala Co-operative Milk Marketing Federation (KCMMF) was formed in 1980 as a state adjunct of the National Dairy Programme 'Operation Flood'. It is a three-tiered organization. At the grassroots level MILMA has 3059 Anand model primary milk co-operative societies as on 31.03.2012 with 8.6 lakh local milk producing farmers as members. These primary societies are grouped under three Regional Co-operative Milk Producers' Unions viz TRCMPU for Thiruvananthapuram region, ERCMPU for Ernakulam region and MRCMPU for Malabar region. At the apex level KCMMF functions from the headquarters at Thiruvananthapuram. From the different units managed directly by KCMMF and the various units under regional unions MILMA produces and distributes pasteurized Vitamin – A enriched milk and various milk-based products as well as mango drink throughout the state. MILMA has been instrumental in achieving the national goal of self-sufficiency in milk production in the state. Still the goal is receding as Kerala enjoys one of the highest ranges of per capita milk consumption. KCMMF is totally content in the realization of this vision which was set before it. KCMMF has achieved the distinction in its performance by close association and bond with National Dairy Development Board, Animal Husbandry Department and Dairy Development Department of the State and Kerala Livestock Development Board.

Kerala Co-operative Milk Marketing Federation (KCMMF), popularly called 'MILMA' was established in April, 1980 with is head office at Trivandrum for the successful implementation of 'Operation Flood' Programme in Kerala.

OPERATION FLOOD

A Success story on the Dairy scene in India during the sixties was the farmer-owned AMUL Co-operative in Anand (Kaira District, Gujarat) with is integrated approach to production, Procurement, Processing and Marketing on Co-operative line. Over the years, this evolved itself into a model, based on self rule by farmers ensuring maximum returns to them. This model came to known as '***ANAND PATTERN***'. The efficiency of the Model was worth replication. Therefore, a dairy programme called "***OPERATION FLOOD***' was launched in 1970 under the aegis of the National Dairy development Board (NDDB). NDDB functioned as the technical consultants and the erstwhile Indian Dairy Corporation as the funding agency. The ideology followed by "***OPERATION FLOOD***' was the remunerative linking of rural milk producing centers with the urban demand centers so as to build up a viable diary industry.

Kerala was included in the second phase of 'Operation Flood' (OF II 1980-1987). The eight southern districts from Trivandrum to Trichur were included in the area of the project which had a total outlay of Rs. 29 Crores.

From 1980 KCMMF was involved in concentrated spearhead team activities, identification of potential milk collection, formation of milk Co-operatives and extension activities. MILMA came into its own on 1-4-1983 when it took over the revenue earning activities of Procurement and Marketing from the Govt. in April 1983.

Encouraged by the response of OF-II, the same areas were included in the third phase of ‘Operation Flood’ (OF III). This phase had an outlay of Rs.18 crores.

The growing popularity of the concept of Co-operativisation Section has spurred the authorities into exploring new vistas. The uncovered northern areas from Palakkad to Kasargode were thus brought under the Co-operative umbrella with the inception of the NORTHE KERALA DAIRY PROJECT. This Project is funded by the Swiss Development Co-operation through the National Dairy Development Board.

The Motto of Co-operation of “**of the people, by the people and for the people**” is foundation of the “three tier system” followed by the Organisation. The Power of the Producer members is felt right from the grass root village Co-operative Society to the Board governing the State leel Federation through this system of functioning.

At the village level we have the Village Milk Co-operative Societies which have the local milk producers as its members. The Village Co-operatives unite at Regional level to form Regional Co-operative Milk Producers’ Unions. These Unions later federate at the State level to form State Federation.

Objectives of KCMMF (MILMA)

- To channelize marketable surplus milk from the rural areas to urban deficit areas to maximize the returns to the producer and provide quality milk and milk products to the consumers .
- To carryout activities for promoting Production, Procurement, Processing and Marketing of milk and milk products for economic development of the farming community.
- To build up a viable dairy industry in the State.
- To provide constant market and stable price to the dairy farmers for their produce.

ROLE OF NATIONAL INSTITUTIONS

National Agricultural Cooperative Marketing Federation (NAFED)

The National Agricultural Cooperative Marketing Federation (NAFED), established in 1958 has been playing an important role in the development of cooperative marketing in the country. It functions as a coordinator in the cooperative marketing set up, both for internal trade as well as in the export market. The NAFED through its branches and State and Primary level cooperative marketing societies undertakes procurement , storage, marketing, processing of agricultural and animal husbandry products singly or jointly with its member institutions. It has expanded and diversified its activities manifold and has emerged as a large institutional agency safeguarding the interests of producers on the one hand and consumers on the other, thus helping the government in its work of price stabilization. The NAFED has been assigned a pivotal role in the price support operations in the agricultural commodities like onions and potatoes.

Besides it has also been playing an important role in the supply of essential commodities to deficit States by undertaking buffer stocking of essential commodities like food grains, onions, potatoes, tea, pulses, eggs, edible oil etc. its also recognized as a canalizing agency for export of agricultural commodities like onions, ginger seed, sesame seed, HPS groundnut, pulses and large cardamom. The Federation has also set up fruit and vegetable processing unit, cold storages and godowns with financial assistance from NCDC.

NAFED apart from running some fruit and vegetable processing unit, is a canalizing agency for the export of fresh fruits and vegetables. During 1991-92, it exported 4.16 lac tones of onions valued at Rs. 183.54 crore and fresh fruits valued at Rs. 16.12 lac.

National Co- operative Development Corporation (NCDC)

It was setup in 1963 by the Central Government by passing NCDC Act in 1962. NCDC has emerged as developmental and promotional financing institution for the co-operative sector in the country. The strategy of the corporation is to strengthen and develop cooperative institutions to enable them to serve their members and to maintain a sustained growth in their income. NCDC has been implementing a Central Sector/Corporation Sponsored Scheme for providing financial assistance towards setting-up of agro-based processing units.

The major thrust areas financed by NCDC include agro-processing, agro-marketing, integrated cooperative Development Project (ICDP) focusing on micro-level co-operatives, consumer co-operatives, coir, Handloom and promotion of information technology in the cooperative sector.

Role and Functions of NCDC:

1. To provide loans and grants to various co-operative societies.
2. To utilize the National Co-operative Development Fund for various development activities of co-operative societies.
3. To provide technical facilities to agricultural co-operative society through respective state governments.
4. To participate in the share capital of the different co-operatives societies working at the national level.
5. To develop co-operative fields like processing, warehousing, import-export of agricultural commodities etc.
6. To assist state government in Human Resource Development.

7. To provide funds to State Governments for financing co-operative societies for the purchase of agricultural produces and food stuffs.
8. Plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilizers and agricultural implements.
9. Provide outright grant to cooperative credit institutions towards their special bad debts reserve.
10. Help the long term credit institutions through purchase of debentures floated by them.

National Dairy Development Board (NDDB)

National Dairy Development Board (NDDB), an institution of national importance was set up by the Government of India to promote, plan and organize programmes for development of dairy and other agriculture based and allied industries along cooperative lines on an intensive and nationwide basis. During 1951 and 1970 milk production remained stagnant, per capita availability of milk declined from 132 grams per day to 107 grams per day. The creation of National Dairy Development Board (NDDB) in 1965 was a major step towards the organization of dairying on cooperative lines. DB supports the development of dairy cooperatives by providing them financial assistance and technical expertise.

A village level diary cooperative society consists of members who are normally milk producers and residents of the same village but committed to sell a portion of their surplus milk after meeting their household needs, to cooperatives. Each village cooperative has a milk collection centre which accepts all milk brought by milk producers, test it and measure the fat content and payment made accordingly.

District union in the second tier is responsible for processing of milk collected by village co-operatives. It also produces milk products after meeting the demand for liquid milk. These unions federated at the State Cooperative Dairy Federations, they in turn market the milk and dairy products produced under a common brand (in Kerala MILMA products). The state level Dairy Federation have formed the National Cooperative Dairy Federation of India Limited (NCDFI)

India constituted NDDB in 1965 under the Ministry of Agriculture. Its head quarters are at Anand, in Gujarat. During 1987 National Dairy Development Board Act was passed to give stationary status to it.

Objects

The main object of NDDB is to organize and oversee the planning and execution of dairy development programmes on a National basis. The Board is responsible to organize Anand Model Dairy Co-operative throughout the country and utilize the service of experts in the dairy industry for the development of co-operative dairies in the country. It also provides technical guidance to various states in setting up of projects for overall development of milk production, processing, procurement and marketing in the country.

The Board is entrusted with the responsibility of organizing dairy cooperatives on the ‘Anand Pattern’ throughout the country which led to the launch of Operation Flood Programmes in 1970.

Working

In 1969-70 NDDB introduced a scheme for the development of dairy co-operatives known as “operation flood”. This was implemented in three stages- Operation flood I, II, and III. They introduced various schemes for the development of dairy co-operatives like fodder development programmes, artificial insemination, veterinary services and medicines, calf rearing assistance, development of improved milch cattel and procurement of milk from rural areas.

The Amul model became so successful that it was replicated in the ‘70s, after the government recognized the importance of milk cooperatives as a means of promoting socio-economic development in rural areas while simultaneously increasing milk production in India. The National Dairy Development Board (NDDB) launched the Operation Flood programme (OF) to create a nationwide milk grid. During the 26 years from 1970 to 1996, OF established linkages between rural milk producers and urban consumers by organizing farmer dairy cooperative societies. An investment of USD 439 million has generated an incremental return of USD 8.778 billion. OF was one of the worlds largest rural development programmes that: “helped dairy farmers direct their own development, placing control of the resources they create in their own hands. A National Milk Grid links milk producers throughout India with consumers in over 700 towns and cities, reducing seasonal and regional price variations while ensuring that the producer gets fair market prices in a transparent manner on a regular basis.

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MODULE - IV

Module – IV - **NON-AGRICULTURAL CO-OPERATIVES**

: Consumer co-operatives- organizational structure, objectives& functions, operations of primary stores, wholesale stores, state federation & NCCF - housing co-operatives- objectives & different types state federation (KSCHF),(NCHF) - Industrial co-operatives – different types- weaver's co-operatives, (HANTEX),coir-co-operatives Kerala state co-operative coir marketing federation (COIRFED) -Fisheries co operatives – Kerala state co-operative federation for Fisheries development(MATSYAFED) - Labour contract co-operatives - objectives, functions - Hospital cooperatives-objectives& functions

CONSUMER CO-OPERATIVES

Consumer cooperatives are enterprises owned by consumers and managed democracies which aim at fulfilling the needs and aspirations of their members. They operate within the market economy, independently of the state, as a form of mutual aid(organization), oriented toward service rather than pecuniary profit. Consumers' cooperatives often take the form of retail outlets owned and operated by their consumers, such as Food cooperatives, consumer cooperative. However, there are many types of consumers' cooperatives, operating in areas such as health care, insurance, housing cooperative, utility cooperative and personal finance (including credit union).

According to the Maharashtra Co-operative Societies Act 1960, sec. 2(9) a consumer co-operative society is defined as "a society the object of which is (a) the procurement, production or processing and distribution of goods or services for its members or other customers, and (b) the distribution among members and customers, of profits occurring such procurement, production or processing and distribution".

In some countries, consumers' cooperatives are known as **cooperative retail societies** or **retail co-ops**. Consumers' cooperatives may, in turn, form Cooperative federation.. These may come in the form of Cooperative Wholesale Society, through which consumers' cooperatives collectively purchase goods at wholesale prices and, in some cases, own factories. Alternatively, they may be members of cooperative union.

Need and Importance

1. Supply of goods and services as per need of the consumers.
2. Eradication of malpractices like black marketing, artificial scarcity, hoarding and cheating in measurements.
3. Establishments of proper trading system – consumer co-operatives supply good quality products at reasonable costs.

4. Eradication of trader’s chain – There is a long chain of middlemen between producers and consumers who add their profits making the things costly. Consumer co-operatives purchase things directly from producers at cheaper price.

5. Consumer have to satisfy their needs as per their income – Due to existence of consumer co-operatives consumers automatically learn to satisfy the needs as per income and the habit of savings.

Organizational Structure

The consumer co-operative structure in the country has four tiers.

1. The NCCF at the national level oversees State Co-operative Consumers Organisations affiliated to it.
2. At the Wholesale level, there are Consumer Co-operative Stores which further source the Primary level stores.
3. In the villages, Primary Agricultural Credit Societies and Marketing Societies undertake the distribution of consumer goods along with their normal business.
4. While in urban and semi-urban areas, consumer co-operative societies operate retail outlets to meet the requirements of the consumers.

Objectives of Consumer Cooperatives

1. To educate the consumers and keep their needs within the income limits.
2. To improve the standard of living of consumers
3. To inculcate the habit of savings among the consumers.
4. To stabilize the market rates.
5. To supply the goods and services at reasonable prices.
6. To protect consumers from trade malpractices such as black marketing, hoarding etc.
7. To control the profit making tendency.

Problems Faced by Consumer Co-operatives in India

1. Consumers in India are indifferent to their own needs and still believe in the private trade system.
2. Consumer co-operatives are not well integrated and are scattered isolated.
3. The procurement and purchase operations are technically faulty.
4. They also face problems of low efficiency and low level of quality of products.
5. There is also intense competition from private traders who create various problems for the consumer movement.

National Cooperative Consumers’ Federation of India Limited (NCCF)

The National Cooperative Consumers’ Federation of India Limited (NCCF) is the apex federation of the consumer cooperatives in the country. NCCF was set up on 16 October, 1965 and is administered under the Multi State Cooperative Societies Act 2002. The present membership of the NCCF is 136 comprising of Primary Co-op. Stores, Wholesale Societies, and State level Consumer Cooperative Federations, National Cooperative Development Corporation and the Government of India. The commercial operations of the NCCF are handled through its headquarters at New Delhi and 34 branches/ sub-branches located in the State Capitals and other important procuring centers in different parts of the country. NCCF also run a dal processing unit at Bhiwani . It also runs two retail counters at Dak Tar Bhawan, Parliament Street, New Delhi and at Nehru Place, New Delhi.

Objectives of NCCF

The main objectives of the NCCF are to provide supply support to the consumer cooperatives and other distributing agencies for distribution of consumer goods at reasonable and affordable rates besides rendering technical guidance and assistance to the consumer cooperatives. NCCF is the spokesman of the consumer cooperative movement in the country, it provides the following services for strengthening the movement in the country:-

1. Render technical guidance and assistance to its member institutions in particular, and consumer cooperative societies in general in grading, packaging, standardization, bulk-buying, storing, pricing, account keeping, other business techniques and management methods to improve and increase their operation and management efficiency
2. Create and promote the formation of cadres of employees for the NCCF and member institutions and arrange for their proper training in collaboration with NCUI
3. Hold seminars, conferences, meetings and to undertake publicity, propaganda and similar other activities as may help the development of consumers' cooperative movement in the country.
4. Establish trade connections with manufacturers, their authorized distributors and suppliers/dealers including Government agencies and cooperative organization and to undertake purchase, sale and supply of:-
5. Agricultural commodities like food grains, pulses, spices, oil seeds, pharmaceutical items and other consumer goods.
6. Manufactured and value added items, drugs, medicines, pharmaceutical items and other Consumer Goods.
7. Undertake supply of the above items in wholesale and retail as well as to Govt. departments/State Agencies /Cooperatives small scale industries and private parties
8. Undertake metal scrap business as also setting up and running of warehouses and cold storages..

9. Establish, run or sponsor processing of agricultural commodities like food grains, pulses, spices, tea, oilseeds, etc., and manufacturing units for the production of consumer goods, if necessary, in collaboration with other agencies.
10. Import and export of agricultural commodities like, foodgrains, pulses, spices, oilseeds etc; horticultural products, fresh vegetables and fruits, consumer goods and any other item permissible under import and export policy as when necessary
11. Secure from the Government or other sources requisite facilities, assistance and financial aid, both for self and for its member-institutions.
12. Acquire land, building, warehouse, vehicles, factories, workshops, machinery and equipment for its activities
13. Coordinate the working of its member institutions with other national level cooperative institutions
14. Collect and disseminate necessary marketing intelligence for the benefit of its member's institutions in particular and consumer cooperative societies in general and to undertake research work and study in connection with the consumer's cooperative movement.
15. Do all such things and take such steps as are incidental or conducive to the attainment of any or all the objects, in collaboration with other cooperatives, public sector undertaking and other Agencies, if necessary, within and outside the country.
16. Establish testing laboratories for testing of consumer goods in general and making such services available for consumers' cooperatives in particular.
17. To act as agents of Central/State Government or undertaking/corporation or cooperative institutions or any business enterprises for the purpose of sale, storage and distribution of consumer goods approved by the Board of Directors from time to time entrusted by Central/State Governments.
18. To subscribe to the share capital of other cooperative institution as well as other public sector enterprises as and when considered necessary for fulfilling the objectives of NCCF.
19. To enter into collaboration with International Agency(s) or Body(s) for undertaking international trade of aforesaid commodities/items and setting up of agricultural & consumer industries.
20. Arrange supplies of various items required by the Central/State Government, Public Sector Undertaking/Cooperative Organizations and others and to undertake job work including infra-structure development like Housing Projects and any other construction work. Laying of roads, transportation, packaging work etc. entrusted by them.

21. To act as C&F Agent of various organizations/companies.
22. To organize cooperative education programmes for Members, Directors and employees and to provide funds for this purpose.
23. To arrange providing of products related services to the domestic as well as foreign buyers and consumers including setting up of hospitals, hotels and collaborating with the enterprises in joint ventures in the service sector.
24. To solicit/procure insurance business as a corporate agent and/or in association of any insurance company/joint venture insurance company in the country.

The Federation takes active participation in promoting the following sectors:

- Sizeable business of Agri.-inputs like Seeds, Pesticides, Bio-fertilizers and Bio-pesticides was done by some Branches namely Chandigarh, Lucknow, Ranchi, Patna etc. During the year 2011-12, the Federation achieved sales turnover of Rs. 43.45 crores in Agri-inputs business.
- In Grocery business, the Federation has undertaken sales of Rs. 296.75 crores in 2011-12. This was mainly due to efforts made by various Branches like Kolkata, Lucknow, Bangalore, Hyderabad etc., who have contributed substantial portion to turnover. Moreover, the Government of West Bengal and Uttar Pradesh have nominated NCCF as its Agencies along with other organizations for procurement of Paddy & Wheat under Minimum Price Support Scheme and likely to increase the quota in future.
- During the year 2011-12, the sales of General Merchandise stood at the level of Rs. 159.98 crores in comparison to the sales of Rs. 140.16 crores during the year 2010-11.
- The sale in textiles business has registered growth as compared to the previous year. It was Rs. 58.20 crores in the year 2011-12 as against the sales of Rs. 56.78 crores during 2010-11. Due to closure of many Textile Mills in organized sector and entry of Small Scale Units from Handloom and Power-loom sector have affected expansion of business in textile
- NCCF as canalizing agency issued NoCs to the Exporters of Onion for a quantity of 1.94 lakhs MTs. in 2011-12 as against 3.32 lakhs MTs. during the year 2010-11. The shortfall occurred was due to ban on export of Onion by Govt. of India and higher MEP during first half of the year.
- During the year 2011-12, the Federation achieved sales in business of Civil construction to the tune of Rs. 26.64 crores.

  NCCF also undertakes the supply of building material items like Tar Steel, bitumen, Cement, CGI sheets, Hume pipes, fabrication items etc...

Proposed New Line Of Business of NCCF

The Federation is making all-out efforts and looking for the possibilities of diversifying its activities by adopting new lines:
i) In addition to the Import of Pulses under the Scheme "Distribution of Pulses through PDS at Subsidized Rates" as nominated agency of the Govt. of India, we are looking for possibilities of import/export of other items also.

ii) Procurement of Paddy/Wheat as State Agency in different States under Price Support Scheme of the Govt. of India on behalf of FCI.

iii) NCCF may enter into the field of direct marketing of Agricultural Produce by opening their own centers of purchases, storage, processing & sales of consumer goods by connecting such players together in an integrated value chain where the individual facilities are owned by the respective private trade.

iv) Procurement of Oil-seeds and Pulses under MSP Scheme of the Government of India.

v) Export of Rice & Wheat under Government to Government Business and also under Govt. approved Schemes.

Housing Co-Operatives- Objectives & Different Types State Federation (KSCHF ,NCHF) –

Housing cooperative has been defined as: "A legally incorporated group of persons, generally of limited means, pursuing the same cause of meeting the common need of housing or its improvement based on mutual assistance. In such a cooperative, the membership is voluntary and control is democratic, and members make an approximately equal contribution to the capital required".

A housing cooperative is a legally established association,that is owned and democratically controlled by its members for the primary purpose of improving their living conditions. Democratic control by residents, open and voluntary membership, limited return on membership investment, the expansion of services beyond merely the supply of housing to the provision of a wide range of community services, and a strong emphasis on self-help and cooperative action are the basic characteristics of housing cooperatives

Types of Housing Cooperatives

Housing cooperatives at the primary level can broadly be classified into four groups as detailed below:

(a) **Tenant Ownership Housing Societies**:

Under this category the land is held either on leasehold or freehold basis by societies, and houses are owned by members.

(b) **Tenant Co-Partnership Housing Societies**:

These housing societies hold both land and building, either on leasehold or freehold basis and allot flats to their members.

(c) **House Mortgage Societies**:

Such societies lend money to their members for construction of houses. The members have to make their own arrangements for building their houses. These types of societies are really credit societies as distinguished from other credit societies as per the objects for which they lend, the duration of the loan and the security they demand.

(d) **House Construction or House Building Societies**:

Societies of this type spend money on behalf of the members for building the houses, and the houses are handed over to members when ready and the money spent is recovered as loan.

Advantages of Cooperative Housing

Advantages attached to cooperative housing are enumerated below:

(i) A housing cooperative is neither a public nor a profit seeking organisation. Its principal objective is to eliminate economic exploitation as it is controlled by members only.

(ii) Contrary to public housing, cooperative housing provides opportunities to its members to control the house designs at the planning stages. Moreover, the maintenance of the estate is

also in the hands of members, which leads to maintenance at lesser expenses and in a better way.

(iii) Cooperative housing satisfies quantitative as well as qualitative aspects of housing. As it incorporates a high degree of participatory involvement of members, the housing stock created

is more responsive to user’s needs than those supplied through any other sub-system.

(iv) Housing cooperatives, besides, generating a sense of responsibility amongst users for post-occupancy maintenance, also provide the necessary mechanism for effecting it.

(v) Project cost efficiency is demonstrated on account of the concerted efforts of members to keep overheads to a minimum and to effect economy in construction by other means as well.

(vi) Loans are arranged by the cooperatives for their members and the members have a collective responsibility for its repayment. So, a proper check on the repayment of loans and other charges

is maintained.

(vii) The members have got the right to vote and participate in the affairs of the cooperative, and as such they develop a sense of self-reliance and self-respect.

(viii) A cooperative is a small community by itself and hence can undertake several social activities such as organizing special programmes, arranging health services, improving the ecology of its area, improvement in social behaviour and mental health, etc.

(ix) Other economic activities such as consumer cooperatives, banks, clubs and other common services which are needed by the community can be established by a housing cooperative in

an economical manner.

The Kerala State Co-operative Housing Federation (KSCHF)

KSCHF is the apex institution for financing housing through the Primary Housing Co-operatives (PHCs) in the State. The Federation was registered on 23.9.1970 and started work on 24.9.1970. At present there are 207 Primary Housing Co-operative Societies affiliated to it.

The main objective of the Federation is to arrange the flow of funds to the affiliated primary housing co-operatives for advancing housing loan to its members at a minimum possible interest rate on easy repayment terms. The main sources of funds to the federation are share capital contribution from member societies and State Government, borrowings from LIC, HUDCO, NHB and other Commercial Banks. As on 31st March 2006 an amount of Rs.967.59 crore has been disbursed by the federation to enable construction of 1,68,261 houses in the State. Presently, KSCHF is advancing an amount of approximately Rs.6200 lakh a year

National Co-operative Housing Federation (NCHF)

The National Co-operative Housing Federation (NCHF) was established in 1969 as an apex organization for coordinating, guiding and promoting cooperative housing activities in the country. The basic thrust of its formation was to have an organization at the national level to assume the responsibility of promoting, developing and coordinating the activities of housing cooperatives in the country. The state level and district level housing societies as well as the state level institution financing the housing societies can become a member of the NCHF

The cooperative housing structure consists of primary housing cooperatives at the grass root level and Apex Cooperative Housing Federations (ACHFs) at the state level. ACHFs at the state level are affiliated to NCHF, which looks after their growth strategies, policy formulations and evolving housing programmes besides inter-facing with various institutions to channel finances for these societies for onward lending to the ultimate borrowers. In addition, NCHF also helps the ACHFs in improving their financial, organizational and technical capabilities. At present there are 26 Apex Cooperative Housing Federations (ACHFs) which are currently members of NCHF.

During the year 2005, NCHF took a number of initiatives for increasing the flow of funds to this sector at affordable rates. Besides, it also organized the national level Cooperative Housing Congress, drafted the Model Cooperative Housing Societies Law and also completed a study on "Assessment of Housing Stock in the Country" and the Report on Capacity Building of ACHFs. The organizational set-up of NCHF as per its bye-laws includes:

General Body consists of 26 members which is the ultimate authority on all matters relating to activities and administration. Each member institution (except nominal members) is represented

by one delegate elected/nominated to the General Body by member institution.

Board of Directors consists of 19 elected directors from member institutions, 2 Central Government nominees, one representative of LIC and the Managing Director, NCHF.

Executive Committee consists of 7 members including one representative of the Government of India and headed by the Chairman

Chairman is elected by the Board and presides over all meetings and is the spokesman of the policy of NCHF and competent to take decisions of urgent and important nature.

Managing Director is a full time employee and handles day-to-day affairs.

Objectives

1. To establish financial institution at state level to help the primary housing co-operatives in getting loans at lower rate of interest.
2. To undertake research and development work for reduction in the construction cost.
3. To give technical and legal guidance to member societies.
4. To explain various financial schemes to member societies.
5. To give publicity of co-operative housing movement by publishing books, brochures etc.

Industrial Co-operative Societies

In 1904 the British Government passed the Co-operative Credit Societies Act. The objective of this Act was

1. To encourage thrift, self-help and co-operation amongst persons of limited means and increase their productive capacity and financial resources

2. To grant advances if needed by member workers against the securities of raw materials and finished products.

Funds for industrial co-operative societies are available from co- operative banks and private entrepreneurs. Government provides subsidies, grants-in-aid and loans for the purchase of machinery, equipment, raw materials etc.

Meaning and Definition

An industrial cooperative is an association of workers & craftsmen involved in cottage or village industries, which come to gather to undertake collective production, processing & marketing of goods manufactured by the members & provide them with the necessary services & assistance. It can be defined as ‘A cooperative organized by workers, controlled by worker & managed by workers for meeting their common purpose’. Thus, the prime objective of an industrial co-operative is to benefit the workers socially and economically.

Aims and Objectives

1. To develop self-reliance, co-operation and self-respect among the members.
2. To purchase and supply raw materials, tools and equipments needed by workers.
3. To obtain contacts from the govt. and other organizations.
4. To purchase machinery and other equipments required by members and to hire them to the members for quality production.
5. To construct take-on rent godowns for finished products and raw materials.
6. To undertake all such activities needed for the welfare and well-being of the member and the society.

Weaver’s Co-Operatives

The main thrust of Handloom Weavers’ Cooperative Societies is to promote the working of handloom industry as well as economic conditions of the weavers by providing infrastructural support.

These societies have these objectives:

1. To safeguard the interests of the weavers from the exploitation of and clutches of the middlemen;
2. To supply of raw materials, equipments and other facilities to the members according to their capability of production;
3. To provide finance for promoting industrial activities of the members;
4. To provide technical assistance for raising and maintaining quality in texture, dyeing and production of standard goods;
5. To provide training in new and sophisticated designs which have high demand; and
6. To dispose reasonable wages regularly to the weaving members to enable them to continue in the weaving profession thereby improving their standard of living as well as improving the handloom production.

HANTEX

The Kerala State Handloom Weavers Co Operative Society Ltd. “Hantex” was formed in the beginning of 1961 for the Weavers in the Co-Operative Sector of Kerala.

Hantex comprises of 440 production centers situated across the length and breadth of the state. Lakhs of weavers who can create any type of intricate designs with their magical craft and are capable of meeting present day global standards, are the members of Hantex. It has a large marketing network of 150 showroom located at almost all-important places in the state with an annual turnover of around Rs.300 millions. It has a fully computerized Design Department capable of evolving and creating sophisticated intricate design-be it for weaving of printing for domestic or international market. Hantex has the most modern infrastructure to produce handcrafted fabrics, garments, furnishing, made-ups, sarees, traditional wears etc. strictly in tune and harmony with global eco friendly norms.

Coir-Co-Operatives

COIR industry is an important agro-based employment-oriented traditional cottage industry in India. Kerala is the largest producer of coir and coir products in India. Coir Board (Cochin) is the pioneer government agency in the coir sector established for the overall development of the industry in the country. The state level government agencies working in the coir sector are the Directorate of Coir Development (Thiruvananthapuram), the Kerala State Coir Corporation (Alappuzha) and the Kerala State Co-operative Coir Marketing Federation (Alappu/.ha). All these government agencies gave attention to the development of the industry through the organised sector, viz, co-operative sector. There are also Private, Public, Government undertakings and unorganized manufacturing units.

In every Five-Year Plan, there are various schemes for coir development in the co-operative sector through these agencies. The government agencies undertake a number of schemes for the development of coir industry in the cooperative sector. However, the private sector has a dominant place in the industry and is working without any sort of assistance from these agencies. The industry provides direct employment to more than 3.5 lakhs workers,

majority of whom are female. It is mainly concentrated in coastal districts of the State.

Kerala State Co-Operative Coir Marketing Federation (COIRFED)

The Kerala State Co-operative Coir Marketing Federation (Coirfed), the Apex Federation of Co-operative Societies engaged in the manufacture of coir and coir products is entrusted with the task of marketing the product of the Co-operative Societies. It provides sustenance to workers especially women. Coirfed and its member societies provide higher employment, better wages and better living conditions to the coir workers by eliminating middlemen. At present 628 coir primaries are affiliated to Coirfed.

Coirfed has set up an array of 47 showrooms and more than 100 retail outlets to sell the materials produced by the member societies. The procurement of the produce of the member societies is done through four regional offices and one central store. Coirfed has set up a number of factories for the manufacture of coir products.

Coirfed is making efforts to sell the materials to serve a noble cause of providing employment to around 4 lakh coir workers. Most of these workers are women. It is estimated that around 20 Lakhs people are indirectly supported by this industry

The product range of Coirfed include Coir fiber, Coir pith fungus, Coir pith soil conditioner, 80 odd varieties of coir yarn, coir geo-textiles, alluring range of coir products like mats, mattings, rugs, coir tiles and Rubberised coir products like Mattress, Pillows, PVC tufted mats, Pith Briquettes, Garden materials like Pots, Climbers etc.

The products of Coirfed are marketed under the brands Cocofert, Cocoplus, Cocogeo fabric, Dustout and Deepsleep

Coirfed is facing stiff competition from the other natural fibres and synthetic materials. At present Coirfed is making efforts to expand the reach of eco friendly and bio-degradable Coir products through the help and assistance of all good citizens with care for nature and mankind.

Coirfed is instrumental in implementing the novel schemes of Govt. of Kerala like Distress purchase scheme, Fibre subsidy scheme, Price fluctuation fund, Purchase price stabilization scheme etc. Rs.2100 lakh Income support scheme and 145 lakhs SGSY scheme in coir industry.

Kerala State Coir Co-operative Marketing Federation (Coirfed) is the apex body of Co-operative units working in the coir sector. There are different categories of Coir Co-operative Societies in Kerala. They are:

1. Primary Coir Co-operative Societies
2. Manufacturing Societies
3. Small scale Producers Co-operative Societies
4. Husk Procurement and Distribution Societies
5. Fibre Societies (Defibring Mill Societies)
6. Co-operative Coir Marketing Federation

The major constituents in the coir sector are Co-operatives, Private, Public, Government undertakings and unorganized manufacturing units. But, over a period of time, the coir sector has not grown appreciably and has remained almost stagnant. In order to ascertain the causes for the present unsatisfactory situation, Coir Board decided to conduct a Status Study of the industry, which will identify the problems of the various segments of the industry and arrive at likely solutions so that necessary policy measures can be initiated and further promotional and other schemes intended to mitigate the current problems in the industry can be launched

KERALA STATE COOPERATIVE FEDERATION FOR FISHERIES DEVLOPMENT LTD. (MATSYAFED)

Kerala’s fisheries and aquaculture resources are rich and diverse. Many species of fishes, invertebrates, plants, algae and other aquatic living organisms occupy a wide variety of habitats along the inland waters as well as the 590 km of coastline and associated waters. Kerala’s coastline accounts for over 10 % of the coastline of the country. The aquatic biodiversity and fish wealth of Kerala sustain more than 10 lakh fisherfolk and supports numerous additional activities including commercial fishing, aquaculture, biotechnology applications, tourism, education and recreation. The growing population, diverse culture, and expanding economy will continue to place additional demands on the state’s marine resources, and make management of these resources increasingly complex.

Among the maritime states in India, Kerala occupies the foremost position in marine fish production, accounting for about 26 % of the total landings. Out of the EEZ of 2.2 million km2 for India, 36,000 km2, is adjacent to the Kerala coast. The well-known Wadge Bank is situated within the exploitable limit of Kerala. The mud banks (Chakara) which occasionally occur between Kollam and Kannur, yielding a good catch of fish and shell fish is peculiar to the state.

The potential of the state in terms of marine fisheries is believed to be about 7.5 lakh tones. Besides, this sector contributes around 1.26% to the total GDP and the export of marine products has set ever time record of 1852.93 million US$ during the year 2011-12. The total population of fisher folk residing in the state of Kerala is estimated to be 10.02 lakh, which includes 7.712 lakh in the marine sector and 2.304 in the inland sector. Out of this, the number of active fishermen is 2.39 lakh (1.87 lakh in marine sector and 0.52 lakh in the inland sector). Currently, there are 222 fishing villages in the marine and 113 fishery villages in the inland sector, where fishing and relative aspects provide livelihood to a vast majority of the population. Nearly 12% of the fisher folk eke out their living from allied activities like marketing, repairing nets, fish vending, and processing and other fishery related activities.

The State's fisheries sector is an epic one, comprising of 21781 crafts out of which 22% are mechanised, 51% are motorized and the remaining 27% non-motorized crafts. Although the fish catches from Kerala coast include more than 300 different species, the commercially important are forty only. Prominent among them are Sardine, mackerel, seer fish, pomfret and prawn.

The extent of inland water resources of Kerala is highly potential for expanding aquaculture. Kerala’s rich fertile coastal waters and enterprising coastal fishing communities would benefit very much through organised planning and implementation of proven and sustainable aquaculture technologies, through HRD measures, selecting appropriate sites and culture systems and species judiciously and providing the needed infrastructure. Recently Kerala declared pearl spot (“Karimeen”), Etroplussuratensis, as the state fish and utmost efforts had been taken for making it available to all as a table fish.

The annual per capita consumption of fish in Kerala is very high (18.5 kg) compared to the national average (5 kg). There is no taboo as such that hinders the consumption of fish and fishery products and hence majority of population consume fish.

Although, Kerala boast the highest quality of life in the country as measured by human development indicators, it is a fact that the State's fishing community has largely been left out of the general development experience. Traditional fisher folk who had no other employment option continued to lag behind the rest of the State in all areas of development. This marginalization poses a challenge to the notion of Kerala being a "model of development".

To change this iniquitous and to bring them to the mainstream of the society, the government and fisheries department has undertaken various projects and programmes viz

•Increasing production and conserving and ensuring sustainable exploitation of fisheries wealth,

•Promoting aquaculture in a sustainable as well as eco-friendly way,

•Developing infrastructures like fishery harbours, landing centers , markets, common facility centers, net factories etc

•Implementation of welfare schemes to the fisher folk.

The Department of Fisheries and its allied sectors viz. Kerala State Cooperative Federation for Fisheries development Ltd (Matsyafed), Agency for Development of Aquaculture, Kerala (ADAK), Kerala Fishermen’s Welfare Fund (KFWEB), State Fisheries Resource Management Society (FIRMA), Fish Farmers Development Agency (FFDA), Kerala State Coastal Area Development Corporation(KSCADC), National Institute of Fisheries Administration and Management (NIFAM) and Society for Assistance to fisherwomen (SAF) and Marine Enforcement (ME) implements the Government's visions and schemes in this sector.

Objectives

The objective of Matsyafed as spelt out in its bye-law is to carry out activities for promoting production, procurement, processing and marketing of fish and fishery products for the total development (Economic, Social and Culture) of fishermen community. In order to achieve this objective Matsyafed has taken various activities which can very broadly be classified as –

I. DEVELOPMENTAL PROGRAMMES

1) **Fish Auction**: Primary scale of fish through 232 Fishermen Development Welfare Co-operative societies with the participation of 43330 fishermen and 52049 ton fish fetched value of Rs. 142.15 Crore during 2010-11.

2) **Integrated Fisheries Development Project**: Matsyafed is implementing IFDP projects with financial assistance from National Cooperative Development Corporation (NCDC) for providing assistance to the fishermen for procuring fishing inputs, working capital and other infrastructure facilities. Assisted 72007 Nos. of beneficiaries and 500 Societies with an investment of Rs. 25725.97 Lakh.

3) **Motorisation of Country Crafts**: Subsidy of Rs. 10000/- for engines below 10 HP for the motorization of country crafts. Rs. 614.75 Lakh given to 7310 Nos. of fishermen.

4) **Subsidy for Suitable Components of Fishing Gear**: Scheme provides a subsidy of Rs.6000/- per craft powered by OBMs below 10 HP for the purchase of suitable components of fishing gear by fishermen. Rs.169.25 Lakh given to 2755 Nos. of fishermen.

5) **Bankable Scheme**: The scheme provides 25% subsidy for loan from bank/financial institutions for the purchase of fishing inputs by fishermen. Given Rs. 229.30 Lakh as subsidy to 1288 Nos. of fishermen who had availed bank loans for fishing implements

6) **Deep Sea Fishing**: Scheme for equipping traditional fishermen to resource specific deep sea fishing and the project outlay is Rs. 488 Lakh for units having 1000 fishermen.

7) **Value Addition Phase I & II**: Scheme for providing infrastructure facilities for pre-processing near the landing centres. Phase I outlay Rs.99.94 Lakh and Phase II outlay is Rs. 99.95 Lakh.

8) **Fishermen Debt Relief Scheme:** Debt Relief Phase I of Rs. 115.03 Crore given to 48,355 beneficiaries of 421 FDWCS under NCDC Scheme. Debt of Rs. 11.82 Crore waived of 9891 beneficiaries under Housing Scheme. Phase II of Rs. 3.59 Crore given to 1077 beneficiaries under NBCFDC, NMDFC Schemes and 8.18 Crore given to 8455 beneficiaries of 245 FDWCS under Society Own Fund. Phase III (TRP) of Rs. 4.44 Crore given to 1997 beneficiaries under NBCFDC, NMDFC Scheme and 9.32 Crore given to 18623 beneficiaries of 282 FDWCS under Society Own Fund.

II.EMPLOYMENT GENERATION PROGRAMMES

1) Schemes for providing term loan and microfinance loan with financial assistance of National Backward Classes Development & Finance Corporation (NBCFDC): Supported 95504 Nos. and of beneficiaries amounting to Rs. 9505.78 Lakh.

2)Schemes for providing term loan and microfinance loan with the assistance of National Minorities Development & Finance Corporation (NMDFC): 81794 Nos. of beneficiaries. Amount Rs. 8860.05 Lakhs.

III.WOMEN EMPOWERMENT PROGRAMMES

1) **SGSY Project**: Scheme for providing employment to 2500 fishermen families for producing value added fish and fishery products with an outlay of Rs.1127.50 Lakh. Assisted 990 Nos. of beneficiaries under Phase I.

2) **Interest Free Loan**: To prevent the income erosion of women fish vendors due to the high rate of interest charged by the private money lenders for their daily working capital requirement, Matsyafed has launched a new scheme of loan @ Rs. 5,000 to 33,000 women vendors without charging any interest and the interest portion borne by the State Govt. Matsyafed assisted 15,000 women vendors @ Rs.10,000 each in the IInd phase. Phase III Rs. 5,000 each to 20,000 vendors and @ Rs. 10,000/- to 15,000 persons under implementation. Phase IV Rs.15,000/- each to 20,000 fish vendors also under implementation.

IV.SHG & MICROFINANCE

13,794 Nos of SHG formed with 1,68,322 members. Rs. 4691 Lakh generated as thrift. Micro financing through SHGs crossed an investment of Rs. 114.40 Crore @ 6% interest.

V.COMMERCIAL ACTIVITIES

Matsyafed has many commercial units to support the fishermen in getting their inputs and marketing their output. Commercial unit assist fishermen to get best quality inputs at lower cost in their fishing villages. It also fives focus on improving auction system of the primary societies and also on development of secondary marketing activities.

Matsyafed has two **Fish Net Factories** at Cochin and Kannur with an installed capacity of 1000 Tons per annum. It has a market share of about 30% of the State requirement and focus in given to the traditional sector webbings.

Matsyafed **Ice and Freezing Plant** having a freezing capacity of 30 Tons per day with a storage capacity of 600 Tons. It mainly focuses on the processing of Tuna and export different fish products to different countries. It export mostly tuna in frozen condition to different countries like Thailand, China, Iran, Turkey, France, Spain, Oman, Dubai, Tunisia, Algeria, Sri Lanka, etc.

Matsyafed **OBM Division** import Out Board Motors mainly Suzuki Motors from Japan and sell it directly to fishermen through Vyasa Stores. It has about 13 workshops in different part of Kerala to take care of the repair and service of the engines. It also deals with different electronic items like Eco Sounder, VHF Radios, Insulated Boxes, Crates, etc.

Matsyafed **Chitin and Chitosan Plant** produce different grades of Chitin and Chitosan from the prawn shell waste. The plant has a capacity of 60 Tons Chitin per annum.

Matsyafed has two **Fish Manure Plant** at Azheekode, Thrissur District and at Calicut. It has a manufacturing capacity of 10000 Tons of fish manure per annum. The fish manure is well accepted among the farmers and is used widely under the peoples plan program.

The Commercial Division has 6 **Diesel Bunks** in different part of the State and has 12 **Vyasa Stores** to sell fuel as well as fishing equipments. There is joint marketing program with HPCL to sell the 2T Oil to fishermen through primary cooperatives. The total volume of the 2T Oil marketed last year itself is 350KL which forms part of about 10-15% of the total market share.

The Division is implementing many few projects like Fish Meal Plant at Arattupuzha, Alappuzha District, Glucosamine Plant at Paravoor, Alappuzha District, Fish Retailing at Kottayam, Kozhikkode and Ernakulam, Infrastructure creation at landing centres and markets.

VI.WELFARE ACTIVITIES

1)**Fishermen Personal Accident Insurance Scheme**: The scheme provides compensation of Rs. 3 Lakh to the dependents of fishermen who die in accidents. If the accident leads to disability of 50% or more the compensation will be Rs. 1,50,000/- along with hospital expenses limited to Rs. 60,000/- or the actual expense which ever is less.

2)**Matsyafed Input Security Scheme (MISS)**: Compensating the loss due to accidents and natural calamities sustained to the fishing implements distributed under Matsyafed schemes. So far Matsyafed has assisted 258 beneficiaries amounting to Rs. 57.87 Lakhs.

3)**Vanitha Bus**: Matsyafed is operating special bus service for the journey of fisherwomen vendors from the landing centres to the market places and back, at nominal rates in Trivandrum &Ernakulam Districts

4)**Community Peeling Centres**: Matsyafed is running two community peeling centres as a pre-processing facility for the fisherwomen of the area.

5)**Kerala Sustainable Urban Development Project (KSUDP):** It is a joint venture project of Matsyafed with KSUDP. It envisages the livelihood improvement of fishermen community. The project is implemented for the benefit of fishermen groups belong to Fishermen Co-operative Societies functioning under the jurisdiction of Trivandrum, Kollam, Ernakulam and Kozhikkode Corporations.

LABOUR CO-OPERATIVES

Labour co-operatives are those, which work for giving employment to the group of labourers. Generally more number of labours is required for construction of buildings, roads, and factories, dams' irrigation work. The Concept of labour co-operative had its origin in India in 1948 where the government of Mumbai made special provisions for labour contracts, whereby any contract above Rs. 20,000 was awarded to the co-operatives.

The co-op labour societies directly deal with companies i.e. middlemen are eliminated thus labour are saved from exploitation and every member gets a fair share of return on his investment.

Objectives of Labour Co-operatives

1. To provide instrument to members for carrying out essential job.
2. To ensure that the labour will get regular job.

3. To take contracts of private and public works.
4. To increase the skill of members by imparting them training.
5. To increase the dealing power of labour.
6. To promote self-helped and co-operation amongst members
7. To work for overall welfare of members.

Problems of Labour Co-operatives

1. Shortage of Working Capital: The working capital is limited and the society cannot avail loans because less share capital.

2. Difficulties in Accepting Big Jobs: Due to the weak financial position it is not possible for the society to accept big works.

3. Competition with Private Contractors: Due to the weak financial position they cannot compete with private contractors.

4. Government Indifference: Government officers are not interested in giving jobs to the co-operative societies.

5. Lack of Continuity of Work: These societies do not get work all the times and hence cannot give works to members.

OVERSEAR / MUKADDAM

The society may appoint an overseer or a mukaddam for following functions:

1. To prepare tenders
2. To organize labourers and distribute works
3. To supervise works of each labourer carefully for ensuring deadlines and perfection
4. To report to the control committee who in turn report to the managing committee

Reference Books:

1. Manoharan Nair K: Co-operation in India and Abroad

2.Hajela T.N: Principles, problems and practice of co-operation

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