

KERALA CO-OPERATIVE POLICY

Introduction

Co-operative movement has played a vital role in the development of rural sector in Kerala. Its role was significant in relieving the rural poor from the clutches of private money lenders and thereby creating developmental opportunities. Co-operative movement is a movement which functions by intervening in various sectors. It spreads over almost all sectors such as credit, procurement, production, construction, marketing, agricultural processing, consumer sector, traditional industries, public health, education, insurance and development of basic infrastructure sector. In this way co-operative movement is intervening in various ways in the development of Kerala.

Before the formation of Kerala State, societies were formed based on different Co-operative Laws in Kochi, Travancore and Malabar. But later on, during 1969 a uniform law was enacted. Based on the Kerala Co-operative Societies Act, co-operative societies were established covering all activities concerned with the day to day life of the common man which played a significant role in the socio- economic development of Kerala. At present co-operative movement has spread over to all sectors of our state. There is not even a single sector in Kerala where co-operative movement has not reached. It can be said that there is no one in Kerala who has been a beneficiary through Co-operatives.

Fifteen thousand four hundred and twenty eight co-operative societies in seventy sectors were registered under the Registrar of co-operative societies. Among this 11,966 societies are operating, 2782 societies are non-operating and 680 societies are in the phase of liquidation. In addition to this, 7656 co-operative societies were also working under Functional Registrars. dairy, handloom, fisheries, industries and coir are the different sectors in which these societies are

working. Primary Agricultural Credit Societies are the most significant among the co-operatives in our state. Sixty percentage of total deposits of the co-operative sector in India are dealt by co-operative societies in Kerala.

Co-operative sector in Kerala not only work for public welfare but also functions as a job provider to the society. They have not only gained the confidence of more than 3.5 crore members of co-operative institutions but also as a livelihood for more than 1 lakh employees in co-operative sector. Co-operative banks are not working with profit motive. Shares are linked with the loans taken by the members. In this way, the working of co-operative banks is distinct from commercial banks.

Co-operative sector in India was generally given lot of encouragement during the post-independence period. It had provided great contributions to the development of rural sector in India. However, the advent of neo liberalisation policies has changed this situation. The monetary reforms which have come up in this regard led the co-operative sector to various crises. The reforms starting from Vaidhyathan Committee report to the 97th constitutional amendment have given severe blow to the co-operative movement in Kerala. Hence, this Government does not favour these types of reforms generally. Certain policies of the Central Government including demonetization have developed in such a way to destabilise co-operative movement in Kerala. It was the strong interventions of the State Government which saved the co-operative movement in Kerala.

The global financial crisis has affected the world severely. Bringing co-operative movement to the forefront in such crisis situations could be observed in many sectors. Going forward by giving more importance to the co-operative sector has been accepted worldwide. As an alternative model, the viewpoints put forward by it have also been developed. Realising the unique features of this system in the

present era, the government policy is to strengthen the co-operative movement so as to make it more beneficial to the public. Along with that the government is trying to strengthen the co-operative movement so as to confront the challenges of the new era.

Decision to form a state level co-operative bank by merging all District Co-operative Banks with the State Co-operative Bank is part of such a strong intervention of the government in the co-operative sector. Application has already been submitted to the Reserve Bank of India for the approval of formation of Kerala bank. Process of integration of accounts, integration of technology and integration of human resources of 14 District Co-operative Banks and State Co-operative Banks are in progress. It is expected that the Kerala bank will start its operations by 2018. Special interventions to save public sector undertakings like KSRTC have also been evolved from the Co-operative sector.

Weakness of three tier co-operative credit structure, fall in agricultural loans, weak linkage with local self-government institutions, mounting NPAs and slow progress of the modernization measures are some of the problems which still persist in the sector. The government considers it important to move forward by solving these problems. Considering all this, the government is trying to formulate a comprehensive co-operative policy which can accelerate the future growth of the co-operative movement in the state. Co-operative policy is putting forward the perspective of sustainable development of Kerala state through the development of co-operative movement.

General approach of Co-operative policy

Co-operative movement which has spread over worldwide is going forward by undertaking activities for welfare of people in different countries. International Co-operative Alliance (ICA) in a critical study conducted 12 years ago on co-operative legislation and policy reforms pointed out a clear distinction between co-operative policy and legislation in India. Such studies covering current issues have not been done.

In the post-independence period India, policy of the central government was to nurture the public sector. Similar consideration was given to the co-operative sector also. Attempts were made to formulate a policy in this regard in 1958 itself. However the central government could bring out such a policy only in 1977. The State co-operative Ministers conference also approved this. The policy put forward a view point which gave importance to the economic development of the rural sector. It adopted a method of announcing an action plan for 42 divisions of 12 sectors.

Co-operative policy was further expanded by making changes in tune with the Liberalisation, Privatisation, Globalisation (LPG) policies of the central government. Support given by the government to the co-operative sector was reduced substantially and was left open to the cut throat competition of the market forces. It badly affected the growth and development of lot of small co-operatives which could not attain equivalent competitiveness in a market driven economy. Many programmes which were brought out in the name of making the regulatory frame work fault less in the co-operative sector were not beneficial to the co-operatives. Methods adopted in these were in such way to minimise the control of the state government and at the same time strengthening the control of Reserve

Bank of India. Many criticisms have come up in this regard that these initiatives were directed to reform the co-operative credit sector like new generation banks. The general approach which has come up including in the legislative assembly was that some of the recommendation of Vaidyanathan committee report will weaken the co-operative sector in the state. Mean while discussions have also come up in line that the constitutional amendment aimed to transfer a sector which was hitherto under the control of the state government to the central government is in fact a challenge to the federalism. However the verdict given by the Gujarat high court against this amendment allowed the sector to remain as state subject even now.

It is essential to frame co-operative policy considering the uniqueness of the state. Only then the movement can go ahead by overcoming the challenges. The policy which considers the experiences and specialities of Kerala is putting forward certain viewpoints. This policy document brings out approach of the state towards further development of co-operatives. It discusses the global perspective, vision and mission, specific policies with regard to various sectors, its relationship with Local Self Governments (LSGs) and issues with regard to the existing legal frame work and proposed changes thereon.

Vision

‘To stream line and build a robust, vibrant and sustainable co-operative movement in the state so as to enable the society to reach greater heights by ensuring equitable socio economic development working in tandem with the government’.

Mission

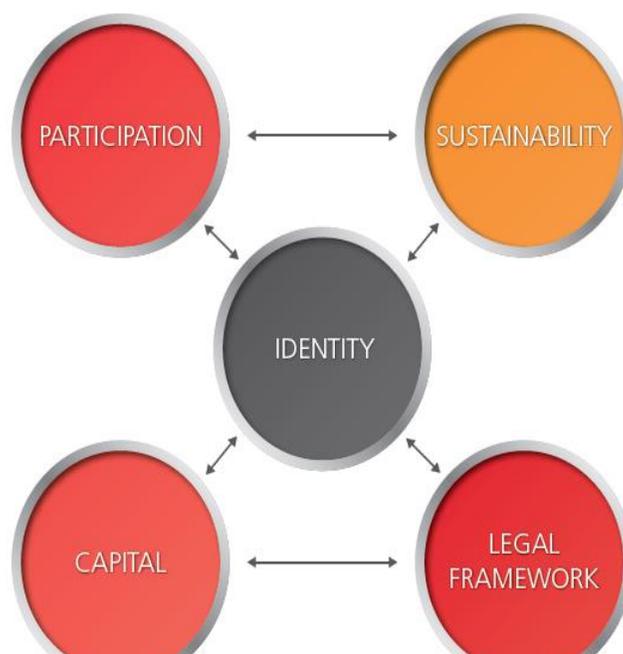
Develop the co-operative movement to function effectively, efficiently, and economically for the benefit of its members and the society.

To utilise the movement for mobilising the people on a voluntary basis to ensure maximum participation in governance by involving in planning, organising and implementing various schemes formulated for the overall growth of society and local economic development.

Global Perspective

The above vision and mission is formulated as part of Kerala Co-operative Policy which is in tune with the commitment of United Nations that co-operatives are a reminder to the international community that economic viability can be achieved without compromising social responsibility.

The ICA blueprint strategy identified the importance of five interlinked and overlapping themes, which suits well to the co-operative movement in the state. It can be illustrated as follows:



The aim is to elevate participation within membership and governance to a new level. Co-operatives are the best because of its economic and social sustainability.

When we observe the growth of co-operative movement in Kerala we can see that it is in tune with the proposal of United Nations for achieving sustainable development goals by concentrating on five specified development objectives

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United Nations perspective and the co-operative sector in Kerala

United Nations have put forward five sustainable development goals with respect to co-operatives. They are as follows:-

1. Poverty Eradication and Zero Hunger (Zero Poverty)
2. Food Security
3. Gender Equality
4. Decent Work and Economic Growth
5. Combating Climate Change

If we can understand how far the co-operative sector in Kerala have internalised the above said development goals, it will be clear how far we have aligned with the global perspectives of co-operatives. Through that we can understand the growth of our co-operative movement and it will be clear how we can make them stronger and take them forward.

1. Poverty Eradication and Zero Hunger (Zero Poverty)

Co-operatives allow people to help themselves by creating their own economic opportunities and turning individual risk into collective risk.

The State Economic Review (2017) reveals that the incidence of poverty in Kerala was 59.74 per cent in 1973-74 which reduced to 11.30 per cent by 2011-12. The above achievement was possible due to the revolutionary land reforms and other progressive movements and also the role played by co-operatives in Kerala. The co-operatives will continue to play a key role in pockets of deprivation in the State covering social categories and groups such as SC/ST, fisherman, potters and artisans.

2. Food Security

Agriculture co-operatives help their smallholder producer-members access inputs, infrastructure, markets better prices, training and technologies, through the power of the collective.

Initiatives of the Consumer Federation for developing a network to ensure better collection and distribution of food articles are noteworthy. The recent plan of forming a co-operative consortium in Palakkad district for procurement, processing and marketing of paddy/rice can be viewed as an effort for enhancing production thereby achieving the goal of food security to a limited extent. This project shall be expanded throughout the state so that co-operatives play a larger role in food security for the poor and marginalized.

3. Gender Equality

With open and voluntary membership, as one of their founding principles, co-operatives help women access resources and opportunities by expanding their participation in local and national economies.

The co-operatives in Kerala are performing better in terms of empowerment and gender equality. Every co-operative society in the state

has legally provided for minimum of 3 women directors in the board who happen to be the opinion makers which is definitely higher when compared with other democratic institutions. It is evident that there are around 15000 functional co-operatives in Kerala and total strength of women directors is around 50000. Further the co-operatives in general and the women co-operatives in particular focus on employment generation projects for women aiming at financial empowerment.

4. Decent Work and Economic Growth

Being focused on human needs, co-operatives have proven to be resilient, and even recorded growth, in times of crisis. They are also a source of decent employment for many people around the world and increase inclusion of marginalized groups, such as youth and indigenous people, in the global workforce.

The labour force participation in Kerala is low ie; 50 per cent. However the wage rate is higher when compared with other states. The co-operative sector solely provides direct employment to 100000 persons and indirect employment in the ratio of 1:5. Further, there is vast scope for generating decent employment opportunities through co-operatives in Kerala.

5. Combating Climate Change

Co-operative enterprises have a unique member owned model that allows them to make long term commitments to fighting against climate change and its impacts. Co-operatives put people at the heart of their action, which fosters the buy--in for the personal sacrifices that climate change will require. This results in sustainable natural resource management and active engagement in sustainable energy options.

The Co-operatives in Kerala are the most suitable institutions to combat climate change as they function at grass root level. In concurrence with the “Haritha Keralam” mission of the state government, co-operatives are already in the forefront for developing organic agriculture, planting saplings, water conservation, promoting non-conventional energy and waste management. This is to be accelerated.

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Co-operative Policy Perspective

Co-operative movement in Kerala has carved out a niche for itself in important sectors like credit (both Rural and Urban) banking, diary, agriculture marketing, consumers, handloom and handicrafts, fisheries, labour and housing activities. The indelible imprint made by co-operatives is identified by the government and hence the co-operative policy addresses the twin objectives of ensuring autonomy, independence and strengthening of the movement on the one hand and identifying it as a launch vehicle to implement various socio-economic security programmes of the government, on the other.

The state government is propounding a perspective plan for development which is pro-poor, environment friendly and proposes an alternate development model. The policy envisages strengthening and development of co-operatives as a tool for local economic development.

NABARD and Co-operative sector

During 1980s, co-operative societies in the agricultural sector of Kerala were functioning with the financial support of NABARD. The funds are primarily used for agricultural production and infrastructural development. In agricultural

production credit sector around 35 to 40 percentage of the agricultural credit dispersed as refinance are given at a subsidised interest rate. Along with that interest subsidy given by the central government from time to time is also available. In order to use the above said credit facilities effectively and thereby strengthen the agricultural sector, pressurising for getting a higher share to the state is also very important to the co-operative sector.

Some of the existing weaknesses

Co-operative sector which has given very significant contribution to the development of Kerala has to be taken forward aligning to the requirements of the new era. For that we have to examine the weaknesses and take necessary initiatives for correcting those weaknesses. Weaknesses of the three tier credit structure, decline in agricultural loans, mounting NPAs should be looked into seriously.

Weakness of three tier credit structure

1. Primary Agricultural Credit Societies (PACS) were unable to provide modern banking facilities to the members/account holders. Their area of operation was very limited. This geographical limitation drives away the customers from co-operative banks. Other than that those co-operative banks functioning at different level, different places using different software's are unable to provide technology based banking services to the young generations.
2. Main responsibility of three tier credit structure is to provide agricultural credit. By the time the refinance facility received at a lower interest rate from NABARD which passes through three tiers of State Co-operative

Banks and District Co-operative Banks and reaches the farmer through Primary Agricultural Credit Society, the actual beneficiary has to give higher rate of interest due to the interest margin imposed by different tiers.

3. Professional approach from employees as well as Board of Directors of three tier co-operative banking system as per the desires of the customers are lacking.
4. Severe imbalances can be seen in the resource availability and use of co-operative banks working in different areas. These imbalances in the credit deposit scenario curtail the development of co-operative banking sector.
5. Another weakness is that the isolated co-operative banks are not able to deal with NRI deposits and foreign exchange transactions.

Decline in Agricultural Credit

Agricultural loans provided by co-operative banks in Kerala are to the tune of only 10 percentages of the total loans. Policies of the central government which led to the neglect of the co-operative banks in the agricultural credit and the over emphasis given to the public sector – private – new generation banks resulted in this large scale reduction. Apart from this, changes that have occurred in the life style of Keralite, non-availability of agricultural lands, urbanisation, lack of workers, inadequacies in the scale of finance of crops have contributed to the large scale reduction of agricultural credit from co-operative sector.

Mounting NPAs

In a consumer state like Kerala, large scale difference between credit requirement and credit availing capacity exists. The habit of availing credit from different institutions without considering repayment capacity and using the available income for other purposes without repaying the loans taken from the co-

operative banks led to the substantial increase of NPAs. Besides that, anti-people policies like demonetisation led to the decrease in the transaction capacity of the people which in turn reflected in the mounting of NPAs. Now, 30 percent of the loans in PACSs in Kerala comes under the category of overdue loans. We should go forward by solving the above mentioned issues. It is also important to see the implementation of such schemes.

Strong intervention in rural sector

Co-operative movement has played a vital role in the development of rural sector in Kerala. At present Kudumbasree and SHGs are effectively working in this sector. There are also signs that the private money lenders who have been kept aside through the intervention of co-operative movement have started to tighten their grip once again. In order to strengthen the co-operative movement for eliminating the private money lenders who are trying to tighten their grip in the rural areas, establishment of a Collection Distribution Network will be initiated by linking co-operatives with Kudumbasree. Steps will be taken to establish a co-operative model in the microfinance scene in tune with the collection distribution model for relieving Keralite permanently from the clutches of money lenders.

Meeting the needs of new generation

The extent of participation of new generation in co-operative sector is another issue which exists now. Facing this problem actively is essential for the growth of the co-operative movement. It is also important to carry forward the interventions in the co-operative sector in such a way to help the various initiatives of the common man. It is important to formulate projects for that. Steps will be taken to attract youngsters as members in co-operatives and initiate special enrolment drive for them.

People friendly services

It is important to make the activities in the co-operative sector people friendly. It is also important to release the co-operative sector from the clutches of the bureaucracy, initiatives to convert them as people friendly institution is also very much essential. The introduction of new generation banks generated cut throat competition in the banking sector. Commercial banks have made use of science and technology and banking networks to provide access to people friendly processes. Modernising the co-operative sector to compete with them need to be taken as an important challenge. Linking of co-operative banks in Kerala with core banking network, verifying the cheque books and signatures through online and establishing system facilitating money transfers immediately are the important changes that are to be taken in the co-operative sector.

Intervention in agricultural sector

Shortfall in the development of primary sector is considered as the major weakness in the development of Kerala. Intervention will be strengthened to support the agriculture and small scale industry. A system will be introduced at the panchayat level itself for solving the problems in the disbursement of short term crop loans for paddy cultivation, vegetable cultivation etc, to increase the agricultural production and also for the marketing of those products.

Co-operative institutions and local self-government institutions should work together to enhance the production and productivity in tune with local conditions. This group effort will be of great help in the distribution of seeds, fertilizers, agricultural equipment and also for the storage and marketing of these products.

Co-operation and Local Administration

Integration of the activities of co-operatives and local bodies will be very helpful for agriculture and rural development. The co-operative movement and local self-government institutions are the two movements with a strong base of people in Kerala. Both these institutions are engaged in the economic development of the rural area. Primary Agricultural Credit Societies should be recognised as the official banking service providers of the local bodies. Funds of local self-government institutions should be deposited in co-operative banks and all banking transactions should be conducted through them.

Capital is very essential for the local development. Co-operative sector is capable for providing enough of it. The co-operative sector will be able to provide direct loans to implement the selected projects of local self-government institutions. Few such interventions like the EMS housing project, have taken place earlier. Along with this, loans can also be made available for commercially viable projects. Besides, loans can be provided to the beneficiaries of local projects for the implementation of the projects. Potential co-operatives can undertake projects which are included in those schemes on their own. Co-operative hospitals have set good models in many places. Co-operatives can play a leading role in such interventions. Co-operative sector will get many opportunities to work in liaison with local government institutions. If the plans of the local governments are arranged in accordance with the credit plans prepared by the co-operative institutions for the development requirements of each area, productive and complete utilisation of resources of co-operatives can also be achieved along with agricultural and rural development. Initiatives will be taken for such actions.

Formulation of Mega projects

It is important to produce value added agricultural products as part of strengthening agricultural sector in Kerala. It is to be ensured that co-operative sector is actively involved in this. Measures for introducing AMUL model schemes in different sectors will be put forward through the initiatives of co-operative sector. Initiatives for this will be taken by the State Government. Similar opportunities exist in different commodities like coconut, rubber etc. The Government aims to move forward by making use of these opportunities.

Policy Objectives:

The comprehensive co-operative policy in the state of Kerala which is felt, should have, among others the following basic objectives:-

1. CREATE a conducive environment for ensuring the independent and autonomous functioning of co-operatives.
2. ENABLE the co-operatives and LSGs to work together for the development of society. A holistic development model integrating both the institutions will pave way for creating an equitable and sustainable society in the state
3. RECOGNIZE the co-operatives as a vehicle to implement the developmental programmes of the state as well as central government.
4. ENDEAVOUR to build up a robust and vibrant co-operative movement in all sectors of the economy.
5. EXAMINE the existing recruitment policy in co-operatives and make necessary changes.
6. INFUSE professionalism in co-operative department and transform the department so that it keeps pace with the changes that take place in technological and regulatory environments.

7. REDEFINE the role of apex co-operative federations and federal societies
8. EFFORTS to empower women through co-operatives and increase the female labour force participation.
9. ATTRACT the youth to use the co-operatives for meeting their requirements with a view to appreciate the principles and values of co-operatives as an enterprise.
10. EQUIP the co-operatives to meet the demands of youth.
11. IMBIBE the idea and spirit of co-operatives in the minds of students by including co-operation in the curriculum and promote Co-operative Education and Research at College/University level.
12. PROMOTE innovative ideas and ventures in co-operative sector.
13. REVISIT the provisions of the Co-operative Societies Act and Rules to simplify, remove ambiguity and to make it member friendly.
14. LIQUIDATE spurious (non-genuine) co-operatives in all sectors so as to enhance the image and credibility of co-operative movement.

Interventions in different sectors:

1. It is proposed to restructure the short term co-operatives credit structure into two tier by merging KSCB and 14 DCBs with a view to consolidate the banking activities and take advantage of economies of scale through technology, professionalism, business expansion and diversification.
2. To increase the inflow of agriculture credit from the existing 10% to proposed 25% within next couple of years and further enhancement to 50% in a phased manner.

Primary Co-operative Societies

3. The primary agricultural credit societies shall continue to function as a multi service society for its members and general public.
4. To develop the existing long term credit structure offered by PCARDBs as an institution for promoting rural development by meeting at least 50% of all investment and infrastructure credit needs

Co-operative Marketing Societies

5. To reorient the functioning of co-operative marketing societies so as to undertake value addition of local cash crops with a view to augment export trade and there by earn foreign exchange.
6. The activities performed by existing consumer co-operatives in the state will be seriously examined and initiate liquidation process of non-working and weak primary consumer co-operatives. In such cases the activities presently taken up by primary consumer society will be transferred to PACS.
7. The entire existing District Wholesale Consumer Co-operatives will be strengthened. Both Primary Consumer Society and Primary Agricultural Credit Society (PACS) having consumer function will be offered membership in District Wholesale Consumer Society.
8. To enhance the production and productivity of milk for attaining self-sufficiency, encourage dairying as an occupation (main & subsidiary) through dairy co-operatives.

Co-operatives in traditional sector

9. To encourage fisheries co-operatives to create avenues for fishermen to ensure steady family income by providing employment opportunities during off seasons.

10. To protect and develop co-operatives in the traditional industries such as handloom, coir, tiny industries of the State by generating decent employment opportunities.
11. To mobilize and bring the work force into the ambit of labour co-operatives and engage them production, manufacturing and infrastructure development by imparting training to the unskilled workers and providing decent employment.

Weaker Sections

12. To promote development initiatives for women and encourage female labour force participation through co-operatives
13. To develop a positive attitude among children about co-operative movement and also utilize the potential of co-operative institution for arresting the exploitation of market forces in the area of education
14. To develop the SC/ST co-operatives by upgrading the skills and enhancing production to create market opportunities with the support of government and federations in a sustainable manner
15. Efforts will be taken to organise special co-operative societies for transgender for improving their living standards.

Other Sectors

16. To utilize the skills of those who have returned from abroad (Pravasi) by forming Pravasi Co-operative Societies.
17. To develop the hospital co-operative society to provide all types of health services at affordable rate.
18. To utilize the tourism co-operatives for providing tourism amenities and services, and to establish centres of production and marketing of indigenous products thereby, harnessing the growth potential of Kerala Tourism.

Co-operative Education

19. Co-operative education plays a vital role in modernising, professionalising and making it people friendly. Efforts will be taken to revise the syllabus and academic programme. Interventions for the capacity building programmes for the existing persons working in this field may be given more importance.

Other changes

20. To establish an apex co-operative federation for miscellaneous type co-operative societies.
21. To promote ventures under Section 14A of KCS Act and Rules for creating employment opportunities by mobilizing preferential capital from members and offering returns up to 49 percent of the net profit of that venture.

Conclusion

In the context of rising inequalities due to the neo-liberal policies, the basis of the co-operative policy is to equip the co-operative movement for effective interventions in shaping the overall development of the state and also reducing the inequalities in the society.
