

*25 Years of Learning*  
1975-2000



**Cooperative Development Foundation**

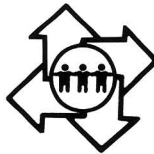
Hyderabad, Andhra Pradesh

## Some Basic Information on CDF

- The aim of CDF is to promote an environment in which cooperatives flourish as decentralised, democratic, self-help and mutual-aid organisations effectively harnessing and fostering local resources - in consonance with the Principles of Cooperation.
- CDF is an association of individuals registered as a society under the Societies Registration Act. These individuals, referred to as members in the CDF's articles of association, constitute the Board of Management. The CDF works within the frame-work drawn by the Board.
- In accordance with the CDF's articles, any individual, whose contribution/commitment to the cause of cooperatives has been significant, may be invited by the Board to be a member of CDF; provided that the number of members is no less than 7 and no more than 11. All members serve CDF in their individual capacity.
- CDF is registered with the Union Ministry of Home Affairs under the Foreign Contributions Regulation Act of 1976.
- CDF is granted exemption under Sections 12 and 80G of the Income Tax Act of 1961.
- The 25 years work of CDF can be divided into three distinct phases. During its **first** phase (1975-85), CDF concentrated its efforts on replication of Mulukanoor Cooperative in other parts of Andhra Pradesh. The main lesson learnt during the first phase was that the biggest hindrance in promotion and development of cooperatives, based on the concept of cooperation, was the Andhra Pradesh Cooperative Societies Act of 1964. This law contains several provisions which are not promotive of cooperation.
- The **second** phase (1985-95) was a sustained campaign on the part of CDF to advocate for a liberal cooperative law which was in consonance with the universally accepted principles of cooperation. In this campaign, CDF has had the support of several networks and alliances. This phase came to an end with enactment of *Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995* (Macs Act), a parallel and liberal cooperative law.
- The **third** phase of CDF's work started in mid-1995, soon after the enactment of Macs Act. Since then it has four tasks before it:
  - assist women and men in the areas around Warangal in forming and developing new generation cooperatives under the Macs Act, with a view to validate the fact that rural women and men are capable of managing their own organisations given a pro-citizen, liberal legal framework for that purpose;
  - disseminate the contents and implications of the Macs Act, throughout Andhra Pradesh, with a view to motivate a large number of ordinary people to organise themselves into cooperatives for their own economic and social development;
  - advocate for enactment of liberal cooperative law in other states with a view to see that the cooperative sector plays its legitimate role in a free market economy; and
  - disseminate the contents and implications of parallel and liberal cooperative law in the states where such a law is enacted.
- Every year CDF presents a detailed report of its activities and audited financial statements. The printed annual reports are circulated widely among friends and well wishers and made available, on request, to interested organisations and individuals.



1975-2000



Cooperative Development Foundation  
Hyderabad, Andhra Pradesh

## List of Abbreviations and Acronyms

AMTC	Association of Men's Thrift Cooperatives
ASC	Agricultural Service Cooperative
ATC	Association of Thrift Cooperatives
Avard	Association of Voluntary Agencies for Rural Development, New Delhi
AWDC	Association of Women's Dairy Cooperatives
AWTC	Association of Women's Thrift Cooperatives
CCRD	Centre for Cooperatives and Rural Development, Mussoorie
CDC	Centre for Development Communication, Hyderabad
CDF	Cooperative Development Foundation, Hyderabad
CEAF	Cooperative Education & Advocacy Fund
CIP	Cooperative Initiative Panel
CRF	Cooperative Revolving Fund
DRAS	Debt Relief Assurance Scheme
FAO	Food and Agriculture Organisation, Rome
FC	Farmers Cooperative
FF	Ford Foundation, USA
FNF	Friedrich Naumann Foundation, Germany
Hivos	Humanist Institute for Cooperation with Developing Countries, Netherlands
ICA	International Cooperative Alliance, Geneva
ILO	International Labour Organisation, Geneva
Irma	Institute of Rural Management, Anand
ISSC	Indian Society for Studies in Cooperation, Pune
LBSNAA	Lal Bahadur Shastri National Academy of Administration, Mussoorie
Macs Act	Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995
MCRB	Mulukanoor Cooperative Rural Bank
MTC	Men's Thrift Cooperative
Nabard	National Bank for Rural and Agricultural Development
NCDC	National Cooperative Development Corporation
NCUI	National Cooperative Union of India
NDDB	National Dairy Development Board
NGO	Non Government Organisation
PAC	Primary Agricultural Cooperative
PFC	Paddy Farmers Cooperative
PSGC	Paddy Seed Growers Cooperative
RBI	Reserve Bank of India
SRTT	Sir Ratan Tata Trust, Mumbai
TC	Thrift Cooperative
Vani	Voluntary Action Network India, New Delhi
WCDP	Women's Cooperative Dairy Project
WDC	Women's Dairy Cooperative
WTC	Women's Thrift Cooperative



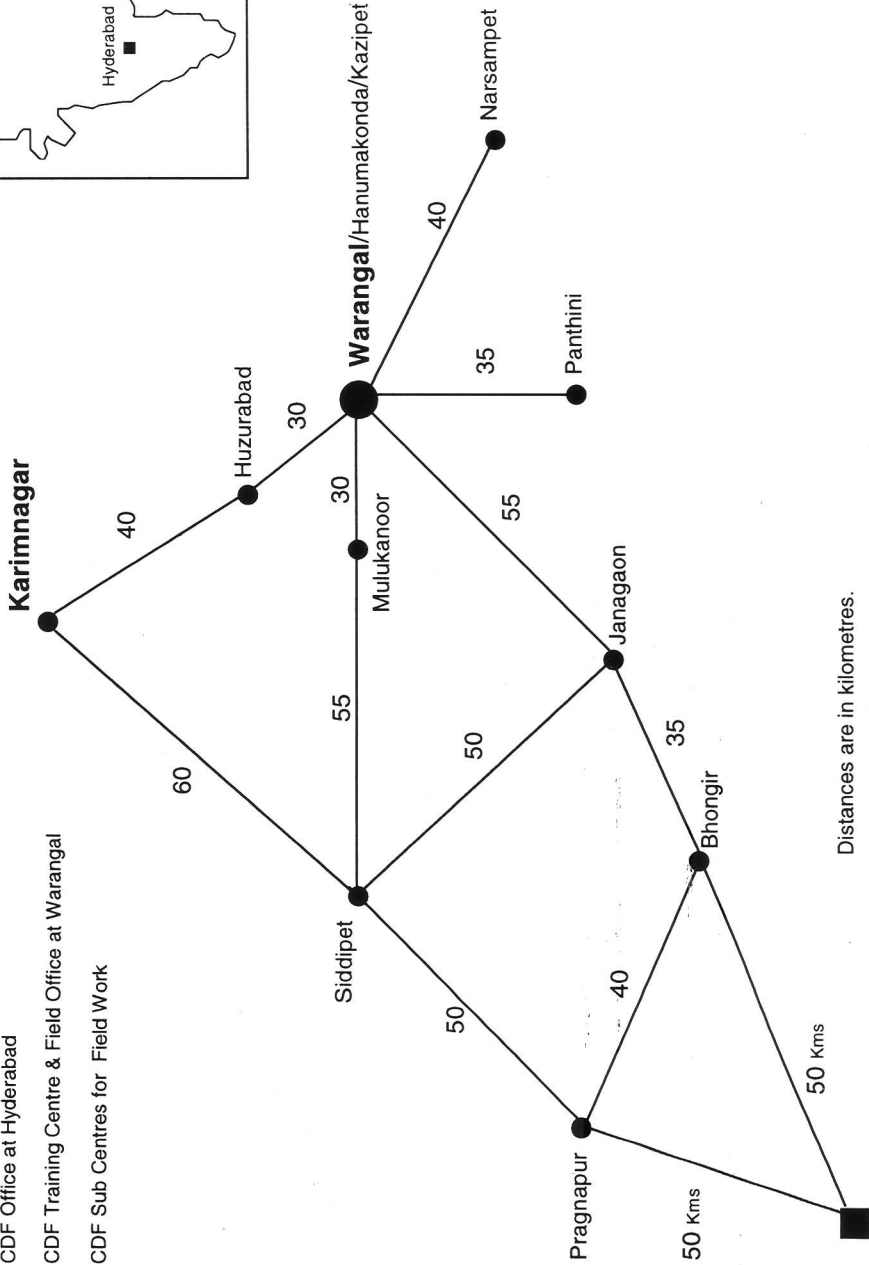
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# Cooperative Development Foundation Field Work Area

- CDF Office at Hyderabad
- CDF Training Centre & Field Office at Warangal
- CDF Sub Centres for Field Work



Distances are in kilometres.

**Hyderabad/Secunderabad**

Warangal, Hanumakonda and Kazipet form a single city. It is a major railway junction directly linked to Hyderabad, Chennai and Delhi. It is accessible by rail from almost every part of the country.

Stylised map:  
not to scale

# Introduction

Cooperative Development Foundation (CDF) began its work in 1975. In 2000, it completed 25 years of functioning. Twenty five years, in the life of any organisation, would have taught it something, and CDF has attempted to capture some of those learnings for its own benefit, as well as for sharing with others. This document has two objectives: it presents (a) as briefly as possible, the 25-year history of CDF for those interested in CDF; and alongside the history, (b) some of the key shifts over the years in CDF's thinking and working, based on what it learnt as it cruised along over a quarter of a century.

Looking back, CDF feels that it can classify most of its activities under five main interventions. The first was enabling primary agricultural cooperatives (PACs) to be as successful as the Mulukanoor Cooperative in Karimnagar district. The second was working for an improved legal environment in Andhra Pradesh. The third was engaging rural women and men in the designing and formation of new cooperatives. The fourth was ensuring that the new cooperative law introduced in 1995 in Andhra Pradesh was well used in the state. The fifth, begun more recently, is engaging other state governments in the enactment of liberal cooperative laws. In this report, however, the events and experiences of the 25 years have been presented under six main sections: (1) CDF and Agricultural Cooperatives; (2) CDF and the Cooperative Law; (3) CDF and Thrift Cooperatives; (4) CDF and the Cooperative Revolving Fund; (5) CDF and Voluntarism & Local Governance; and (6) CDF and its Funding. We hope that the reader will find this document interesting and useful.

## In brief

Twenty five years down the road, the Cooperative Development Foundation (CDF) would like to share its experiences with like-minded individuals and organisations and review some of the key shifts in its thinking and working.

CDF has been primarily involved in five areas – facilitating primary agricultural cooperatives (PACs), working for an improved legal environment in Andhra Pradesh (AP), assisting the formation of rural cooperatives, ushering in a new cooperative law in AP, and urging other state governments to enact liberal cooperative laws. The present report contains six sections: agricultural cooperatives, cooperative law, thrift cooperatives, cooperative revolving fund (CRF), voluntarism & local governance, and funding support.

For poverty to be dealt with, local self-governments, cooperatives and voluntary agencies have to be made vibrant. Hence CDF helped PACs to grow in size and type of membership, obtain finance from commercial banks and organise multiple services. But the more vibrant they became

the more vulnerable they were to harassment by cooperative departmental staff and auditors. PACs had to function within a regressive legal environment; but CDF consistently resisted governmental interference and helped educate members about the limited powers of the legislature and the executive, and how to respond to them appropriately.

To counter the vicious external policy and legislative environment in which PACs and other cooperatives functioned, CDF was formally organised in 1981 as a society. Its primary objective was to undertake cooperative advocacy work, manage and develop the cooperative revolving fund, and help cooperatives to form associations.

From being mere no-profit-no-loss centres, PACs were encouraged to perform well on the financial, management and democratic fronts also. As multipurpose cooperatives PACs were found to succeed only under extraordinary circumstances; cooperatives needed to work around single commodities.

Where paddy processing and

marketing through a cooperative has been successful, it has resulted in significant retention of wealth in the area. CDF has, more recently, helped farmers promote paddy seed growers' cooperatives and assisted rural women in forming dairy cooperatives.

Realising the unbridled powers exercised by the government and the registrar under the Andhra Pradesh Cooperative Societies Act of 1964 (APCS Act), CDF developed courses to demystify the law, helped the boards to understand cooperative legislation and to challenge in court the illegal directions and actions of these authorities. It campaigned relentlessly for changes in the cooperative law, adding accountability clauses. It campaigned for legislative reform, restoration of democracy and greater autonomy in cooperatives. CDF also served on the Brahm Prakash Committee, constituted by the Planning Commission in 1989, to draft a model cooperatives bill.

To protect autonomy and better define cooperatives, CDF drafted a special chapter for inclusion in the cooperative law, for cooperatives that did not seek or have government share capital. CDF was also on a committee in AP for drafting an alternate or a parallel law to give such cooperatives a new, correct image. A parallel law titled

*Andhra Pradesh Mutually Aided Cooperative Societies Act* (Mac's Act) was enacted in 1995.

CDF also drafted the Self Reliant Cooperatives Bill (or Referential Bill) for states wanting to review their cooperative law. It encouraged other states to follow the example of Andhra Pradesh. It worked closely with several state governments, with a view to getting a parallel law enacted. So far, Bihar, Jammu & Kashmir, Madhya Pradesh and Karnataka have enacted parallel, liberal cooperative law.

What emerges finally is that it is not important to be noticed; what is important is to ensure that reforms take place. From fiery campaigns, CDF has moved to more strategic, less visible planning and action, refusing to manipulate, opting for a low profile, waiting for better times.

It is a fact that all sections of the rural community want to save and can save, if they have an organisation within their control, through which their savings work for them. CDF, therefore, ventured into the promotion of women's thrift cooperatives (WTCs) and their associations, facilitating hitherto invisible women to become responsible and respected leaders of the community. By 31 December 1999, CDF had assisted over 38,200



women to form 143 WTCs, with total funds worth Rs 4.4 crores. In 1999, these women lent over Rs 5 crores to themselves. At the same time, 20,500 men were members of 91 men's thrift cooperatives (MTCs) with almost Rs 4 crores funds and loans given amount into Rs 5.3 crores.

Cooperative Revolving Fund (CRF) is a revolving fund made available to cooperatives to develop their member services. Started in 1978, its major contributors have been the Ford Foundation, Hivos, Cooperative Union of Canada, Novib and Misereor. On 31 March 2000, the CRF stood at Rs 8.7 crores. Since 1982, assistance amounting to Rs 24.4 crores was provided to 43 cooperatives, of which Rs 22 crores was towards working capital and the rest towards infrastructure building. The CRF Reserve Fund is Rs 25 lakhs and CRF Inflation Cover Fund is also Rs 25 lakhs.

CDF is a voluntary association registered under the Societies Registration Law and has stridently resisted governmental controls over voluntary agencies. To change negative legal provisions relating to the registration of societies, CDF

published a Model Bill. CDF has also served on the committees of several networks of voluntary agencies. It was consulted by the union and state governments on the issues of decentralisation, local self governance, and responsive administration. It was associated with the promotion of Lok Satta, a voluntary organisation campaigning for reforms in governance.

CDF has endeavoured to invest in only such development interventions that would change effectively local power structures, local economies, social and political equations. The processes used should be viable, sustainable and replicable. Over the past 25 years, CDF received grants amounting to Rs 2.6 crores only towards its recurring expenses.

CDF, in its fieldwork area, aims at reaching out to at least one lakh active and committed cooperators by 31 March 2002. CDF is aware that though it has worked in a small way, by having intervened in a specific field in a specific manner, it has learnt several valuable lessons which can be of use to others interested in cooperative action.



# 1 CDF and Agricultural Cooperatives

**C**DF had its origins in the Multipurpose Cooperatives Development Project begun in 1975 by a group of young politicians, keen to make their Panchayat Samithi progressive and well developed. They believed strongly that all sections of society could develop only if local self governments, cooperatives, and voluntary agencies flourished in the countryside. The elected representatives of the Rajendranagar Panchayat Samithi, close to Hyderabad, while surveying their area to plan for health, education, markets, infrastructure and other facilities for the people in the area, noticed that there were 54 primary agricultural cooperatives (PACs) within the Samithi, of which only 9 had any semblance of functioning. In order to understand why the performance of the PACs was so dismal, they decided to visit, along with the representatives of the cooperatives, the efficiently functioning primary agricultural cooperative at Mulukanoor in Karimnagar district.

The message that they brought back with them (not all of which stood the

test of time) was that for a PAC to be successful,

- it had to have an optimum size - it should be neither so large that internal democracy could be undermined, nor so small that its financial viability would be affected;
- it must offer all input services and provide processing and marketing services for members' produce; and
- it needed to be financed by a commercial bank, outside the traditional three-tier rural cooperative credit structure.

Along with these, an idea which was not learnt at Mulukanoor, but which the team was committed to at that time, was the inclusion of all sections of the village as members in the PAC.

## Replicating the role model

The team then took on a major exercise among the 54 PACs of Rajendranagar Samithi helping them to think through their past and their potential, and to put to use the Mulukanoor teachings. At the end of the dialogue and debate, the general

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bodies of the 54 PACs resolved to reorganise themselves into 15 PACs, to increase their membership and open it to agricultural labourers, rural artisans, women, and others not already in the cooperative, to provide services in addition to credit to their members, and to seek, by and large, only commercial (not cooperative) banks as financiers.

***Reorganised PACs showed remarkable progress in membership growth, in providing credit and input supplies, in profits, in member confidence reflected in increased share capital, in accounts and accountability.***

During 1975 and 1976, the voluntarily reorganised PACs showed remarkable progress – in membership growth, in providing credit and input supplies, in profits, in member confidence reflected in increased share capital, in accounts and accountability, with every cooperative presenting for the first time detailed annual reports and financial statements to its members.

In 1977, the team of volunteers felt enthused enough to want to institutionalise their efforts and experiences. They registered the Multipurpose Cooperatives' Association (MCA), as a society, with individuals and PACs as members. The president of the Mulukanoor Cooperative and the inspiration behind the effort, Shri AK Vishwanath Reddy, was elected president of the MCA. Meanwhile, based on the

Rajendranagar experiment and under pressure from the Reserve Bank of India (RBI), the state government compulsorily reorganised all 15,000 PACs in the state bringing their number down to 7,500.

In 1978, full-time staff members were appointed, and the mission extended to the development of 51 reorganised PACs in Rangareddy district, financed by commercial banks. In 1980, fieldwork was extended to another 50 PACs in Karimnagar district.

In the early years, the assumption had been that PACs could and should be all things economic to all people, and that what came in the way of their successful functioning was their small size, their cash-poor cooperative banker, their exclusive membership, the limited crop loans service, and the lack of necessary cooperative education and training among members, directors, managers and employees.

The PACs were helped to grow in size, to be more inclusive in membership, to get financed by commercial banks, and to organise multiple input services. Several training programmes, seminars, and workshops were held for

the functionaries of PACs, on management and development of their institutions. Officers from the head/regional offices and from branches financing PACs, of State Bank of India, State Bank of Hyderabad, Andhra Bank, and several district cooperative banks (DCBs), too, were given training in the concept and financing of PACs as multipurpose cooperatives. Most of the courses were paid for by the sponsoring banks.

A state-wide study of farmers' service cooperatives (FSCs) financed mainly by commercial banks was completed in 1980, and several special courses and workshops were held to help improve their management.

### Limitations with banks

A small revolving fund was created from grants, and amounts were kept as fixed deposits with banks as collateral to encourage them to lend to PACs for taking up non-credit services including sale of fertiliser, seed, pesticide, and other inputs for agricultural production. Bankers accepted the deposits but lent to PACs only nominally for non-credit business.

Member education and director and staff training through audio-visual programmes, pamphlets, booklets, courses, and regular board and

general meetings did yield results, and several PACs entered a new phase of vibrant and accountable functioning. Input supply services and consumer services were introduced.

Soon enough, however, leaders of PACs realised that as long as their PACs were dormant, no questions were asked. The moment they became active and members began to invest in the cooperative and to expect quality services, the leaders were harassed by some auditors and other officers of the cooperative department. Statutory enquiries, supersession of boards, and issuance of surcharge notices to boards made it clear that it was not enough that cooperators managed their institutions well; they had to understand better the legal environment in which they functioned and to manage that as effectively as their own institutions. The 15 PACs of Rajendranagar had established a vegetable, poultry and dairy cooperative federation, with the aim of marketing the produce of their members in Hyderabad city. An inquiry was initiated into its registration, but before it could be taken over, the federation returned to member PACs the substantial share capital that they had invested in it.

***Soon enough, leaders of reorganised PACs realised that as long as their PACs were dormant, no questions were asked. The moment PACs became active and members began to invest and to expect quality services, the leaders were harassed by the cooperative department.***

***Many good cooperative leaders were taken aback by the brazen attempt to change the composition of the membership for the purpose of voting, and did not contest elections.***

Experience also showed that PACs with corrupt functionaries were harassed less. Early extension work in new districts revealed that two sets of books of accounts were maintained by many PACs, with the active encouragement of some officials of financing banks and the department of cooperation. The official set of accounts showed members as having received loans, having repaid them with interest, and having received fresh loans of larger size. Many members had received loans only once and had chosen not to repay them, but they had to sign all the documents necessary for the book adjustments to be made. The real books of accounts showed that just a handful of influential persons in the village and some of the bank and even department staff were the real subsequent borrowers. They in turn were using the amounts either for their own needs, or for on-lending at local rates to individuals. Cooperative education and training did little for these PACs, primarily because members' stakes in these organisations was insignificant. Supposedly stringent and corrective provisions in the law were not applied in such cases.

### **Long-awaited elections**

In 1981, elections to cooperatives

were announced after a long gap during which boards nominated by the government had been in office. The government declared several districts as drought affected and would not permit any loans to be recovered from members. When members of well-functioning PACs continued to repay their loans, questions were raised in the Legislative Assembly about the right of cooperatives to collect loans from their members at a time when the government had declared crop failure. CDF helped PACs to educate their members about the limited powers of the legislature and the executive, to respond to them appropriately, and to continue with the collection of loans.

For the first time, elections to all PACs were organised by the department of cooperation, in the manner of conducting general elections. Earlier, the conduct of elections in most PACs had been their internal business. In 1981, elections in PACs became a public affair. Large numbers of members were enrolled just before the elections by the boards nominated by the government, altering the very composition of the cooperatives. Many good cooperative leaders, already disenchanted with the compulsory reorganisation process of 1976, were taken aback by the brazen attempt to change the membership for the



purpose of voting, and did not contest elections.

The common cadre of full-time secretaries (known widely as paid secretaries) of PACs, accountable to an appointments committee of the district cooperative bank, and transferable and punishable by it, added to the woes of PACs. Secretaries chose the loan recovery and lending seasons to strike work, and the government, illegitimately and illegally, negotiated with the leaders of the cadre on behalf of PACs. The result was that a large number of PACs paid to their secretaries salaries far exceeding their total income. MCA helped its member PACs to resist the appointment of common cadre secretaries in them, and also to develop good personnel policies whereby the secretaries and other staff performed better, were more accountable, and had better service conditions.

### **CDF takes formal shape**

Concerned about such a vicious external policy and legislative environment in which PACs functioned, the general body of MCA resolved formally in 1981 to promote CDF (initially called Samakhya) also as a society. MCA handed over to CDF

some of its resources, as well as a part of its agenda. The primary objectives of CDF were to undertake cooperative advocacy work, manage and develop the revolving fund for the use of PACs, and help other types of cooperatives to form associations similar to MCA. CDF was registered in 1982 with Shri EV Ram Reddi, a retired senior civil servant reputed for his integrity and intellect, as president.

CDF worked on its mandate, while MCA continued to work for the development of its member PACs. By 1984, MCA had 64 PACs as members from 16 districts. The performance of member PACs was distinctly superior to that of non-member PACs in the state. Member-savings and member-control had increased significantly. The value of a share was increased from Rs 10 to Rs 100, regular thrift was introduced in MCA's member cooperatives, and loan eligibility was reduced from 10 times the share capital to 5 times the share capital and deposits. Years later, the government again followed the example of these PACs, and changed the value of a share in PACs to Rs 100.

The cost, volume and profit analysis (CVP Analysis) of various divisions of the Mulukanoor Cooperative, of 7 years of business, had indicated that

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the cooperative's credit division was profitable only after it crossed Rs 1 crore of lendings, and that the cooperative's real profit centres were its fertiliser business, its paddy processing and marketing division and its seed processing division.

MCA's member PACs were then discouraged to take up consumer services. A series of studies was then initiated - on the functioning of rice mills in PACs, on the feasibility of designing a model paddy processing cooperative, on the status of rice mill machinery in various cooperatives, on accounting systems, on making credit operations profitable, on interest sharing by state cooperative banks (SCBs) with their constituents, on the impact of a successful PAC, and on the feasibility of establishing rice mills and seed-processing plants in various member PACs. The Indian Institute of Management, Ahmedabad, the Indian Institute of Technology, Kharagpur, the Institute of Rural Management, Anand, the Administrative Staff College of India, Hyderabad, Cooperative College of Canada, International Cooperative Alliance's CEMAS project, International Labour Organisation's MATCOM project, Food and Agriculture Organisation's AMSAC

project, Plunkett Foundation of Cooperative Studies, COPAC, and several other leading institutions assisted CDF in understanding issues more clearly.

### **Awards for good performance**

The findings of most of the studies were translated into Telugu, and copies made available to the boards of PACs for debate and discussion. A series of discussions and workshops on setting performance standards for member PACs had already been initiated in 1981, and this had resulted in PACs defining themselves, their objectives, their agenda, their members' expectations, and the standards which they thought they ought to live up to. PACs were helped to convert the internationally acceptable principles of cooperation into measurable performance standards. An annual award for good performance was set up based on the performance standards agreed upon. Till then, there had been an underlying assumption that cooperatives ought to work on a no-profit, no-loss basis, and the exercise resulted in member PACs wanting to perform not just on the service front, but also on the financial, management and democratic fronts.

***PACs were helped to convert the internationally acceptable principles of cooperation into measurable performance standards. An annual award for good performance was set up, based on the performance standards agreed upon.***

In 1983, CDF financed, from its revolving fund, the first cooperative rice mill in order to encourage PACs to take up produce processing and marketing services. During the discussions at each member PAC on the establishment of rice mills, the conflicting interests of a diverse, heterogeneous membership first came to the fore. In cooperatives with a significant percentage of agricultural labourers in membership, the general body refused to allow even a discussion on investment in agro processing plants. In PACs with some homogeneity in membership, rice mills, cotton ginning units, and seed-processing plants were set up. For the first time, CDF appreciated the National Dairy Development Board's (NDDB) stand that multi-purpose cooperatives could succeed only under extraordinary circumstances, and that cooperatives needed to work around single commodities.

In 1984 the terms of the elected boards came to an end and once again elections to PACs were postponed. Government officers were appointed as persons-in-charge of all PACs in the state. Most of the persons-in-charge were overwhelmed by the marketing divisions. Meanwhile the

state government (elected in 1983) had introduced a scheme to provide rice at Rs 2 a kilogram to the poor. In order to be able to do that, it set up a cooperative rice mills federation, and required all PACs with rice mills to work under the federation's directions, and to supply to the federation cheap rice for supply to the government for its public distribution system.

The general bodies of PACs which were members of MCA appointed advisory committees and resolved, notwithstanding the provisions in law, that the persons-in-charge would function in accordance with the advice of these committees. The PACs also refused membership in and control by the rice federation.

### Undermining democracy

The Telugu Desam Party, now in government, repeated what the Congress Party, previously in government, had earlier done-it found excuses not to conduct elections. Finally when in 1987 it conducted elections under court directions, large numbers of members were enrolled on election eve by the officers-in-charge, in a bid to influence the election results. MCA mounted a campaign to protect its members from all these moves, and most member PACs mobilised their members for stiff

***Finally when in 1987 TDP conducted elections under court directions, large numbers of members were enrolled on election eve by the officers-in-charge, in a bid to influence the election results.***

resistance to governmental moves to destabilise them.

Performance of the PACs suffered greatly under the regime of person-in-charge. Initiatives to set up rice mills by elected boards were left half complete by the persons-in-charge, or, if commissioned, left unused, resulting in financial losses. In order to get staff support, the officers appointed as persons-in-charge hiked steeply their salaries and turned the staff against the return of democracy in cooperatives. It took the elected boards a while to get PACs to become functional again. Some, however, could not return to normalcy because of the losses incurred and because of some irrevocable trends that had set in during the interregnum.

CDF used the period 1987-90 to help MCA's member PACs, over a 100 by then, to rethink their multipurpose character. MCA itself changed into a federation of paddy cooperatives, but most of the PACs which were its members found that they could not convert themselves to paddy processing and marketing cooperatives. MCA was then left with just a few PACs which intended to make paddy/rice marketing the key service for their members. CDF then helped MCA promote new paddy cooperatives.

***CDF cannot claim that the paddy cooperative experience has been a success, for these cooperatives have had their ups and downs.***

### **Paddy farmers' federation**

MCA, now named Paddy Farmers' Federation (PFF), chose to make the new cooperatives [registered under the Societies Registration Act, because they were denied registration under the Andhra Pradesh Cooperative Societies Act of 1964 (APCS Act)] its wings rather than its owners. The result was that decision on buying, processing and selling paddy were made by the PFF for the new groups spread in 5 districts. For the paddy-centric PACs, PFF offered consumer sale points in Hyderabad and Warangal. The PFF experience, predictable because of the centralisation of decisions, was an unhappy one. PFF ran into losses. The old cooperatives which were affected a little but had staying power, recovered quickly, and carried on by themselves as before. Some of the new societies used the opportunity to assert their independent identities. PFF closed operations, and CDF encouraged the new societies to plan for themselves and to act as independent organisations.

In 1995, with the enactment of the Andhra Pradesh Mutually Aided Cooperative Societies Act (MacS Act), the new societies registered as cooperatives. CDF cannot claim that the paddy cooperative experience has

been a success, as the cooperatives have had their ups and downs. Bankers refuse to finance them, primarily because most banks finance rural industry only if the owners, apart from hypothecating stocks, and mortgaging the financed property to the bank, also mortgage urban personal property to the bank. Cooperative leaders often do not have urban property worth mortgaging, and even if they did, the lack of assurance that they will be on the elected board for any length of time makes it difficult for them to mortgage their properties for the sake of the cooperative. CDF has been the sole external source of finance for paddy cooperatives.

Conditioned by the PAC experience, CDF and the paddy cooperative promoters tended to hold discussions with potential members from a large

number of villages when setting up a paddy cooperative. Feasibility reports and draft bylaws were finalised after discussion with a large number of farmers in several villages around a potential cooperative. Later, it was felt that a paddy cooperative was probably best set up for a single village with at most neighbouring hamlets included, if there was enough paddy acreage under it. Where paddy processing and marketing through a cooperative has been successful it has influenced the local markets, and has resulted in significant retention of wealth in the area. CDF is yet to extract from the success stories the essence of what makes a paddy cooperative succeed, and to then use that learning for replication. CDF has, more recently, helped farmers promote paddy seed growers' cooperatives, and rural women to form dairy cooperatives.

***Where paddy processing and marketing through a cooperative has been successful, it has influenced the local markets, and has resulted in significant retention of wealth in the area.***





## 2 CDF and Cooperative Law

***Apart from the registrar's power to direct the compulsory amalgamation, division and merger of cooperatives, the registrar could unilaterally alter the bylaws of a cooperative, even against the wishes of the general body.***

As early as in 1977, the promoters of CDF had their first whiff of the predatory nature of the Andhra Pradesh Cooperative Societies Act of 1964 (APCS Act). For reorganising PACs across the state, the law had been amended to enable the government to compulsorily amalgamate, divide, and merge cooperatives, even if the general bodies were against such reorganisation. The law also provided for the nomination of boards by the government in the resultant cooperatives. While nominating boards to all the PACs in the post reorganisation phase, the government also removed the elected boards of the 15 PACs of Rajendranagar, which had not been affected by the government-sponsored reorganisation. As an apparent concession, the same boards were retained in office, but as boards nominated by the government. While members of an elected board could stay in office for their full term, a nominated board had a 3-month term extendable again and again by the government, each time for a period of 3 months. During the Emergency of 1975-77, many

cooperative leaders of the area had been vocal about their opposition to it. Local legislators, bankers, department officers and staff of the well-functioning PACs of Rajendranagar saw to it that at the end of the first period of 3 months, the boards (now in a nominated capacity) were not given an extension.

In the early 70s, under the scheme of creating half a million new jobs, the state government had established through law a common cadre of paid secretaries for all PACs in the state. As a consequence, the chief executive of a PAC had to come from this common cadre, except in extraordinary circumstances where a PAC was permitted to appoint a person of its choice.

### **Regressive provisions**

In the late 70s, during the phase of reorganisation, more regressive provisions were included in the law. Apart from the registrar's power to direct the compulsory amalgamation, division and merger of cooperatives, if satisfied that it was necessary, the registrar could unilaterally alter the bylaws of a cooperative, even against

the wishes of the general body. S/he could give directions to a cooperative in its interest and in public interest as defined by the registrar, and the cooperative had to comply with these directions. Staff service conditions had to be approved by the registrar. Elections to most cooperatives were to be held in the manner laid out in the Rules under the Act, by election officers appointed by the registrar. Some seats on the boards were reserved for certain sections of society regardless of their strength in the cooperative's membership. The government could postpone elections, and appoint persons-in-charge. Powers of the registrar to inquire into the affairs of a cooperative, to supersede the elected board and to nominate a board or appoint a person-in-charge in its place already existed in law.

The government and the department developed a vested interest in the non-conduct of elections. This was further encouraged by the fact that audit, by law, was also to be done only by a person appointed by the registrar, accountable to him/her and not to the cooperative. The auditor was often subordinate to the person-in-charge which made the audit report suspect. Worse, the law did not require the previous year's audited statements to be placed before the general body of

a cooperative. Audit was, as a result, delayed for years together.

Several provisions in the Rules exceeded the brief of the Act. One such example was a provision in the Act to ensure that idle funds in cooperatives were safely invested, and not used to play the stock market. The correspondent Rule required that even to invest in its own business, a cooperative had to seek the permission of the registrar.

If cooperative law was bad, its application was worse. Powers not provided for in law were exercised by the department of cooperation. In the early years, CDF helped the boards to understand cooperative legislation well and to challenge many of the illegal directions and notices issued to member PACs. It developed courses which demystified the law and enabled PAC functionaries to locate relevant provisions in law when circumstances called for that, to interpret them and to respond to situations arising out of malafide application of law by the department.

### Challenging the law

CDF helped PACs to challenge the illegal actions of the government/registrar in court, and discovered that courts tended to be very unsympathetic to boards of cooperatives. Active and responsible

***If cooperative law was bad, its application was worse. Powers not provided for in law were exercised by the department of cooperation.***

***The TDP government then went on to surpass the Congress government in trespassing on cooperative territory. It refused to conduct elections to PACs when they became due in October 1984.***

individual members of PACs, normally considered to be from the disadvantaged sections of the community, were helped to approach the courts and the response was much better, with the cases presented from the viewpoint of the individual as an affected member. Even so, courts were unwilling to strike down any provision in law as being unconstitutional. It was at best willing to interpret the law in favour of members of cooperatives, and to direct the government/registrars to behave.

In 1983 with a non-Congress government in position for the first time in the state, and the registrar, Shri SK Arora, committed to legislative reform, CDF began a serious dialogue with the government on the need to review the cooperative law. The young government set up a cabinet sub-committee headed by the Minister for Cooperation Shri Jana Reddy, to review the cooperative law and suggest reform. CDF was asked to assist the committee, which it did. The process was very educative, and the committee conducted a very thorough review and made its recommendations. CDF had recommended and the committee had accepted several new provisions which freed cooperatives from undue

restrictions, and, required cooperatives as well as the department of cooperation to be accountable for their actions. Unfortunately, just as the exercise ended, the union government had the Telugu Desam Party thrown out of government, and a rival pretending to have the support of a majority of the legislators was installed by the Governor. When the Party returned to govern a month later proving its majority in the Legislative Assembly, it admitted its new dependence on various other parties and expressed its inability to pursue its independent line of thinking on cooperative law.

The government then went on to surpass the Congress government in trespassing on cooperative territory. It refused to conduct elections to PACs when they became due in October 1984. It appointed persons-in-charge to all and took control of the cooperatives. It amended the cooperative law, further reducing cooperative autonomy but with the accountability clauses that CDF had suggested. The accountability provisions relating to the department, however, were not incorporated.

CDF made several representations to the government, reminding it of its earlier commitment to promoting legislative reform. The government

was adamant. Protests were then staged in Hyderabad, Warangal and Karimnagar during the annual cooperative week. General body meetings in PACs associated with CDF successfully resisted governmental moves to change their basic membership through the proposed reorganisation.

### Vindication at last

CDF helped MCA and its member PACs to approach court for the restoration of their right to elected managements. Lawyers were educated on cooperative philosophy and on the vitiation of this philosophy by provisions in the cooperative law. Between 1984 and 1986, CDF mounted a well-organised campaign for the restoration of democracy in cooperatives, and both media and the courts took an active interest in the issues bothering cooperatives. Several editorials and leaders appeared in the vernacular press. A very good judgement was delivered directing the government to conduct elections at the earliest. CDF filed for contempt of court when the government did not act on this judgement, and rather than face contempt charges, the government hastily announced elections.

However, before elections, once again reorganisation of cooperatives took

place. Where earlier the president of a cooperative was elected by the board members from among themselves, the law was now changed so that the president was elected directly by all the members. This later enabled the party in government to play with the boards of PACs. Attempts were made to divide well-functioning cooperatives, and to add to them some villages of other cooperatives, so as to change their membership profile and allow local party workers to win the cooperative elections. The short and long term credit cooperative structures were merged. Massive enrolment of members took place with the government placing full-page advertisements in the newspapers encouraging people in rural areas to become members of PACs.

Several writ petitions from across the state were filed in the High Court against the reorganisation, against withholding of elections, and against enrolment of members. CDF helped lawyers and other PAC representatives prepare their briefs well, and for weeks together, the court was busy with issues related to cooperatives. CDF held regular press conferences and briefings and also engaged all opposition leaders in the issuing of joint statements on the need for greater autonomy in cooperatives.

***CDF mounted a well-organised campaign for the restoration of democracy in cooperatives, and both media and the courts took an active interest in the issues bothering cooperatives.***

***Most PACs across the country covered a large contiguous area, and, therefore, of population of significance to legislators. It was unlikely that legislators would rewrite the cooperative law to give freedom to PACs.***

In mid 1990, when the terms of elected committees came to an end, once again elections were withheld. This time round it was the Congress Party which was running the government in the state and again several cooperatives went to court and several lawyers presented their cases well in court. Court directions to the government to conduct elections were obtained relatively quickly. Finally when elections were held early in 1992, in order to wrest "power" in cooperatives from the Telugu Desam Party, the Congress government decided that it was committed to the women's cause. It introduced an amendment to the cooperative law providing for the nomination by the registrar of two women to most cooperatives in the state, after the declaration of election results. Elections to the president's position was once again to be by the board, after the nomination of the two women. Where the Congress Party workers did not win a majority of the seats, the provision for women's nomination came in handy for the party to get its majority, in many cases. Women were nominated even in all women's cooperatives, where the entire membership and board consisted of women.

### **Model Cooperatives Bill**

Meanwhile, even while the Congress

was in government in the state, the National Front government took charge at the centre in late 1989. Shri LC Jain, a Member of the newly-formed Planning Commission asked CDF to draft a Model Cooperatives Bill for review and finalisation by the Brahm Perakash Committee set up by it. CDF also served on the committee. The committee finalised the model bill and submitted it in 1991 to the Planning Commission, which in turn submitted it to the union government recommending its adoption by all the states.

The Union Cabinet Secretary invited CDF for discussions on the worthwhileness of getting the Constitution amended to protect cooperative autonomy, and to define cooperatives correctly, so that courts appreciated their democratic nature when dealing with their grievances. The National Front government fell, and the issue was shelved for a while.

By 1993, CDF was well aware that most cooperative laws were written keeping the PAC in view. Most PACs across the country covered a large contiguous area, and, therefore, of population of significance to legislators. It was unlikely that legislators would rewrite the cooperative law to give freedom to PACs. So, too, the department of cooperation had 3 times as much staff as was



sanctioned by the treasury. It, therefore, could not agree to a liberal cooperative law, as then all its staff working in cooperatives as sale officers, auditors, election officers, persons-in-charge, liquidators, managers, and staff would have to return to the department and the career growth of individuals would get affected as a result.

### The new chapter

CDF, therefore, drafted a special chapter for inclusion in the cooperative law, for such cooperatives as did not seek or have government share capital. Several workshops were held for cooperatives across the state on the usefulness of such a chapter. Officers of the cooperative department, too, joined the debate.

In 1981, CDF had initiated the PLN Raju Memorial Lecture series as an annual event. Shri Morarji Desai, Shri M Ramakrishnayya, Shri LC Jain, Shri Sharad Joshi, Prof David Korten, Dr V Kurien, Smt Ela Bhatt were among the several eminent speakers at the lecture series which CDF found very educative for itself and its constituents. In 1994 CDF invited Shri Mani Shankar Aiyar, Member of Parliament, to deliver the year's PLN Raju Memorial Lecture titled "Cooperatives and the Need for Constitutional Reform". The lecture

revived CDF's interest in seeking a Constitutional amendment for cooperatives.

In the same year, CDF commissioned an independent study headed by Shri M Ramakrishnayya, former Deputy Governor of the Reserve Bank of India and Chairman of Nabard, on the status of the cooperative law in Andhra Pradesh. The study group held public hearings at several centres in various parts of the state and also interacted with individual cooperators, department officials, bankers, legislators, activists, and academicians on their views on cooperative law.

### Parallel law

The report of the study group was released in early 1995 by Shri Devender Goud, Minister for Cooperation in the newly-formed Telugu Desam government. The Minister arranged for a meeting with the Chief Minister Shri NT Rama Rao, who set up a small official committee with Shri VS Sampath, Secretary for Cooperation, Shri S Bhalerao, Registrar, and Dr Jayaprakash Narayan, Secretary in Chief Minister's Office, to draft an alternate Act to replace the existing cooperative law. CDF was also asked to be on the committee. Soon enough, the team realised that a repealed Act would

***In 1994, CDF commissioned an independent study on cooperative law in AP. It held public hearings in various parts of the State and also interacted with cooperators, department officials, bankers, legislators, activists and academicians.***

***CDF was anxious to get the parallel, liberal law enacted while the government was still in a euphoric and responsible mood. As the Assembly session drew to a close in early May 1995, CDF worked to see that the Bill was introduced, debated on, and passed unanimously by the Assembly in that very session.***

have financial ramifications for the government, and may require discussion and negotiation with external financing agencies such as Nabard, NCDC and NDDB. The Law Secretary then suggested that it would be wiser either to have a chapter for cooperatives without governmental stake, or to have a parallel law for such cooperatives. CDF, too, felt that a parallel law would help give cooperatives a new image, a correct image, especially in the eyes of courts which had held that “cooperatives, from the inception, are governed by statute. They are created by statute, they are controlled by statute and so, there can be no objection to statutory interference with their composition on the ground of contravention of the individual right of freedom of association.” Unfavourable Supreme Court judgements which had guided many court decisions in the past could now be treated as inapplicable to the new generation of cooperatives, with a member-controlled, member-centric, private organisation.

A parallel law was then drafted and the Cabinet reviewed the draft, finalised it, and the government then introduced it in the Legislative Assembly. Keeping the 1983-84 experience in mind, CDF was anxious to get the new law passed while the

government was still in a euphoric and responsible mood. As the Assembly session drew to a close in early May 1995, CDF worked with the Legislative Affairs Minister and with floor leaders of the opposition parties to ensure that the Bill was introduced in that session, and that a well-informed discussion followed. The Bill was indeed introduced, debated on, and passed unanimously by the Assembly in that very session.

CDF then worked to ensure that the new law was notified. It arranged for the felicitation of the Chief Minister by Shri LC Jain, Dr Verghese Kurien and Shri Mohan Dharia of Cooperative Initiative Panel, and for the handing over, by the Chief Minister to the promoters of new cooperatives, their registration certificates under the new law. CDF and the department of cooperation worked on assisting promoters of cooperatives under the new law, in the framing of bylaws. The general body of the Mulukanoor Cooperative, once again under a person-in-charge, managed to resolve to convert to registration under the new cooperative law.

### **More converts**

CDF worked with the NDDB and dairy cooperative unions in Andhra Pradesh to enable the latter, too, to convert to the new Act. The NDDB took a policy

decision to waive the requirement for guarantee from the government for its loans to such dairy cooperative unions as shifted to the new Act.

At the suggestion of the registrar, CDF worked in close collaboration with the department of cooperation in the conduct of workshops across the state to enable department officials to become familiar with the provisions of the new Act, and also to educate cooperators, activists, and potential cooperators about the new Act and how it could be useful to them.

Press conferences were organised in many districts, where the registrar and CDF briefed the press about the new Act. Several publications were brought out jointly in collaboration with the department of cooperation on registration under the new Act, on the framing of bylaws, on the spirit behind various provisions in the Act. Special courses were also held for employees cooperative credit societies, for the State Cooperative Union staff, for voluntary agencies and others.

Shortly after the new enactment, registration of cooperatives was being delayed unnecessarily in many instances. The workshops and close collaboration between CDF and the department of cooperation helped regularise registrations. In one

instance when the registration under the new law of a dairy cooperative union earlier registered under the older cooperative law was challenged in court, the High Court passed a landmark judgement appreciating the distinction between the older and the new laws, and holding the conversion to the new law by the union valid. It was important to CDF that the distinction be made, so that cooperatives under the new Act were not treated as arms of the state. The High Court further declared that the enactment of the Macs Act of 1995 was within the constitutional competence of the state legislature.

In 1996, CDF drafted a Bill with commentary for the reference of such states as wished to review their cooperative law, and to repeal it. The Self Reliant Cooperatives Bill (also known as Referential Bill) was first drafted as an Act to repeal the existing state laws. However, when CDF organised a series of national - level workshops to review the draft, jurists, cooperators, activists, legislators, parliamentarians, and others suggested that the draft be revised to be a parallel and not a replacement Act. Several other suggestions, too, were made, and the final draft published in 1997 was a vast improvement on the first draft.

***The AP High Court passed a landmark judgement appreciating the distinction between the older and the new laws, and held the conversion to the new law by a dairy union valid. It further declared that the enactment of the parallel law was within the constitutional competence of the state legislature.***

## Debate on constitutional reform

In the same year, CDF also held a workshop to debate on the need for Constitutional reform in relation to cooperatives. The workshop, which had some of the finest jurists and parliamentarians, changed CDF's perspective on the need to touch the Constitution. One major concern expressed was that issues unrelated to governance, which ought to be dealt with by the states, ought to be dealt with at state level, and not through a Constitutional intervention. Another concern was that every group of citizens with a grievance, however legitimate, ought not to expect a Constitutional amendment as a solution. In fact, the Union Government, later that year drafted a Constitutional amendment for the setting up of "independent" election, recruitment and audit authorities. CDF was quick to respond and point out that cooperatives were not part of the governance structure; they were private organisations, and it was for their members and not the Constitution to arrange elections, recruitment and audit.

Karnataka, with a Janata Dal government, worked in 1996-97 on its parallel law, but it chose to transfer the powers of the registrar, not to members of cooperatives, but to a

new body called "The Federation". CDF used every opportunity provided to it by the state government to educate it on the need to transfer powers to the members, and not to a new power-broker. The state government, however, thought it was breaking new ground, and wanted to make a point of not following the Andhra Pradesh example, the Bill was sent to the President for his assent, which was given in March 2000. The new law, Karnataka Souharda Sahakari Adiniyam 1997 (Karnataka Self Reliant Cooperatives Act 1997), has yet to come into force.

## Creating awareness among all states

CDF realised that if Andhra Pradesh were to be the only state to have a parallel cooperative law for any length of time, there was every likelihood that the law would at some stage be rescinded or merged with the existing law. CDF sponsored an independent study of cooperative law in Uttar Pradesh on the lines of the AP study. The study group submitted its report in 1997. However, with governments in the state falling like ninepins, CDF did not think it worth investing in bringing the study to a logical conclusion.

CDF then worked in collaboration with the Centre for Cooperatives and Rural

***Issues unrelated to governance, which ought to be dealt with by the states, ought to be dealt with at state level, and not through a constitutional intervention..... Every group of citizens with a grievance, however legitimate, ought not to expect a constitutional amendment as a solution.***

Development (CCRD) in Mussoorie to conduct jointly a series of workshops for senior civil servants and others, in order to spread the concept of a parallel cooperative law. Bihar, the other major state with a non-Congress government, passed a parallel cooperative law as early as in 1996. In 1998, the department of cooperation in Bihar invited CDF to conduct a workshop in Patna to help publicise their new cooperative law. The workshop was also used as a means to educate the officers of the department and activists on the provisions in the new law.

The Jammu and Kashmir Government invited CDF and CCRD to advise its committee on cooperative legislative reforms. CDF worked with the committee and assisted it in the finalisation of its Bill in 1998, using the Referential Bill as base. CDF was also invited by the Minister for Cooperation to address legislators of various parties on the need for legislative reform in the state. Jammu and Kashmir passed a parallel Act in 1998, and this was notified towards the end of 1999.

The Punjab government set up a committee to suggest legislative reforms, and again CDF and CCRD were associated with the committee. The Punjab government was in favour

of a parallel cooperative law. Political equations in the state, however, left the government too weak to be venturesome, and to cross swords with its department of cooperation which was totally opposed to any move to reform the cooperative legislative environment.

In 1998, CDF held a workshop in Hyderabad, to discuss with activists and departments of cooperation from across the country the need to promote a new generation of cooperatives. The workshop included a study visit to cooperatives registered under the new cooperative law in Andhra Pradesh, and had representation from several states across the country.

### **Other states follow**

Meanwhile, the governments of Tamil Nadu, Uttar Pradesh, Madhya Pradesh, Orissa, Maharashtra, and Goa set up committees to study the functioning of cooperatives under the new law in AP, and to suggest legal amendments in their own states.

CDF identified collaborators across the country and conducted a series of state - level workshops in 1998 and 1999, to pressurise state governments to pursue legal reform in the cooperative sector. CDF's main contention was that liberalisation should be for all. Rural communities

***CDF then worked in collaboration with the Centre for Cooperatives and Rural Development (CCRD) in Mussoorie to conduct jointly a series of workshops for senior civil servants and others, in order to spread the concept of a parallel, liberal cooperative law.***

***Disadvantaged sections could not be denied the freedom to establish and run their own organisations and businesses, even while governments continued to express their commitment to liberalisation and globalisation.***

and other disadvantaged sections could not be denied the freedom to establish and run their own organisations and businesses, even while governments continued to express their commitment to liberalisation and globalisation.

The committees set up by Madhya Pradesh and Orissa governments invited CDF to review their draft parallel laws. In 1999/2000, Madhya Pradesh passed its parallel cooperative law for self-reliant cooperatives. At the time of writing this report, the Orissa government was ready with its parallel law draft for introduction in the Assembly. A draft bill prepared by the registrar is under the active consideration of the Tamil Nadu government. In Maharashtra, the government has drafted a parallel law.

In 2000, with the experience gained since 1997 in AP and other states, CDF updated the Referential Bill, for use by those states which had yet to work on legal reforms.

It took CDF about two and a half years

of concerted effort to get good court judgements, favouring cooperatives. It took it over a decade to get a good cooperative law in place. It will probably take it all of another decade to get enough states and the union to have good cooperative laws. CDF has learnt to work on several fronts at once to get the reforms that it seeks. It has also learnt that it is not important that it gets noticed, that its input gets acknowledged, that it is seen and heard to be making the right noises. What is important is to get the reform, and for that people formally responsible for the reform have to be convinced of what they are doing, and it is they who have to be in the forefront leading the cause. From fiery and self-righteous campaigns, CDF has moved to more strategic, and less visible planning and action. As CDF has refused to learn the skills of manipulation, where a government is not ready for change, it maintains a low level of pressure, waiting for better times, but moves on to another which wants change, and there are several which do.

# 3 CDF and Thrift Cooperatives

In 1978, CDF first came into contact with the World Council of Credit Unions, and the Director of its global division, Shri Thomas Carter, visited CDF. CDF used this opportunity to visit with him the employees credit cooperatives (ECCs) in and around Hyderabad, and to learn from the visits and the interactions. In 1982 when CDF was formally established as distinct from MCA, the MCA had wanted it to work with other types of cooperatives and help them form their own associations – for internal development as well as for protection from the hostile legal and policy environment.

A series of meetings was then held with representatives of ECCs, and in 1984 the Thrift Cooperatives Association (TCA) was formed. Initially it had urban cooperative banks (UCBs), too, as its members. However, it became clear quite soon that ECCs and UCBs had different problems and different perspectives. UCBs were then helped to form their own separate association.

In 1984 and 1985, TCA used CDF's

staff and resources. In 1986, CDF gave some of its staff to TCA and helped it to raise grants directly. As ECCs were viable and could pay for TCA's services, the grant was raised with a view to promoting rural women's thrift cooperatives.

TCA initially followed the MCA route, training its member cooperatives' boards and staff in planning, in financial management, and in re-designing of organisations for more effective performance. It also helped member cooperatives to respond to unfair and illegal directions and notices issued by the department. Unlike MCA, however, it began fairly early on to have business dealings with its member cooperatives. CDF assisted TCA to set up an insurance service through which outstanding loans of individuals who were members in thrift cooperatives could be written off, in the event of their death.

## Women's thrift cooperatives

For years CDF had tried to encourage women's participation in PACs.

***In 1982, when CDF was formally established as distinct from MCA, the MCA had wanted it to work with other types of cooperatives - for their internal development as well as for protection from the hostile legal and policy environment.***



***CDF had learnt that the membership of any cooperative had to consist of people with common interests. Rural men and women played very different roles and had different interests, even if they did belong to the same families. CDF, therefore, promoted cooperatives for, by, and of women.***

However, it had learnt over the years that the membership of any cooperative had to consist of people with common interests. Rural men and women played very different roles, and had different interests, even if they did belong to the same families. CDF was, therefore, interested in the promotion of cooperatives for and by and of women. Accepting its own complete lack of understanding of the interests of women, in 1986, CDF, associated with the Andhra Mahila Sabha, and in conjunction with it, helped TCA promote women's thrift cooperatives (WTCs) in Rangareddy district. CDF assisted TCA in engaging rural women to discuss the need for savings and credit, and out of these discussions emerged the design for a WTC. Three WTCs were promoted in 1986.

CDF also entrusted TCA with the promotion of WTCs in MCA's areas of operation. Between 1987 and 1989, TCA helped develop its member cooperatives. In 1989, CDF felt that TCA was not growing at the rate it could because of its inability to reach out to ECCs spread across the state. TCA then became the Regional Association of Thrift Cooperatives (RATC), Hyderabad, and other RATCs were soon formed in different parts of the state.

CDF invested in the conduct of workshops and seminars in other parts of south India, and soon there were RATCs in Karnataka, Goa, Tamil Nadu and Pondicherry too. Together these formed the Federation of Thrift Cooperatives Association (FTCA). CDF made its human, financial and material resources available to the FTCA to make it functional.

The FTCA, too, offered financial and developmental services to its members. Both RATC Hyderabad and FTCA were enabled to receive grants from foreign donors. Where other RATCs worked at being member-sensitive, member-controlled, and viable, RATC Hyderabad and FTCA, because of their access to grant funding, were not as conscious of or as conscientious on these issues. Soon, however, FTCA began to be seen by member RATCs as a grant provider and a soft lender.

### **Abuse of FTCA**

In 1994, some member RATCs sought to borrow large amounts from the FTCA, and when refused because of the lending norms of FTCA, used that as an excuse to make a bid to capture power. Others which had large borrowings used the opportunity not to repay their loans to the FTCA. Many RATCs had kept large amounts as

fixed deposits with FTCA and were worried, as the defaulting RATC representatives had approached the banks and asked them to freeze FTCA's accounts. CDF assisted FTCA in the meeting of all its legal obligations to member RATCs, and also assisted it in the collection of all dues to it. It helped FTCA initiate legal action against the defaulters, and also informed all interested parties about the defaulters. Soon enough all the outstanding loans were collected, but meanwhile CDF lent to FTCA from its revolving fund, so that it could return to its members the amounts due to them.

Although the attempts to divide FTCA were thwarted, also by initiating legal action, CDF did not encourage the revival of FTCA. In the FTCA case and the Paddy Farmers' Federation (PFF) case, CDF had learnt that for federations to be effective and member-sensitive, and to act from positions of responsibility and not power, they should not have access to easy money. Cooperatives, whether at primary or secondary levels, if dependent on high levels of member-participation, behaved responsibly, and elected persons of competence and integrity to their managements. Where, however, they were not dependent on member-participation

for survival, and had access to soft funding of any form, they and their members tended to be irresponsible, and the need to be in control of the funds became of greater concern than the servicing of members.

### Basic WTC design

CDF had helped rural women to design their own WTCs and their associations. Several donors who had approached CDF because of this design had been asked by CDF to work directly with TCA at first, and later, with FTCA. The basic WTC design, however, was not followed by TCA on several grounds. The design required the involvement in the WTC of all sections of women in any given village. It also required that if one village was engaged, all neighbouring ones, too, should be roped in, so that a viable association could be formed within a 10 km radius. It required that WTCs be encouraged to appoint local women on its staff, and that the women learn to keep their own accounts. The design did not permit the influx of external financial support to the WTCs, although inter WTC lending through the association was foreseen and planned for. All women had to save the same amount, and members were eligible for loans of up to 3 times their savings. Members could save more if they wished to, but

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the extra savings did not carry with it any loan eligibility. TCA and FTCA, however, chose to disregard much of this design, and to follow in part a government-sponsored pattern of working with scattered tiny groups of women. Members were allowed to place fixed deposits in some instances, and be eligible immediately for loans against these. The controls naturally remained with the co-ordinating agency and with those who put more money into the cooperatives. TCA also found it difficult to allocate resources for the promotion of WTCs in MCA's area of operation.

***Within a 10 km radius as many as 5000 women began to be involved in WTCs. Their impact on the local community, on the local economy, and on the social and political fabric of the area was visible.***

### **Heartening response**

As a result, in 1990, CDF undertook directly the promotion of WTCs and their associations. It worked in villages covered by the member PACs of MCA, in Warangal and Karimnagar districts. The response from women was overwhelming. The numbers of women involved in each village and in each cluster of villages gave tremendous confidence to the women. The concentration also ensured that the necessary leadership and management skills were available within the membership. The "design" as originally understood was put faithfully into practice, with changes made only at the specific request of the women themselves.

Within a 10 km radius as many as 5000 women began to be involved in WTCs. Their impact on the local community, on the local economy, and on the social and political fabric of the area was visible. A large number of hitherto invisible women were now responsible and highly respected leaders of the community – not just of women.

In 1992, men in some of the areas where the PACs were functioning badly, set up their own thrift cooperatives. These MTCs were initially linked to RATCs which were urban-based and had ECCs as members. In 1996, the MTCs approached CDF for assistance in restructuring themselves. These MTCs were used to easy funding and to grants for their association. They were initially wary of the CDF emphasis on self-reliance, and some chose to distance themselves from the change. Those which reorganised themselves to work in concentrated clusters progressed in terms of membership, funds, viability and vibrancy.

By 31.12.99, CDF had enabled over 38,200 women to form 143 WTCs affiliated to 15 associations of women's thrift cooperatives (AWTCs). Their own total funds amounted to Rs 4.4 crores, of which not a rupee had come as

matching grant or soft loan, or small or large institutional deposit. In 1999 alone the women had lent to themselves over Rs 5 crores. So, too, as on 31.12.99, 20,500 men were members of 91 MTCs affiliated to 9 associations of men's thrift cooperatives (AMTCs). Their own funds amounted to almost Rs 4 crores, and in 1999 alone they had lent to their members Rs 5.3 crores. Where the women had each saved Rs 10 per month between 1990 and 1996, and Rs 20 since then, the men on average had saved Rs 25 per month from the beginning.

CDF's experience with ECCs, WTCs and MTCs has been a good one on the whole. It has learnt that all sections of the rural community, including the poor, want to save and can save. They are willing to save regularly with an

organisation which is in their control, and through which their savings work for them. Lack of an individual's access to credit is not the cause of his/her poverty, and CDF has learnt from thrift cooperatives and agricultural cooperatives that for poverty to be dealt with, local economies have to be made vibrant. There have been problems, and CDF is acutely conscious of the need for sound financial systems to be in place in thrift cooperatives. Its experience with some of the federations of ECCs has not been good, but it is reassuring to find some of the RATCs functioning well on their own, even if with a limited membership. CDF's experience with the rural thrift cooperatives has been very rewarding, and CDF has learnt to appreciate the importance of the design of a member-based organisation from this exposure.

***As on 31 Dec 1999, the total own funds of WTCs amounted to Rs 4.4 crores, of which not a rupee had come as matching grant or soft loan, or small or large institutional deposit.***



# 4 CDF and Cooperative Revolving Fund

**T**he Cooperative Revolving Fund (CRF), as its name suggests, is a revolving fund made available to cooperatives to develop their member services. It was set up initially by the MCA, and later handed to the CDF. The fund has been built since 1978 through contributions from donors and surplus allocations by CDF.

The first grant to the CRF was from Novib. It was to help a PAC provide credit services to small and marginal farmers and the landless - that is, to help a PAC serve the credit needs of a heterogeneous membership. The CRF, however, soon began to be used for the introduction of non-financial services in PACs. At the initial stages, these non-financial services did not envisage produce marketing services and, therefore, the CRF was used more for input supply and consumer services through PACs.

Between 1978 and 1981, the CRF was almost exclusively kept in fixed deposits with financing banks as incentive deposits, against which it was hoped that banks would lend to PACs for introducing non-credit

services. Andhra Bank, Canara Bank and State Bank of Hyderabad did respond to this idea, but the amounts lent were marginal. Other banks were not willing even to try. While banks were willing to lend to PACs in lakhs of rupees for on-lending purposes, they considered lending even in thousands for non-credit services not worth their while. CDF was to discover later that this was related to their access to refinance facilities for crop loaning, while lending for other purposes meant getting their own funds involved and also meant special appraisal, sanction, etc, which in turn meant that the banker would need to take initiative and risk, neither of which appealed, perhaps.

## Direct control over funds

In 1982, MCA transferred the CRF which stood at Rs 7,29,000 to CDF, and a beginning was made of keeping CRF deposits directly with member cooperatives of MCA, and fixed deposits kept in banks were, one after the other, withdrawn. MCA's committee made the recommendations to CDF on where the CRF was to be kept, based

***The first grant to the CRF was to help a PAC to provide credit services to small and marginal farmers and the landless.***

on MCA's trust in the cooperative, and on the worthwhileness of the service for which CRF assistance was sought. The final decision to provide assistance to a cooperative was that of CDF's board.

Slowly, objective criteria for scrutiny of applications were introduced and from 1983, the emphasis shifted to promotion of value added activity in PACs. This emphasis was a result of CDF's close interaction with Indian Institute of Management, Ahmedabad, (IIMA), which was promoting then the need for commodity-based cooperatives engaged in processing and marketing of agricultural produce. In 1983, MCA's general body discussed at length the need for introduction of marketing services and CDF then requested for and received in 1984 and 1985 a major grant of about Rs 21 lakhs from Cooperative Union of Canada (CUC) for the establishment of rice mills in member cooperatives of MCA. Project feasibility reports were prepared in 1983, prior to the receipt of the CUC grant and CDF and MCA agreed that CRF would primarily support the establishment of produce processing and marketing activities in PACs which, it was hoped, would result in

- ✓ better returns to the member;
- ✓ financial stability in the cooperative;
- ✓ fixed assets in the cooperative; and
- ✓ increased member and other internal funds in the cooperative.

In 1985, at CDF's request, the Delhi office of the National Cooperatives Business Association (NCBA) of USA, then known as the Cooperative League of USA (CLUSA), helped CDF conduct a workshop of CRF users which resulted in the development of a clearer vision of the CRF and of better project appraisal mechanisms. Detailed statistical statements of progress in each cooperative before and after the CRF intervention were shared at this workshop.

Guidelines on the objective and operations of the CRF were formalised. In 1986 Shri Robert Hebb visited CDF, MCA and its member cooperatives on behalf of Cooperative Union of Canada (CUC) to evaluate the use of the CUC grant for the establishment of rice mills. While his report was encouraging, he recommended that CDF be more directly involved in project management, personnel development, market intelligence development and the

***CDF and MCA agreed that CRF would primarily support the establishment of produce-processing and marketing activities in PACs.***

setting up of accounting and management systems in weaker cooperatives such as Malleboinapalli. The CRF was reviewed at a vision-building workshop in 1997. The planning workshop recommended that CDF work at increasing the size of the CRF, with grants as well as soft loans.

In the same year, Misereor, Germany, made a grant of Rs 10 lakhs also for marketing services. This grant came at a time when cooperatives, used to being permitted to sell rice in the open market three times in volume to that which they gave to Food Corporation of India (FCI) as levy, were denied this facility. Cooperatively-owned rice mills were given permit for open rice sales on par with privately-owned rice mills—that is, up to a volume equal to that sold to FCI. MCA's member cooperatives, expecting serious setbacks in their turnover, requested the use of CRF as working capital for paddy procurement. Till then, CRF had been used primarily for investment capital and marginally for working capital for input supply and some consumer services.

### **Paddy Cooperatives**

From early 1988, however, CRF began to be used significantly towards working capital for paddy/cotton

procurement. This was also the result of a series of rice mill management workshops conducted by MCA for its member cooperatives which made it apparent that most mills were running well below capacity, and the lack of working capital was identified as one reason for this low performance. These workshops were preceded by long-term planning workshops in the PACs, shortly after elected committees came into office in mid 1987, and there was deep concern among cooperative leaders at the serious setbacks received during the 1984-87 person-in-charge regime.

In 1989-90, CDF and MCA started seriously considering the need for promotion of paddy farmers' cooperatives outside the PAC structure and in 1990-91, work in this direction was initiated and the CRF was expected to be raised significantly to meet this new demand.

In the latter half of 1991, Ford Foundation made a major contribution of Rs 77 lakhs to the CRF for the promotion and development of paddy cooperatives. Other major contributions to the CRF came in the form of a second contribution of Rs 68.5 lakhs from the Ford Foundation, a conditional grant from Hivos of almost Rs 2.3 crores, received

***In 1989-90, CDF and MCA started seriously considering the need for promotion of paddy farmers cooperatives outside the PAC.***



between 1996 and 2000, and a soft loan of Rs 4.3 crores from Ford Foundation received between 1998 and 2000.

CDF had, in 1990, wanted to work directly with new paddy cooperatives, but when these were refused registration under the cooperative law, it worked through MCA, which had converted itself into the Paddy Farmers' Federation (PFF). The experience was not a happy one, since PFF tried to work with 9 paddy cooperatives in 5 districts and did not take local leadership into confidence. Later, CDF began working directly with 3 paddy cooperatives in two districts.

Since 1991-92, the CRF was also used to assist RATCs to help their member thrift cooperatives to clear their liabilities to the district cooperative banks, and set up their own mutual thrift and credit systems.

### Early steps

In 1994-95, the first rice mill and godown under a new paddy cooperative was financed by the CRF, and the first instalment for the purchase of a computer by an AWTC was made.

CRF deposits meant for infrastructure were used for this purpose in every

case. These assets still lie with the cooperatives and in some cases they are worth more than the CRF assistance provided.

In all, the CRF has had contributions from 17 sources including MCA, WTCs and CDF itself. On 31.3.00 the CRF stood at Rs 8.7 crores. Over 19 years, that is, since 1982, assistance amounting to Rs 24.4 crores was provided to 43 cooperatives, of which Rs 22 crores was towards working capital and the rest towards infrastructure building. CRF assistance was available for 19 different purposes, from on-lending activity to rice mill installation, from a Rs 12,500 assistance in one instance to Rs 1 crore in another. Over the years, around 51% of CRF assistance has been for paddy procurement, storage, processing and transport.

In most agro processing projects supported by the CRF, farmers have received a small (Rs 5 per quintal of paddy) to a significant (Rs 20 per quintal of paddy or Rs 40 per quintal of cotton) increase on sale price or by way of bonus.

Since inception, a little over Rs 11 lakhs was written off, and after this write-off, the CRF Reserve Fund stood at Rs 25 lakhs. Most of the bad

***In most agro-processing projects supported by the CRF, farmers have received a small (Rs 5 per quintal of paddy) to a significant (Rs 20 per quintal of paddy or Rs 40 per quintal of cotton) increase on sale price or by way of bonus.***

debts were those which became bad under the person-in-charge regime in PACs, though PFF dues, too, had to be written off, because of business mismanagement and losses.

### Varied problems

From the point of view of repayment, problem projects included the Kukutpalli consumer shop, the Rayadurg godown, the Malleboinapalli rice mill and godown, the Paddy Farmers' Federation marketing business and the Tirumalapuram's rice mill and godown. While Kukutpalli and Rayadurg became problems because of urban agglomeration changing their members' occupations and changing the population profile of their respective areas, Malleboinapalli and Tirumalapuram became problems under the person-in-charge regime.

In the case of Malleboinapalli, the mill machinery was delivered during the person-in-charge regime, and he had the machinery lying uninstalled for two years, and it took an elected committee almost as long later to commission the mill. Meanwhile, all the other business, including credit business, too, had taken a beating and the cooperative just could not come out of the red. The cooperative did, however, transfer the

ricemill and godown to CDF to settle its dues.

In the case of Tirumalapuram, the person-in-charge was an officer of the financing bank. In order to show a high recovery of loans from farmers, he had the bank make available cash credit facilities at 20% pa interest to the cooperative, ostensibly for paddy procurement. The amounts withdrawn under this, however, were remitted towards the cooperative's borrowings from the bank for on-lending to members, an account which carried a 12% pa interest. Losses were incurred as a result, and the bank also accused the cooperative of diverting funds meant for paddy procurement, since no paddy was stored. The rice mill lay idle for much of the time adding further to the losses.

It may be mentioned here that while Kapulakanaparthi agricoop fully repaid the CRF assistance, its mill, too, came into operation during the 1984-87 period where the chief executive and the person-in-charge were both newcomers and not committed to the marketing operations. Therefore, although the mill did work, it did so in spurts and at very low levels of capacity utilisation and efficiency.

***Most of the bad debts were those which became bad under the person-in-charge regime in PACs, though PFF dues, too, had to be written off, because of business mismanagement and losses.***

## Review of PFF working

In the case of PFF, the problem had several causes. (a) PFF tried to work in 9 paddy groups in 5 districts at once, while holding on to a centralised decision making policy for these groups. (b) PFF membership had, alongside these new groups, older well-established ones and PFF tried to set up rice sale centres in two cities as outlets for farmer produce from all these cooperatives. While the other cooperatives were wise enough not to sell fine rice except when prices were right, fine rice from the newer groups—in which cases PFF made the decisions – was sold too early in the year, in order to keep the shops running. (c) PFF worked without taking local leadership into confidence and several business decisions taken were neither in farmer interest, nor in CRF interest. (d) PFF overburdened itself by simultaneously trying to promote 4 rice retail shops and 8 rice milling

centres. (e) CDF gave in too readily to PFF's desire to handle the project independently, and took too long to help the PFF managing committee rein in its over-enthusiastic and less-than-competent staff.

All the same, the CRF experience has been a fairly good one from the viewpoint of projects completed, assets created, returns to members, and repayments to CDF. It has not been very satisfying from the point of view of the long and viable life of the projects financed. CDF is dependent on CRF performance for its sustenance. The CRF is not a soft corpus available to the CDF on which it can earn interest without taking any risk. The CRF earns interest only if CDF's extension services and relations with cooperatives financed are strong, and if the projects financed are wanted enough by members of the cooperatives financed.

***The CRF earns interest only if CDF's extension services and relations with cooperatives financed are strong, and if the projects financed are wanted enough by members of the cooperatives financed.***



# 5 CDF and Voluntarism & Local Governance

**C**DF is registered as a voluntary association under the Societies Registration Law. In 1986, an attempt was made by the union government to bring in controls over voluntary agencies through the introduction of a statutory code of conduct for activists. The plan was to have this code applied and monitored through a statutorily-appointed council. With its history of working with cooperatives, CDF recognised the move for what it was—a brazen attempt by the government to take over yet another area of civil society, and CDF articulated its views on the matter in no uncertain terms. It arranged for workshops in Andhra Pradesh and worked with other agencies for the conduct of a national campaign to resist the introduction of the Code of Conduct and the establishment of the National Council. The government withdrew its plan to introduce the code and set up the council.

***CDF held a series of workshops across the country on the need to reform laws relating to the registration of societies.***

Between 1998 and 2000, CDF forayed into the realm of reform in laws relating to the registration of societies. This was prompted by a

move by the government in Andhra Pradesh to replace the existing liberal laws (in Telengana and the rest of AP) with an illiberal one for the whole state. The draft prepared by the revenue department was reviewed, and an alternate draft was prepared by CDF for wide debate and discussion. CDF also held a series of workshops across the country on the need to reform laws relating to the registration of societies. CDF's draft was debated at these workshops, as were existing state laws. CDF's draft underwent a series of changes as a result of this educational process, and CDF's understanding of a "society" improved with every discourse.

CDF realised that some states had a simple and good law in place, and in these states there was little point in seeking changes. However, some states, such as Uttar Pradesh, Bihar, West Bengal, Tamil Nadu, Karnataka, even Gujarat and Maharashtra had several negative provisions in the laws relating to the registration of societies and/or in associated trust laws in the state. Change was definitely necessary in these states,

and in 2000, CDF published a Model Bill for registration of societies, with commentary for use by states which needed to amend their laws relating to registration of societies.

CDF served for several years, under different government, on the executive committee of CAPART, the arm of the union government for funding voluntary agencies. It also served on the committees of Association of Voluntary Agencies for Rural Development (AVARD), Voluntary Action Network India (VANI), Institute of Rural Management (IRMA), and

Indian Society for Studies in Cooperation (ISSC).

CDF was invited by the union government, in early 1988, to act as a resource in the conference of district magistrates organised at the instance of the Prime Minister to discuss decentralisation, local self governance, and responsive administration.

It was closely associated with the promotion of Lok Satta, a society committed to reform in governance systems.

***CDF was closely associated with the promotion of Lok Satta, a society committed to reform in governance systems.***



# 6 CDF and its Funding

**W**hen the promoters of CDF first began their work in the MCA, there were almost no donors willing to provide it with grant assistance. The promoters were neither related to the Church or for that matter to any religion, nor were willing to project a hungry, wretched mass to raise funds. Throughout CDF's history, funds have been raised more for the enabling of large sections of a community to take matters into their own hands, and to design their own future and work for it, than for "identified beneficiaries from below the poverty line". Yet, the cooperatives that CDF works with, include large sections of people below the poverty line, as active members.

*The cooperatives that CDF works with, include large sections of people below the poverty line, as active members.*

CDF respects all development interventions which desire and work towards change, but itself has been willing to invest in only such development interventions as change irrevocably (not in the short run) local power structures, local economies, and local social and political equations. In the late 70s there were few donors willing to appreciate the impact that cooperatives or local governments could have on the lives of their constituents.

All the same, CDF was able to convince the Catholic Relief Services (CRS) and Oxfam to provide it with the first support. Other major donors in the early years included War on Want and the Cooperative Union of Canada. Apart from the donors to CDF's Cooperative Revolving Fund, major donors in later years were the Ford Foundation, Hivos, FNS, and Sir Ratan Tata Trust.

CDF went through a series of perspective planning exercises, every few years. Its board was very particular that annual budgets and plans be presented to it, and that the budget indicate clearly a significant income from the CRF, so that CDF was not overly dependent on annual grants.

## Mutual trust and understanding

CDF has been very fortunate on the whole in its relationship with its donors. By and large there has been mutual trust and accountability, and CDF has been able to use donor support imaginatively. CDF is often included in the "Big NGOs" category. It itself has always thought that well established

though it is, it is in fact a small organisation. For a work span of 25 years, CDF received towards its recurring expenses only Rs 2.6 crore over all these years. It sought funds less for its functioning, and more for the work of cooperatives that it supported. Even when seeking funds for the use of cooperatives, CDF was particular that the funds not be “expended”, that they be available for use again and again, and, therefore, CDF sought funds to capitalise its revolving fund,

which was then lent to cooperatives.

The figures in the following table offer a summary of the financial transactions and “results”. The “results” take into cognition the status of only such cooperatives as were promoted by CDF and were associated with it during the writing of this report. The results in those cooperatives which had an existence prior to CDF’s registration have not been included here.

***Even when seeking funds for the use of cooperatives, CDF was particular that the funds not be expended, that they be available for use again and again.***

*continued*



### Grants and their utilisation: 1975-2000

	<b>Grants received</b> (1to5)	<b>Rs</b>		<b>Funds/assets created</b> (a to i) <b>and</b> <b>results achieved</b> (j&k)	<b>Rs</b>
1.	Capital grants for Cooperative Revolving Fund	1,85,40,000	a	Cooperative Revolving Fund on 31.3.00	2,10,00,000
			b	CRF Reserve Fund on 31.3.00	25,00,000
			c	CRF Inflation Cover Fund on 31.3.00	25,38,000
2.	Capital grants for Cooperative Education and Advocacy Fund	1,00,00,000	d	Cooperative Education and Advocacy Fund on 31.3.00	1,40,00,000
			e	CEAF Inflation Cover Fund on 31.3.00	5,00,000
3.	Capital grants for Training Centre	1,00,00,000	f	Training Centre under construction on 31.3.00	34,69,000
			g	Training Centre balance funds awaiting utilisation on 31.3.00	65,31,000
4.	Grants for movable and fixed assets	15,00,000	h	Movable assets less depreciation on 31.3.00	17,17,000
			i	Own office building on 31.3.00	22,00,000
5.	Grants for recurring expenses	2,41,73,000	j	Worth of WTCs and MTCs on 31.12.99	8,38,00,000
			k	Worth of PFCs on 31.10.99	32,00,000
6.	Total capital grants and grants for expenses between 1975 and 2000 (1+2+3+4+5)	6,42,13,000	l	Total corresponding funds & assets at CDF and cooperatives on 31.3.00/31.12.99/31.10.99 (a+b+c+d+e+f+g+h+i+j+k)	14,14,55,000
7.	Total capital grants and grants for expenses between 1975 and 2000 (1+2+3+4+5)	6,42,13,000	m	Total corresponding funds & assets at CDF alone on 31.3.00 (a+b+c+d+e+f+g+h+i)	5,44,55,000
8.	Loans for the Cooperative Revolving Fund	6,35,64,000	n	Cooperative Revolving Fund (borrowed) placed in cooperatives on 31.3.00	6,35,64,000

Because of the various grants to the CRF, CDF was able to generate income at its own level as well as at the levels of cooperatives, and in fact of all the subsidies received by CDF over 25 years, a net Rs 1.65 crores was actually used up by CDF on its work. The rest is still available in one form or another at CDF itself. That is, on average, the subsidy to CDF has been Rs 6.6 lakhs per annum on establishment and programme expenses.

Apart from the results in thrift cooperatives, if a modest Rs 10 per quintal gain to farmers were added for every quintal of grain that they sold through their cooperative each year, at least Rs 50 lakhs of financial benefit accrued to farmers who are currently members of paddy cooperatives which are currently associated with CDF. So, too, if every woman and man who borrowed from his/her thrift cooperative had saved just 10% pa by way of interest (as a result of not having had to borrow from the money lenders), in the last 5 years alone the members of the WTCs and MTCs currently associated with CDF would have had a savings by way of interest well in excess of the Rs 1.65 crores that CDF had spent over the 25 years, or the Rs 2.42 crores that CDF received towards recurring expenses.

CDF has always believed in working and organising itself in a manner that will enable the intervention as well as the result to be as viable, as sustainable, and as replicable as possible. As a result, even though donors were willing to make much more funds available, CDF has been cautious in calculating likely output before accepting grants.

### Budget planning

In 1987, CDF had a significant excess of expenditure over income. The board of CDF insisted that in future the annual budget should be prepared in such a manner that expenditure is planned within the expected income, and also that the budget include depreciation estimates, and that CDF plan to meet those costs, too. The result has been that CDF has replaced, from time to time, most of its assets with its own funds, and has been fairly self-reliant. In the past few years, it has earned 70% of funds needed by it from the interest income on the CRF.

In its early years, when it took farmers on study visits to successful cooperatives in Maharashtra and Gujarat, CDF noticed that in some of the cooperatives there, staff would take salaries only after accounts for the previous month were tallied. CDF

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adopted this practice for itself and found that its accounts were fairly well maintained as the accounts department did not want to face the ire of colleagues for delay in payment of salaries.

From the Mulukanoor Cooperative, CDF learnt to appoint a different staff member each month for internal audit of accounts. There were several advantages to this system of peer audit. For one, every staff member, literate in English and Telugu, got to see the accounts, which itself was a deterrent to financial indiscipline in individuals at all levels. For another, errors were noticed and corrected quickly, and even more important, staff members would use the opportunity to suggest improvement in the accounting systems as well. Statutory audit rarely had much to observe or offer after this system was introduced.

CDF's board which met quarterly on fixed days was particular that accounts be presented to it with budget comparison at each meeting.

CDF has maintained a good mix of women and men on its staff and believes that this mix helped bring in

a spirit of transparency and greater sensitivity, multiple competencies and accountability in the staff.

## Sustained support

Even though when CDF began its work, it wondered where it was going to find the money, over a period of time, CDF has been fortunate to find warm, friendly, but strict, no-strings-attached support. On occasion, when a donor has attempted to interfere, CDF has chosen not to continue the relationship. So, too, there have been instances when donors have chosen not to continue supporting the work of CDF, when they felt that their priorities differed from those of CDF.

CDF thinks that at least some of the space that it has had for experimentation is because of its financial independence. It thinks that the experimentation has been fairly responsible, because this financial independence was linked to the performance of the cooperatives that it was associated with, as it was they who used the CRF and paid interest on it. Had the financial independence come from soft corpus funds, CDF may not have been quite as responsible.

***CDF thinks that at least some of the space that it has had for experimentation is because of its financial independence.***



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## In conclusion

CDF now has 10 field teams working directly in parts of 5 districts of Andhra Pradesh. It aims at reaching out to at least 1 lakh of active and committed cooperators by 31.3.02, as against 60,000 active and committed cooperators as on 31.3.00. CDF has also set up 4 additional teams to support activists and cooperators in other parts of the state to make full use of the opportunities provided by the Macs Act of 1995. It is establishing a training centre in Warangal to ensure that the large numbers of leaders and managers emerging in rural areas wanting to shoulder responsibility are competent in the field of cooperation. CDF is working on cooperative legislation and the consequent spread of a new generation of cooperatives in 10 states in the country. CDF is conscious that its intervention is small, but it does believe that by not having spread itself too thin, by having intervened in a very specific field in a very specific manner, it has learnt several lessons which can be of use to others interested in cooperative action.

CDF is grateful to all who have contributed in thought, in word, and in deed to its work, and is especially grateful to every woman and man cooperator whose belief in herself/himself, in ethical standards and accountability, and trust and investment in the world around her/him has inspired CDF to continue to work in the field of cooperatives, for 25 years now.



## **CDF Publications**

Principles of Cooperation: From Rochdale (1844) to Manchester (1995)

Effect of cooperative law on autonomy of cooperatives in Andhra Pradesh - *EV Ram Reddi*

Report of the Study Group on AP Cooperative Law: 1994

Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995 (Macs Act)

A Path-breaking Law for Cooperatives in Andhra Pradesh: A Case Study of the Campaign for Greater Autonomy for Cooperatives - *Azeez Mehdi Khan*

A Challenging Legal Framework for Cooperatives: The Experience from Andhra Pradesh - *Lalit Mathur*

Cooperatives under the Macs Act in Andhra Pradesh - *Jayati Ghosh*

Sustainable Banking with the Poor: A Case Study on Women's Thrift Cooperative System around Warangal Town in Andhra Pradesh - *Arun Biswas & Vijay Mahajan*

Member Participation in New Generation Thrift Cooperatives around Warangal Town in Andhra Pradesh: 1997

New Generation Thrift Cooperatives around Warangal Town in Andhra Pradesh - Performance Report : 1999

Guidelines for framing bylaws of a cooperative under Macs Act (a handbook for promoters of cooperatives)

Referential Bill: 2000 (a guide for drafting a parallel, liberal law for self reliant cooperatives)

People Versus Government: Restoring Cooperative Democracy through Voluntary Action in Andhra Pradesh - *David Korten*

Self Help and Self Regulation: A non-governmental effort in promotion and development of cooperatives in Andhra Pradesh - *SK Arora*

Effective Lobbying Techniques for Cooperatives - *Bruce Thordarson*

Managing Rural Change: The Cooperative Method - *M Ramakrishnayya*

Cooperatives and Rural Development - *BPR Vittal*

Cooperation, Voluntarism and Development - *David Korten*

Cooperatives and Empowerment of Women - *Ela Bhatt*

Cooperatives and the Market Economy - *Sharad Joshi*

Cooperatives and the Need for Constitutional Amendment - *Mani Shankar Aiyar*

Cooperatives and the Constitution - *P Jaganmohan Reddy*

Freedom and Cooperation - *O Chinnappa Reddy*

# ICA Statement on the Cooperative Identity

## Definition

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

## Values

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

## Principles

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

1st Principle: **Voluntary and Open Membership:** Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle: **Democratic Member Control:** Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote), and cooperatives at other levels are also organised in a democratic manner.

3rd Principle: **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: **Autonomy and Independence:** Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle: **Education, Training and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6th Principle: **Cooperation among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7th Principle: **Concern for Community:** Cooperatives work for the sustainable development of their communities through policies approved by their members.

[Approved by the 31st International Cooperative Congress and by the General Assembly of the International Cooperative Alliance, held at Manchester, England, on 20-23 September 1995]



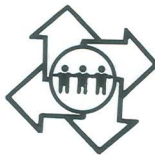
# 25 Years of Learning

1975-2000

Sharing of ideas and experiences is fundamental to promoting development. With this in mind, Cooperative Development Foundation (CDF), a voluntary organisation promoting better rural cooperatives, has published its experiences in 25 Years of Learning.

When you have read it, you will know what it took 25 years for CDF to learn on the job. This account shares with you not only what worked but what didn't – and why. It covers a range of topics such as :

- Advocating better cooperative law
- Assisting women and men in rural areas to design and run their own cooperatives
- Working with cooperatives to make them more efficient
- Warding off interference by governments in cooperative and voluntary movements
- Using funds imaginatively and efficiently
- Becoming a more transparent and accountable organisation



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