RURAL DEVELOPMENT
THROUGH COOPERATIVES IN MEGHALAYA

A CASE STUDY OF THE ROLE OF
THE MEGHALAYA COOPERATIVE APEX BANK LTD.

CHAPTER - IX

RECOMMENDATIONS AND CONCLUSIONS
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"IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT, BUT THE ONE MOST RESPONSIVE TO CHANGE."

-Charles Darwin.

India is proud to have the largest network of Cooperative Societies in the World and today almost all the socio-economic activities are covered by one or the other type of Cooperative Societies in the Country. In the North Eastern Region, the cooperative movement has made its entry first in the State of Assam in 1904 along with the rest of the Country, but the progress of the movement in other States were closely associated with the creation of their respective States. In Meghalaya, the cooperative movement gained momentum after the establishment of the Meghalaya Cooperative Apex Bank in the year 1971 as State Cooperative Bank. The Meghalaya Cooperative Apex Bank has emerged as a successful State Cooperative Bank in the Region and it is also regarded as one of the best State Cooperative Banks in the Country now.
The vision of the MCAB, its progressive management and the commitment and hardworking qualities of the staff has contributed immensely to the success of the Bank. A number of Service Societies, Thrift & Credit Cooperatives, Transport Societies and handloom Weaving Societies have also made significant progress in Meghalaya. The MCAB and other Societies cannot rest on their laurels and achievements. They are required to travel many more miles and cross many more mountains to reach the goal and establish a Cooperative Common Wealth in the State. The following measures and strategies are considered essential to achieve the objectives:

I. Redemption of accumulated NPAs of SCS

The Service Societies have accumulated huge amount of NPAs with the MCAB due to their inability to recover the dues from the members. At the end of March 2003, the total amount of NPAs of SCS stood at Rs.405.92 lakhs as principal and Rs.449.51 lakhs as interest. In Meghalaya, the farmers are tribals and they are small and marginal farmers. Their agricultural activities are carried on mostly under traditional system and agricultural production suffers from frequent floods, hailstorms, draughts and other genuine reasons which are basic
reasons for accumulation of NPAs. Therefore, it is necessary that the NPAs of SCS need to be redeemed under a special package on the line of OTS Scheme of NABARD/RBI and as per recommendations of the Vaidyanathan Committee (Task Force) at the earliest. The total NPAs amounting to Rs.855.43 lakhs of SCSs is not a big amount considering the volumes of services provided by the Cooperatives to the farming communities since inception. Such a gesture of the Government will improve the financial health of the SCS as well as the MCAB and will encourage them to discharge their social banking role more seriously.

2. **Liabilities of MECOFED and Govt. obligation**

   The State level Cooperating Marketing & Consumers Federation (MECOFED) has been heavily indebted to the MCAB and its NPAs to the Bank stood at Rs.353.75 lakhs as on 31 March 2003. Every year, the MCAB has to shell out a sizable portion of its profit in the shape of provisioning against the NPA of MECOFED under the Prudential Banking Norm. The MCAB has extended loan to MECOFED at the direction/guarantee of the State Government. Therefore, the State Government has a moral duty to discharge its obligation to MCAB. In this regard,
the recommendation of the High Power Committee headed by the Chief Secretary of the State deserves favourable consideration of the Government and a fresh line of credit needs to be opened by MCAB for implementation of approved Business Development Plan by MECOFED.

3. **State Government’s obligation under IRDP**

The MCAB financed 100% IRDP beneficiaries in the 17 CD Blocks during 1987-88 to 1999-00 as per instruction of the State Government and over 90% of IRDP loans of the Bank have become NPAs. At the end of March 2003, the total amount of NPAs under IRDP loans stood at Rs.485.08 lakhs as principal and Rs.503.06 lakhs as interest and the MCAB had to make huge amount of provisions in its Profit & Loss A/c adversely affecting the financial health of the Bank. Therefore, the State Government should assist the MCAB through special financial dispensation and discharge its moral obligation to the Bank.

4. **Re-capitalisation of MCAB**

Due to imposition of Prudential Banking Norms by RBI in the SCBs from 1996-97, the MCAB suffered a loss of 10.54 crores due to booking of overdues under the new norms like
Commercial Banks. As Development Bank, the MCAB has been discharging its social obligation since inception and over 90% of its overdues are from priority sector lending. Both the State and Central Governments need to provide re-capitalisation assistance to the MCAB and improve its financial position.

5. **Development and Promotional Roles of MCAB**

The MCAB as leader of the Cooperative Set-up in the State, needs to discharge the following developmental and promotional roles:

i) To maintain un-interrupted flow of credit particularly for agriculture and allied agriculture activities and also for other economic development services in the rural areas.

ii) To ensure availability of timely and adequate credit to the farming communities and entrepreneurs on simple procedures and hassle free formalities.

iii) To promote and ensure nursing of affiliated Societies by providing necessary guidance and support for to them on regular basis and ensure their proper growth and progress.

iv) To help and guide the Societies in the preparation and implementation of diversified business development plans and for
this purpose, a Special Cell need to be set up at the Head office of MCAB to monitor and review the progress periodically.

vi) To arrange for wide publicity of the various schemes and programmes of the Government, new and innovative loan schemes of the MCAB for the benefit of the people and also to co-ordinate with the Dy. Commissioners, BDOs, District ARCS, NGOs, Traditional Heads and Traditional Leaderships.

vi) To help establish marketing and processing linkages with the sectoral Cooperative Societies and Federations for the benefit of the farmers and growers in the rural areas.

vii) To arrange coordination among all the sectoral Cooperative Societies in the State such as, Service Cooperatives, Marketing, Consumers, Housing, Weaving Societies, etc.

vii) To coordinate with the NCUI, ICM, MDMI and NABARD for human resource development of the Cooperative Sector in the State.

ix) To initiate and guide the Primary Societies to amend their Byelaws, clearly demarcating the functions and responsibilities of the office-bearers such as, Chairmen, Managing Committees/Board of Directors and the Secretaries/CEOs wherever confusion exists.

x) To help and guide the Cooperative Societies in streamlining and strengthening of their Internal Control System and
mechanisation to ensure proper and efficient functioning of the Cooperatives in the State.

xi) To approach the Cooperation Department and also to make adequate budgetary allocation for education, training and exposure visits by the office-bearers of Cooperative Societies in order to enhance their knowledge and skill.

6. **Micro Credit Cooperatives and their Development Strategies.**

The Service Societies are the only base level credit agencies available in the rural areas. They are the organisation of the local people and have many inbuilt strengths and advantages. They are the foundation of the Cooperative Credit Structure. In Meghalaya, Service Cooperatives suffer from certain basic weaknesses and shortcomings and these need to be tackled on top most priority basis without which upper-tier can not become strong and sustainable. Experiences have shown that mere piece-meal solutions and short-term measures do not help the Societies, rather complicate the matter and hence, the problems of SCSs need to be addressed to in totality. In this direction, the following measures are considered necessary:
(1) **Re-organisation of Service Cooperatives and Area of Operation.**

The Service Cooperatives were re-organised in the year 1978 under a Master Plan and certain drawbacks and deficiencies have been observed in their functioning during the last three decades or so. The service area of Societies is either too small or too large and they are unable to discharge their functions and responsibilities effectively. Again, out of 5780 inhabited villages in the State, 4558 villages are covered by the SCSs and the remaining villages are left out of the cooperative coverage. Moreover, one Service Cooperative, in the name of Wahlang Service Cooperative Society was liquidated on 10-06-1986 and 3 (three) villages served by it were also not allotted to any Society for servicing them. Therefore, altogether 225 Villages are outside the cooperative umbrella uptill now while 100% villages are covered in other States. Therefore, a realistic demarcation of service area for the SCSs is essential and all the villages of Meghalaya need to be brought under cooperative coverage. In view of the hilly terrain of the State together with the transport and communication bottleneck and multipurpose nature of services to be rendered, the area of operation of SCSs in the range 7 to 8 villages will be most ideal.
Alternatively, the areas served by the Gram Sevaks and Sevikas may be considered for the purpose of demarcation of service areas of Service Cooperatives.

(ii) **Viability Norms**

The viability norms of the Service Cooperatives need modification considering the present day requirements and diversified nature of services to be rendered to the members and the general public in the rural areas. The following norm is suggested for the purpose:

a) **Membership** - 2500 (minimum)
b) **Credit Business (All types)** - Rs. 10.00 lakhs
c) **Consumer Goods Business** - Rs. 3.00 lakhs
d) **Marketing Business** - Rs. 5.00 lakhs
   (Including Agril Inputs supply)
e) **Deposit Business** - Rs. 2.00 lakhs.
f) **Full-time Paid Secretary with 2/3 supporting staff.**
g) **Performance based financial support to the Societies by the State Government and the MCAB for 5 years.**
h) **Business Development planning for 5 years and its proper implementation.**
(iii) **COOPERATIVE AWARENESS, EDUCATION AND TRAINING.**

There has been a lack of cooperative awareness, education and training in the rural areas and this is reflected in the poor membership coverage in the micro level Societies, which is about 25% only presently. Massive cooperative awareness campaign is essential for the members and the general public on cooperation and cooperatives, cooperative principles, cooperative values and ideas, objectives and service facilities provided by the Cooperatives.

The State Cooperative Union is primarily responsible for organising cooperative education and training programmes for members and the general public. In Meghalaya, the State Cooperative Union is virtually defunct and it has failed to discharge this crucial responsibility since 1997. The State Cooperative Union needs to be reviewed. If this is not possible, alternative arrangement should be made for the promotion and propagation of cooperative education, awareness and motivation, which are essential for the success of the cooperative movement and successful functioning of the cooperatives in the State. The Meghalaya Cooperative Training Institute (MCTI) and the proposed Cooperative Development Council may be entrusted this task.
(iv) **COOPERATIVE LEADERSHIP**

This is one of the single most important factor identified for successful functioning of the Cooperatives. Lack of committed and dedicated Cooperative Leadership at the village level is a serious draw back for the progress of the cooperative movement in Meghalaya. Service Cooperatives need committed and skillful office-bearers. Young men and women should be encouraged to join the cooperatives. They need to be involved in the day to day functioning of the Cooperative and deputed to training and awareness programmes, encourage them to attend Cooperative seminars, workshops and various development programmes of the Government. This will help creation of new breed cooperative leadership at the village level and promote congenial environment for development of Cooperative Societies in the rural areas.

(v) **DIVERSIFICATION OF BUSINESS ACTIVITIES**

The Service Cooperatives as peoples' organisation need to diversify their business activities to meet the requirements of the people, such as, credit dispensation in the shape of short, medium and long term loans, deposit mobilisation, consumer goods dealing, supply of agricultural inputs and machinery,
procurement and marketing of agril and minor forest produces, undertaking PDS activities, cement and LPG business, extending customer services like payment of electricity bills, telephone bills, student fees, running PCOs, etc.

(vi) **Deposit Mobilisation**

The majority of the SCS have created minimum infrastructure facilities, such as Godown, office-cum-Shop, deposit counter, furniture, etc. with the liberal financial support of the State Government and the MCAB. The Service Societies should function as 'Mini Banks' in their area of operation and MCAB may give them Associate Branch status on selective basis to generate public confidence in the Service Societies. This measure will help the SCS to grow as resource based organisation, mop up rural savings locally, lend at affordable interest rates to their members, enable people to get all types of services locally under single window concept. To safeguard the interest of depositors, suitable rules for deposit mobilisation need to be framed by the MCAB with the approval of the State Government. A scheme for insurance of deposits of SCS also need to be framed by the State Govt. to protect the interest of the Depositors in the lines of West Bengal or Kerala Model.
(vii) **Self-help Groups and SCS**

Self-help and Mutual help are the essential principles of Cooperatives and therefore, formulation of Self-Help Groups should be encouraged by the Service Cooperatives to activate their inactive members as well as for increasing their membership outreach in the service areas. Service Cooperatives should treat SHGs as effective tools to supplement their roles in all the rural developmental activities and not as alternative organisations or competitors as have been projected by certain quarters.

(viii) **Diversified Lending Operation**

Service Cooperatives in order to become viable business enterprises need to diversify their lending operation. Successful Cooperatives prepare their own Business Development Plans basing on the potentials of the area and undertake diversified lending activities to meet all types of credit requirements of their members and the public within the area of operation. The SCS need to emulate sound business principles and undertake all types of lending activities, such as, lending to members for running small business shops, village and cottage industrial units, construction of houses, purchase of vehicles, gold loans,
consumption loans, ceremonial loans, marketing, processing, etc. in addition to loans for agril and allied agriculture activities. The Societies also need to ensure extending timely and adequate credit to the members, free from hassles.

(ix) **Membership Coverage**

As in other North Eastern states, Cooperatives in Meghalaya are also State sponsored organisation and they are functioning like extended arms of the State Government. This has made the people to believe that the Cooperatives belong to the State Government and not to the members. This feeling needs to be dispelled from the minds of the people and the Cooperation Department, MCAB and the State level Cooperative Federations have to play a greater role in this regard. The Chairmen, the Secretaries and other functionaries of the Service Cooperatives should also make membership drive regularly in their respective area of operation and enroll all the willing people as members of the Societies under a time bound programme. A Membership Enrolment Plan needs to be drawn up by each Service Society and endeavour to increase their membership by at least 20% at the end of every year with a view to bring all the
rural house-holds under the cooperatives within a period of 5 to 6 years.

(x) **Redemption of Debts**

Service Cooperatives in Meghalaya have been saddled with huge overdues varying from Rs.0.42 lakhs to Rs.54.87 lakhs each due to low recovery of dues from loanee members. There are various reasons for the poor recovery performances, such as occurrence of floods, hailstorms, excessive or less rain, perpetuation of shifting cultivation, primitive method of cultivation, poor productivity, low yield, etc. As most of the reasons are genuine and the Credit Societies have been discharging social obligations, there is a strong case for the Cooperative Societies to demand financial assistance from the Government to redeem the dues of the farmers. In this direction many Committees including the latest Task Force, headed by Prof. Vaidyanathan supported this cause of Cooperation. The state Government need to move the Central Government to provide adequate funds for redemption of Societies’ debts/NPAs to the MCAB.
(xi) **Manpower requirements and their Skill Upgradation.**

Majority of the service societies are managed by their Secretaries with one or two supporting staff who do not possess the required knowledge and skill to run the Societies as business enterprises. Considering the multipurpose nature of services and the number of villages to the served, the Societies need to be adequately staffed having requisite knowledge of credit, dispensation, deposit mobilisation, marketing and consumer goods dealing, maintenance of books and records, etc. The RCS and the MCAB need to extend necessary help and guidance to the Societies in recruitment of staff and their training. The State Government also need to provide financial support for a period of five years for the purpose.

(xii) **Best Practices in Service Societies**

The Service Cooperatives should undertake pre-seasonal public announcements and campaigns to generate awareness and assess realistic credit requirements of their potential borrowers and farmers, hold periodic village level meetings, farmers meets, Annual General Body Meetings, take steps for issue of KCC to all farmers, running fair price shops, etc. The Chairmen, Secretaries and other office-bearers of the Societies
need to undertake responsibilities for recovery of loan dues and rendering multipurpose services to the rural masses.

(xiii) **Withdrawal of Caderisation Scheme and alternative measures.**

With the withdrawal of Caderisation Scheme of Secretaries of Service Societies by the Government from April 2003, a vacuum has been created in the functioning of the Societies. The Managing Committees are unable to take responsibility for functioning of the Societies due to lack of knowledge or capacity of the Chairmen and other office-bearers. The District level functionaries of Cooperation Department are also not extending the required guidance and so also information with regard to availability of liberal incentive assistance from the Government and the MCAB for the Societies on the basis of their performances. These are indeed good measures as they are intended to encourage the Societies to grow as self reliant and self-sustained institutions in due course of time. The concerned Circle Inspectors of Cooperatives and the Field Staff of MCAB need to give wide publicity of these incentive Schemes of the RCS as well as MCAB and guide the office-bearers of SCSs to function as economic and business organisations.
7. **State Marketing and Consumers Coop. Federation (MECOFED)**

As Federation of the marketing & consumers cooperatives in the State, MECOFED need to function professionally and protect the interest of the farmers as well as the consumers in the State. In this regard, the following measures are considered necessary for re-structuring of MECOFED and revitalisation of its marketing and consumers goods services:

a) MECOFED has created a huge godown infrastructure in the rural areas with State Government assistance and they have been lying unutilised for years together. This infrastructure needs to be adequately utilised and the godowns, which cannot be utilised by them in near future, should be either disposed off or rented out keeping in view the commercial aspects and returns on such investment.

b) Existing outlets/offices of MECOFED need to be relocated in such a manner that they are shifted/located in the commercial areas and growth centers having sufficient business potentialities to attain viability within a reasonable period. Their Working/Business hours need to be so fixed to become convenient to the people and the customers and not to follow Govt. Office timing and Government Holidays.
c) A comprehensive Business Development Plan is essential for MECOFED initially for 5 years and this should be prepared taking into consideration of all relevant factors and potentialities of the MECOFED, resource position, capable man power and above all viability of business activities to be undertaken.

d) Excess and unproductive Staff needs to be pruned through proper screening and VRS process and those who are retained should be adequately trained in different aspects of business activities, trading and business acumen so as to make them competent and capable of running the business operation commercially.

e) As discussed earlier, a special financial dispensation is required for MECOFED to liquidate its NPAs, opening line of credit channel from the MCAB and margin money/soft loan assistance from the NCDC to undertake diversified business activities as per its approved Business Development Plan.

f) Preferential treatment needs to be given by the State to MECOFED by the Govt. in the matter of PDS, ICDS, supply of printing & stationery articles and other consumables of the Government.

g) A sound internal check and balance system needs to be set up in MECOFED for exercising proper supervision and control.
over all its business operation and fixing accountability at all levels.

h) Strong Forward & Backward Linkages need to be established by MECOFED among all type of Cooperative Societies, such as, Service Societies, Marketing Societies, Sub-Area Marketing and other Sectoral Federation as to develop a coordinated approach towards marketing for the benefit of the growers.

8. **Sub-Area Marketing Coop. Societies (SAMS)**

In Meghalaya, there are 22 SAMS organised as per recommendation of the Terlook Singh, of which 6 SAMS are functioning now and the rest are either defunct or non-existent. The SAMS have created considerable assets in the shape of godowns, offices, shops and staff quarters with liberal financial assistance from the State Government. The SAMS needs to be re-structured and their infrastructure need to be utilised for the purpose for which they were created. In this regard, the following suggestions are put forward:

a) The SAMS, which have business potentials, may be retained and the unviable and un-economic SAMS may be merged
with the viable SAMS or Branches of MECOFED or the District level Marketing Societies.

b) While re-structuring the SAMS, care should be taken to ensure that at least one SAMS is retained in every District of the State.

c) The existing unproductive staff of SAMS may be given Golden Hand-shake by giving 3 - 4 month’s salaries as per provision of their Service Rules and only productive staff with requisite qualification, knowledge and experience need to be utilised in the business operation of SAMS.

d) A revival package for SAMS may be worked out of the financial outlays available under the on-going NCDC assisted Integrated Cooperative Development Projects in the Districts.

e) An effective linkage of SAMS need to be established with the MECOFED so that they can serve as Agents/or service centers of MECOFED and avoid overlapping and duplication of services.

9. **Meghalaya State Coop. Housing Financing Society Ltd.**

Housing is a very important sector and MCAB was the first Bank in the Country to start housing finances from 1987 onwards. With the setting up of National Housing Bank on 9 July
1988 and as per National Housing Policy, Housing Cooperatives have been assigned an important role for providing housing finances. With the low interest regime, finances for housing are available with the lowest interest rates, which is presently around 7.75% to 8.00% per annum. Meghalaya State Coop. Housing Financing Society should take full advantage of the low interest rates, provide adequate funds to the affiliated Primary Societies as well to as start construction of Commercial Complexes, Housing Colonies and Flats for residential purpose at affordable prices throughout the State. In this connection, the following strategies may be adopted:

i) To acquire land in the Capital Town of Shillong and construct multi-storied housing flats for sale to the perspective buyers.

ii) To acquire land in the Greater Shillong area, Jowai, Nongpoh, Umsning and Tura and other potential areas of Meghalaya after proper identification and develop Cooperative Housing Complexes and Colonies with modern amenities. This will solve the housing problems and at the same time help the people to create assets at affordable prices.

iii) To develop market yard and shopping complexes in the commercial areas of Greater Shillong, Jowai, Tura and other potential areas. This will help creation of enormous self-
employments and reduce pressure in the already saturated Government jobs in the State.

iv) To strengthen and guide the Primary Housing Cooperatives to formulate Rural Housing Schemes and construct rural houses for the Villagers at low cost with Bank finance and Housing Scheme of the Govt of India.

The above said measures will primarily benefit the State Housing Financing Society and its affiliated Primary Societies to become financially viable organisations and also offer enough scopes for utilisation of surplus resources of the MCAB in the housing sector, commercial use of locally available building materials and absorb a large portion of the skilled and unskilled unemployed youths in the construction work. Presently, the State Housing Financing Society is working as an extended arm of the Cooperation Department with a skeleton of staff and the result is reflected in its poor performances. For fulfilling its objectives and implementation of the above strategies, the Federation needs positioning of competent, qualified and experienced staff urgently and the Cooperation Department need to extend necessary guidance in this regard or move the National Coop. Housing Federation for preparation of suitable scheme for strengthening of the Housing Sector in the State.
MEGHALOOM - THE STATE LEVEL WEAVERS AND HANDICRAFTS FEDN.

The Meghalaya Apex Handloom Weavers & Handicrafts Cooperative Federation has vast scope for promotion and development of Handloom & Handicrafts activities in the State. In the ancient days and even now, majority of the rural households in Meghalaya have one or two Handlooms in their houses and they weave clothes and dress materials such as Dakmanda, Jainsem, Bed Sheets, Bed Covers, Gamcha, Curtains, etc. These materials are made mostly for their own uses and a small portion is available for sale in local markets. The State has potentials for Erri and Muga Shawls, Sarees, clothes and other dress materials. Meghalaya is also rich in handicrafts, such as, woodcarvings, bamboo and cane works, Iron and stone works. The MEGHALOOM need to capitalise the potentialities of the State and the talents of the local people. In this respect, the MEGHALOOM shall require to undertake the following initiatives:

i) To open more production centers in the areas where weavers and craftsmen are concentrated and train them in the production of quality goods and articles, handling of improved and semi-power looms and other modern tools and accessories.
ii) To motivate the weavers to produce clothes and dress materials with attractive designs for which there is a demand in the market.

iii) To arrange and ensure supply of quality yarns coloured yarns and other raw materials for handloom weavers as well as raw materials for craftsmen and artisans at competitive prices.

iv) To collect the finished products from the weavers and craftsmen and arrange for their marketing and sale at remunerative prices to improve their economic condition.

v) To organise Exhibition, Fairs and Melas inside and outside the State periodically for display and sale of Handlooms and Handicrafts products.

II. Cooperation among Cooperatives

In Meghalaya, there are five major State level Cooperative Institutions namely, MCAB, MECOFED, MEGHALOOM, Housing Financing Society and State Cooperative Union. Except MCAB, the other Sectoral Federations are somewhat slow in catching up with their assigned roles and performing the responsibilities. There is a strong need for these Sectoral Federations to build up effective linkages with their affiliated Cooperative Societies and ensure coordination among their functional activities for the well
being of the members, growers and the public. Similarly, all the State level Cooperatives of the Region need to establish effective coordination among them and this will facilitate strengthening of their bargaining power in terms of production, marketing, processing, exchange of skills, knowledge and know-how, etc.

12. Integrated Cooperative Development Project (ICDP) and Strengthening of Cooperatives.

Meghalaya is one of the few States in the Country, which has the privilege of having 100% coverage by ICD Projects. Four ICD Projects are under implementation in the State with MCAB acting as Project Implementation Agency and two more Projects are recently sanctioned by the NCDC. The objectives of Projects are integrated and total development of Cooperative Societies in the areas of Agril, allied Agril, Animal Husbandry, Farm mechanisation, Consumer Goods and Marketing Sector, Dairy, Poultry, Piggery, Fishery, Processing, Village & Cottage Industries, Credit & Banking, etc. This is a rare and golden opportunity for the Cooperative Sector in the State and the Cooperative Societies need to take fullest benefits available
under the Projects and develop them as strong viable economic organisations in the State of Meghalaya.

13. **Cooperatives and Workforce.**

Efficient management and competent workers are the two most essential factors for success of any organisation. Unfortunately, the Cooperative Institutions lack in both even after 100 years of existence. The position is more acute in case of North East. In Meghalaya, the Cooperative Societies do not have skilled Labour and they are managed mostly by first generation workers. Cooperatives are local Institutions and they need manpower with business acumen and expertise, local fervour and knowledge. Therefore, it is imperative for the Cooperatives to have a well laid manpower policy containing recruitment, skill upgradation, job chart, rotation of duties, work culture, motivation, discipline and commitment. There is a general apathy on the part of the management of the Cooperatives to send their employees to the training courses and manpower development programmes. This attitude of management needs changes and cooperative personnel needs to be trained in all aspects of development banking without which the success of the Cooperatives will remain as a distant dream.
In the One Day Regional Workshop for N E Region held at Guwahati on 23 February 2004, several recommendations were made on HRD and the relevant ones are given in Annexure XXII.

1.4. Supervision and Control

Cooperative Organisations at all levels suffer from serious lack of supervision and control. In the changed economic scenario, the Cooperatives are required to function as viable economic organisations and discharge their social obligations. It is also imperative for the Cooperative Societies to strictly adhere to the prescribed rules and procedures in conducting business operation as well as to build up a strong internal checks and supervisory system. In this regard, the RCS as Brahmah, Vishnu & Maheswar need to strengthen his supervisory control mechanism over the Cooperative Societies. Similarly, the Management of the Cooperatives shall require to initiate necessary action towards streamlining the internal checks and control system to work as a watchdog and ensure that the engine is moving along the right path without the risks of derailment.
15. Need for re-capitalisation of Cooperative Banks and Societies.

The RBI has applied Prudential Banking Norms to the SCBs from 1996-97 and as a result, most of the SCBs in the country had suffered huge losses. Even 7 SCBs and 143 DCCBs in the Country have come under Section 11(1) of the B R Act 1949 (As applicable to Cooperative Societies), which means that they do not have the required net worth of even Rs.1.00 lakhs. The ECRC and the Task Force (Jagdish Capoor Committee) observed that the Cooperative Banks were engaged in social banking since their inception and they were utilised by the Government as vehicles for rural development with directed lending to agril and allied agril. without giving much scope for diversification of their business activities. These are the main reasons for their present poor state of health and they deserve re-capitalisation assistance from the Government. The MCAB has also suffered losses like other SCBs in the Country. However, the MCAB has been able to wipe out its entire losses of Rs. 10.54 crores within a period of last five years out of its own efforts and without any external support.

This is undoubtedly a remarkable achievement of the Bank, but the Credit Societies and the State level Federations still
owe a huge amount to the MCAB. The Cooperative Credit & Banking Sector deserves re-capitalisation package like Commercial Banks. The ownership issue and other unreasonable arguments put forward by certain quarters are not at all relevant as the Cooperatives are users-based organisations and not ownership centric institutions like Commercial Banks. During the last eight years, the Central Government had appointed at least three Committees/Tasks Force - one under the Chairmanship of Dr. Jagadish Capoor, Ex-Dy. Governor of RBI, second under Shri. Vike Patil, former Union Minister of State for Finance, and the third under Prof. Vaidyanathan and these Committees / Tasks Force supported the cause of the Cooperatives and recommended re-capitalisation assistance for them linking with certain reformation to be carried out in the Cooperative sector. Therefore, the State Government and the Cooperative Leaderships need to pursue with the Central Government forcefully for release of re-capitalisation assistance of about Rs, 15,000 crores for the entire Cooperative Sector in the country without further delay and cooperative reforms which are in conformity with the National Cooperative Policies and appropriate for the development of Cooperatives need to be carried out immediately.
With the advancement of Information Technology and computerisation, the whole World has become a global village presently. Importance of computerisation and automation does not require much emphasis. Now even a small business organisation has realised the benefit of computerised working environment. The Commercial and Public Sector Banks in Meghalaya and other N.E. States have totally computerised their banking operations and providing on-line services to the customers with extended working hours up to 4.00 PM daily. But the Cooperative Banks of the Region are still lagging behind. The need of the hour to computerise their services if the SCBs are to retain their business share and exist in the competition. In the early seventies, the LIC made a progressive attempt for automation of their operation but had to abandon the process due to virulent opposition from the Employees Union and its automation process suffered a serious set back. Today, the situation has changed and even the Employees Unions are welcoming computerisation and the posterity has proved that what is good for the people and the country cannot be stopped or stalled indefinitely. The MCAB and its dynamic management and progressive staff deserve appreciation for making a
significant progress in computerisation of its banking operation. Out of the 39 Branches of the MCAB, as many as 11 Branches of the Bank have already been computerised and the Bank is planning to computerise the remaining Branches in phases. The Bank has approached the NABARD to assist the bank in this regard out of their Cooperative Development Fund. The MCAB has also a plan to help its affiliated SCS on selective basis to computerize their functioning in near future. This initiative will undoubtedly give a boost to the Cooperative Credit and Banking Sector in the State and the SCBs of other N E States will be benefited immensely with the experiences of the MCAB.

17. **Agriculture - The main source of livelihood of rural Meghalayans.**

Agriculture is the main source of livelihood of the people of Meghalaya. Out of the total population of 23.06 lakhs in the State, as many as 18.53 lakhs live in villages and the remaining 4.53 lakhs people are residing in urban areas. In Meghalaya, the principal agricultural crops are Rice, Wheat, Maize, Mustard Seeds, Potato, Ginger, Vegetables, Turmeric, Jute and Mesta. The State has also vast potentialities for Horticulture and Horticultural crops like Pineapple, Banana, Papaya, Plum, Peach,
Pears, Apricots and Citrus fruits. Again, every rural household in Meghalaya rears pig as domestic activity and they are expert pig rearers. During the course of field studies, several farmers in the area of Service Societies were contacted and interviewed and it was observed from the discussion that the farmers have been by and large happy with the MCAB and the Service Cooperatives. The NABARD has estimated a credit gap of Rs. 2764.19 lakhs in Meghalaya, of which Rs. 1366.80 lakhs is in agril. sector, Rs. 567.58 lakhs in Non-farm sector and Rs. 829.81 lakhs in other priority sector. Thus, the agril and allied agriculture offer a vast scope for expansion of Cooperatives and bringing prosperity to the rural people in the following areas:

a) Cooperative Societies can be set up for Horticulture Plantation, marketing of horticultural crops and value addition products such as, soft drinks, jelly, sauce, pickles, etc. for which there is a huge demand in the State as well as in other parts of the Region.

b) Agro based Industrial Cooperatives can be set up for cashews which are extensively grown in the Garo Hills Region. Similarly, ginger based processing units can be set up for extraction of ginger oil, ginger ale (soft drink), pickles, ginger powder and so also for Rubber and Tea which are grown in the different parts of Khasi & Garo Hills Region.
c) Cooperative Societies can be organised on Pig Farming and production can be increased by using improved breeds and following modern pig rearing techniques. This will enable the farmers to meet the demand of pork in the State as well as other N. E. States and earn fabulously.

d) Cattle breeding and dairy farming also offer good opportunities and can bring enormous prosperity to the farmers by supplying beef to the consuming public locally and in the Region. Milk products like cheese, butter, ghee and chocolates can also be produced besides farmyard manures for agriculture and hides for tennaries.

e) Poultry and goat farming may be taken up by the people by organising Cooperatives for meeting local requirements of eggs and meat which are presently imported from outside.

18. TOURISM AND HOSPITALITY SERVICES

It is said that every inch of Meghalaya can be developed as a tourist spot. Government of Meghalaya has declared Tourism as an industry in the State. Tourism & Hospitality Cooperatives need to be organised and Tourist Lodges, Hotels, Motels, Paying Guests Houses, Dhaba type Restaurants, etc. can be set up under Cooperatives in most parts of Meghalaya with Bank
credit and create unlimited job opportunities for the educated youths. The Tourism Sector alone can solve the unemployment problems of the State to a great extent.

19. **Sericulture and Weaving activities.**

Sericulture and Weaving provide ample scope for cottage and village industries in Meghalaya. Mulberry, Eri and Muga plantations are quite extensive in the hill areas and their finished products have worldwide markets. After the World War-II, Japan’s economy was lifted by silk and sericulture industries for their high employment potentials and foreign exchange earnings. In Assam, Soalkuchi is also famous for Muga and Endi dress materials. In Meghalaya, there are 34 Primary Weavers Cooperative Societies with a membership of 2750 at the end of March 2002 and they have made considerable progress in the handloom-weaving sector. Given the necessary support by the MEGHALOOM as discussed under Sl. No.10, the Primary Weaving Societies can flourish and provide enough employments to the rural people particularly the rural women folks.
20. **Fishery Development**

In Meghalaya, majority of the people are fish and meat eaters and the requirement of fish and meat are presently met by importing these food stuff from far off States like Andhra Pradesh, Karnataka, U.P. etc. besides Assam and in the process crores of rupees are going out of the State every year. We have 61 Fishery Cooperatives in the State and the Fishery Department of the Government has recently approved a scheme for development of 1000 Fish Ponds to meet the consumption requirement of the people in the State. Thus Fishery Sector offers enormous scope to the fish farmers to organise Cooperatives to increase fish production and improve their economic condition by catering to the needs of the fist-consuming people in the State as well as the neighboring States. The increased fish production will also enable the Meghalaya State to stop out flow of its huge capital and utilise the same for various income generating development schemes for the benefit of the people.

21. **Non-farm and non-agricultural activities**

It is said that for successful rural development requires thriving agriculture, but the problems of rural poverty and
retention of rural population cannot be solved by agricultural activities alone. Non-farm and non-agricultural activities play a dominant role in this regard. The rural Meghalaya offers unlimited potentialities for non-farm and non-agril activities, such as, Small Scale & Village Industries, Carpentry, Saloon, PCOs 3-Wheelers, Medicine Shops, Grocery Shops, Building Materials Shop, Tea Stalls, Eating Houses, etc. The Micro level Societies need to identify the viable non-agril activities, develop necessary expertise to handle such business and provide services to the people at their doors step. This will reduce the pressure of farmers on land, create huge number of jobs in the rural areas and augment the income of the farmers.

22. **Credit gap and credit planning**

The NABARD in its Meghalaya State Focus Paper for 2003-04 had projected total credit requirement for priority sector at Rs. 83.31 crores and the availability of credit from Banking Sector was estimated at Rs. 55.67 crores. Thus, there is a credit gap of Rs. 27.64 crores. Considering the deposit mobilisation potentials in Meghalaya, it is not at all a difficult task for the Banks to meet this credit gap. Even MCAB alone has the capacity of meeting this credit gap. But the real
problems of agricultural finance lies in the Agril system itself for its low productivity and low yield, perpetuation of conventional method of cultivation and agril practices, lack of agril extension services, absence of marketing linkages and accumulation of high overdues. The Service Societies and the MCAB as local area institutions are in an advantageous position to overcome these problems and meet the credit requirements of the farmers and change their mindset. In this mission, the Cooperatives need the active support of the State Government particularly the Agril Department and District Authorities to involve them in all the rural development schemes of the Government.

23. **CORPORATE GOVERNANCE IN COOPERATIVE**

According to famous economist and Nobel laureate Mr. Milton Friedman, Corporate Governance means conduct of business in accordance with the desires of the owner or shareholders which generally will be to make as much money as possible while conforming with the basic rules of the Society embodied in law and local customs. Cooperatives are socio-economic organisation. With the financial sector reforms and acceptance of free market economy, the Cooperative Sector has now become more relevant today to safeguard the
interest of millions of farmers and weaker sections. The Cooperatives has to play a more positive and dynamic role and their old and outdated methods of working have to be given a goodbye. Shri Mohan Dharia Former Vice-Chairman, Planning Commission once said, "India is one of the most fortunate countries in the world having several climates, flora and fauna and other natural gifts. However, to take advantage of our national endowment, more strength will have to be given to our people. In this regard, Cooperative Movement should be given a pivotal role. Instead of undermining the movement, it should be more strengthened so that it becomes the most effective instrument for the required socio-economic change". Truly speaking, cooperative principles, values and practices are significant for the common men and their socio economic upliftment. The Cooperatives are internationally recognised organisations for rural development and well being of the people below the poverty line. In Meghalaya’s situation, Cooperatives can do miracles in rural development spheres.

24. **COOPERATIVE REFORMS**

Cooperative Banking & Credit Institutions are financial institutions. They need to function professionally and be
controlled by a single regulator like Commercial Banks. The first Task Force headed by Dr. Jagdish Capoor, the ECRC and the second Task Force under the chairmanship of Prof. Vaidyanathan recommended a series of reforms in the Cooperative Sector. In this direction, the following action needs to be taken under a specified time frame:

a) The Cooperative Societies Act & Rules need to be amended by the State Government on the lines of Model Act and mandatory provisions need to be made in the Act for election of Directors/Managing Committee Members in the Societies having experience/expertise in Agril, Accounts, Credit, Lending, etc.

b) Cooperative Banking Institutions need to be regulated by a single Banking Authority i.e. RBI under the B.R.Act and multiplicity of control need to be done away with by amending the relevant provision of the Acts & Rules. Presently, Cooperative Banks are answerable to Cooperation, Finance & Agril Departments of the State Government, NABARD, RBI, etc. and most of their time is spent on compliance of regulatory matter/directives (often contrary to each other) and little time is available for their actual work. Identification of Single Regulator will solve this problem and allow smooth functioning of the Cooperative Banks.
c) Cooperatives need to function as autonomous organisations, managed and controlled by their democratically elected Boards/Managing Committees and free from interferences from outside authorities.

25. **NEED FOR INVOLVEMENT OF THE TRADITIONAL INSTITUTIONS AND TRADITIONAL LEADERSHIPS.**

Meghalaya is the homeland of three main indigenous tribes - the Khasis, the Garos and the Jaintias. The Khasis are concentrated in the Central Meghalaya while the Garos and the Jaintias are living in the Western and Eastern Meghalaya respectively. In a tribal society, the Traditional Institutions and the Traditional Leadership are held in high esteem and they have much more influence on the life of the people than the formal administrative set up. In fact, they can become the eyes and ears of the Cooperative Societies at the grass root level and contribute enormously for the success of the Cooperatives and Cooperative Movement in Meghalaya. Therefore, it is in the interest of the Cooperatives, Cooperative Movement and strengthening the roots of the Cooperatives, the Traditional Institutions and Traditional Leaderships need to be involved in
the Cooperatives and their day to day functioning in a systematic manner.

26. **Law and Order and General Unrest**

Meghalaya and other North Eastern States have been experiencing considerable insurgency and unrest for the last almost three decades. The general unrest and low and order problems have seriously hampered the growth and development of the State. Non-development of various sectors and lack of employment and other facilities for the well being of the people has created a sense of insecurity among the young generation. The situation needs to be handled through peaceful means and socially useful measures. The Cooperative Societies as peoples' organisation can play an important role in this regard and ensure socio-economic prosperity to young generation through business operation.

27. **Role of the State Government**

Cooperation is a State subject and the Cooperative Societies being local institutions of the people and organised for their socio-economic upliftment, the State Government has a major role to play for promotion of cooperation and cooperatives
in the State. Expectations from the State Government in this regard are as follows:

a) It is a fact that a substantial portion of the own and borrowed funds of the Cooperative Credit Societies are locked up in overdues/NPAs and the Cooperatives are facing serious resource crunch. The State Government needs to provide need-based financial support to the Cooperatives to revive their position and enable them to continue to serve the rural sector.

b) Functional autonomy and democratic functioning of the Cooperatives need to be ensured by enforcing relevant provisions of the Cooperative Societies Act and Rules and the Bye-laws of the Societies.

c) Audit of Accounts of the Cooperative Societies needs to be conducted timely and the Audit Reports need to be made available to the Societies in time for rectification of defects and submission of compliance reports timely by them.

d) Active help and support need to be extended to the Cooperatives in the matter of recovery of loans from the members. Procedure for Bakijai & Arbitration cases also needs to be streamlined and the Bakijai Cases filed by the Societies need to be disposed off within a specific time frame.
e) Special Recovery Tribunals need to be set up in every district of the State for expeditious disposal of loan recovery cases of Cooperative Societies.

f) In the absence of land tenure system in the State, effective land mortgage is not possible for the borrowers to obtain loans from Banks and hence, there is a need for the State Government to declare creation of charge/mortgage of landed properties under the Customary Laws as legally valid mortgage until such time land tenure system is established in the entire State.

g) Introduction of performance awarding system annually and recognising the services of the good performing Societies.

h) Re-organisation of the Micro level Cooperative Societies, which is overdue, and it needs to be taken up immediately involving NABARD and the MCAB.

i) Arranging Seminars, Workshop, Exhibition, and awareness campaigns for Cooperatives and to focus on providing orientation training, grooming and motivation of youths, women and involvement of village leaderships and traditional leaders in the Cooperative Movement.
28. **Role of NABARD**

The NABARD as the country’s Apex Development Bank for supporting and promoting Agriculture & Rural Development has also been assigned the regulatory role for the SCBs, DCCBs and RRBs in the Region. The Cooperative Credit & Banking Institutions need some relaxation and financial support from NABARD as briefly mentioned below:

a) The Cooperative Banks in the N.E. Region are in infant stage. NABARD needs to formulate altogether different norms for the North East as All India norms with minor relaxations have been found unsuitable for development of Cooperative Banks in the N.E. Region.

b) Cooperative Banks need expert guidance and support from NABARD for profitable investment of their surplus resources without which their resource mobilisation efforts will suffer a serious setback.

c) Cooperative Banks & Credit Societies require assistance from the Cooperative Development Fund of NABARD for computerisation of their business operation and for this purpose, there is a need to re-frame the policies of NABARD.

d) 50% Government Share Capital ceiling in Cooperative Societies and other restrictions for availing loans from LTO Fund
by State Government need to be removed by NABARD. This is essential considering the weak financial position of the Cooperatives in the North East and their inability to collect more shares from the tribal beneficiaries.

e) The NABARD needs to extend is expert guidance in the re-organisation of base level Cooperative Societies in Meghalaya and the North East.

f) NABARD needs to provide cent percent financial support to MDMI for infrastructure development and conducting training programmes for the personnel and office-bearers of Cooperative Credit & Banking Institutions in the North East.

g) NABARD needs to enhance single exposure limit to at least to Rs.1.00 crores per individual borrower or link the exposure limit as percentage to working capital of Cooperative Banks to enable them to deploy their surplus resources in high volume lending portfolios.

29. Role of RBI

The Reserve Bank of India as Central Bank of the Country needs to relax some of its norms for the Cooperative Banks of the N.E. Region as they are facing serious crises after imposition of Prudential Banking Norms to the Sector since
The North Eastern Region has been declared comparatively backward. Again, the N.E. States are recognised by the Central Government as Special Category States because of their economic backwardness. Hence, the SCBs of the Region needs some support and sympathetic consideration of RBI on the following lines:

a) SCBs of the Region need exemption from NPA norms and provisioning for a period of 5 years or application of such norms may be kept in abeyance till such time the rehabilitation assistance are provided to the SCBs by the Government like Commercial Banks.

b) Due to absence of primary or secondary money market in the Region, RBI may extend their expert guidance to the SCBs in profitable and secured deployment of their surplus resources and help increasing their profitability.

c) Cooperative Banks are subject to multiple controls and B R Act needs to be amended and bring the Cooperative Banks under the sole regulatory control of RBI in respect of Banking operation while powers relating to registration, audit, liquidation and annual general meeting may be retained with the RCS.

d) Re-capitalisation of SCBs is essential if they are to provide credit and other services to the agril and rural sector. RBI as
Central Bank needs to impress upon the GOI for providing adequate funds for the rehabilitation of SCBs and Credit Cooperatives and save them from virtual collapse in the North East.

30. **COOPERATIVE DEVELOPMENT COUNCIL (CDC)**

In Meghalaya, there is need for setting up of a State level Cooperative Development Authority to oversee and monitor the performances of Cooperatives, review their position and to give necessary advise and guidance for their promotion and development on healthy lines. The Development Council may be set up consisting of the representatives of the State Government, Senior and experienced Cooperators drawn from different areas of the State, representatives of the Apex Level Cooperative Institutions and the NABARD.

31. **MCAB AND SERVICE COOPERATIVES - EPIHOME OF RURAL DEVELOPMENT**

The Meghalaya Cooperative Apex Bank as leader of the Cooperative Credit System has indeed come a long way from a tiny offshoot of a bigger State Cooperative Bank i.e. the Assam Cooperative Apex Bank. During the last thirty-two years of its
useful and innovative services to the people of Meghalaya, the MCAB has grown in many dimensions and has the distinction of offering multiples of services in the arena of agriculture and rural development far surpassing the performance of Commercial Banking Sector in the State. Inspite of not so conducive banking climate in the State, the MCAB has taken the cooperative banking to the door steps of the people even in the remotest villages through its wide spread branches, innovative Mobile Banking Services, All Women Bank Branches, Model Service Cooperatives, Intensive Village Development Scheme, etc. The MCAB is always on the look out for new ways of caring the customers and improving its banking products and facilities as well as services of affiliated service Cooperatives for the benefit of the people in general and economically deprived sections in the rural areas in particular.

During the last thirty-two years, the MCAB has successfully provided social banking services to the needy people and has made significant contribution in the economic development process of the State. The people of Meghalaya as well as the successive Governments of the State also look upon the MCAB and the Village Cooperatives as most potential organisations for rural development. The trust and confidence of the people has also been clearly reflected in the performances of
the MCAB and the micro level Societies as projected in the relevant chapter of this thesis.

The MCAB and the base level Societies are a ray of hope for the majority rural people in Meghalaya and their hopes and are well guided by the MCAB and the Cooperative fraternity. In fact, the MCAB and the service Societies have occupied a special place in the heart of the people of the State in general and the farming community in particular. The MCAB with its visionary spirit, progressive and dynamic management, loyal and dedicated staff together with the catalytic support of the cooperative friendly State Government has the necessary potentials and resources at its command to change the rural face of Meghalaya into a heavenly abode for the rural inhabitants and establish a Cooperative common wealth in the State. Our first Prime Minister Pt. Jawaharlal Nehru in his message to the nation on the occasion of Cooperative Week Celebrations in 1958 said; “We decided long ago to build up a cooperative common wealth and we must work to that end. This requires not only acceptance of that ideal but trying to make that ideal a practical proposition.”

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