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CHAPTER – IX

ANALYSIS OF SWOT AND SUGGEST VISION AND PLAN OF ACTION FOR COOPERATIVE

With the adoption of the new economic policy of liberalization in 1991; various threats are being faced by the cooperatives. To face the challenges of new economic policy, it is essential to analyze ‘SOWT’, to develop strategy, and based on that vision and action plan need to be formulated. So after examine the cooperative movement up to chapter VIII in the study, this chapter explains the analysis of SWOT and suggestive vision and plan of action to counter the challenges faced. In this chapter it is modest attempt to make realistic SWOT analysis of PACS to determine the vision for 2025. The PACS should make a SWOT analysis of their structure in general and members in particular.

IX.1 - Globalization in Cooperative Sector

The cooperative sector could not take full advantage of the first and second economic reforms packages as was first introduced in the year 1991 and implemented by the government as new economic programmes initiated by the IMF and World Bank. The economic packages have not provided a level playing field. On the other side, it is appreciated that, the Government of India has now introduced administrative orientation and reforms in the cooperative legislation, which will make cooperative organization more autonomous, independent and democratic, while competing in the open market economic system. It is also expected that, while the Government shall continue to pledge its whole hearted support of cooperatives and recognize them as important economic
organizations, capable of playing key role in the socio-economic development in the country. Economic Liberalization (EL) and economic reforms packages seem to have unfavorable impact on cooperative sectors and organization. The implication of the economics reforms in cooperative sector is dependent on a number of factors, which have led to a slow and cautious approach in the full implementation of economic packages. The Economic reforms are not planned properly; therefore the benefits have not reached the cooperative members. There is an urgent need to evolve and generate viable policies and measures to ensure greater reforms on Economic packages being given to the cooperative sector. Thus, the cooperative sector can take advantage of emerging opportunities in the ever-competitive liberalized economic environment. The cooperatives and improve their managerial and professional competencies, adopt modern management practices, use information and communication technology, adopt cost effective measures and must ensure efficient overall management of cooperatives organizations.

Cooperative sector has become an important sector of the national economy and is playing a pivotal role in poverty alleviation and reduction of disparities among the communities. Some of the prominent and enterprising agricultural cooperatives and non-agricultural cooperatives have significantly contributed to the economic growth of the country at large.

Globalization can be traced back to the 16th century, when there was vast trade, business and military power expansion in a number of countries in Asia, Africa and Latin America. In the current scenario, it is essential for globalization of enhance economic growth and sustainable development of different sectors, including cooperative sector.
Globalization denotes, inculcating global approach and presentation of global outlook in business strategies to face competitiveness and inter-dependency of organizations operating in many overseas countries by having collaborations through effective communication network.

Globalization can be understood through world bodies such as WTO and many other institutional trading organizations. The World Trade Organization (WTO) is one of the most important multilateral economic institutions of the world. It is operating on a framework of rules, regulations and procedures of the conduct of international business and trade relations. It provides an effective mechanism for prompt settlement of trade-related disputes. It is mandated to restore considerable liberalization of trade in goods as well as services globally. Besides, envisaging periodic negotiations for further liberalization of trade in future, the WTO provides an international discipline to cover other areas of economic policy related to international trade.

Globalization has opened up new opportunities and potentialities for cooperative sector. Cooperatives and other organizations are collectively approaching the globalization phenomenon to ensure good quality production of goods and services, transfer of latest knowledge and skills in science, information and communication technology, production, processing and marketing, storage, banking and finance, dealing with international trade, maintenance of the interest of producers, consumers and users.

The cooperatives sector must strengthen its infrastructure to compete in the global market. Radical reforms and restructuring of cooperative sector is highly essential to embrace the merging second-generation economic reforms. It is imperative for cooperative organizations to professionally manage trade and business enterprises with a
view of reducing processing and marketing costs. By ensuring active participation in the agricultural marketing competition and opening up of the farming business to the International market, the cooperative sector can capture the emerging global opportunity in agriculture and non-agricultural business activities.

**Structural Changes and Cooperatives**

The Indian economy has been in transition since 1991 with adoption of economic reforms through structural changes, marching towards liberalization, tree-market operation and privatization. As a signatory to the General Agreement on Trade and Tariff (GATT) and as a founder-member of World Trade Organization (WTO) India had to dismantle the trade barriers, dispense with quota restriction, regulation and subsidies and liberalize economy.

In the process, India's economy was affected by prevailing international economic, financial and fiscal trends, currents and under-currents, wide opening the flood gates for intrusions of MNCs in the basic infrastructure and service sectors. Initially, cooperatives failed to sustain the challenges of liberalization with gradual withdrawal of governmental support, financial in particular. New economic policy posed pressures from two fronts; on the one hand, the pressure of free trade and liberal economy required cooperatives to be competitive and responsive to the changed imperatives. On the other hand, restrictive cooperative laws acted as deterrents on progress. There was a greater realization that too much of governmental control and interference shafter the cooperative objective, spirit and orientation. To cope with the structural changes and to re-assert its role as effective mechanism of structural reforms, cooperatives evolve to raise the following demands:
• Greater autonomy through disengagement of the Government
• Strengthening their identity at market place
• Specific national policy on cooperative development,
• Liberal and facilitating cooperative law
• Strengthening value-based professional management
• Adoption of Information Technology, and
• Gender equity.

Dr. R.C. Dwivedi observes "recent change introduced by the Government in several fields provide an opportunity for cooperatives to play a much larger role in several areas such as

• Marketing of agricultural produces
• Creating of marketing infrastructure
• Establishing of agro-processing units etc.

Many schemes taken up in the past will be continued with greater vigour."

This statement is a testimony of relevance of cooperative in the reform process through structural changes. To sustain the impact of structural changes and to optimize competitive strengths of cooperatives, he recommends following strategies:

• Cooperative must be cost and quality-sensitive.
• The principle of cooperation among cooperatives be adopted vigorously, so that cooperatives work as a system.

1: "Liberalization of Economy and cooperatives" -by Dr. R.C. Dwivedi.
• Internal financial resources should be strengthened to build self-reliance to the maximum possible extent and to minimize dependence on the Government for financial support and inviting Government interference.

• Cooperative should avail capital from the open money market for establishing large business enterprises and processing units rather than depending upon Government.

• Financial and material management should be sound, ensuring optimization of resources.

• Modernization and application of information technology should be adopted for greater and optimum operational efficiency.

• Cost benefit analysis be made effective instrument to ensure viability of cooperatives.

• Perspective planning should be introduced on the basis of market forecast and analysis.

• Cooperative should build an institutional mechanism at national level to transfer the funds from surplus to cooperatives needing investment. Cooperative should not keep its funds idle.

• The strength of cooperative lies in its members. They should be served best to enlist their support and loyalty.

In his article on "Emerging Economic Scenario: Challenges before the cooperatives", Shri N. Bawa and A.J. Choudhury observed "The impact of New Economic Policy posses both challenges and opportunities to cooperatives. Cooperatives In India must evolve their strategies to enable them to face these challenges and also to
plan their future operation and growth. The underreer entry of multinationals in to indiscriminate fields of production and distribution has cast the responsibility upon cooperatives far more onerous than what is used to be during the guarded days of its existence.

Thus with the gradual withering away of public sectors, the market is left with private sectors and cooperatives. This has virtually enhanced the role of cooperatives to counter balance the operation of private sectors characterized by profit-maximization motives and indifference to concern of customers. Thus, structural changes have brought about simultaneous changes in cooperatives in including the imperatives for professionalisation, excellence and customer orientations. Cooperatives have asserted their position as profit making business enterprises, notwithstanding their social responsibility towards the community - what the I.C.A. termed as 'concern for the community'. Cooperatives have diversified their activities and rendered their services to members and general public in every aspect of socio-economic life.

In a nutshell, the Cooperatives have emerged as competitive, member-driven, democratically managed economic enterprises. The following data represents the veracity of services of Cooperative sector in the process of economic growth of this nation.

- Rural network (villages covered) : 100%
- Dispensation of agricultural credit by cooperatives: 48%
- Distribution of fertilizer by cooperatives (6,103 million MT) : 38%
- Production of fertilizer through cooperatives (in Nitrogen) : 15%
- Production of fertilizer through cooperatives (in P): 25%

1: "Emerging Economic Scenario: Challenges Before the Cooperatives" by N. Bliwa and A.J. Choudhury
• Production of sugar by cooperatives (10.4 million tons) : 55%
• Capacity utilization of Cooperative Sugar Factories: 85.7%
• Procurement of wheat by cooperatives : 30%
• Procurement of jute by cooperatives 25%
• Retail fair price shops by coops. 20%
• Milk procurement to total production 70%
• Milk procurement to marketable surplus : 100%
• Edible oil produced and marketed through cooperatives 51%
• Cotton marketed/procurement through cooperatives: 68%
• Cotton yarn/fabric production through cooperatives: 22%
• Handloom in cooperatives : 56%
• Fishermen in cooperatives : 22%
• Storage facility (available through cooperatives at PACS level) : 62.5%
• Soyabean production through cooperatives : 7.50%
• Self employment opportunities generate through cooperatives (Mill. persons) 13%
• Manufacture of Salt through cooperatives: 7.4%

Thus, cooperatives have played a substantial and pivotal role in the process of economic growth of our country.
IX.2 Significance of the application of SWOT Analysis in PACS

SWOT is a very familiar and popular technique in management in general and organizational diagnosis in particular SWOT stands for –

- S - Strengths
- W - Weaknesses
- O - Opportunities
- T - Threats

One of the major techniques in PACS diagnosis is SWOT analysis. This is basically a participative technique for PACS diagnosis whereby members of PACS collectively decide, rather identify their Strength, Weaknesses, Opportunities and Threats.

A number of Internal and External factors are affecting the performance, development and growth of PACS. It is imperative that SWOT analysis is used to analyze these factors. It would focus on the inherent problems, difficulties, opportunities and challenges prevailing in the PACS a large. By matching the SWOT factors with the threats and challenges posed by privatization, liberalizations, globalization and open economy system then only PACS can formulate suitable strategies. An organization may pursue defensive type of strategy, aiming at overcoming and overpowering the weaknesses and threats prevailing within the globalized and liberalized environment. Having these approaches in mind, the following comprehensive SWOT analysis was undertaken in an in-depth manner to ascertain the major problems impinging on growth and development of PACS in India. PACS can work out suitable strategies on the basis
of SWOT findings and the PACS can acclimatize the outcome of existing liberalized and
globalized environment.

Thus this chapter makes a realistic SWOT analysis of the rural cooperative credit
structure particularly grass-root level organizations like PACS.

**SWOT Analysis of PACS**

SWOT analysis facilitates answering questions like the following:

1. What are the strengths that can be trusted and built upon?
2. What are the weaknesses that need to be taken care of an improved?
3. What are the opportunities before the institutions that can be used to convert into
   strength?
4. What are some of the threats that head immediate attention so that they do not
   endanger the growth?

There is more than one way carrying out an organizational SWOT analysis. One
relatively simple approach is to create a SWOT sheet as given below and ask every
member of PACS to fill in the sheet with brief one line statement against serial number in
each quadrant of the SWOT sheet.

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
The compilation of the responses will simultaneously indicate the convergence as well as the divergence of views among the members, participant members are asked to generate common SWOT sheet. This leads to vigorous discussion. Through discussion, respondents arrive a consensus regarding Strength, Weaknesses, Opportunities and Threats of PACS.

“Strength” (S)

Out of possible ways to meet the new challenges, one is to innovate ways, which can serve the members most fruitfully, plan and implement activities, which will help them in building their comparative strength. This will provide them competitive edge to fight the market forces. PACS have to become more professional and entrepreneurial in their thought and action, in their approach and in behaviour. The PACS are essentially commercial enterprise should be the most important consideration to be born in the mind and should be given such play field, which is given to any other kind of commercial enterprise, both in terms of their policy as well as in their functioning. This change in policy and functioning will depend upon the perception of the weaknesses and threats faced and strength and opportunities provided by PACS/Cooperative Movement.

Strength of the PACS is the committed participation of the villages. Unification of small capital and human power of those people can transform a cooperative to a powerful organization. Separate identity of a PACS, its principles and values with sound financial position (Self reliance) base is its strength. Its strength also is its power of building relationship with villages due to its need based activities amongst the villagers. If the PACS can become a “Friend in need” and “Friend in need” of the villages then PACS
will never be isolated from the villagers or members. In short the following strengths are identified such as –

- PACS are using principles and practices of cooperation.
- Self-help through mutual help is the foundations stone of PACS.
- It safeguards the interest of people irrespective of their caste, class, creed, religion, regions, gender and status. This upholds the interest of under privileged and downtrodden person.
- It is a via media between capitalism and socialism.
- It receives state aid and assistance for developing all levels of the organization.
- It is an open and voluntary membership organization.
- The cooperative leaders work as management team and they are keen to achieve efficiency and efficiency and effectiveness in organizational management and administration.
- PACS can take risk and control their expenses through cost effective measures/techniques.
- They provide guidance and directions on the purchase and sales of the cooperative products like fertilizers, food-grains etc.
- PACS provide technical orientation and guidance on issue pertaining to agricultural production, money requirement, market availability, social awareness etc.
- The PACS adopt suitable strategies such as time limits for necessary action, quick disposal of disputes and execution of award, replacement of erring leaders, penalty/surcharges etc.
PACS have inbuilt ability to control mismanagement and mal administration at all the levels.

PACS prefer elected leadership than the imposed leadership with general body as the ultimate authority of cooperative organization.

PACS imbibe and derive democracy from their membership.

"Weakness" (W)

The main weakness of PACS is their confused identity. The dependents on others are one of the strongest weaknesses of PACS. The following weakness are identified in PACS-

- No comprehensive development action plan for the members of the PACS.
- Low membership coverage – 22.35 per cent only in Osmanabad District.
- Low lending – Rs. 9159 lakhs advanced during the year 2002-2003 in Osmanabad District. (average Rs. 19.6 lakh per PACS)
- Low share capital. [Growth rate of share capital 6.04 per cent only in Osmanabad district]
- Mounting overdues. [30 per cent]
- Poor recovery of loans.
- Low business low profit.
- Lack of entrepreneurship
- Low accountability, lack of responsibility of the body members and the general members.
- Defective agrarian structure with preponderance of small and marginal farmers.
- Lack of internal checks and control
• Absence of linking of credit with marketing
• Lack of technological application in PACS.
• Lack of vision
• Misutilization of loans
• Willful default
• Defective lending policy
• D.C.C. Bank is the immediate financing bank to the PACS, but D.C.C. bank suffers from various operational weaknesses and management deficiency.
• Too much politicization and officialisation of the PACS affairs.
• Competition under liberalized economic policy has a direct impact on PACS.
• Declining trend in the productivity and profitability of PACS.
• Absence of professional management and prevalent administrative inefficiency.
• Irrational recruitment policy and poor salaries being paid to employees of PACS.
• Difficulties in practicing the principles, philosophy and practices of cooperation
• Legislative and policy constraints hampering the growth and development of PACS.
• The PACS not be in a position to mobilize internal resources fully even in the era of LPG’s.
• Wrong perception of the people concerning the philosophy theory and working practices of cooperative organization due to corruption and embezzlement of funds.
Delay in auditing process in several PACS. [Out of 1886 societies 677 were Audited in 2002-03 in Osmanabad district]

- The cooperatives face willful negligence from some staff members leading to mismanagement and financial loss to the PACS.
- Over-control and over-management by the Registrar of cooperative societies (RCS). In all the matters, Registrar’s approval is necessary and mandatory.
- Existence of sleeping and inactive members.
- Militancy of the cooperative minority due to illiteracy and misunderstanding of the concept of cooperation.

"Opportunities" (O)

The opportunity of the PACS is its vast network in the country from the village level to national level.

- Liberalized economic policy (LPG) and globalization has created larger markets for PACS and its products.
- A concession extended by the government for developments of PACS still continues and is being enhanced from time to time.
- Well established Network of Cooperative Training institutions established at different levels such as ICM, Regional Institutes and National Institute of cooperative Management (Pune) and Maharashtra State Cooperative Board Pune.
- Making use of emerging technologies and science, especially Information technology (IT) and modern communication system. Therefore, they can move to E-cooperative sector.
- Making use of vertical and horizontal integration to be fully exploited by the PACS.
- Initiation of liberal cooperative Law and Act and Revamping the New Cooperative Policy.
- Application of management audit, quality audit and budgetary control techniques.
- Empowerment of women, youth and active member economic participation.
- Advocacy of complete accountability and transparency in the functioning of PACS.

"Threats" (T)/Challenges

The great challenge of PACS is Liberalization, Globalization and Privatization (LGP). Due to the globalization small capital is to face the challenge of large capital including monopoly capital.

- Entry of lower cost foreign competition forms and their poor quality of service and goods flooded in the open market economy especially in rural area.
- Shortage of resources and straining of the internal resources.
- Liberalized economic policies have posed threats due to removal of protectionism.
- Recession in economy has directly affected cooperative business turnover and reduced its market share.
- Dwindling level of government support and diminishing level of funding.
- Financial losses and financial mismanagement.
- Members and executive committee members are under the control and command of the Registrar of Cooperative Societies.
- Facing cut throat competition due to open market economic system.
- Not able to meet the international standards and quality of products and services.
- PACS may require constant vigilance and supervision, then only they can network independently.
- Existence of unscrupulous members who are selfish, besides management committee members have their petty interests.
- Inefficient and ineffective management committee members/leaders who cannot cope with emerging changes of economic liberalization and globalization.

**Application of SWOT analysis in PACS**

Any organization claiming any sort of success or wants to win must apply the SWOT analysis system. PACS should pursue defensive type strategy aimed at overcoming the weaknesses and avoiding external threats. The application of SWOT analysis is an important strategy formulation tool or system for matching Strength, Weaknesses, Opportunities and Threats.
A schematic representation of the Application of SWOT analysis is provided in the following figure.

1) Application of Strength to Opportunities – If must make use of strength to take advantages of Opportunities
2) Application of Strength to Threats – If must make use of strength to avoid threats.
3) Application of Weakness to Opportunities – If must overcome weaknesses by taking advantage of opportunities
4) Application of Weakness to Threats – If must minimize weaknesses and avoid Threats.

IX.3 - Vision of Cooperative

An organization without a vision and mission is “boat without a sail”

Vision of PACS

Vision is built on a set of beliefs – beliefs above the organization, its people, environment, culture, structure, facilities etc. Visions are two types – the near vision and the distant vision. Distant vision is the dream or imagination. The PACS should continue
to strive to reach that imagined status. The distant vision can be divided both on components and time into near vision.

The PACS are necessary to develop the near vision such "What PACS will be in 2025. For that purpose the endeavor of PACS is to envision possibilities, potentials and untapped opportunities and to convert those into realities. In envisioning a better future PACS shall depend on their SWOT analysis".

"Vision requires a subtle blend of humility and the courage to dare"\(^1\)

Today 26 per cent of 104 crores of people i.e. 27.04 crores of people live below poverty line, 3.50 crores of people are unemployed and 3/4\(^{th}\) of them are in the rural areas.\(^2\) Further 68 per cent of rural people live on agriculture and allied activities, so the development of agriculture shall still now become the focus of the development of village in India. PACS constitute a very important segment of institutional forever providing credit and other key inputs for agricultural development. There is symbolic relationship between Agriculture PACS and village development. Village development on a sustained basis requires basic changes in quality of life and way of living. Only village level organization i.e. PACS can bring such a change in India, who lives in villages.

Therefore, paradigm shifts required in the vision, mission strategy and instruments of policies for the development of PACS. Developing PACS must be seen as a means development of agriculture and to larger goals of employment led economic growth, alleviation poverty and self reliance through its linkages and multiplier effect, considering the aforesaid facts and circumstances, the vision of PACS shall be –

\(^1\) : India Vision 2020 – by Dr. Abdul Kalam P. 34
\(^2\) : India Vision 2020 – by Dr. Abdul Kalam P. 59
• To cover 100% of rural households

• To unite the members financially & culturally for common goals through its activities by involving them in decision-making.

• To generate income of members/ village people.

• To improve livelihood of members

• To generate employment

• To use credit as a means of production

• To use the decentralized planning system.

• To empower the rural poor, women,

• To create a common feeling of “My Society”

• To adopt the Information Technology i.e. e-cooperative

• To link with National and International Institutions

• To accept the challenges of LGPs.

**Technological Vision**

The president of India in his book “India 202” (page – 6) focuses “On the technological imperatives of India to develop her internal strength, keeping in mind three dynamic dimensions

• The people

• The overall economy

• The strategic interacts

Thus these technological imperatives also take into account a ‘Fourth dimension’ time, an offshoot of modern day dynamism in business, trade and technology that leads to continually shifting targets. We believe that technological strengths are especially crucial
in dealing with this fourth dimension underlying continuous change. The linkage of
technology with economic activities increases productivity probability and ensures
viability.

So the PACS must have a technological vision.

To create a common feeling of “My society” generating employment & income,
improving living standard of members i.e. to transform the cooperatives to organizations
of the members, by the members, for the members to face the challenges set forth market
economy in the era of globalization.

President of India Dr. Abdul Kalam in his book entitle “India 2020 (page No. 21)
enunciated “It is clarity of vision which constitutey drives the people towards the goal”

IX.4 - Mission of cooperative

Mission is the end of the road target that any institution wants to achieve,
Missions are futuristic and directional.

Further its long-term vision, the PACS shall have to change its mission to face the
challenges visualized by then in the new millennium but at least up to 2025. The Mission
of PACS is

“To become an autonomous, Vibrant, democratic, self-reliant, value based, effective
viable peoples organizations to fulfill the common economic social and cultural
needs and aspiration of its members.”

IX.5 - Strategy to reach the vision and mission

The PACS shall have to change its vision mission strategy and the role-play to
meet the emerging challenges squarely in the face. Following strategy shall have to adopt
all PACS to reach the vision & mission.
1. **Development Action Plan (DAP)**

   DAP has already been introduced. But it is incomplete as no DAP has introduced at grass root level organizations i.e. PACS. DAP for five years shall have to be introduced in PACS as a combinations process with constant review and revisions periodically. DCCBs under the leadership of SCBs shall take initiative to prepare and monitor such plans as per requirement of the members being served by the PACS.

2. **Resource Mobilization – Share Capital**

   Poor resource base is the main constraint of the PACS to increase share capital, introducing doorstep banking, and bringing at least 80 per cent of the members within the fold actively and regularly borrowings members shall ensure 100 per cent coverage of membership.

3. **Mobilizing Deposit**:

   Planning for increasing members and borrowing members shall be undertaken. At least 5% of the credit shall have to be linked as thrift and the interest for normal fixed deposit shall be paid to the members for their deposits in the ‘Thrift fund’. The societies are now allowed to mobilize deposit from non-members as per law prevailing in different states. Innovative products of low cost deposit, insurance linked saving deposit scheme shall have to be introduced. For that purpose evening meetings, seminars, workshops, door to door campaigning, wall writing etc. shall have to be organized by involving members. Cost effective resources mobilization and its proper investment and its recovery and reducing dependence on borrowed fund are the way factors for attaining self sufficiency.
and it also requires determination, dedication, courage and proper planning of the leadership of the societies.

4. **Re-engineering activities**

Business program shall be re-engineered. Activities shall have to be diversified keeping the needs of the members. Innovative lending product shall have to be introduced. PACS should introduce loan for horticulture, food processing, rural artisans and non-farm sectors. To bring out farmers from their indebtedness and from the clutches of the moneylenders, seasonal agricultural loans to meet the entire production cost and other cost for their livelihood shall have to be lent to the farmers.

5. **Market Support:**

Inadequate marketing support adversely affects recovery and income generation of farmers. The PACS due to their low resource base, poor knowledge about markets and inadequate infrastructure failed to provide market support to members; all PACS shall have to start marketing activities of the products of the farmers with the help of Primary Agricultural Marketing Societies (PAMS) and Apex Marketing Societies (AMS). District Central Banks should also support in such activities with required financial support. The PACS shall have to open retail purchase centers in their operational area for purchase of crops and extending loan against pledge of agricultural produces. And also shall have to arrange storage in godowns, cold-storage and warehouses by pledging bonds or crop receipts so that the members may get the benefit of reasonable prices for their produce whenever direct marketing of such produces may not be feasible by the society.
6. **Linking Credit with Agricultural Extension**

For disseminating scientific knowledge to the farmers with a view to increasing crop intensity, crop diversity and minimizing cost of production for increasing the competitiveness of agriculture by linking credit with agricultural extension has now become the cry of the day in the era of globalization and WTO regime.

7. **Recovery:**

Poor recovery affects proper recycling of credit. Good appraisal; adequate and timely credit ensures better recovery. Timely and required credit was a dream to the farmer before introduction of Kissan Credit Card (KCC) but still the progress in this direction is tardy due to apathy and indifference of a section of the leadership/secretary or manager of societies and the officials of the DCCBs. Even it was found that the KCCs are not being utilized in the manner and mode envisaged. It is worth mentioning that introduction of an innovative Kalinga Kissan gold Card Scheme by the Orissa State Cooperative Bank to recognize and reward good repayment habits of borrowers created a conducive recovery climate in the state of Orissa.

Absence of marketing support is also one of the causes of poor recovery. Complicated and time-consuming legal process is also a hindrance to timely and proper recovery. It was found in the societies under study that recovery planning and members' involvement improved recovery. *'Evening meetings'* are also important tools to motivate the borrowers to plan their repayments. Involving the Panchayat Raj Institutions also yielded better results in performing recovery.
8. **Creation of calamity fund:**

The farmers in our country are left to vagaries of nature, i.e., droughts, floods, cyclone, hailstorm which destroy the crops and the farmers are affected badly. To save the farmers from onslaught of the nature a 'Natural calamity fund' need be created from the profits. 'Cyclical Credit' scheme, introduced in 1998-99 by NABARD on a pilot basis, should be popularized especially in the areas prone to natural calamities.¹

9. **Micro Credit:**

Micro credit is a very effective tool for augmenting resource mobilization and its proper utilization with the object of empowering poor people with thrust, on women for eradication of poverty also helps in attaining viability by the society.

**IX.6 - Suggested plan of Action**

The role of cooperatives has however, acquired a new dimension in the changing scenario of globalization and liberalization of the nations economy. Sustainable economic development will be the main concern of the nation in the 21st century. Cooperatives can play an important role in this scenario. Active participation of cooperatives in promoting sustainable development will also give a new vitality to the cooperative movement. Cooperatives need active participation of youth to be able to compete in the new economic environment of globalization and liberalization.

Inspite of economic growth by the country through cooperative unemployment, poverty, health, underdevelopment and denial of adequate incomes to enjoy the basic

¹: Restructuring and Re-engineering in cooperative banks by Sanjeev Chopra, page 20
needs is the real challenges before the country. India has lot of natural resources. There was tremendous scope to face the challenges through cooperatives. The activities like horticulture, sericulture, fisheries, dairies, poultry etc are agro-based activities. In the first phase 1904 to 2004, the cooperative made progress in agro-based activities. It is now necessary to give new orientation and direction to our cooperatives. This approach will provide business opportunity, employment, increase in income, especially in rural area. For that purpose, there is need of re-thinking and re-structure of the cooperatives.

Thus the first century we see the impact of cooperative movement in the economic development. But what will be the next step in this globalization and privatization era. The problem faced by the cooperatives in the last century was not same before cooperatives have in the 21st century. So there is need of re-structure or re-inventing cooperatives. For that purpose the new generation of cooperative will play key role in the economic growth.

Cooperative movement in India is largest movement in India since 1904. But from the following figures we can conclude that we could not achieved the level of economic development within the nine five year plans.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Crore Rs.</th>
<th>Import Crore Rs.</th>
<th>Balance of Trade Crore Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>606</td>
<td>608</td>
<td>-2</td>
</tr>
<tr>
<td>1960-61</td>
<td>643</td>
<td>1122</td>
<td>-479</td>
</tr>
<tr>
<td>1970-71</td>
<td>1535</td>
<td>1634</td>
<td>-99</td>
</tr>
<tr>
<td>1976-77</td>
<td>5146</td>
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India exports nearly 7500 different types of things and imports 6000 different types of things with 140 countries in the world. The above figures raise the question whether we are potentially developed on the eve of completion of 50 years of independence or completion of hundred year of cooperative movement. No doubt the contribution of planned schemes and cooperatives in the development process is major part. But development means not only change by quantity but it is change by qualitative and innovative.

The above example of export and import of India during 50 year clearly indicates why we have not achieved the level of export to the level of import, except the year 1976-77. Indian cooperatives through apex level organization have to explore possible avenues in international trade by horizontal linkages and networking with their federal level cooperatives. Cooperative has entered almost every sector of the economy. It is a challenge to the cooperative sector to increases the export and reduces the import. And we know that cooperative will do it.

Suggestive future plan of Action for the 21st Century:

The SWOT analysis of the cooperative movement shows that the new economic policy provides greater opportunity to the cooperatives to survive, provided threat and weaknesses are properly taken care of by marshalling the strengths in exploring the opportunities. Accordingly, a strategy and action programme has to be drawn up not only to provide proper direction to the co-operative movement so that the cooperatives can face the challenges posed by the change in the economic policy but also to serve as an instrument for the economic development of the country.
For developing such a strategy it is essential to have an idea of the socio-economic conditions that are likely to prevail in village in the twenty-first century. Based on the current socio-economic and political events in the country, the scenario that emerges is not very promising. Due to the fast increase in population there will be further fragmentation of economic resources resulting in wide scarcity of both agricultural and industrial products. This will lead to widening of gap between demand and supply resulting in quick depletion of resources and there will be deterioration in the physical quality of life. Institutional inadequacy to meet the growing demand will increase resulting in fast amortization of conventional and non-renewable resources. Advancement in technology will make people more materialistic and social values will decline. Clamoring for life supporting systems will increase leading to further polarization of social groups resulting in wide scale tensions and enhancement in crime rate. Under such a scenario, only that strategy will be able to deliver goods, which on one hand increases the bonding between human beings to strengthen the social fabric and on the other hand is able to deliver economic prosperity through maximum utilization of resources. Failure of socialism has proved that it is not the answer for the future, neither is the capitalism as it aims only for profiteering without any consideration for human relationship. As a strategy, cooperation is the only answer to mitigate the problems of India in the twenty first century and to implement this strategy; action plan will require allowing cooperatives to function as an autonomous enterprise.

Cooperation is based on social interaction among a group of people living together and cooperatives are culmination of such social interaction, which is influenced by the political, economical and social factors. Since government has been playing a
decisive role in shaping the cooperative movement in the country we have to include government as a factor while developing the action plan. Our action programme should, therefore, be aimed at directing these factors towards facilitating development of autonomous cooperatives. We may discuss the suggested plan of action under each of these factors:

**Political Environment:**

Politics and politicians by far have been the worst influence on the PACS in the country and therefore have to be kept away from it. Societies have been made a dumping ground for unsuccessful politicians. As a result all the societies worth their values are more centres of political rather than of cooperative activity. No political considerations should be allowed to bear upon the cooperative movement, which will be possible if-

- PACS is not allowed as a platform for political movement/activity;
- Active politicians are kept outside the activities of cooperative societies.
- No individual who is an active political worker or actively participates in politics should be allowed to contest the election of
- All political parties have to pledge non-interference in the affairs of cooperatives, directly or indirectly
- No political patronage or protection should be given to any cooperative because its members are from any particular ethnic group

**Government Views:**

Government has been the single most influencing factor on the cooperative movement in the country. To ensure that societies can function independently, it is essential that all kinds of government supports be it financial or administrative are
gradually withdrawn and societies are allowed to fill up the gap on their own. There is therefore need to reorganize the existing government policies and actions to provide maximum room to the co-operatives to manage their own affairs. Government should cease to view cooperative as an instrument to fulfill its own policies. Accordingly the action plan should be such that the influence of government policies and actions are minimum as far as cooperative movement it concerned, which is possible if the following decisions are taken at the government's level.

- Since government has been playing an active part in the promotion and development of cooperatives for a long time, sudden withdrawal will create a vacuum that may lead to total collapse of the cooperative structure in the country. As such a policy of gradual withdrawal on a time scale of five years should be adopted. This will give breathing time to the cooperatives to adjust to the new environment;

- Cooperation is recognized primarily as an economic venture and accordingly necessary administrative changes should be made. Instead of being part of the Agricultural ministry at the Centre and a Department under the State Government, Cooperation should be placed under the Economic ministry, both at the Centre and in the States;

- There will be a Registrar of Cooperative Societies at the Centre and at the State, who will be a serving civil servant of appropriate seniority having experience in cooperation.

- Recruitment of staff and officials will be done through autonomous bodies like UPSC or the State MPSCs. This will curve the tendency of converting
cooperatives into a source of employment as well as stop corrupt practices connected with employment;

- The members of the cooperative are made responsible for supervision, inspection and audit of the societies. For this purpose, each cooperative will have a Disciplinary Committee consisting of members elected by the general members and such members will not be the members of the Board of Directors. There shall be a minimum of five years gap between a member holding offices of the board of directors and that of the disciplinary committee. To ensure that the election of the disciplinary members is not manipulated three best losers in the election of the Board members will be appointed as members of the Disciplinary Committee;

- Disciplinary committee of a society will be responsible for disposing of all kinds of complaint petitions against the functioning of the society and within a fixed period specified bye-laws the appeal against the decision of the disciplinary committee will lie with the RCS;

- Any individual or group of individuals responsible for financial irregularity in a society should be barred from holding office under the cooperatives.

- To make the working of the societies transparent, any member wishing to respect any record of the society shall be allowed to do so, provided he has support of five percent of the total members subject to a maximum of fifty.

- There will be no provision for suppression of a board. In case of financial irregularities by the management of a society, the Disciplinary Committee will inquire into the matter within a fixed time period. In case allegations are substantiated the Board shall stand dissolved and a new Board will be elected.
Like in case of any commercial enterprise, responsibility for conducting audit should be vested with the society itself. It will be mandatory for the Board of Directors to conduct annual audit and place the same before the Annual General meeting as well as report on what actions have been taken. Up to date audit should be a pre-requisite for the societies for entering into any financial contract with NABARD, commercial banks and institutions, apex organizations and federations.

**Economic Environment:**

It is essential that economical environment is conducive for autonomous functioning of cooperative. Cooperatives should be allowed to function like any other enterprise engaged in economic gain, as it is the economic gain, which by and large attracts members and ensures their commitment and support. For all these years, cooperatives were dependent to a great extent on the financial support of the government. It will not be an easy task for the societies to give up this support and many societies will go out of their way to ensure that it continues. The action plan should be such that while providing suitable economic environment for the cooperatives to become free and autonomous, it should include safeguards to ensure that unscrupulous elements cannot take advantage of the situation. Our action plan should therefore lead to-

- Proper planning of the economic fields where cooperatives are allowed to come up. Cooperatives should have some relevance and utility for the members. For this there is need to have an expert group under the autonomous Apex Board, both at Central and State levels, which will work out the economical feasibility of the
area in which cooperatives will be allowed to come up and make its relevance felt for the members;

- Increase in the stakes of the members in their society. To ensure this 80 percent of the societies capital should be raised through members' contribution, only 20 percent may come from other sources like, financial institutions, apex bodies etc. There should be no system of shares being purchased by the government.

- Setting up of qualitative and quantitative parameters for assessing the performance of a society both in physical and financial terms.

- Stopping of outright grants from the Government to the societies. Cooperatives being primarily commercial enterprise, there may be government schemes for providing tax holiday linked to the performance of the society. Government may levy low rate of income tax on cooperatives as compared to other forms of enterprise. But this should be linked with the performance of the cooperatives. This will encourage cooperatives to perform better and excel in their area of activity.

- Recognition and appreciation of the performance of successful cooperatives and eminent cooperators. Whereas recognition should be in the form of cash award, appreciation should be by allowing members of only profit making cooperatives eligible to contest the election of higher-level organizations. This will also provide the eligible and successful cooperators to play a wider role and allow others to benefit from their experiences.
• Immediate liquidation of societies, which are unable to function viably. This will keep the members on their toes, save them from bigger liability and will keep the cooperative environment healthy.

• Professionalisation of societies through induction of skilled and trained people with adequate freedom to act. This will help the societies in exploring new opportunities and will increase the operational efficiency of the societies leading to members accruing more benefits and in enhancing members commitment towards their societies;

• Increased inter-dependence of various societies of an area so that the population is directly or indirectly linked with the total success of cooperative movement. Societies having surplus fund should be allowed to transfer, loan their fund to other societies. Thus success of a society will be linked with the performance of another society;

• Enforcement of prudential financial management. Whenever a society approaches for loan, project appraisal should include member's stake in the project, gestation time required to yield return to the member's minimum return on investment as well as ultimate gain of the society. This will ensure formation of viable societies.

• Before any cooperative is launched the prospective members will have to submit a detailed report on their cooperative and state clearly how it will benefit them to the office of the RCS who will be responsible for examining the same. In case the findings are negative, registration should be refused.

• Cooperatives may also be formed to improve the social service or to conserve the ecology or protect the environment of an area. In such cases, there should be clear
and well-defined benchmarks, which will indicate whether the cooperative is functioning viably and is able to deliver the goods.

**Social Environment:**

Success of cooperatives greatly depends upon the social relationship among the members. Accordingly, certain action programmes should be aimed at strengthening social relations among the members and make them alive to the needs of cooperative for their social existence. For this-

- The proposed Board and the office of the RCS should carry out constant publicity programmes highlighting the achievements and benefits of cooperative system;
- There should be inter-linking of social programmes with commercial activities so that members can derive financial benefit as well as can improve their social existence through the cooperative movement;
- NGOs should be involved in matters related with cooperation. Whereas this will provide an informal touch to the movement, it will also be able to attract more people towards cooperation and take it to the grass root level;
- Certain social sectors like, health and family planning, environment, afforestation etc., with which quality of life is directly dependent should be kept reserved for the cooperatives so that members can become alive to their social responsibilities through cooperation
- Cooperation as a subject may be introduced at the school level so that children who are the citizens of tom morrow are aware of the ideologies and their importance in life. Cooperation may be introduced as practical training so that children can come to know of its utility early in life. This will go a long way in
building an ideal environment of cooperation in the society and in turn in the country.

Thus cooperatives are the hope for the future. There is need to re-orient the cooperatives so that they can function as an independent autonomous enterprise to cope with the future challenges. Necessary strategy and action programme has to be developed accordingly. Over the years, experience shows that there was never any dearth of suggestions and recommendations, but of the will power to implement them. To make cooperatives autonomous means sharing of power by the 'haves' with the 'have nots' on equal footing, in absence of any support or vigilance from the Govt. To feel collectively for individual and individually for all, the need of the hour is to ascertain whether individually and collectively we are ready for this? An honest answer to this question will decide how far facilitating the development of autonomous co-operative will be worthwhile.

The cooperative units themselves must formulate their own action plans to face the challenges of liberalized economy. They should formulate well conceived action plan having specific guidelines for cooperatives in the areas of professionalism and efficiency; introduction of modern technology; functioning of effective inter play of inter cooperative relationship; enhancing voluntary participation; productivity, cooperative awareness in all the states and sustainable development etc.
Cooperative can compete with efficient economic organizations like multinational only if they are given a level field. This requires a favourable and conducive social political and economic environment. For cooperatives to fully realize their potential and contribute as expected, to the process of economic development in the fast changing globalization and privatization era, they must become entrepreneurial in their mindset and functioning. There is need of connect the village level cooperative network to National and International network. Indian cooperative system must make a viable
alternative to conventional firms of economic organization. To be effective in the market, cooperative have to assume the role of main traders by undertaking outright purchase and sale of product. There is need for marketing produce directly or on a joint venture basis. The aim of the cooperatives should be render services or provide specific product at a particular time, cost and price which will not ensure marginal profit, but also the benefit and goodwill of the members, clients, and public in general.

PACS in our country with its vast network and wide economic activities must perform and compete to reach its vision and mission by harvesting the potential and exploiting the opportunities with firm determination implementing realistic planning and programme. “Perform or Perish”, compete and live are the cries before the PACS today.

Thus the cooperative are the hope of the future. There is need to reorient the cooperatives so that they can function and independent autonomous enterprise to coup with the future challenges. Necessary action plan has to be developed accordingly. Cooperative will have to make appropriate changes both in terms of their policy as well as their functioning to face the challenges in the globalization & privatization era. Cooperative will continue to work for eco-friendly environment by promoting activities like social forestry, establishment of schools, Hospitals, Water literacy and Health programmes, and Entertainment facilities etc.