



## ■ Co-Operation:

- The word “cooperation” literally designates the association of a number of people of small or limited means who organize themselves for self-help and mutual benefit from an enterprise.

## Definition of co-operation

- “an **association** for the purpose of joint trading, originating among the **weak** and conducted always in an **unselfish spirit** on such terms that all who are prepared to assume the **duties of membership** may **share its rewards** in **proportion to the degree** in which they make use of the **association.**” (C.R. Fay)
- cooperation as **voluntary association of individuals** having **common needs** who combine towards the achievement of **common economic needs** (V.L.Mehta) (its non-profit and selfless characteristics)
- “Cooperation is **self-help as well as mutual help**. It is a **joint enterprise** of those who are not financially strong and can not stand on their own legs and, therefore, come together not with a view to getting profits but to overcome disability arising out of want of **adequate financial resources** and thus better their economic condition.” (K.N. Katju)

## Cont..

- “as a form of organization wherein **persons voluntarily associate** together as human beings on a **basis of equality**, for **the promotion of the economic interests of themselves**” (H. CALVERT)
- “A Cooperative is an **association of persons**, usually of **limited means**, who have **voluntarily joined** together to achieve a **common economic end** through the formation of a **democratically controlled business organization**, making *equitable contributions to the capital required* and *accepting a fair share of the risks and benefits of the undertaking.*” (ILO)

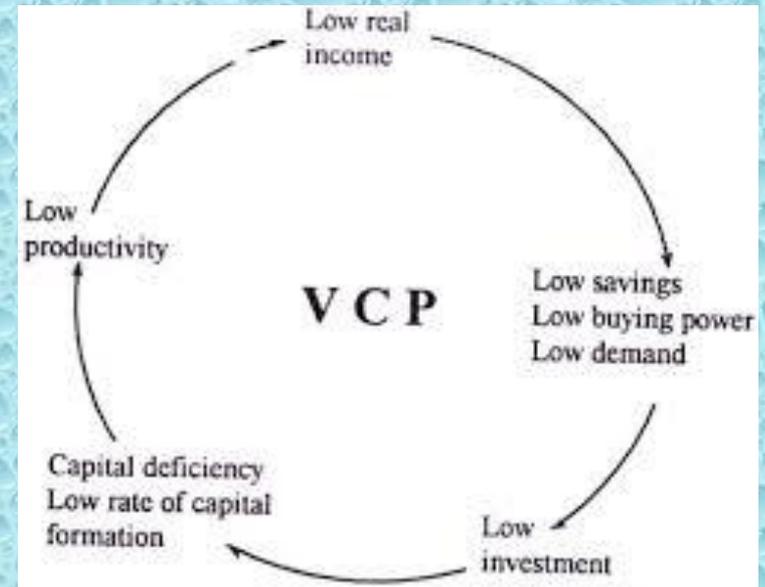
# WHY COOPERATIVES ?

- Cooperation in this context is a joint enterprise of those who are not financially strong and can not survive in **competitive** and **monopolistic market** on their own.
  - to overcome the problem of inadequate financial resources.
  - Individual incapacibilities to uplift their economic conditions primarily through mutual and joint effort.
- the cooperative organization emerges through voluntary association of financially constrained individuals for the sake of their self-help through mutual help.
- *without any desire to enrich themselves by exploiting others.*
- It is the inherent potential of unique economic gains of such an approach of mutual and selfless cooperation that it has attained the status of a cooperative movement for the uplift of Indian economy.
- A cooperative does not aim to earn benefit like other type of organizations but is only to render service to its members

# Significance of cooperation to Indian Agriculture/ Fisheries

- 75 per cent of India's population lives in rural areas, majority of which depends on agriculture for its livelihood.
- Typically characterized with small and medium sized holdings, large number of agricultural workers spread over a large area, low income generation and low savings

(Vicious circle of poverty)



- Therefore farmers look upon agriculture not as business but only as a way of life.
- To come out from vicious circle of poverty, weaker sanction of peoples need an association like cooperative society.

# Background of Cooperative Movement in India

- Green Revolution during mid-1960's
  - introduction of improved seeds, fertilizers, irrigation, farm mechanization, etc.
  - involve substantial financial investment
  - compelling requirements of national food security
  - economic well being of farming community
- LIMITATIONS
  - the economic status is not financially sound to make such investments.
  - credit which drags him to exploitation of money lenders who charge exorbitant rates of interest.

**The adoption of principles of 'Cooperation' is the only solution for the progress of this type of agriculture and elimination of rural indebtedness**

## Cont...

- Cooperation was introduced in India in the beginning of twentieth century primarily for the supply of credit to agriculture
  - The basic objective of the cooperative movement in India was to **eradicate local money lenders** who usually exploit the farmers by charging unreasonable rates of interest.
  - **Agricultural credit societies were established with the promulgation of Cooperative Credit Societies Act 1904.**
  - In the beginning only small societies covering generally one per village (**LOCAL**) were considered to be most suitable for Indian conditions
  - But on account of small business and limited funds these societies could not effectively serve the needs of members.

## Cont....

- The cooperative structure - **expanded to strengthen the facility of credit in the form of large societies and cooperative banking** especially through supply of inputs like seed, fertilizer, weedicides, pesticides, etc **(INPUTS)**
- apart from easy availability of credit, the adoption of mechanization and efficient marketing of agricultural produce is a serious handicap of Indian agriculture
- The cooperative societies have great relevance **(IMPORTANCE/ ROLE)** to
  - provide credit,
  - to ensure availability of farm machinery on contract basis,
  - consolidation of small farming units through contract farming
  - joint marketing of farm produce in distant markets to draw maximum economic gains from farming.

## Cont..

- Storage and warehousing
  - Inadequate storage facility and financial liabilities no individual farmer can hold back his farm produce to wait for remunerative price of his produce.
  - distress selling of precious farm produce (agro-processing Units)
- The cooperative societies have the potential to bring around social change in rural areas
  - farmers' credit needs
  - to the use of better farming methods
  - buy their requirements cheaply
  - sell their agricultural produce at acceptable prices.
  - good storage facilities to the farmers to wait for appropriate time for higher prices.

## Cont..

- non-credit societies
  - the housing co-operative societies
  - The consumers' co-operative societies, etc.
- Cooperatives have very well served in the past and have great relevance to extend support to agricultural production in terms of provision of credit, input delivery and processing and marketing of agricultural produce to ensure adequate returns to farmers.

## Principles of co-operation

- The **Rochdale Society of Equitable Pioneers (1<sup>st</sup> cooperative society)**, founded in 1844 in England, was an early consumer co-operative, forming the basis for the modern co-operative movement.
- Although other cooperatives preceded them, the Rochdale Pioneers' co-operative became the prototype for societies in Great Britain.
- The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which co-ops around the world operate to this day. The model the Rochdale Pioneers used is a focus of study within Co-operative economics.

# Rochdale Principles

## The principles include:

- Open membership;
- Democratic control;
- Limited interest on capital;
- Distribution of surplus to members in proportion to their transactions;
- Political and religious neutrality;
- Cash trading;
- and promotion of education.
- But these principles were formulated mostly from the point of view of consumers co-operatives whereas cooperative movement is now working in the context of wide range of socio-economic conditions operating in various countries.

## **Legal and Regulatory Framework for Co-operatives:**

- **Constitution and governing laws:**
- The incorporation, regulation and winding up of co-operative societies (other than those operating in more than one State) is a State subject and is governed by the State laws on co-operative societies
- In the case of co-operatives with objects not confined to one State, their incorporation, regulation and winding up fall in the central domain
- Governed by the Multi-State Co-operative Societies Act, 2002.
- As the vast majority of co-operative societies are operating only in one State, the State Government and the Registrar of Co-operative Societies appointed by the State are the main regulatory authorities for the cooperative societies.

# Legal and Regulatory Framework for Co-operatives : Credit Coops

- When co-operative societies engage in banking business, in addition to the regulatory laws applicable to co-operative societies, the central laws governing banking are attracted. Thus, the Banking Regulation Act, 1949 has been made applicable to co-operative banks

## **fundamental principles of co-operation:**

- The International Co-operation Alliance, on the request of the International Co-operative Congress held at Bournemouth in 1963, appointed a Commission to formulate the **fundamental principles of co-operation**. The Commission which was headed by **Prof. D.G. Karve**, recommended that the following should be considered as essential for genuine and effective co-operative practice.
- 1. Voluntary and open membership;
- 2. Democratic control;
- 3. Limited interest on share capital AND Patronage dividend;
- 4. Promotion of education; and
- 5. Mutuality

## ***Voluntary and open membership***

Co-operative institution is essentially a

1. voluntary organization
2. there is no compulsion to join or having once joined it to continue as such.
3. Restrictions can be placed into the entry of members into the Coop
4. Some restrictions can be imposed on a person withdrawing from membership

## ***Democratic Administration***

- 1. Fully democratic - all members –are equal - voting and participation in decisions.
- No distinction on the basis of property and status.
- Supreme authority in a co-operative society vests in its general body of members.

## ***Limited interest on share capital & patronage dividend:***

- 1. A co-operative society is organized - improve their economic condition- assist business.
- This, however, does not mean that the societies should run on “no profit – no loss” basis.
- Efficiently managed society - earn some profit to meet unforeseen losses- if any, at a later stage.
- the share capital given by the members should receive only a limited return. (limited liability)

## ***Promotion of Education:***

- The Karve Commission remarked that “all co-operative societies should make provision for the education of their members, officers and employees and the general public in the principles and techniques of co-operation, both economic and democratic.”
  - Continuous updates of the decisions and activities of the society.
  - The Rochdale Pioneers laid great stress on the continuous education of the members and even began to set aside a fixed sum out of the surplus for education purposes.

## ***Mutuality:***

- Mutual co-operation among the co-operatives (horizontal and vertical) - organizing resources - the basis of mutual help - sharing benefit.
- Cooperation implies, an enterprise of those who are financially weak individually - can not derive material advantage independently.
- In order to convert their weakness into strength the members pool their resources and work together for mutual benefit. The mutual aid is, in fact, a means of self help.

## Formation of a Co-operative Society:

- A Co-operative Society can be formed as per the provisions of the Co-operative Societies Act, 1912.
- At least ten persons having the capacity to enter into a contract with common economic objectives, like farming, weaving, consuming, etc. can form a Co-operative Society.
- A joint application along with the bye-laws of the society containing the details about the society and its members, has to be submitted to the Registrar of Co-operative Societies of the concerned state.
- After scrutiny of the application and the bye-laws, the registrar issues a Certificate of Registration.

# Formation of a Co-operative Society:

- Requirements for Registration:
  - 1. Application with the signature of all members
  - 2. Bye-laws of the society containing:
    - (a) Name, address and aims and objectives of the society;
    - (b) Names, addresses and occupations of members;
    - (c) Mode of admitting new members;
    - (d) Share capital and its division.

## **Advantages of Co-operative Society:**

- 1. **Elimination of Middlemen's Profit:** Through co-operatives the members or consumers control their own supplies and thus, middlemen's profit is eliminated.
- 2. **State Assistance:** Both Central and State governments provide all kinds of help to the societies. Such help may be provided in the form of capital contribution, loans at low rates of interest, exemption in tax, subsidies in repayment of loans, etc.
- 3. **Stable Life:** A co-operative society has a fairly stable life and it continues to exist for a long period of time. Its existence is not affected by the death, insolvency, lunacy or resignation of any of its members.

# Limitations of Co-operative Society

## ■ Limited Capital:

- Very limited -membership is generally confined to a particular section of the society.
- Due to low rate of return the members do not invest more capital.
- Government's assistance is often inadequate for most of the cooperative societies.

## ■ Problems in Management:

- lack of managerial talent.
- not experienced
- limited capital they are not able to get the benefits of professional management.

## Limitations of Co-operative Society

### Lack of Motivation:

- render service to its members rather than to earn profit . Low motivation

### Lack of Co-operation:

- The co-operative societies are formed with the idea of mutual co-operation. - lot of friction between the members - personality differences, ego clash - The selfish attitude of members - end to the society.

## Cont..

- Dependence on Government:
  - The inadequacy of capital and various other limitations - dependant on the government for support and patronage in terms of grants, loans subsidies, etc.
  - The government sometimes directly interferes in the management of the society.
  - Audit their annual accounts.

# Advantages and Disadvantages of a cooperative society

Advantages	Disadvantages
Easy formation	Limited capital
Open membership	Problems in management
Democratic control	Lack of motivation
Limited liability	Lack of cooperation
Elimination of middlemen	Dependence on Govt
State Assistance	
Stability (stable life)	

## **Objectives of a fisheries cooperative society**

- 1. To improve the economic condition of fisheries – income enhancement-
  - Reducing input costs
  - Ensures regularity in supply of inputs
  - Value addition to production
  - Reduces role of exploitative middlemen
  - Aids adoption of improved technology – reduces wastage -
  - Training and education by increased extension exposure programmes
  - Encourages sustainable utilization of resources

## **Objectives of a fisheries cooperative society**

- 2. To improve the socio-economic conditions of fishers in associated societies through horizontal integration
  - Organized societies – less dependence on outside private commerce/business
  - Economic, social and political fraternity
  - Community services, education and health care
  - Reduces financial and physical risks
  - **FORMATION OF SECONDARY ORGANISATIONS**
    - Regional
    - State
    - National
    - Primary Fisheries Coops/ District Fish Marketing Federation/ State Fish Marketing Federation./ National Fish Marketing Federation

# Objectives of a fisheries cooperative society

- 3. Linking the scattered producers with consumers in distant markets
  - Economies of scale
  - Degree of control over the market – collective bargaining – breaking down of oligopoly
  - Institutions – implement the govt. programmes and policy of the govt.
  - Socio-economic welfare Vs. Profit maximization
    - Social profitability ensures maximum social welfare with fair economic returns
    - Socio-economic welfare, mutual effort and harmonious
  - Difficulties
    - To enhance savings – to enable larger savings base
    - Increases its borrowing capacity

# Development of Fisheries Cooperatives in India

- Fishery cooperative movement in India started - 1913
- Establishment of fishery cooperative societies - impressive progress – after introduction of Five Year Plans in 1950-51 (Rao, 1973)
- One National Level Federation (FISHCOPHED),
- 25 state level federations,
- 95238 Primary Agricultural cooperative societies (PACS) in 2019, functioning all over the India.
  - in both in marine and inland fisheries sectors of India.

## Development of Fisheries Cooperatives in India

- NCDC - promoting and developing fisheries cooperatives – Act amendment in 1974 to cover fisheries within its purview.
- Corporation has formulated specific schemes and pattern of assistance for enabling the fishery cooperatives to take -up activities relating to production, processing, storage, marketing etc.
- Assistance is provided to fishermen cooperatives on liberal terms treating the activity as weaker section programme.

## **MANAGERIAL ASPECTS OF COOPERATIVE SOCIETIES**

- There are three basic and critical components in a cooperative institution. These are: Members; Board of Directors/Managing Committee; and the Operating Manager/ functional management.
- According to the by-laws voluntarily adopted by the members in their general assembly meeting rights and duties for each of them have been outlined.
- These are generally the following:

# MANAGERIAL ASPECTS OF COOPERATIVES - MEMBERS

## POWERS

- -Governance [Elections & Selections]
- -Decision-making
- -Dissolve or Merge Cooperative

## RESPONSIBILITIES

- Providing necessary capital
- Controlling the cooperative
- -Patronising the cooperative
- -Assuming Business risks
- Paying operating costs
- -Keeping informed
- -Maintaining the cooperative

# MANAGERIAL ASPECTS OF COOPERATIVES – Board of Directors

## **Powers**

- -Membership Matters, Shares management
- -Financial reports
- -Suggesting changes in by-laws
- -Corporate seal
- -Borrow money
- -Supply, marketing credit and other services management
- -Recruitment, dismissals

## **Responsibilities**

- -Moral and legal responsibilities
- -Strong interaction with operating manager
- -Provision of services to members
- -Cooperative/Member Risk management
- -No preference to Directors
- -No credit to Directors
- -Directors to have no financial interest in cooperative
- -Remain continuously informed and trained.

# WHY COOPERATIVES FAIL OR THRIVE? Reasons for Failure of Cooperatives

- -Poor selection of directors, especially those who fail to support their cooperative;
- -Members who join but never use their cooperative and bypass it for a small gain elsewhere;
- -Members who use cooperatives but fail to take responsibility.
- -Every member should have an equal opportunity to be president of the cooperative; But it is not happening in many places.
- -Members who never ask questions and who let a few persons make policy;
- -Members who do not attend annual meetings;
- -Directors who fail to attend Board meeting and take unanimous decisions;

# WHY COOPERATIVES FAIL OR THRIVE? Reasons for Failure of Cooperatives

- Directors who fail to attend Board meeting and take unanimous decisions;
- -Lack of consistent membership education about the problems cooperative faces;
- -Not supporting the cooperative with enough money [risk capital] to get the job done;
- -Low-cost management – it is the most expensive item for a cooperative;  
(High priced management is usually the least expensive item)
- -Not closely watching the formation of cliques and special interest groups;
- -Concealing facts about a cooperative;

# WHY COOPERATIVES FAIL OR THRIVE? Reasons for Failure of Cooperatives

- -Errors in financial policy, such as over-extension of credit, too little capital;
- -Poor accounting records, delayed Audit Reports, non-compliance of reports;
- -Lack of financially sound, systematic programme for reimbursement of equity;
- -Errors in educational and social work – failure to develop member loyalty;
- -Management errors, such as dishonesty, ineffective management, incompetent directors, nepotism, poorly conducted meetings, admittance of disloyal and dissatisfied members.

## COOPERATIVE STRUCTURE

- With the National Federation of Fishermen's Cooperatives (FISHCOOPFED), at top of the Cooperative structure, there are 17 Federations at the State level, 108 Central Societies at the district & regional levels and over 11,000 Primary fishermen cooperative societies.
- Membership of primary societies is around 11.39 lakhs covering about 21% of active fishermen in the country.
- Presently, the cooperative structure differs from state to state. While Kerala has got a two tier structure (primary and apex), Maharashtra has 4 levels viz, village, district, regional and apex. Consensus is gradually emerging to develop three tier structure viz. primaries at the village level, central societies at the district level and state federations at the apex level.

## Structure of Fishery Co-operatives

- Fishery co-operatives follow the **three-tier pattern**, though in some states it is two-tier. The tiers are -(A) **Primary Co-operative** for a village or group of villages, at primary level; (B) **District or Regional Federation** between the Apex Body and Primary Co-operative; and (C) **State level Co-operative Federation** as the Apex Body.

## Structure of fishery cooperatives – Primary Fishermen Cooperatives

- Good working fishermen primary societies combine in them a **number of functions** viz.
- advancement of credit for development of fisheries,
- Fish culture
- supply of fishing and household requisites,
- establishment of ice-plants, cold storages,
- transport and marketing of fish, members' education,
- supervising, utilization of loans and
- extension programmes in collaboration with other concerned agencies

## Structure of Fishery Coop – District / Regional Fishermen Coop(Federation)

- This federation acts as an **intermediate agency** between the Apex Body and the Primary Co-operatives. They provide assistance to the members and primary co-operatives with regard to provision of supplies, preservation, transportation, marketing and processing
- These societies are organized at **district level** only. In fact, there should be federation of fishermen societies in every district having sizeable number of marine and inland fishers. These federations should be organizations having only primary fishermen societies as their members. No individual should be admitted by them (even as nominal members).

## Structure of Fishery Coop – District / Regional Fishermen Coop(Federation)

- The objective of these federations should be to **co-ordinate the activities of the affiliated primary societies** and render them all necessary assistance in the development and exploitation of the fisheries held by them.

## Structure of Fishery Coop – State Level federation

- **The apex body should be considered as the most important unit** in the fishery co-operatives structure because of its location, size, capacity to command resources of men, money, material and market
- It should be organised in each of the states having coastal/inland fisheries. The object of these federations would be to serve as **vital link between the entire fishermen's co-operative sector on the one hand and the State Government and concerned semi-government organizations on the other.**
- They should also provide **liaison between the fisheries co-operatives and the rest of the co-operative sector** in the state as well as the concerned commercial and trading organizations. These federations should in consultation with the State Government **frame policies and give policy guidance** to the structure below. They could also take up some **residuary business operations** and **give technical guidance** in matters like culturing of fish, establishment of cold store, freezing facilities, boat building/repair facilities. They may **undertake interstate trade and export business. Training and educational work** may also be taken up by them.

## Structure of Fishery Coop – State Level federation

- The State Level Federation has to function as a **mouth -piece** of the entire structure in regard to the policies pertaining to organization and development of fishery sector on co-operatives. This function, would do well vis-a-vis the official and non official areas concerned with fishery industries. Internally, the federation should act as a **balancing centre**, both for business and development.
- Thus it would help in **reallocation of resources** of men, money, material and development of marketing and processing (including canning utilization of by products export etc.) can be planned on most modern lines by apex federation. In recent years vast potential for **fishing and fish-products export** has been increased for this country and the federation should be enabled to exploit these avenues for the benefit of fishermen at the primary level as also to contribute their might to earning foreign exchange for the country.

## Structure of Fishery Coop – National federation

- The objective of the **national federation is to facilitate, co-ordinate and promote fishing industry in the country through co-operatives** and for this purpose to promote and undertake activities like
  - inter-state and export trade,
  - supply of fishing vessels, storage, transport, processing of fish,
  - insurance business,
  - training and education, consultancy work, advancement of loans etc.
- Its byelaws provide for a wide range of activities. It has, however, to be selective in taking; up activities for actual implementation. The federation also undertakes to provide expert services for planning project preparation, monitoring, guidance etc.

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## **NATIONAL FEDERATION OF FISHERMEN'S COOPERATIVES LTD. (FISHCOPFED)**

- The National Federation of Fishermen's Cooperatives Ltd. (FISHCOPFED) is a national level federation of fisheries cooperatives and the apex institution of Indian Fisheries Cooperative Movement.
- Its motto is to promote and develop the fishery cooperative movement in India, to educate, guide and assist fishers in their efforts to build up and expand the fishery cooperative sector and serve as an exponent of cooperative opinion in accordance with cooperative principles.
- It was established in 1980 as All India Federation of Fishermen Cooperatives and was rechristened as National Federation of Fishermen's Cooperatives Ltd. in 1982.

# FISHCOPFED

- Membership of FISHCOPFED consists of general members as well as nominal members. Fishermen cooperatives of State and District levels are affiliated as general members. FISHCOPFED enrolls such organizations, individuals or entities with which it has to do some business as nominal member.
- **Welfare of Fishers through Insurance**
- **Retail Fish Marketing**
- **Service to Member Institutions**
- **International Relation** (member of the International Cooperative Fisheries Organization (ICFO) Korea)
- **Promotion of Aquaculture**