

National Seminar on

New Facets of Service Cooperatives in India

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INVITED LECTURES

NEW FACETS OF SERVICE COOPERATIVES IN INDIA

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Let me be permitted to start with our saint's words:

பகுத்துண்டு பல்லுயிர் ஒம்புதல் நூலோர் -
தொகுத்துவற்றுள் எல்லாந் தலை.

I. Concept of Service Cooperatives

The Cooperative model of enterprise can be applied to any business activity. They exist in traditional economic sectors such as agriculture, fisheries, consumer and financial services, housing and production (workers' Cooperatives). However, Cooperative activity spans to large number of sectors and activities including car-sharing, child-care, health and social care, funeral, orchestras and philharmonics, schools, sports, tourism, utilities (electricity, water, gas, etc.), and transport (taxis, buses, etc).

The International Cooperative Alliance established the following Sectoral Organizations and that could also be our guidelines to classify service cooperatives:

1. Agriculture: International Cooperative Agricultural Organisation (ICAO)
2. Banking and Credit: International Cooperative Banking Association (ICBA)
3. Consumer: Consumer Cooperatives Worldwide (CCW)
4. Fisheries: International Cooperative Fishery Organisation (ICFO)
5. Health: International Health Cooperative Organisations (IHCO)
6. Housing: International Cooperative Housing Organisation (ICA Housing)
7. Industry and services: International Organisation of Industrial, Artisanal and
8. Service Producers' Cooperatives (CICOPA)
9. Insurance: International Cooperative and Mutual Insurance Federation (ICMIF)
10. Travel: International Association of Tourism (TICA)

Cambridge Advanced Learner's Dictionary defines Service Industry as an industry that provides a service for people but does not result in the production of goods.

Encyclopedia on Business includes Utilities, Wholesale Trade, Retail Trade, Transportation and Warehousing, Information, Finance and Insurance, Real Estate and Rental and Leasing, Professional, Scientific, and Technical Services, Administrative and

Support and Waste Management and Remediation, Educational Services, Health Care and Social Assistance, Arts, Entertainment and Recreation, Accommodation and Food and other Services under the category of service industries. .

Thus service cooperative may be defined as a cooperative that carries out business of any type or nature but does not result in the production of goods, such as banking, insurance, health, travel and labour contract with its skilled and / or unskilled worker or professional members.

II. New Facets of Service Cooperatives

In India, we could find cooperatives in all spheres of economic activities in service sector. For example, we can mention such as Farmers Service Cooperative Societies, Cooperative Banks, Labour Contract Cooperatives, Transport Cooperatives, Washer men Cooperatives, Hospital Cooperatives, Literary writers Cooperatives, Social welfare Cooperatives, Educational Cooperatives, Tailors Cooperatives and so on. For the purpose of analyzing the new facets of service cooperatives here I prefer to present before you two areas where Kerala is excelling and other states can emulate namely Cooperative Hospitals and Cooperative Colleges.

II (a) Cooperative Hospitals in Kerala

In Kerala state 12612 cooperatives of all types functioning with 344 lakhs membership. Kerala is the state where you don't find a profession which has not been brought under the cooperative fold.

In service sector, 150 Hospital and Dispensary Cooperatives are functioning in the State. A Federation of Cooperative Hospitals has been registered during 9th Plan period to act as on Apex Federation of Cooperative Hospitals.

A remarkable venture in the Sector was the formation of the Kerala State Cooperative Hospital Complex and Centre for advanced medical services which provides all infra-structure facilities to the Academy of Medical Science to run the Pariyaram Medical College in Kannur District.

Considering the growth of cooperative hospitals in the state which is a unique feature in developing countries, I would like to present here, the case of Kerala State Cooperative Hospital Complex and centre for Advanced Medical Services Limited, Pariyaram, Kannur.

A case of Kerala State Cooperative Hospital Complex and centre for Advanced Medical Services Limited, Pariyaram, Kannur

The Kerala State Cooperative Hospital Complex and Centre for Advanced Medical Services Ltd. No. 4386 was registered on 26.03.1993 and started functioning on 27.03.1993. The main intention for organizing the society is to run a Super Specialty Hospital and Medical College for providing Medical Education and Hi-tech medical treatment for the people of Northern Malabar.

The main objects of the Society are:

- to provide educational facilities in the science of modern medicine and allied services including para-medical services and nursing;
- to establish full fledged Hospitals with modern equipments, facilities and Super Specialties in Kannur District and
- to manufacture drugs and to make Hospital appliances, instruments, Machinery etc. for the purpose of own use, sale or distribution.

Considering the long felt need of the people of this area, the cooperative established a 1000 bedded full-fledged hospital with all modern facilities. They have already established 14 Specialties, 7 Super Specialties and 8 Special Clinics in the Hospital, the details of which are narrated below:

Specialities: General Medicine, Chest Diseases, Dermatology, Psychiatry, Pediatrics, General Surgery, Orthopedics, Ophthalmology, ENT, Dentistry, Gynecology, Radio Diagnosis, Radio Therapy, Physical Medicine.

Super Specialities: Neurology, Neurosurgery, Urology, Nephrology, Pediatrics Surgery, Plastic Surgery, Gastroenterology.

Special Clinics: Hyper Tension Clinic, Diabetic Clinic, Brest Clinic, Infertility Clinic, Pain & Palliative Clinics, DOTS Centre, Immunization Clinic, Well Baby Clinic.

Most of the departments are equipped with most sophisticated innovative equipments. Diagnostic facilities such as Cath Lab, CT Scan, MRI Scan, Ultra Sound Scan, X-ray Units, Laboratory, ECG, EEG, Endoscopy, Colour Doppler, TMT, Branchy Therapy, etc. and are already made fully functional. Besides the hospital is having a facility for Dialysis, Cobalt Therapy etc. for the treatment of Malabar Area. Our Trauma Care with all facilities is functioning round the clock with Supervision of eminent doctors and paramedical staff appointed for the purpose. Besides they have arranged a full-fledged

Cardiac Unit in the name of "SAHAKARANA HRIDAYALAYA" which is functioning satisfactorily.

They are charging very low rate from the patients for medical consultations, Diagnosis examinations, surgery, and room rent etc, so that the patients especially from the weaker section of the community can approach the hospital for treatment. Moreover, they are giving free treatment to TB patient, which included free medicine, rent, food and accommodation. They are also giving 20% discounts to patients from Below Poverty Line families. 5% to 50% discount to all patients for the medicine purchased from the Pharmacy.

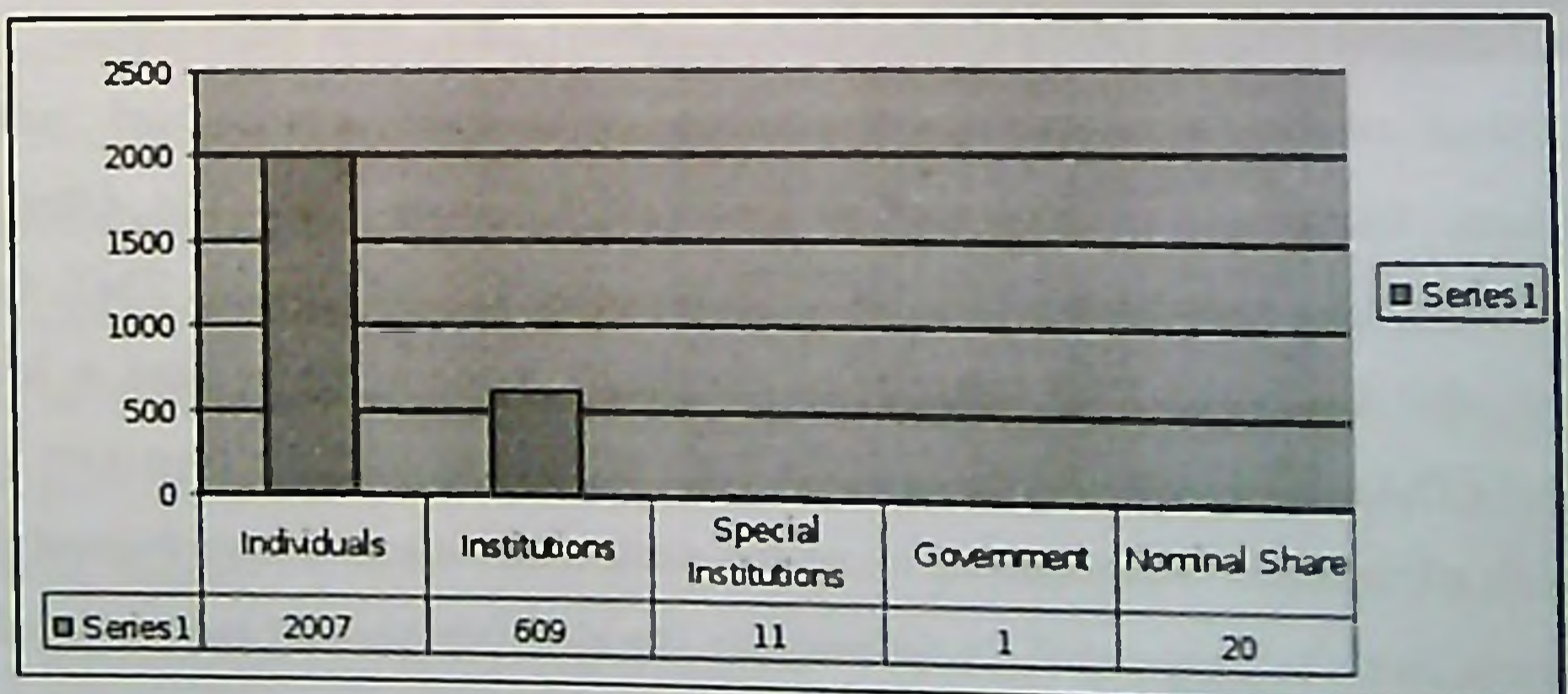
In the field of medical education, they established following institutions with permanent recognition of Medical Council of India:

1. Pariyaram Medical College
2. Pariyaram Dental College
3. Pharmacy College
4. Nursing College
5. Nursing School
6. Medical College Public School
7. Para Medical Courses such as DOTT, DMLT etc.

The society has established all these facilities by canvassing the fund from individuals, Cooperative Institutions, Government towards Share Capital and deposit from Cooperative Institutions, loan from Government HUDCO and Cooperative Banks.

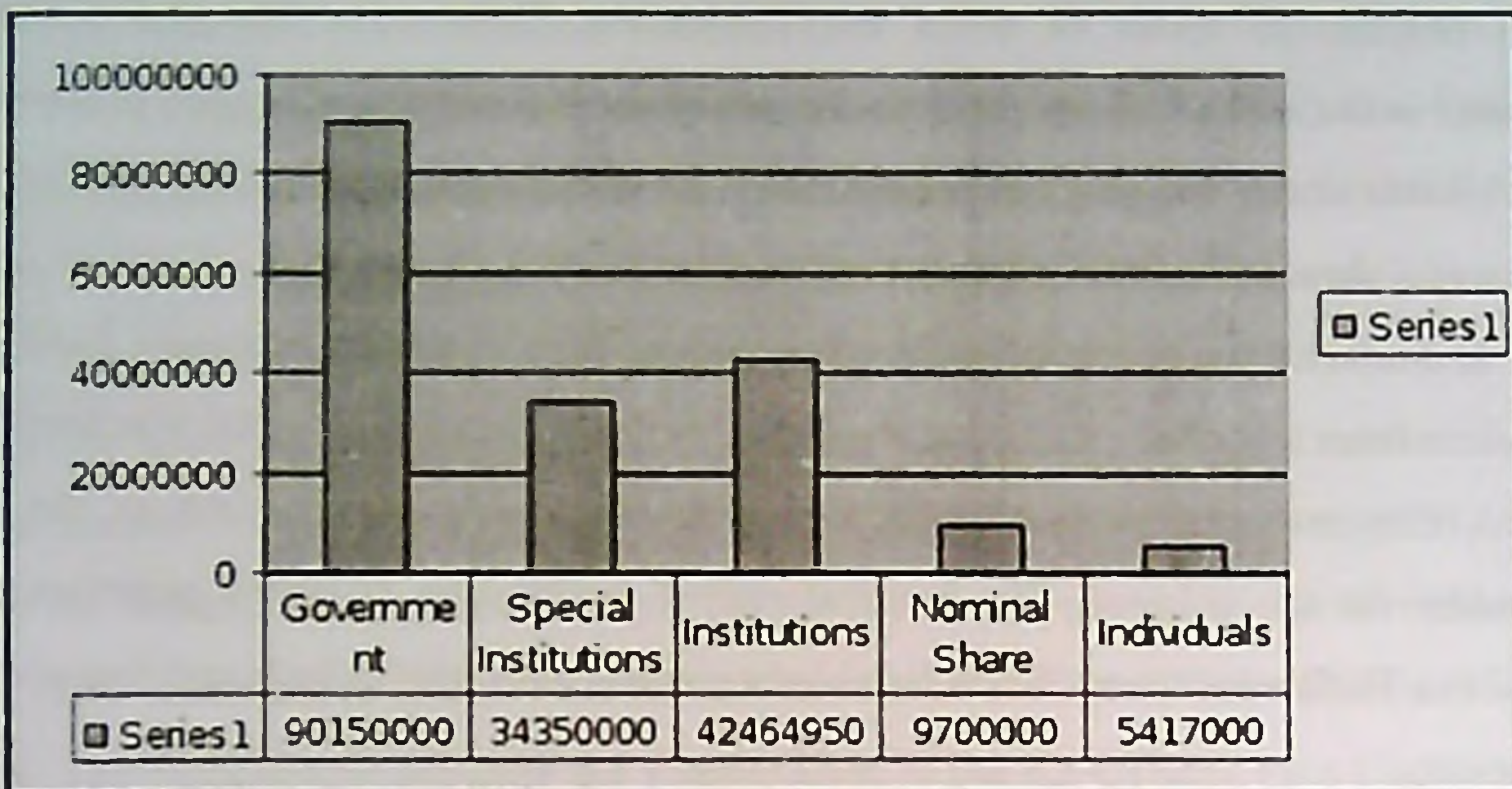
The following self explanatory graphs depict the basic data of the cooperative.

Membership of the PCC as on 31st March 2009



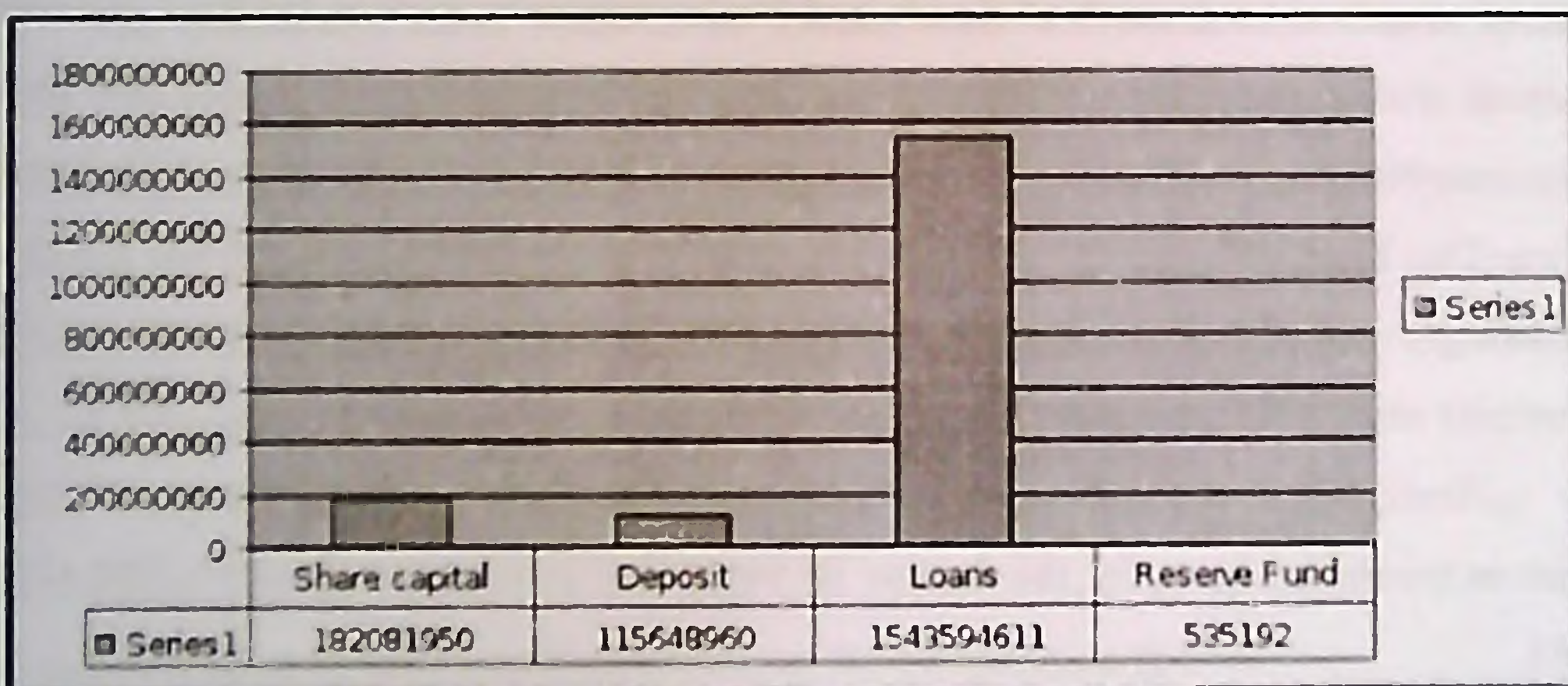
Share capital Position of PCC as on 31st March 2009

(Amount in Rupees)



Funds of PCC as on 31st March 2009

(Amount in Rupees)



The Cooperative has got assets to the tune of @ Rs. 109 crores building and Rs.46 crores equipments. The annual medicine turnover for the year 2008-09 was Rs.9.18 crores and the income derived from hospital was Rs.15.18 crores.

The Management of the society is vested on an elected Board of Members containing 15 members headed by Mr. T.K. Govindan Master. The Accounts of the society was audited by the Cooperative Department, Government of Kerala .The audit up to 2008 was already completed and the succeeding year is in progress.

Here it would also be appropriate to give a case of another successful health cooperative in northern Kerala.

Vignette of Tellicherry Cooperative Hospital, Thalassery, Kannur

Thalassery, home to Cricket, Circus and Kalarippayatu had a history of its own but no hospital to speak of when the Tellicherry Cooperative Hospital started its operations in the second half of the 80's. People either had to go to Manglore in Karnataka or Kozhikode nearly 75 KM from Tellicherry for specialized treatment. The only other option was a slow and painful death.

It was with the noble intention of providing state-of-the-art treatment facilities to Malabaries from all walks of life that the Tellicherry Cooperative Hospital was founded in 1987. A Cooperative Society was formed with the Kerala Government as the major shareholder for the purpose. The hospital started functioning at rented premises in the heart of the Thalassery town. It was humble beginning with just 75 beds and four specialty departments.

Fourteen years down the line, a lot has changed with the Thalassery town and the Cooperative Hospital. Many other medical institutions have come up in Malabar, that verdant stretch of land, north of Kerala and Thalassery in particular but the Cooperative Hospital is a cut above the rest. In course of time the hospital bought its own land shifted to its own building in 1997, a six-storey building on NH17 in the outskirts of Thalassery Town. This beautifully designed 250 bed hospital is on the banks of Koduvally River and the Mangrove forests Environment friendly rooms with the medical treatment cures the inpatients early and that is the USP of the cooperative.

Today the Cooperative have 20 specialty departments and trying to imbibe the latest in medical science for the doctors on our roll to pursue excellence in their chosen field.

The Cooperative is acquiring the latest in medical technology as well such as Spiral CT Scanning, color Doppler, Ultra sound scanning, Echocardiography, Dialysis unit, etc.

The Nursing care is probably the best in the state. Kerala has a reputation of producing Florence Nightingales similarly the Cooperative is also engaged in running a nursing school and retaining the very best talent in Malabar.

II (b) Cooperative Colleges in Kerala

Here, I am not referring Cooperative Education, Training and Information as we see it in the principles. There are Universities and Training Institutes offering diploma and degree programmes in the field of Cooperation. Here I would like to speak about the

colleges established by the Cooperative Sector. In Kerala we have around 105 Educational Cooperatives. The new facets to this movement in Kerala is that the establishment of Cooperative Academy of Professional Education.

The Cooperative Academy of Professional Education (Kerala) was formed to establish Educational Institutions in various professional fields to provide facilities for and promote Education and Training. The Cooperative Academy of Professional Education is promoted by the Cooperation Department of the Government of Kerala and is an autonomous society under Government of Kerala. The Society is being registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955, on the basis of the Memorandum of Association and the Rules as approved by the Government of Kerala. The Honourable Chief Minister of Kerala is the Ex-Officio Chairman of the Society. The Honourable Minister for Cooperation is the Ex-Officio Vice Chairman and the Chairman of the Board of Governors, with the Director of the Academy as the Member Secretary of the society.

The Honourable Chief Minister of Kerala, Shri. V.S. Achuthanandan is the Ex-officio Chairman of the Society. The Honourable Minister for Cooperation & Coir, Shri. G. Sudhakaran is the Ex-officio Vice Chairman of the Society and the Chairman of its Board of Governors. The members of the Society include, amongst others, the Secretary to Government (Cooperation), Director of Technical Education, Director of Medical Education, Registrar of Cooperative Societies, Presidents of Kerala State and District Cooperative Banks, eminent experts in Technical and Medical Education and Industrialists. The governance of the CAPE is vested with a seven member Executive Committee headed by the Honourable Minister for Cooperation & Coir.

The establishment of first institution was in the year 1999-2000 followed by five Engineering colleges and a Medical college in 2000-2001. These engineering colleges are affiliated to the Cochin University of Science and Technology (CUSAT). The Cooperative Medical College (CMC), Kochi has all the necessary and associated facilities and infrastructure, spread over a vast 60 acre campus and is supported with residential and most advanced hospital and teaching facilities. The college is established with the approval of the Medical Council of India. Indian Nursing Council permitted to conduct B.Sc Nursing course during the academic year 2009-2010. The College of Nursing is also located in the Cooperative Medical College (CMC) campus, Kochi.

The first institution started was Cooperative Institute of Technology, Vadakara, the others were College of Engineering Perumon, College of Engineering Thrigaripur, College

of Engineering Thalassery, College of Engineering Kidangoor, Cooperative Medical College Kochi. The College of Engineering & Management Punnapra was started during the academic year 2008 at Punnapra in Alleppey district which is affiliated to Kerala University.

Professionally executed, all the Engineering Colleges are fully established with sprawling campuses of over 25 acres, well equipped labs and workshop, well stocked library, highly qualified and experienced faculty, career guidance and placement cell and transport facilities.

The overwhelming public response to its educational mission has inspired CAPE to present to the community its business school the Institute of Management and Technology (IMT) at Punnapra which is affiliated to Kerala University. The first batch of MBA students were admitted during the academic year 2009-2010. The construction of Cooperative Hospital at Punnapra which is the satellite hospital of Cooperative Medical College (CMC), Kochi, was started functioning from January 2010.

Excellence is the watchword in all their endeavors and staff and students strive for attaining it through hard work, perseverance and dedication.

Vignette of Thrissur Cooperative Arts and Science College

Thrissur Cooperative Arts and Science College, Thrissur, Kerala was started in Thrissur Taluk of Thrissur district with a initiative of one leading cooperator Srimathi.M.Kamalam in 1983. The main purpose for which the cooperative college was started is to give employment to the unemployed educated and qualified youths in the vicinity. The College admits unemployed graduates as A class members, Central and State Governments as B class members, students without voting rights as C class members. As on 31st December 2009 the college has altogether 168 A class members. The College runs successfully with 34 teaching, 16 non-teaching staff and 5000 students. Though the College has its own building, it runs only non-laboratory courses like B.A., M.A., B.Com, M.Com, B.B.A, and M.B.A. Cost of education in the college is relatively less and it amounts only 3160 to 3560 per annum for UG programme and 4710 per annum for PG programmes. For professional MBA programme the college collects Rs.19960/- per annum. The major success factor is that the sense of dedication of staff and the leadership from the beginning. Two shifts in a day and continuous pass rate of the students in university examinations speak about their operational efficiency. The college runs on profit and built an image in the community. This cooperative democratic institutional

approach for higher education in Kerala is not a lone case rather a phenomenon in all taluks in the state.

II (c) Replicable Practices for other states

Organization:

1. There is role for Universities, NGOs, Government and other well wishers in the establishment of Cooperatives.
2. The democratic leaders, political parties played a strong role in the formation of health and educational cooperatives.
3. The need for health care and higher education at a fair price should be the driving force for organization of health and educational cooperatives
4. There is scope for expansion of health care and educational cooperatives to the level cooperative Universities.

Membership:

Membership consists of ordinary citizens, doctors and other servants, institutional donors, financing agencies, government and local bodies. The Unemployed graduates can start their cooperative colleges.

Sources of Funds:

There needs a strong support from the government in terms of Share capital, Grants and aids. Borrowings are not a bad word when your project is worthwhile and sustainable.

Regulatory Mechanism:

All health care Cooperatives are adopting,

- ❖ Kerala Cooperative Societies Act and Rules, Registration of Societies Act, Companies Act for origination and management of Cooperatives.
- ❖ Indian medical Council directives for health care services and education.
- ❖ AICTE, UGC, Concerned Universities, State Higher Education Department.

III. Policy Issues of Cooperatives in the service sector:

Here I would like to raise some vital issues which will affect the organization and functioning of Cooperatives in the service sector.

Autonomy and Independence

Cooperatives are considered to be the autonomous and independent organization free from the clutches of vested interest. However, the cooperatives in many states are

ruled by the political bigwigs and bureaucrats. State intervention in the affairs of the cooperatives is equivalent to killing the goose for the golden egg. The management of the cooperatives should be in the hands of the true patrons and not the politicians. It should not be guided by the political considerations but should be by rationality. Officials should act as friend, philosopher and guide to the members of cooperatives by ensuring democratic management rather than taking over the management of cooperatives.

Product Innovations

The Professionals must be in the Board of Cooperatives and it will improve the quality of management. The management of the cooperatives must have full freedom as to the raising funds and parking them in a better way. The raising of funds and deployment of funds should be guided by financial principles without ignoring the mission of Cooperatives. Innovations in the products of cooperatives are warranted to retain and sustain in the ever changing scientific and information world.

Size Matters

Small is beautiful but is it viable? This is a million dollar question before the cooperative ideologists for a quite long time. As a social organization we encourage primary group relationship among the members. When comes to enterprise concept are we in a position to stand in the market with the same old technology. *I am not confronting father our nation* or intend to mass production. Production by mass is true for many services but where technology is inevitable we need to accept and think of volume of business and large size cooperatives.

Mergers and Acquisitions

Of late we forget conveniently the concept of amalgamation & division and proceeding for Mergers and Acquisitions. The corporate culture has got into the cooperative sector and the small fishes (weak cooperatives) are as prey to the (Big Cooperatives) jaws of whale. The bad part of the story is that many Corporates have started tasting the blood of cooperatives by taking over them. This is the right time to think and respond wisely to protect the interest of cooperatives. Where there is a problem of size and volume, we may think of networking.

Dilution in Federal System

The unique feature of Cooperative Sector is its federal character. However of late there is significant dilution of this phenomenon. Many federal cooperatives are acting as

independent entities and wants to protect their identity rather than acting as leaders. Except in cooperative banking that too in states like Tamilnadu, in almost all other cooperatives federal structure has very minimal role to play. Hence, it is high time to think about the need for such agencies. Either we need to redefine their terms of reference or we should whither away with that.

Changing Operational Efficiency Parameters

Hitherto we were thinking that the Operational Efficiency Parameters of Cooperatives are related to service satisfaction of members and sustainability. Cooperatives have many opportunities in the informationled business environment. This changing scenario warrants a paradigm shift in the evaluation of cooperatives. Member users in cooperatives are in need of services on par with other such service providers. For example health care service of a Cooperatives Hospital should be on par with Apollo Hospital but for a better price.

International Accounting Standards

The Cooperative Identity has been recently challenged by the International Accounting Standard Board (IASB). Their intention is to adjust their provisions with regard to the treatment of shares in cooperatives for accounting purposes. ICA is particularly concerned that cooperative shares hitherto regarded as equity will be regarded as debt. This is a serious issue as it fundamentally challenges the whole basis of ownership in a cooperative enterprise. If accepted, the change will have a negative impact on cooperative balance sheets and considerably complicate cooperative enterprises' access to finance, thus threatening their viability as enterprises.

The Government of India is in the process of implementing International Financial Reporting System in all business firms. Are we the cooperatives prepared for that? We still are maintaining the rudimentary form of accounting and managing many cooperatives with unqualified personnel.

Conclusion:

Thus I would like to conclude that the cooperative forms of enterprises are having very good opportunities in the new millennium. Still there are services which the Corporates have not entered and can't enter without our area of interest. We are to identify and serve the sector where others have ignored. We should have concern for community but should not encourage inefficiency in the form of social welfare. Cooperatives are for

those who could contribute not for beggars and destitute. We should realize that the Democratic Enterprise too warrants professionalisation and honesty in all our endeavors.

Let me be permitted to windup my talk with the following words of our revolutionary poet:

“நாடிய ஓர் தொழில் நாட்டார் பலர் சேர்ந்தால் கேடில்லை நன்மை

கிடைக்குமன்றோ

கேடில்லை நன்மை கிடைக்குமன்றோ தோழர்களே!

சிறு முதலால் லாபம் சிறிதாகும்; ஆயிரம்பேர்

உறு முதலால் லாபம் உயருமென்றோ தோழர்களே!”