

GOVERNANCE OF CO-OPERATIVES: ISSUES AND CHALLENGES

Editors

T. Paranjothi

Yashavantha Dongre

Anil Karanjkar



**VAIKUNTH MEHTA NATIONAL INSTITUTE OF
CO-OPERATIVE MANAGEMENT**

(Ministry of Agriculture & Farmer's Welfare, Govt. of India)

Chaturshringi, Pune University Road, Pune - 411 007

www.vamnicom.gov.in

Email: crp@vamnicom.gov.in

Political Affiliation and Discriminative Governance- An Exploratory Study in Kerala

G.Veerakumaran*

E.Vinaikumar**

Prologue

The state of Kerala is entirely different from other states in India. The unique 'Kerala Model of Development' resulted in the highest 'Human Development Index' in the country. Kerala has achieved the highest literacy rate, universal health care, and effective public distribution system ensuring availability of food grains to the downtrodden. The state achieved cent percent financial inclusion. Kerala is known for its significant level of labour migration and depends mainly on repatriation. The state has successfully implemented decentralized democratic governance at all levels. Plantation crops and service sector play a pivotal role in the state's economy. However, development in agriculture and industries shows a dismal picture.

Cooperatives in Kerala are well developed and also an integral part of the social system. In addition to the traditional Credit Cooperatives, Cooperatives are also performing well in the fields of Healthcare, Education, Housing, Labour Contract, Fisheries, Milk, Coir and Consumer. Cooperative Credit structure in Kerala is mainly classified into two viz., short-term credit structure and

*Associate Professor, Department of Co-operative Management, College of Co-operation Banking and Management, Kerala Agricultural University, KAU Post, Thrissur-680656.

**Associate Professor and Head, Department of Co-operative Management, College of Co-operation Banking and Management, Kerala Agricultural University, KAU Post, Thrissur-680656

long-term credit structure. The three tiers of Short-Term Cooperative Credit Structure consist of Kerala State Cooperative Bank (KSCB), 14 District Cooperative Banks (DCB) and the 1573 Primary Agricultural Credit Societies (PACS). Long Term Cooperative Credit Structure consists of Kerala State Cooperative Agriculture and Rural Development Bank (KSCARDB) and 63 Primary Cooperative Agriculture and Rural Development Banks. In addition to these, 95 Urban Cooperative Banks, 1041 Employees Credit Cooperatives and 134 Non-Agricultural Credit cooperatives are also in operation.

The Cooperative Societies in Kerala are governed by the Kerala Cooperative Societies Act and Rules 1969. However, political parties are considering the cooperatives as a stepping stone for their members to reach their vote bank. Based on the long standing observation of the Kerala cooperative movement, the authors have strong opinion that almost all cooperatives are promoted and governed by some political wings. In this context, the present paper attempts to address three issues impacting the nature of governance namely (i) admission of members during the establishment of cooperatives and thereafter, (ii) election of board of directors and nomination of board members by the government, and (iii) service delivery to the members. The research question before us is that, is there any discriminative governance based on political affiliation?

Methodology

The authors used both primary and secondary data for the analysis. The primary data were collected from the two prominent district level political party leaders, party offices and from two Offices of Assistant Registrar of Cooperative Societies. Moreover the authors visited ten different types of cooperative societies in Thrissur district to understand the situation. The major limitation of the study is that the respondents wanted us to maintain the anonymity of their identity.

Admission of Members during the Establishment of Cooperatives and thereafter

The ICA statement on Cooperative Identity clearly speaks about a cooperative as an autonomous association of person united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly- owned and democratically controlled enterprise. The 97th Indian Constitutional Amendment envisages formation of a cooperative society as a fundamental right along with association and unions. The Kerala Cooperative Societies Act 1969, Section 4 permits registration of a cooperative society which has as its object the promotion of economic interest of its members or of the interest of public in accordance with cooperative principles or a society established with the object of facilitating the operations of such a society. Section 7(3)&(4) states that an application for registration shall be disposed by the registering authority within the stipulated time and in case of failure, appeal can be filed and the appellant authority has to give direction to the concerned registering authority with in sixty days and the authority concerned shall comply with such direction.

Though the above stated legal provisions are there permitting any groups with the prescribed number and common economic and social needs, to form a cooperative society and get it registered, in practice, only groups with clear affiliation to the respective ruling parties are permitted to register. There were many instances of discouraging others to register new societies.

The first principle declare that the Cooperatives are voluntary organizations, open to all persons who are able to use their services and willing to accept the responsibilities to membership, without gender, social political or religious discrimination. As per the Section 2(l) of KCS Act 1969 a "member " means a person joining in the application for the registration of a Co-operative society or a person admitted to membership after such registration in accordance with this Act, the rules and the bye-laws, and includes a nominal or associate member¹. According to section 16(2) of KCS

Act 1969, membership in any society other than a society formed for the benefit of the Scheduled Castes or the Scheduled Tribes shall not be refused merely on the ground that a person belongs or does not belong to a particular religion, race, community, caste, sect or denomination. A decision on an application for membership shall be taken within two months from the date of receipt of the application.

However, formation of cooperative society itself is on political basis. The likeminded single party members propose and continue to manage the affairs. Admission of opponents is always ignored and even application forms will not be issued in most of the cases. Even, if they go for appeal, it makes no much headway in the enrollment. Of late, in order to break the dominance of one party in the cooperative societies, the ruling party with the support of cooperative officials entertaining the new applicants and intrusion takes place. The counter mechanism adopted by the promoter's party is that they admit all eligible individuals of their party in the area of operation as members of the cooperative, so that the members admitted through legal battle makes no much change in the equilibrium of the party dominance.

Federal level cooperatives are also not an exception to this phenomenon. Best example is with regards to giving voting rights to affiliated societies of District Cooperative Banks (DCB). It can be seen that when one political combination comes to power in the state, cooperative societies act is amended in such a way to give voting rights to all affiliating cooperative societies where as, when the other combination comes to power, amendment will be done to restrict the voting right to credit cooperative societies alone, so that they can wrest the power of the District Cooperative Banks (DCB).

Election of Board of Directors and Nomination of Board Members by the Government

The ICA 2nd Principle on Democratic Member control signifies cooperatives as democratic organizations controlled by their

members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner. On the basis of this principle, the members of the cooperatives elect board of directors to manage the day to day affairs of the cooperative society (Section 28 of KCS Act 1969).

Even though the crux of the principle envisages political neutrality, election to the board of directors in all the cooperatives in the state are fought on political lines and in many cases severe than legislative assembly election. In this regard it is interesting to note that till the constitutional amendment has fixed the term of office of the management committee as five years, the varying political combinations in the state were amending the provision to three years and five years respectively, in order to supersede the existing duly elected board. This is a clear case of political intervention in the democratic process of the governance of cooperatives

Section 31 of KCS Act 1969 ² gets frequent amendments with respect to nominating members in the board of a federal cooperative society to ensure the rule of their party members in the respective district and state level cooperatives.

Section 32 of KCS Act 1969 speaks about Supersession of committee. If the Registrar, after an inquiry by himself or through his subordinates or on a report of the financing bank, or the Vigilance, and Anticorruption Bureau of the Government or the Vigilance Officer or otherwise, is satisfied, he can supersede the elected board and appoint an administrator.

This is the most widely and frequently used provision in the state to tarnish the image of opponents and their management in the cooperatives. With the support of its officials, the ruling party uses this proviso, to destabilize the board and slowly, through the

mechanism discussed earlier, capture the management. Hence, many times the judiciary had to intervene and restore the democratic power of the elected board of a cooperative society.

Service Delivery to the Members

The cooperative societies are organised to serve primarily the members and the potential members or otherwise called the community at large. However, in reality discrimination on the basis of political affiliation is rampant in the Kerala cooperative movement. In many cases, this was considered as a mechanism to woo the members to the respective political groups.

1. *Loans were issued without adequate security to the members of the political combination. Moreover, interested parties are provided with highly subsidised agricultural loans.*
2. *Supervision and monitoring of the end use of loans are being ignored in interested cases. Overdues of members having affiliation to the political group of the board of directors are overlooked, given undue extension, and even permitted book adjustments by issuing fresh loans.*
3. *This phenomenon is practiced both at the primary level and at the secondary level. There are instances where District Cooperative Banks were forced to bear NPAs, due to such bad loans.*
4. *Benefit of the welfare Schemes implemented through the cooperatives by the state as well as central agencies are enjoyed only by the members having affiliation to the ruling combination, in most of the cases.*
5. *The formation of self-help groups and joint liability groups are taken as an easy method to consolidate the vote bank of their party.*
6. *Where the cooperatives are generating employment (Labour Contract Cooperative Societies), there also discrimination is prevalent.*

Epilogue

Thus the above discussed issues reflect the Political Affiliation and Discriminative Governance prevailing in the cooperative sector in Kerala. Moreover, programmes of the various cultural and other organisations with party affinity were sponsored by the cooperatives liberally. Cooperative societies even used to give advertisements mainly in their party Medias (print and electronic). The Cooperative Services Recruitment Board as well Public Service Commission to a large extent is empowered to recruit employees of the cooperative sector. However, steps are taken by the societies to bypass this by appointing people at the lower level (Class IV) and promoting them through reserved quota for employees working in the organisation. In many cases, such appointees are officially designated as Class IV employees, though they will be discharging the duties of clerk cum cashier, accountant etc. The question before us is that, will this, drive away neutrals as well as opponents of one ideology or other from the cooperative fold. If so, it will ultimately end up in the erosion of identity of cooperatives as peoples' movement. As long as political leadership and cooperative leadership are inseparable under the Indian condition, these phenomena will continue unabated.

Note

- 1 nominal or associate member" means a member who possesses only such privileges and rights of a member and who is subject only to such liabilities of a member as may be specified in the bye-laws;
- 2 the Government or any authority specified by them in this behalf shall have the right to nominate not more than two persons to the committee of such apex or central society.

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