Liberalisation, Privatisation and Globalisation: An Impetus to Adopt Technology by the Cooperatives in the State of Tamil Nadu

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Abstract:

Cooperatives or social-enterprises formed by the members and play a pivotal role in the mainstream of Indian Economy more particularly in the field of rural credit, distribution of agricultural inputs, storage, fertilizer marketing, consumer, fisheries, labour, housing etc. Cooperatives which are the backbone of the agriculture and rural economy have the capability to revive the rural India. There are 6 lakh cooperative societies of different type with a membership of 22 crores, covering 100 per cent villages and 67 per cent rural households. Tamil Nadu is a forerunner in cooperative movement with 30,000 cooperatives functioning under different sectors that play a vital role in uplifting the poor and downtrodden.

The transition from controlled economy to open competitive economy in the name of globalization or liberalization has thrown a whole lot of challenges to the cooperative sector. It is increasingly recognised that the cooperative system in India has the capacity and potentiality to neutralise the adverse effects emerging from the process of Liberalisation, Privatisation and Globalisation (LPG). After economic liberation under the New Economic Policy (NEP), cooperatives at all levels are making efforts to reorient their functions according to the market demands, particularly adopting the new technology. The failure of the public sector in several cases is a worrisome trend. Privatisation has also failed to make impact in rural areas and therefore there is great hope for the cooperative sector.

As a result, New Generation Cooperatives (NGC) emerged to challenge the private and public sector. To mention a few sectors in the cooperatives that adopted the technology are, the cooperative financial institutions in the district level started adopting Core Banking...
Solutions, village level primary credit cooperatives were computerised, the agricultural marketing and tea cooperatives started digitalisation that makes easy for auction system that benefitted both the farmer members of the cooperatives and the merchants. Further, platform cooperatives are emerging and started showing the business world that it is young, technologically advanced and has core competitive spirit. It all happened due to the changes that have occurred after the introduction of NEP/LPG and cooperatives changed a lot to the changes.

**Introduction**

Cooperatives or social-enterprises formed by the members, have existed in India since a long time. The cooperatives play a pivotal role in the main stream of Indian Economy more particularly in the field of rural credit, distribution of agricultural inputs, storage, fertilizer marketing, consumer, fisheries, labour, housing etc. Cooperatives which are the backbone of the agriculture and rural economy have the capability to revive the rural India. Cooperatives can create stable livelihoods in rural areas. There are 6 lakh cooperative societies of different type with a membership of 22 crores, covering 100 per cent villages and 67 per cent rural households. Tamil Nadu is a forerunner in cooperative movement which plays an important role in the socio economic development of India. There are around 30,000 cooperatives functioning under different sectors that play a vital role in uplifting the poor and downtrodden.

The transition from controlled economy to open competitive economy in the name of globalization or liberalization has thrown a whole lot of challenges to the cooperative sector. It was believed that cooperatives would not be able to survive in the face of stiff competition posed by private sector. A study of functioning of cooperative societies in various segments such as agricultural credit, agricultural marketing, fertilizer distribution, agro-processing, dairy and sugar industries, has shown that there are number of strong and viable cooperatives. But at the same time one must realize the fact that the cooperative structure, as it emerged, has shown lot of weaknesses. Some of the weaknesses are; lack of professional management, lack of adequate infrastructure, lack of capability to withstand competition, over-dependence on government for financial assistance restrictive provisions of cooperative law and above all no innovation. Some of these main weaknesses observed in the cooperative movement, have to be tackled on war-footing in the years to come, in the best interest of the survival of cooperative movement.
The current status of cooperatives reflects both a threat and an opportunity. It is a threat, because cooperatives have failed, to a large extent, in delivering efficient goods and services unlike the private sector and an opportunity, because the new economic scenario will offer enough opportunities, which could be effectively utilized by the cooperatives to prove their case of continuation. The Liberalisation, Privatisation and Globalisation have given lots of impetus and it resulted in the technological transformation in the cooperatives. This could be noticed from the cases presented by the authors in this paper.

It is increasingly recognised that the cooperative system in India has the capacity and potentiality to neutralise the adverse effects emerging from the process of Liberalisation, Privatisation and Globalisation (LPG). After economic liberalisation under the New Economic Policy (NEP), cooperatives at all levels are making efforts to reorient their functions according to the market demands, particularly adopting the new technology. The failure of the public sector in several cases is a worry some trend. Privatisation has also failed to make impact in rural areas. Therefore there is great hope for the cooperative sector.

As a result, New Generation Cooperatives (NGC) emerged to challenge the private and public sector. To mention a few sectors in the cooperatives that adopted the technology are, the cooperative financial institutions in the state, district level started adopting Core Banking Solution, village level primary credit cooperatives were computerised, the agricultural marketing cooperatives started digitalisation by using Apps that makes easy for auction system that benefitted both the farmer members of the cooperatives and the merchants, computerisation of tea auction system in the Nilgiri District by the cooperatives. Further, platform cooperatives are emerging as in the case of Uber and started showing the business world that it is young, technological advancement and has core competitive spirit. It all happened due to the changes that have occurred after the introduction of NEP/LPG and cooperatives changed a lot to the changes.

A) Computerisation in Credit Cooperatives

Since the late 1990s, a number of banking organisations across the developing world have developed innovative approaches to financing agriculture. Some of them adopted microfinance concepts to the provision of agricultural finance, used good banking products and above all, drawn on knowledge of agriculture to enter and succeed in this market. Many of these approaches show great promise but no single approach works for all situations.
Institutions are most successful when they are not rigid, apply comprehensive risk management strategies, have the freedom and flexibility to select their clientele, and are innovative and pragmatic.

The revival package under Vaidyanathan Committee’s recommendations (2006) is aimed at reviving the Short Term Cooperative Credit Structure (STCCS) and making it a well-managed and vibrant medium to serve credit needs of rural India especially the small and marginal farmers. It seeks to introduce legal and institutional reforms necessary for the democratic, self-reliant and efficient functioning, take measures to improve the quality of governance and management and provide financial assistance to bring the system to an acceptable level of financial health. Financial assistance under the package includes technical assistance to cover computerisation, installation of standard accounting system and MIS, training and capacity building, in addition to covering accumulated losses in the STCCS. The legal, regulatory and institutional reforms as envisaged under the revival package would set the ground for efficient functioning of rural cooperatives (Government of India, 2005). Twenty five states have signed the MoU with Government of India and NABARD and twenty one states have amended their cooperative societies Acts. An assessment of World Bank in four states commented positively on the implementation of the reform package in terms of amendments to the Acts, elections to three tiers, toning up the accounting systems and a massive training effort. In terms of credit growth, in these states short term cooperatives witnessed a 120 per cent growth in aggregate since the reform process started and an overall improvement in recovery levels (NABARD, 2011).

Core Banking Solution (CBS)

Core Banking Solution (CBS) has been implemented in Tamil Nadu State Apex Cooperative Bank. It provides ATM (Automated Teller Machines) services and ATM Rupay Debit cards are issued to the customers of TNSC Bank and these cards can be used in any ATM in India on par with that of other commercial banks. The Bank is also equipped with facilities for transferring funds electronically anywhere in India through Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer System (NEFT). Other banking services like mobile banking, SMS Alerts, Immediate payment service (IMPS) facilities have been provided to the customers. To provide modern banking services to the customers of Central
Cooperative Banks, Core Banking Solution (CBS) has been implemented in all the Central Cooperative Banks, which enables electronic transfer of funds anywhere in India through RTGS / NEFT. From March 2017, CCBs provide SMS alert facility to their customers. As a landmark achievement in the history of Cooperative banking in the State, 50 ATMs were established by the Central Cooperative Banks across the State. Rupay Debit cards are issued to the customers of the 10 Central Cooperative Banks and Rupay KCC cards are issued to the loanee farmers of PACCS. The Primary Agricultural Cooperative Credit Societies were functioning as credit agencies only. Dependence on a single source of income with the limited scope of operation was the main reason for the lack of viability. It was also realised that the Primary Agricultural Cooperative Credit Societies can offer a variety of services to the members and thereby bring a transformation in the rural economy. Therefore, the Primary Agricultural Cooperative Credit Societies are being encouraged to diversify their operation to extend other allied services.

B) Erode Agricultural Producers Cooperative Marketing Society Limited (EAPCMS), Erode District, Tamil Nadu

Thiru.S.K.Paramasivan, Ex.M.P., a veteran cooperator, organized the Erode Agricultural Producers Cooperative Marketing Society Ltd. on 31st January 1960 and commenced its business from 29th June 1960 onwards. It was with 58 members and a share capital of Rs.14,385, the society started its humble beginning. As on 31st March 2018, the society is functioning with 23,449 members from all over the state and the share capital is Rs. 20.69 lakhs. The society is running with net profit since its commencement and distributing 14 per cent dividend to its members since 1990.

Value Addition to the Agricultural Produces of EAPCMS

The society has installed a Turmeric powder plant in its premises at a cost of Rs.10 lakhs with the assistance of NCDC in the year 1986. This has a crushing capacity of 1300 M.T. per annum. The Turmeric powder manufactured in this unit with “AGMARK GRADATION” is being exported to foreign countries by NAFED, Chennai from 2001.

After 2009-10 there was a slack in the production of turmeric powder. Once again with the support of the employees and members, a Managing Director, with a business DNA, ventured full-fledged in producing turmeric powder and related powders. The MD took personal interest and developed different tastes by conducting research on taste-tests by supplying
samples and consulting experts in the field. The final products were developed after finalisation of the above research and started commercial production of Chilly Powder, Sambar Mix Powder, Rasam Mix Powder, Coriander Powder and Kumkum Powder (thilak) from February 2016 onwards. The products are sold in the brand name of “MANGALAM TURMERIC POWDER” packed in 1kg, 500g, 100g, 50gm and 20g, packets at a reasonable price. The products are getting a very good reputation in the market and sale is picking up.

**Innovative E-Tender Process**

In number of places the traditional manual tender/ auction system is followed for auctioning the agricultural produces. In the EAPCMS, ‘Mobile APP Tender System’ is introduced from February 2016 onwards for the benefit of the society and the stakeholders.

**Flow of E-Tender**

The tender process of society has been digitised and the same is furnished below.

**The Flow of e-Tender**

1. **Gate entry Register**
2. **Farmer produces Inward/SMS Alert**
3. **Display of Produce in the Tender Hall**
4. **Lot Entry with Lot No./SMS to Farmers**
5. **Tender Initialization**
6. **Generating Computerized Bill /SMS to Farmers**
7. **Payment to Farmers Bank Account through RTGS/NEFT - SMS Alert**
8. **Bill Amount Received from Traders / SMS Alert**
9. **Stocking of Sold & Unsold Produces if needed**
10. **Final Tender Results Declared**
11. **Farmers Option either to Accept or Reject Price**
**Enhanced Benefits of e-Tender**

- Highly Secured and transparent system
- Farmers will be able to get good price due to competition.
- Software will supports “n” number of concurrent users.
- Process of Interlinking of different Markets and branches can be achieved easily.
- Farmers will get the payment instantly due to online payments.
- Godown-Owners may also get into the regulatory system.
- These activity ultimately led to a Paperless Transactions
- The society can store “n” number of data, transactions in the database of the server, and able to retrieve the old / stored records.

**C) Industrial Coop Tea Factories**

The first INDCO Tea Factory (Kundah Industrial Cooperative Tea Factory) established in 1962. Totally 15 Industrial Cooperative Tea Factories are functioning in the Nilgiris District. (2016 new Regd.). 25115 small growers have come into the fold with the holding of 36,327 Acres of Tea Gardens. The total installed capacity of the 15 Indco Tea Factory is 273 Lakh kgs of Made Tea per annum.

**Objectives**
Improve the socio-economic condition of the Small Tea Growers

Educate the Cooperative Movement among the Small Tea Growers

Pay reasonable rate for the Green Tea Leaves supplied by the Small Tea Grower Members to the Indco Tea Factories

Act as an Agent for getting various Subsidy Schemes that may be announced by the Central as well as State Governments, then and there.

**Functions**

- Procurement of Green Tea Leaves from the Small Tea Grower Members of the Factory, within their area of operation
- Conversion of Green Tea Leaves into Black Tea (CTC (Cutting-Tearing-Curling) / ORTHODOX) with the use of machineries installed
- Sale of produced Tea in Weekly Auctions being held in Coonoor, Coimbatore and Cochin
- Payment of reasonable rate for the Green Tea Leaves supplied by their members.

**Tamil Nadu Small Tea Growers’ Industrial Cooperative Tea Factories’ Federation Limited (INDCOSERVE) IND No.697**

When the number of Indco Tea Factories established from 1958 to 1965 were on the raise, it was felt necessary to promote an Apex Organisation to Co-ordinate the activities of all the Indco Tea Factories. Accordingly the INDCOSERVE was established in the year 1965

**Objectives**

- To strengthen the cooperative movement in the Tea sector in the Nilgiris District.
- To secure better prices for green tea leaves for the Small Tea Growers
- To provide Warehousing Facilities for storing of Teas produced by the Indco Tea Factories at various places in India, where the auction centres are established.
- To render services to all Indco Tea Factories functioning in the Nilgiris District for the benefit of the Small Tea Grower Members

**Functions**
Supply of Tea to Defence Department.

Provides Warehousing facilities at Coonoor, Coimbatore and Cochin

Fixing up of Supply contract for supply of Tea Machinery Spares and Consumables to the Indco Tea Factories

Sale of “Ooty Tea” to State Civil Supplies Corporations and Cooperative Stores under Public Distribution System (PDS).

Supply of tea to recognized export houses.

**Ooty Tea**

Launched by the Government of Tamil Nadu during 2launched the sale of “OOTY TEA” to the general public through the Public Distribution System on 28.08.2001. As per orders issued by the Government of Tamil Nadu, INDCOSERVE is supplying about 275 M.Ts. of blended teas, per month, under the brand name of “OOTY TEA” through Tamil Nadu Civil Supplies Corporation and District Cooperative Wholesale Stores of Cooperative Department.

Under the above said scheme, Indcoserve is purchasing teas from various Estate Factories and Bought Leaf Factories, including Indco Tea Factories, through Tea Auction Centres at Coonoor and Coimbatore. The market intervention of INDCOSERVE in participating Tea Auction Centres by way of procuring Tea for PDS, renders indirect benefits to 63,000 Small Tea Growers in Nilgiris District is commended highly among the growers.

The teas thus purchased and blended by INDCOSERVE are subjected to repeated tests for their quality and conformity with the Prevention of Food and Adulteration Act, so as to ensure that the consumers are getting good quality of tea at reasonable low price. Moreover OOTY TEA also provides the required cuppage and good flavours. The quality of OOTY TEA is on par with that of any other well-known branded teas, by breaking the myth that only low quality of product would be available at low price. The sale of tea was to the tune of Rs.385.57 lakh and profit Rs.15.00 lakh.

**TEASERVE**

A New Innovative Initiative: A New Initiative is TEASERVE, the World’s first Electronic Tea Auction Centre. The World’s first Electronic Tea Auction Centre. Acceding the representation of Small Tea Growers of the Nilgiris District, the Government set up an Electronic Tea Auction Centre on 17th July 2002.

TEASERVE was initiated mainly to avoid exploitation of small growers by the middleman with the following objectives:

- To help and ensure small tea growers in getting reasonable and remunerative prices for their tea
- To establish various necessary price discovery mechanism for primary marketing of tea and administer them in a transparent manner
- To maintain stability and avoid speculation in the price of tea
- To ensure that due representation is given to all the sections of the tea industry in primary marketing of tea
- To disseminate market intelligence to its members
- To safeguard the interest of the small tea growers and plantation workers in general, and to promote tea as a health drink.

Membership and Share Capital:

Seller Members:

The TEASERVE have 172 Seller Members on its roll with a paid up share capital of Rs.44.20 lakhs, which includes the Government Share Participation of Rs.5.00 lakhs.

- INDCO Tea Factories 16
- Private Bought Leaf Tea Factories 124
- Private Estate Factories 31
- TANTEA 1
- Government of Tamil Nadu 1

Total 173

Tea sale through auction process: Three phases
Pre-sale activities: These include dispatch of tea to warehouses, generation of arrival and weighment report subsequent to the arrival of tea at the warehouses, cataloguing and Printing, Tasting and Valuation by broker, Sampling and its distribution.

Sale activities (Bidding at the auctions): Buyers congregate at the auction centre on the designated auction days and each broker sells his tea as per the designated schedule. Bids are manual ‘open outcry’ system and the tea is sold to the highest bidder.

Post-sale activities: This includes the payment date (prompt date) by buyers to sellers (via the brokers), delivery of teas and claims settlement.

Innovative Auction Process

All the buyers participating in the auctions and the sellers have their login and password to participate in the auctions. The sellers can view the whole auction process and status of market price. The workstation can be locked by the buyer which can be unlocked by entering password. The catalogues are also available online. TEASERVE runs 4 - 5 sessions in one day. In a typical two-day auction session TEASERVE sells up to 2000 lots. There is one more session conducted at the end known as out-lot session. This session comprises of all unsold tea during the day. It is also useful for the bidder who could not participate in regular sessions. In the out-lot session both leaves and dust are auctioned together.
TEASERVE is an online tea auction system where the bidders are actual operators of the market. The bidders put their bid and watch the real time information about the market (price per kg). On the day of sale, all the lots catalogued for the particular sale would be available for simultaneous bidding. This system is unlike in the manual outcry auction, where each lot comes up for auction one after the other. Only after the hammer goes down for a lot, the auctioneer takes the next lot in a manual auction. On an average, the hammering time for each lot in a manual auction is about 45 seconds. In an E-auction, the hammering of the lots (lot confirmation) happens at the end of the session. Bidder cannot see confirmed lot of other bidder. They are allowed to see only their own information and the current best bid.

On the day of auction, the buyers start bidding at specified time allotted by TEASERVE by logging on to live auctions through their individual terminals using their login Id and password. Each and every bidder has unique firm code and bidder code. For security reasons the bidders are provided passwords which they can change and the password expires every 3 months. The information on garden code, lot number, number of bags, grades, best price in the market, number of bidder and last sold price appears in the screen for bidder reference. The bidder has the option to view the lots engaged in auction for particular garden and for the entire garden. The confirmed lots will turn to different colour to show that the lots are confirmed.

D) Platform Cooperatives

Platform cooperatives combine the principles of co-operativism with the opportunities of platform technologies, which can connect individuals directly with little need for a middleman.

“A platform co-op is a digital platform that is designed to provide a service or sell a product- that is collectively owned and governed by the people who depend on and participate in it” (Sutton 2016).

They offer a positive alternative to platform capitalism- as characterised by Facebook, Amazon, Google, Uber, Airbnb- which has been criticised for extractive and exploitative practices.“Platform coops combine a cooperative business structure with an online platform to deliver a real-world service.”

A growing number of people are organising their work and resources through digital platforms that are owned by just a few large corporations. These platforms offer
unprecedented flexibility and independence, but they can also be exploitative. However, platform co-operativism represents a genuinely viable alternative to this model.

At present there is a great distance between the cooperative community and what platform coops may be able to offer through scalable technology and the creation of new services. Just as venture capital successfully learned about new technology and investment opportunities—despite the costs of market bubbles and various failures along the way—so too those who want to develop the cooperative movement need to experiment and learn new lessons.

This requires understanding the potentials of a cooperative advantage and exploring the different forms which platform cooperatives can take. It also means recognising the limitations and challenges to expansion in the sector. Most importantly the means to bring greater capital into emerging platform cooperatives must be found, with a new model drawn from the success of community shares being one viable way to achieve this. Those in the cooperative sector need to find ways to take part and compete in the platform economy, and in time they can truly take commercial advantage of what might be possible.

**Conclusions**

Private, Public and MNCs rapidly have adopted the technology feasible to their businesses. The cooperatives are not inferior to any other business enterprise. The changes took place, particularly after the introduction of liberalisation, privatisation and globalisation. When the competition became intense, the cooperatives too adopted to the changes. The cooperative business enterprises felt that they have to adopt innovative new technology for their survival and sustenance. This only will help the cooperatives to continue to serve the stakeholders in the long run. The cases that are discussed have proved that they could excel in the business due to the adoption of the appropriate technology and it happened due to the implementation of new economic policy.

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