



**Institutional  
and Business Development Planning  
for Farm Forestry Cooperatives and Self-Help Groups  
in Rajasthan and Madhya Pradesh**

Advisory Report Prepared by

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Submitted to

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**Institutional Development and Business Development Planning  
for Farm Forestry Cooperatives and Self-Help Groups  
in Udaipur and Partapgarh Areas of Rajasthan and  
Ratlam District of Madhya Pradesh. March 18-26 2002  
-A Report Prepared by Dr Daman Prakash**

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**Chapter 01  
Introduction**

THE Indian Farm Forestry Development Cooperative Limited [IFFDC] emerged out of a field development project of the Indian Farmers' Fertiliser Cooperative Limited [IFFCO] which was basically designed to maintain ecological balance as a social responsibility to develop wastelands. The farm forestry project was also designed in such a way that the wastelands, especially the sodic, eroded and undulated land get regenerated to provide some economic strength to the people and also to help improve the environmental conditions. Consequently, the IFFDC had helped organize 145 primary farm forestry cooperatives [PFFCs] at the village levels, with a membership of nearly 25,000 in three states viz., Uttar Pradesh, Madhya Pradesh and Rajasthan. The IFFDC had undertaken several activities. These were mainly to improve the condition of the soil, plant those species of trees which could not only survive in the area but also contribute to the economic development and generation of employment in the areas. The IFFCO had contributed a variety of inputs to the project which included: personnel, resources for land improvement, funds for raising nurseries and planting of trees, advice and guidance to the primary cooperatives and developed and strengthened the Indian Farm Forestry Development Cooperative Limited [IFFDC].

The projects of the IFFDC have now come of an age. The trees are being harvest in some locations, resulting into economic and social benefits for the community. The successful implementation of the pilot project and the relevance of their objectives has also attracted development partners from overseas – one from Canada [the India-Canada Environment Facility-ICEF], and one from the United Kingdom [Department for International Development-DFID]. The IFFCO and ICEF experience is based on the cooperative content for wasteland development through people's participation. The DFID experiment is largely based on self-help groups.

In accordance with the objectives of the promoters and the contributing agencies, there is a need to initiate a process of institutional development based on the Cooperative Principles ensuring thereby that the grassroots members are able to control their own organizations and manage them democratically and undertake business activities which are productive and sustainable. Efforts have been made to institutionalize the project activities through the organization of cooperatives and self-help groups. With a view to generate confidence among the basic members and to

carry out economic activities, such self-help groups and cooperatives have to be given in insight into the methods and techniques of basic business development. The IFFDC, at its own level, has provided technical assistance, guidance and support in organizational matters and for the training and development of operational functionaries of these institutions. There is a need to provide further and continuous support.

In order to familiarize with the existing structures and approaches adopted visits and observations were carried out in two different settings i.e., ICEF-supported cooperatives in Udaipur and Chittorgarh district, and DFID-supported Western India Rainfed Farming Project [WIRFP] in Partapgarh and Ratlam areas. During the period March 18-26 2002, the following areas were visited and experiments conducted there studied:

- IFFDC Project Office at Udaipur
- Bijanwas Primary Farm Forestry Cooperative, District Udaipur
- Maharaj ki Netwal Primary Farm Forestry Cooperative, District Chittorgarh
- Revelia Khurd Primary Farm Forestry Cooperative, District Chittorgarh
- IFFDC Project Office at Partapgarh
- Sandani Village Self-Help Groups
- Moti Kheri Self-Help Groups
- IFFDC Project Office at Ratlam
- Devgarh-Uchayda in Piploda tehsil of Ratlam District
- Mohri Khera in Piploda tehsil of Ratlam District
- Sarwani Khurd Village [newly adopted], Ratlam district
- Sanwali Rundi Village [newly-adopted], Ratlam district
- Chillar Village [newly-adopted], Ratlam district
- Discussions with Dr V. Kumar, IFFDC Chairman at Ratlam Project Office

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## **Chapter 02**

### **IFFDC-ICEF SUPPORTED FARM FORESTRY COOPERATIVES IN UDAIPUR AND CHITTORGARH DISTRICTS, RAJASTHAN**

The Project is operational in Uttar Pradesh, Madhya Pradesh and Rajasthan. The goal is to achieve rural prosperity and environmental improvement by reclaiming wastelands and marginal agricultural lands and establish a sustainable profit-oriented village-based cooperative structure. 113 primary level farm forestry cooperatives formed at the village level have emerged as self-sustaining institutions with a total membership of 23,124 individuals. Women members account for 38% of the total. The plantation of 16.1 million trees has been done on 21,286 ha of wasteland.

The Project has helped the people in realizing their potential and becoming self-dependent. 667 self-help groups are functioning, which have helped greatly in inculcating the habit of saving among the rural poor. This way, 5,595 members are getting benefits of the credit facility from these groups which have a saving of nearly Rs 3.6 million.

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## Chapter 03

### Field Visits in Udaipur and Chittorgarh

The first cooperative to be visited was the **Bijanwas** Primary Farm Forestry Cooperative Limited. It was established in 1988 with the support of the IFFCO. 55 such cooperatives were established in the area. The cooperative, consisting of two villages, has 139 members [including three women] from out of the village population of 4,000 from 500 households. Average land holding is 2 ha. Farming is the main source of income. The general meeting is held every year and the elections are held every five years. The participation has been almost 60-75% during the last three years. A nine-member executive Committee is elected. Audit classification is "C". The audit is done every year by the Cooperative Department.

The plantation of 139,000 trees was done on 250 ha of land which was given to the cooperative on lease by the village panchayat for a period of 20 years, on a profit-sharing basis. A sum of Rs 5,000 has already been paid to the village panchayat. The DRDA – district rural development agency of the Rajasthan Government, at the request of the cooperative, had spent a sum of Rs 33,176 for fencing and pitting which was treated as a grant. The IFFCO contributed a sum of Rs 149,173 and the IFFDC covered the salaries and wages of the secretary and watch and ward staff of the cooperative.

There are no vendors or retail shops in the village. There is a village service cooperative in the village which supplies fertilizers and other required farm inputs.

Based on the visits and discussions held the following developments have been observed:

**[A]** All activities relating to the business development and institutional development are based on a cooperative axis. The cooperative is the central point. In Udaipur district, the following business development activities are currently being carried out by the Bijanwas cooperative:

- Sale of cattle feed –134 bags
- Black tea – Rs 1,900:-
- Food grains, especially maize – Rs 24,000:-
- Grass from the cooperative facility – Rs 34,850:-
- Fuel wood from the cooperative facility – Rs 8,600:-
- Handling of wheat stalk during draught conditions – Rs 382,395:-
- Thrift and Credit including fixed deposits and shares

Although the income level of the cooperative is low mainly due to the long-drawn draught conditions, shortage of water, slow growth of trees and reduced avenues of income, the cooperative has been able to generate some funds to create some assets for itself. Some of the assets thus created by the cooperative were:

- One brand new office building along wise the main road and right in the heart of the village. The land for the building was given free by the village panchayat. The location is considered ideal for carrying on some business and to maintain day-to-day contacts with the members and potential members;
- One godown-cum-watch and ward facility on the plantation facility itself. The place is generally used for holding cooperative meetings, briefing of watch and ward personnel, interaction with villagers and to store products and implements of the cooperatives;
- Fixed deposits and shareholdings;
- Diesel water pump for irrigation purposes. [The water level in the area has gone down too low – almost 550 ft – for the pump to be effective. Most of the wells in the area have dried up and people are facing acute water shortage];
- Small amount of savings in bank account mainly from the voluntary contributions made by the employees of the cooperative on a monthly basis – one day salary per month;

A meeting of the Executive Committee of the cooperative was in progress at the time of the visit. The balance sheet of the cooperative [01.04.2000-31.03.2001] was before the members. On the question of enhancing the income of the cooperative, the members made the following points:

- Although the plantation [of 139,000 saplings with +60% survival rate] was done in 1988, the plants have not grown fast enough because of the rocky soil conditions, lack of water, and a long spell of draught. It will take still another 10-15 years before the trees start becoming productive. During this period members feel shortage of cash, which they need to meet their household and farm, needs;
- There is an outflow of nearly 100-150 lt of milk from the village every day, and it is carried away by private traders. Payment to the farmers is made at irregular intervals, some times even after seven to 10 days. There is no dairy cooperative in the nearby villages;
- Villagers need food grains, household goods and other services which are hard to find in the village at present except for some two or three mobile vendors. Villagers when they go to Udaipur, carry and bring things of daily use back and forth as a service to the folks. This happens particularly in the case of black tea, pulses and some food grains. A consignment of about 20 kg of tea was brought by the secretary of the cooperative, which was subsequently sold to the members on a door-to-door basis resulting into some earning for the cooperative. A regular retail shop in the village is needed which could supply all the needed goods;

- Members also felt that spice business could be another reasonable business proposition which could generate some income and also would meet the needs of the villagers;
- Members also mentioned that to obtain their farm inputs they have to approach the village service cooperatives. They have to organize credit to obtain their supplies. Also the farmers need on a regular basis, during plantation period, a variety of farm chemicals, inputs and implements;
- The members also felt that capital of the cooperative could be built up through enhanced savings. The Committee was of the view to encourage members to contribute, to begin with, a t least Re 1/- per month per month to the voluntary deposit scheme which can be withdrawn by the members at the time of need or for the festivals.

The main thrust of the members was to identify methods which would bring some ready cash for them to be used for personal needs and for the work of the cooperative. After intensive discussions, the committee narrowed down its discussions on the following business propositions:

- **Establishment of dairying business** – collection of milk and its disposal to the cooperative dairy or to the private vendors from one location in the village. Milk fat testing to be done by the cooperative. Payments to be made to the suppliers the following day. Surplus milk to be sold locally. The center point would be the new office location of the cooperative that is considered ideal for the purpose. The members were enthusiastic about this activity and felt that this would generate enough cash for them to be able to contribute to the voluntary deposit scheme as well as to cover their household and farm needs through their own retail shop;
- **Spices grinding** and packaging and selling in the village through its own location or through vending;
- Working on nearby **soapstone mining** areas as contractors;
- Establishing a **general store** in the new building which could supply the daily needs. There is no retail shop in the village. The present location is ideal for the retail shop because of its strategic location on the highway passing through the village;
- **Sale of fertilizers**, farm chemicals and farm implements;
- **Handling of food grains** – purchasing from the Udaipur market and selling it in the village or vice-versa;
- The **village office should become a central contact point** for obtaining orders, deposits and selling its services and products;

- Encouraging members of the cooperative [even others] to participate in the **voluntary deposit scheme** [begin with Re 1 per month per member] and increase gradually to Rs 5-10 or beyond;
- Savings thus collected can be used to install a small **grinding machine** for spices and for food grains, and even for a fat-testing machine.

**[B]** Another cooperative in Udaipur district, **Maharaj ki Netwal Farm Forestry Cooperative**, organized in 1996 under the ICEF programme, has planted 178,972 trees over almost 150 ha of community land in two nearby locations. Because of the comparatively better soil conditions, the plantation is showing encouraging results. The land has been granted to the cooperative under a 20-year agreement with the panchayat on benefit-sharing basis. The cooperative covers 6 villages, with a common single panchayat. There are 450 households. Average landholding is 1.5 ha. The land is generally unproductive. Main agricultural products of the area consist of maize, wheat, groundnut and black gram.

The general meeting of the cooperative is held every year but the elections are held every five years. The general meeting attendance is between 40-60% during the last three years. A 9-member managing committee is elected – three of them are women. The committee meets regularly once every month.

The investment of the 195-member cooperative [almost 50% of the members are women] has made the following investment and created assets:

- Bunding and pitting
- Water conservation and water harvesting measures including check dams;
- Tube wells in 2 locations with diesel engines with drip irrigation facility;
- Two office facilities
- Fixed deposits of Rs 356,568:-
- A revolving fund of Rs 100,000 given to self-help groups;
- Towards the shares of IFFDC Rs 158,000:-
- Planted assets [of 126,802 trees out of original 178,972 – 79% survival rate].

The plants were originally prepared at the cooperative plantation site itself. At the time of start of the project a number of nurseries were established by some rural women groups to supply the required saplings. The plants were purchased from them and also from other outside sources @ Rs 1.60 per unit which had generated some income for the rural women. Such nurseries have since been folded up for want of customers.

The cooperative has promoted five self-help groups consisting of 52 women in five villages. The groups were promoted with a view to bring about an awareness and cohesion among womenfolk to encourage savings and work for mutual benefit. The initial motivation and methodology was provided by the extension staff of the project. Linkages with the nearby bank were established. The loans given by the groups were used for the following purposes:

- Internal lending operations
- Thrift and Credit activities
- Purchasing of cattle
- Haircutting saloon/general vending shops
- Education of children as well as of the women
- Health [including support to pulse polio programme]
- Land improvement
- Well-digging
- Basket-making
- Poultry
- Sewing
- Recovery of mortgaged lands
- Clearing of old debts.

The group lends to the members at the rate of 18%. [10% is retained by the group, out of 8%, 4% goes to the cooperative, and the remaining 4% to the IFFDC.]

The cooperative's present main source of income is the sale of grass from the plantation sites. The grass cutting is done by the members on a daily wage basis. The grass is sold to the members, and if found surplus, to the outsiders.

The Managing Committee of the cooperative has suggested the following lines of business for the future to generate cash income for the cooperative and its members:

- **Plant more grass** and of a better quality to generate more income;
- The outflow of milk from the cooperative villages is around 200-300 lt per day. Private collectors presently collect the milk and the payments to the farmers are not regular. There is no dairy cooperative or a milk collection center nearby. Members consider it a paying proposition to initiate **dairy activity** to generate cash;
- **Establish a retail shop** in the village in order to meet the daily requirements of members' households and to maintain regular contacts with the members;
- **Establish a spice grinding facility** and sell the product through the cooperative. In addition, this cooperative can become an agent of the Amarpura spice grinding facility. [Another large-size spice grinding facility is being set up at Sansera in Rajsmand district, which also has the support of the IFFDC];
- **Procure, reformulate and sell cattle feed** for the members. In addition, the cooperative can become a stockist, wholesale or commission agent of the Bamnia Kalan Cattle feed factory in Rajsmand district;
- **Tea business** can be expanded to cover all the villages and also it can be sold through the general outlet of the cooperative;

- Establish **honey bee-keeping** in the area because of the well-growing trees;
- Procurement of **food grains** and its grinding for the members;
- Initiation of **voluntary deposit scheme**. The executive committee and the self-help groups have decided to contribute a sum of Rs 5:- per month per member to the scheme to be used by the members at the time of need.

Though the plantation of the cooperative is fairly new, its results seem positive. Members have, however, to wait for yet another 10 years to reap the benefits. It is heartening to note that high quality species [sheesham, neem] were planted and all of them have been growing well. A good source of income for the cooperative from its plantation will be generated from a small herbal corner which has been stocked well with medicinal plants including lemon and fruit trees. The herbal corner needs to be expanded to be more profitable.

Similar observations were made at the **Revelia Khurd Cooperative** although no discussions could take place with the management of the cooperative. From the discussions held with the Chairman of the Maharaj ki Netwal and the Project officials, it is inferred that the conditions for both the cooperatives were similar and the requirements of the members is the same.

The visits to two ICEF-supported cooperatives highlight the following areas for promoting business activities which might need some tactical and financial support from the IFFDC:

**Promotion of Dairy Business:** Both the cooperatives have shown keen interest in this sector because it would give them quick returns in hard cash. There has been a reasonable outflow of milk from the two cooperative areas. All that the cooperatives need is a tie up with some dairy or private collectors to pick up milk from the two locations daily and make payments the following day. They would also need to obtain milk cans and milk fat testing equipment, plus some basic training in handling milk and management of cash. It was suggested by the two cooperatives that the IFFDC could help in setting up some collaborative arrangements with the Udaipur and Chittorgarh dairies.

**Promotion of Retail Business:** Both the cooperatives were strongly inclined to establish retail stores of their own in their own locations. The retail shops could deal with supply of household and farm needs e.g., fertilizers, farm chemicals, household goods like sugar, black tea, kerosene oil, matches, candles, clothes, school stationery etc. The shops could also sell and purchase food grains. The leaders of cooperatives suggested that their secretaries and some unemployed educated local youth could be trained in operating retail outlets. The cooperatives expected that the IFFDC, in collaboration with the IFFCO, could help them enter the fertiliser business. In any case, the members need fertiliser and presently they purchase their requirements from other sources.

**Promotion of Voluntary Deposit Schemes:** With a view to overcome shortage of working capital and to inculcate habit of saving among the members, it was suggested to encourage members to contribute regularly to the voluntary deposit scheme. The Bijanwas cooperative decided to collect Re 1 per month per member, while the Maharaj ki Netwal decided to collect Rs 5 per month per member to build the fund. The Maharaj ki Netwal has the advantage of five self-help groups, and the groups had already decided to help establish such a fund.

The Voluntary Deposits are expected to help generate funds for setting up small spice and/or food grains grinding machines, in addition to investing it in the retails business.

**Mining Contractors:** The Bijanwas Cooperative was willing to take up mining contract work on the nearby soapstone mine. The IFFDC may assist the cooperative in establishing appropriate and safe contract.

Other lines of business e.g., **spice grinding**, **poultry** and **cattle feed** retailing, can be pursued as commission agents or stockists, or even as local formulators. The cooperatives would expect some guidance and support from the IFFDC.

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## Chapter 04

### IFFDC-DFID WESTERN INDIA FAINFED FARMING PROJECT PARTAPGARH AND RATLAM AREAS

The programme was initiated in April 1999. The Sustainable Rural Livelihood [SRL] Project is aimed at 'enhancing the capacities and confidence of rural communities so that they can undertake their own development'. A process approach has been adopted instead of a target-oriented development approach.

The IFFDC component aims to enhance the livelihood of 150,000 poor people in 225 villages [75 core and 150 dissemination villages]. For the first two years the IFFDC's scope of work is limited to 25 core and 50 dissemination villages. The activities till now include formation of 115 self-help groups. Participatory planning has been done, and implementation strategies have been formulated. 224 '*jankars*' [village specialists – rather, foot technicians] have been identified to support village level resource development activities. Various activities like construction of check dams, anicuts, small ponds, deepening of rivulets and wells have been undertaken.

While the project activities in ICEF-project areas are cooperative-based, the work done in Partapgarh area is highly concentrated on self-help group formation with a view to improve water and soil conditions to achieve a higher level of living and sustainability. Observations made in Partapgarh area are based on the working of self-help groups in two villages – *Sandani* and *Moti Kheri* villages.

General *characteristics of the self-help groups* in these villages are as follows:

- There are self-help groups in all the villages
- They are engaged in thrift and credit activities
- They are managed by the members themselves
- They have their own leaders and secretaries
- They maintain their accounts well and which are clearly understood by all
- Very little funds have been borrowed from the banks for internal circulation
- Almost all their needs are met from out of group own funds
- Almost all the members have used the group funds for at least three times
- Whatever loans are taken from the bank have all been paid up in time
- All groups have surplus funds deposited with the bank on account or in FDs
- a part of the earning from the wages is deposited with the group
- All groups hold their meetings regularly and every month.

It has been observed that members are more than satisfied to deal with their own groups and make use of the facilities provided by the self-help groups. *Loans taken from groups are used mostly for the following purposes:*

- Improvement of land
- Release from old debts
- Education of children and their clothing
- Purchase of food grains

- Purchase of household goods
- Contributions towards *neouts* [traditional community financial contributions]
- Health care
- Purchase of cattle/livestock and their health requirements
- Purchase of fertiliser and other farm inputs including implements
- Nursery raising

Practically all the self-help groups are engaged in a large-scale activity of improving soil, rivers, rivulets, laying anicuts, deepening of wells as per development plans worked out by the IFFDC in consultation with the groups and villagers themselves. A number of villagers have now begun planting high-value trees e.g., oranges.

A special activity which has been developed by the IFFDC in the areas is the creation of '**Jankars**' [village technicians/specialists] which is a human resource development effort. About 224 persons from project villages have been identified by the project for being trained in various trades to be available ready at hand in the village and provide the needed services. These trades are:

- Group support – book-keeping, records and minutes writing
- Crop related issues
- Livestock development
- Soil and water conservation activities
- Forestry management activities
- Literacy
- Health
- MIA-Monitoring Impact Assessment
- Engine maintenance
- IGA-Income generating activities
- Grain banks

The main idea is that these 'jankars' would be available to render first-aid [in terms of advice and health] in the hours of emergency and also earn by providing such professional services. The 'jankars' are being promoted with a view to develop sustainability to the programmes and to encourage the human resources to participate in all activities democratically and with a feeling of belonging. They are the frontline specialists to assimilate all the technical information from the project and to be able to spread out among the villagers as and when needed.

The self-help groups in Partapgarh area are independent and working on their own without any **umbrella organization** to guide them and to facilitate their further development. The present umbrella organization is the IFFDC project itself. In the case of Udaipur and Chittorgarh areas, the cooperatives are independent and autonomous organizations which are free to take their own decisions and plan for their future. A similar umbrella organization for the self-help groups also appear necessary and logical, so that all the activities correspond to the needs and requirements of the members.

Two additional visits in Piploda tehsil of Ratlam district were carried out where two PRA programmes in **Devgarh-Uchaiyda villages** and **Mohri Kheri village** were being carried out.

With a view to understand the communication process between the IFFDC and the newly-adopted villages under the Ratlam Project Office, three more villages [**Sarwani Khurd, Sanwali Rundi, and Chillar**] were visited together with Dr V. Kumar, Chairman of the IFFDC who was visiting Ratlam then.

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## Chapter 05

### A SUMMARY OF OBSERVATIONS

A brief summary of the observations made of the ICEF primary level forestry cooperatives and the self-help groups in the WIRF Project is as follows:

- Both the institutions deal with the products of members and undertake **marketing activities** on behalf of their members. Members are at the center, and the organizations around them provide services. These include sale of farm products, grass, fuel wood, minor forestry products etc.
- Both the institutions deal with the **supply of requirements** of members for their household and farm needs. These include fertilizers, farm chemicals, implements, ropes, diesel, kerosene oil, fodder and medicines for livestock. Cooperatives procure such items from the market and provide them to their members at rates which are usually lower than the market rates, and still retaining their handling charges;
- Both the institutions deal with money for a variety of reasons. In both the cases, the borrowers pay interest – the cost of using money. In both the cases **credit is important**. Every member needs money – in small or large amounts. While the cooperatives maintain their own accounts in their books easily for a larger number of members, the self-help groups, which are larger in number, maintain their own accounts and also with the connected banks. Self-help groups being smaller in size handle smaller funds which have a lower bargaining power, while the cooperatives have a better presence at the time of negotiations in marketing and supply activities;
- It has also been found that both the institutions need a plenty of **continuous guidance** in various sectors – education, training, guidance, extension etc. This involves education of members, training and development of committee members, creation and upgrading of 'jankars', relationship with the community organizations, specialized training e.g., livestock development, crop protection, soil and water conservation, forest management, improvement of farm implements, safe water, health and sanitation, gender issues etc. A cooperative being an organization with recognition as a legal entity, and as a larger recognized group/institutions, has a better accessibility to all agents of guidance. The self-help groups, however, on their own, find it difficult to organize appropriate support because of their small size and with no appropriate connections. Also other self-help groups in the village may have different opinions on various common issues.

In the light of the above discussions and observations, it is considered necessary that the cooperatives in the ICEF project areas need better business support so that they could sustain the interest of their members in their activities. The cooperatives appear to be at a mere survival stage, but the members have, during the brief

discussions, demonstrated their strong resolve to pursue more of business opportunities. They need support and the cooperatives need to be strengthened.

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## Chapter 06

### SWOC Analysis

At a **SWOC** [**Strengths, Weaknesses, Opportunities and Constraints**] discussions held at the Partapgarh office with the Project officials, and community organizers, it was found that self-help groups need constant support and close monitoring since their performance has so far been outstanding and contributory to the health of the community at large.

As to the **strengths** of a cooperative organisation the following points were identified:

- Cooperatives, if promoted with proper advance education and awareness among the members, and with a high level of motivation as to their objectives, can be the best agencies to support development and business activities;
- Cooperatives are legal organizations which enjoy a variety of concessions and tax exemptions besides having an easy access to various loans, subsidies and assistance programmes;
- Cooperatives have been the channels of choice for marketing, supply and credit, and have larger avenues available to them for guidance and human resource development;
- Cooperatives have a larger network for securing horizontal and vertical linkages. They remain and are closest to the basic producers and consumers and therefore are in a better position to transact business relating to the raw material and finished products. They are also the basic source of procurement of raw material and finished goods for the market operators and general traders;

As to the **weaknesses**, cooperatives do falter in business and so do all other business organizations, but the main reason is the lack of awareness, lack of market information, lack of training, and lack of participation on the part of the members;

As to the **opportunities**, cooperatives have a vast spread of linkages at all levels – primary, district, provincial and national, and even international, and have huge financial institutions to support them e.g., the NABARD, the network of district and state level cooperative banks etc. Some of the cooperative institutions at all levels e.g., in sugar and dairy sectors, have made tremendous business impact on the markets at home and abroad, besides providing social support to the community;

As to the **constraints** faced by the cooperative, the interference in the internal affairs of the cooperatives by the Registrar of Cooperatives, and occasionally the pressures brought on to the cooperatives by local politicians to gain control of the institution, have been cited. These are only the negative perceptions. If the members are fully

aware of their rights and duties, and if the employees are firmly for the Cooperative Principles and if the business operations are true and factual, there is nothing to be worried about. With an appropriate training and education of the members and employees, and with a proper rapport with the Registrar, such problems can easily be taken care of.

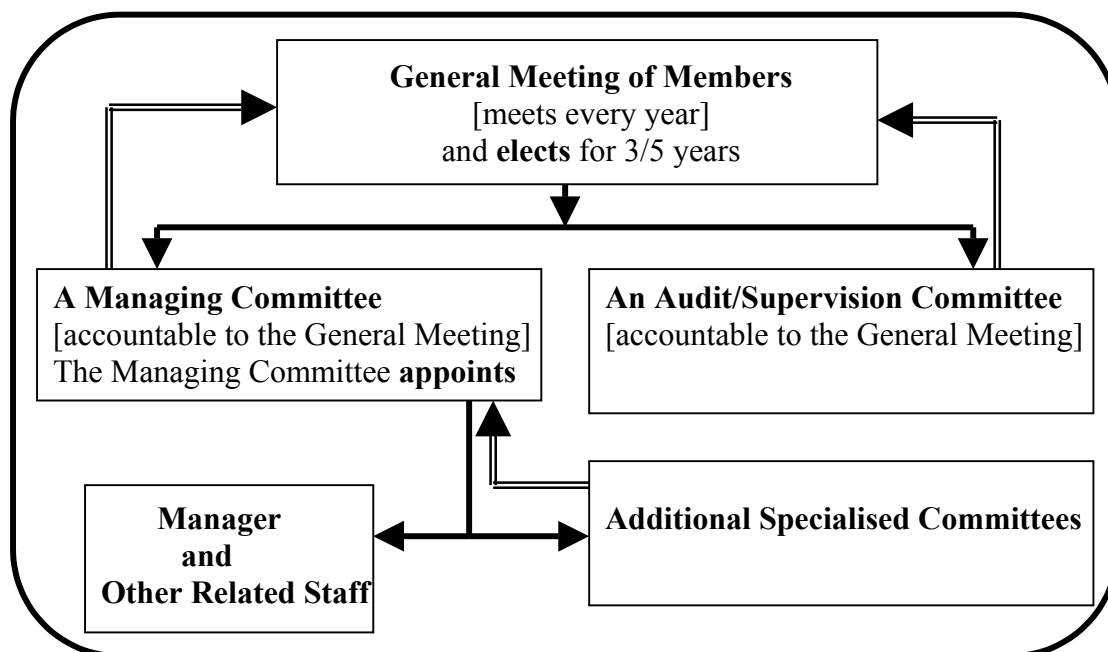
Federations, as private institutions, or as a consortia of various individuals or business groups, are registered with the Registrar of Societies. Although the federations are also autonomous and can operate on Cooperative Principles, they do not enjoy the same level of freedom and facilities in terms of marketing, obtaining loans and concessions as the cooperatives, and hence have certain operational limitations. They, however, remain outside the control and purview of the cooperative department. They have, however, to submit all types of returns and reports to the Registrar of Societies, like the cooperatives do to the Registrar of Cooperatives.

In the village a variety of products are available and a range of services needed. The producers have different interests and specialization and they would produce only those things. In some cases the groups are specialists on services and they would like to make them available. In such cases they need to form a wider group which can offer marketing, supply, credit and guidance services, and which are within the easy competence of a cooperative.

Members are free to join and leave a cooperative at their own will and also to operate from the cooperative. The SHGs, as are seen from the present work theatre, are the interest groups or specialist groups. They might need a specialised institution which could work 'for them' and facilitate their business operations. The SHGs are the democratic institutions which could as well be said as pre-cooperatives. The SHGs remain under a constant social pressure so far as the repayment of loans is concerned. They know it very well that they would not get the next loan if they default in repayments. Also their demand for money is not great. Small money, but at the right time, is what they would need.

World over it has been found that cooperatives operate better when their services are used extensively and intensively and when the money remains in circulation. They call for a strong participation by members in organizational structures and business operations. The organisational structure is democratic in which the General Meeting of members is supreme.

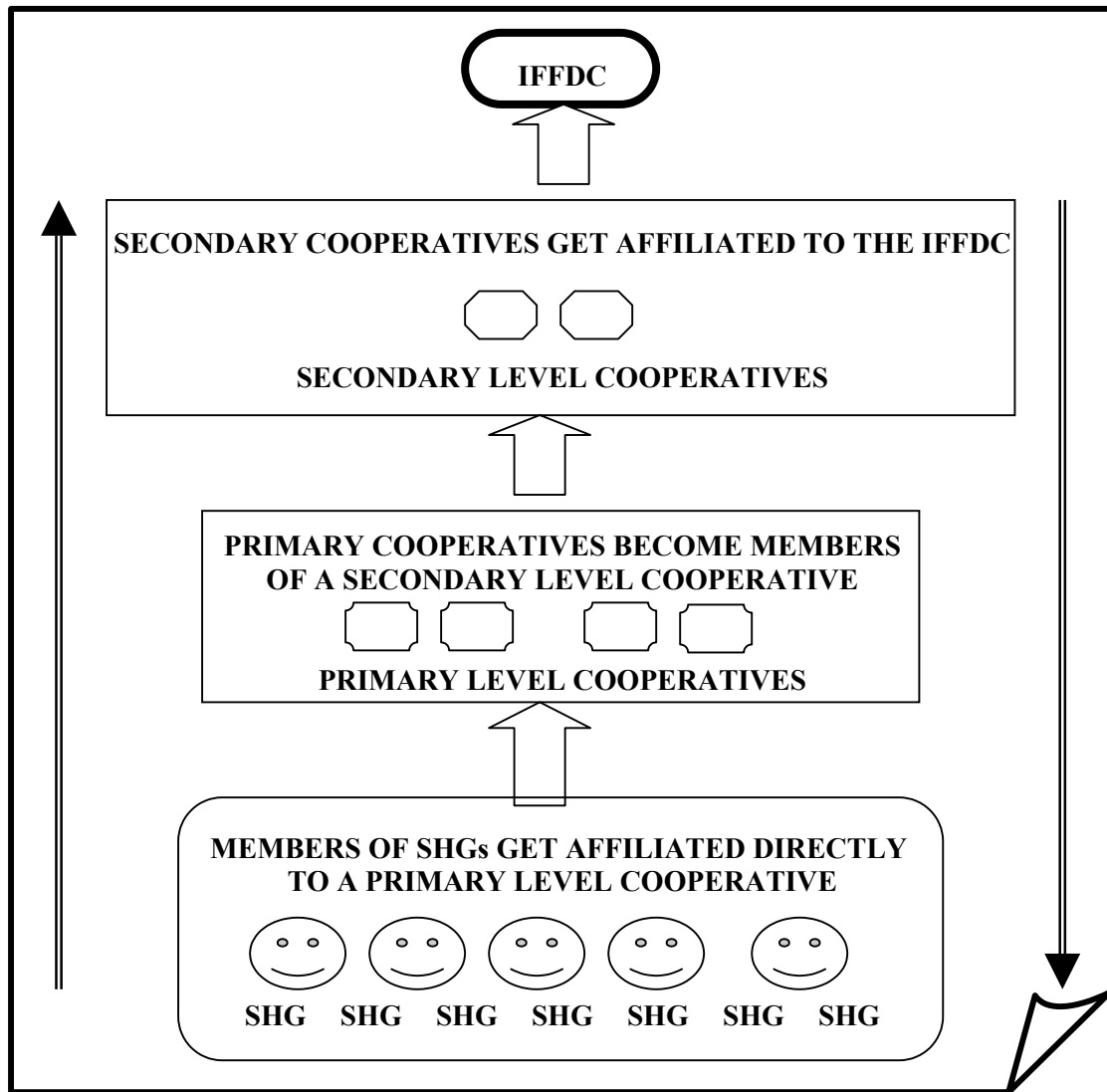
An ideal organizational structure of a cooperative looks like this:



In the DFID project areas, the self-help groups can be federated into or brought under the cover of an umbrella organization. The self-help groups be retained but their members get enrolled as members of the primary cooperative and continue to work as before in self-help groups under the umbrella of the cooperative. The self-help groups would serve as a network for the cooperative as well as for the national federation. Based on the experience gained by them over a period of time they would strengthen the business activities of their cooperatives as well as of their basic members.

In brief, a basic primary multifunctional cooperative be established at the village level whose members shall be the basic members of all the self-help groups. They would carry on their usual self-help activities as before and in an autonomous way. The cooperative would thus become an umbrella organization for them [logically, with the same functions as are performed by the present-day IFFDC project]. The primary cooperative would then have a direct linkage with the national federation, i.e., the IFFDC itself. There will then be a systematic flow of advice, services, and funds from the IFFDC to the lower rungs of the organization and also from the lower rungs to the national apex.

A structure of the federation of self-help groups would appear like this:



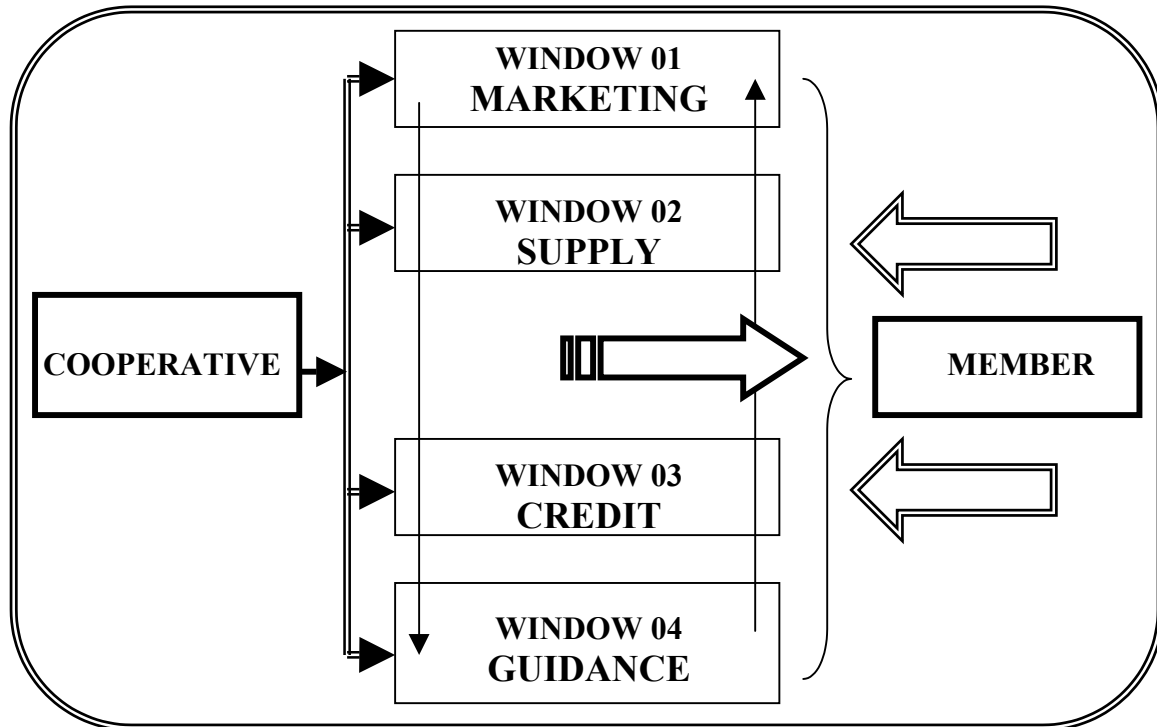
The Self-Help Groups, as such, cannot become members of the cooperative. Only legal persons can become members of a cooperative, and in this case, the individual members of the SHGs can become members.

The SHGs continue to operate as independent groups even if their members are the members of a cooperative. The cooperative could then form a number of specialized committees which continue to guide the group members and villagers and pursue their business operations.

## Chapter 07

### An Ideal Structure and Necessary Basic Functions

An ideal cooperative for farm forestry sector should be a 'multifunction' primary cooperative with four distinct and minimum windows. This will look like this:



A brief description on the functions follows:

**Marketing Functions** would include: Marketing [or arranging marketing] of products of members e.g., farm products like grains, milk, honey, minor forest produce, and non-farm products like handicrafts, implements etc; undertake basic agro-processing and value addition by way of cleaning, packaging, transportation; warehousing to hold the products to escape lower price phenomenon in the market; market information management; forward and backward integration e.g., long-term deals and procurement of basic raw material and inputs; joint marketing by two/three neighbouring cooperatives/cooperative business clusters to obtain better prices etc.

**Supply Functions** include: The cooperative to be in a position to meet all the farm and household needs of the members e.g., fertilizers, farm chemicals, farm machines, seeds, manures, raising of nurseries, seedlings and implements, medicines for livestock, dairy equipment, household goods like soap, matches, candles, rough wear, school material, cooking oil etc. The cooperative, to be more cost-effective, shall observe 'joint purchasing' methods [by two or three cooperatives together]. The cooperative shall collect the requirements of all its members, as individuals as of their self-help groups and others, and negotiate with the suppliers on better prices and delivery arrangements.

**Credit Functions** will include: handling of all the funds of all self-help groups, separately and of the members, individually. The cooperative shall operate like a bank window, or like a 'mini bank', or even like a rural bank for the members, and provide such services as are presently performed by the private/nationalized banks. It is easier for the cooperative to pick up loans from higher financial institutions on behalf of all the members provided it is able to assess the financial needs of the members in advance, and organize effective recoveries of the defaulted loans. In the event of a larger requirement of loans, working capital or funds, two or three cooperatives can get together and make use of their surplus funds to overcome working capital problems.

**Guidance Functions** of the cooperative shall include: Education of members at large, education and training of committee members, training and development of cooperative staff, farm guidance, livestock development extension activities, management of soil and water, management of forests and plantations, providing marketing information, management of crops, village sanitation, safe water, compost pits management, raising nurseries, green tourism, interaction with neighboring cooperatives and villages, and health issues. World's largest cooperative education and training arrangement exists within the Indian Cooperative Movement.

In order to maintain proper accounts and to have a control on the assets and to secure advice and guidance from other 'progressive' members, it is appropriate some slight alternations in the organizational structure. In addition to the 'Managing Committee' it would be appropriate to have an '**Audit and Supervision Committee**' elected by the General Meeting and have it answerable to the General Meeting – not to be a subordinate to the Managing Committee. This will also facilitate the internal audit of the cooperative.

The Audit/Supervision Committee is suggested with the following points in view:

- Since a lot of members are going to deal with the cooperative and have more of financial transactions, such a committee would work as a confidence building measure assuring the members that their funds are safe and secure;
- Internal audit will go on side by side;
- Members of the committee will continue to provide supervision, and guidance, to the cooperative on management and administrative issues; and
- The Managing Committee will also realize that there is yet another organ answerable to the general meeting, and consequently would stay on course.

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## **Chapter 08**

### **Conclusions**

In brief, there are two basic and logical conclusions:

[01] Strengthening farm forestry cooperatives in the ICEF/IFFCO/IFFDC project areas which need to sustain the interests of their members. Such cooperatives have suggested a number of alternatives and avenues of business; and

[02] In the DFID/IFFDC project areas, there is a need to look ahead and prepare the already well-developed self-help groups by bringing them under a secure fold, a cooperative umbrella.

For a village, which may have five or six or even eight self-help groups, they may be under one primary level multifunction cooperative. And for a number of village cooperatives there could be a secondary level business cooperative which could provide them with services, economic support and other services. The secondary level cooperative [which may also be called a 'cluster group' of primary cooperatives] could then get affiliated to the national federation, the IFFDC. It then becomes the responsibility of the IFFDC to continue to provide support, funds and guidance to the lower levels as well as assist them in marketing of their produce.

While the Project moves along the path of already identified strategies, it is necessary that adequate training is provided to the promoters of institutions, and a number of selected progressive workers and 'jankars' in the concept of cooperatives, marketing requirements, supply strategies and retailing business. The cooperative performs strong economic activities including credit – a banking window.

It is, therefore, necessary that the community organizers, some selected women leaders, and project staff be sent for training to some cooperative institution. In addition, two-three days' local training sessions be organised on the spot where the cooperative concept is discussed by all the people in the village dealing with self-help groups and project activities.

It is also suggested strongly that the byelaws of cooperative must have an elected body, called the Audit/Supervision Committee, in addition to the Managing Committee, and both the committees being answerable only to the General Meeting. This proposed committee should take care of the ongoing internal audit and also be able to provide timely advice and guidance on management aspects to the cooperative itself.

Keeping in view the objectives of the IFFDC and of the contributing agencies, it is apparent that the interests of the basic members – individuals – is supreme so far as the generation of additional income and food security for them is concerned. Management of plantations by cooperatives and generation of financial strength by the self-help groups to improve their living environment are the two key pillars of the

project. The two approaches adopted at present are good enough for the time being and until the protection, guidance and support of the IFFDC project exists.

As a step for the future to ensure the continuity it is appropriate to consider a suitable alternative already at this stage. The better alternative is to promote and strengthen cooperatives and let the self-help groups function under the overall umbrella of these organizations.

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27.03.2002

### **References**

In addition to the visits, technical discussions held with Dr V. Kumar, IFFDC Chairman, Mr Ashok Alambain, Chief Executive of the IFFDC, and spontaneous cooperation and assistance received from Dr SL Intodia, Mr GP Tiwari, Dr RPS Yadav and their field staff, the following material was studied and made use of:

- WIRF Project-II. Project Strategies & Approaches for Sustainable Rural Livelihood
- Participatory Development Process through Social Mobilisation at Moti Kheri
- Annual Progress Report 1999-2000
- Annual Progress Report April 2000-March 2001
- Quarterly report October-December 2001
- A Proposal on Expansion Phase –January 2001-March 2006
- Progress Report – As on March 25 2002.