

Improving Autonomy in Indian Co-operatives — the Hyderabad Experience

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Member participation and autonomy are of fundamental essence for the character of co-operatives. Since colonial rule and extending until today, Indian co-operatives have been kept under government control. This article depicts the co-operative sector in the Indian city Hyderabad. The majority of Hyderabad's co-operatives are registered under an old act which limits their autonomy and member participation enormously. A new, more liberal act simultaneously provides legal space for member participation and control. Notwithstanding the given legal scope, rules-in-use of the new generation of co-operatives in Hyderabad still do not comply with the principles of autonomy and the co-operatives rely on external supervision by non-governmental organisations.

Co-operative Principles, Member Participation and Autonomy

Member participation and control are core organisational principles of co-operatives as organisational forms. Today, the International Co-operative Alliance in Geneva (ICA) defines a co-operative as

An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. (International Co-operative Alliance, 2010a).

This ICA's definition, promoted worldwide, goes back to the original co-operative ideas of the nineteenth and twentieth centuries in Europe (Engelhardt, 1990). Revised in 1995 but still referring to the principles set up by early agents like the Rochdale Pioneers in 1844, the ICA sets forth seven principles to define and guide the co-operative movement (Zerche et al, 1998: 15f). The seven principles are as follows: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Co-operation among Co-operatives, and Concern for Community (International Co-operative Alliance, 2010b). Regarding the decision-making processes in co-operatives, two of these seven principles are most relevant:

The Second Principle: Democratic Member Control:

Co-operatives are democratic organisations 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 co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner (International Co-operative Alliance, 2010b).

The Fourth Principle: Autonomy and Independence:

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy (International Co-operative Alliance, 2010b).

The three classic co-operative principles set down by Georg Draheim in 1955 reflect the demand for autonomy and participation:

'The identity attribute': Draheim defines co-operatives as organisations with a dual nature, being associations of individuals and simultaneously joint enterprises. Committing to self-help, the members of the co-operative who demand specific services and goods are at the same time the owners of the enterprise who have to satisfy these needs themselves (Draheim, 1955: 16).

'The promotion of members' interests': The major purpose of a co-operative is the promotion of its members' interests (Draheim 1955: 16; Zerche et al, 1998: 14). The promotion of member interests has to take precedence over success in the market (Hahn, 1990: 87). The success of the co-operative's enterprise in the market is a necessary precondition to enabling the co-operative to promote member interests effectively, but it is no self-contained aim (Kramer 2005: 4; Jokisch, 1994: 24f; Patera, 1990: 285).

'The democratic attribute': A third core characteristic of co-operatives outlined by Draheim requires that the co-operative's members possess one vote in general meetings independent of their capital share (Draheim 1955: 16; Zerche et al, 1998: 14). New generation co-operatives deviate from these principles, breaking away from core co-operative ideas (Laurinkari and Brazda, 1990: 77).

The ICA's co-operative principles and Draheim's classic co-operative principles both centre the co-operative members. Organisations in which members do not actively participate in making decisions and organisations which lack autonomy and are controlled by outside agencies are not real co-operatives (Münkner, 1976: 7).

The article proceeds as follows: The second and third section give a comprehensive overview of the co-operative sector in India and Hyderabad and its historical development. The fourth section presents data on registered co-operatives in Hyderabad and the fifth section compares the two most important laws on co-operatives in Hyderabad with regards to room they allow for autonomy and participation. In the conclusion the article refers to the most important challenges the co-operative sector in Hyderabad and India is still facing despite the legal liberalisation in recent years.

The Co-operative Movement in India

The management of most co-operative businesses has been taken over by the state. This has led to the co-operative institutions losing their democratic style of management (Rajmanohar, 2008b: 12).

Since colonial rule and extending until today, Indian co-operatives have been kept under government control. Within the federal structure of India not the Union but the Indian states are responsible for the co-operative sector. About 500,000 co-operatives with nearly 230 million members operate in India. In terms of membership and enclosure of sectors, the co-operative movement in India is one of the most prominent in the world (Amin, 2007; Shukla 2009; Rajmanohar, 2008b: 8). Co-operatives have a considerable share of certain economic sectors such as sugar production, handlooms, and agricultural credit (Amin, 2007; Anand, 2008; Hanisch, 2010: 104f; Shukla, 2009). Co-operatives are also important employers. In the formal or organised sector co-operatives are reported to provide for 32 per cent of employment, whereby it should be noted that the informal or unorganised¹ sector dominates India's economy (Bhatt, 2009; Hanisch, 2010: 25).

"Due to historical reasons, Indian co-operatives have been dominated by the Government from the start" (Rajmanohar, 2008a: 26). Co-operatives were introduced in India early on, under the British Raj in the second half of the nineteenth century. In response to fierce famines and rural poverty credit, British authorities first set up credit co-operatives in rural areas (Nadkarni, 2007; Taimni, 1997; Rajmanohar, 2008b: 6). These early steps in the Indian co-operative movement used the European movement as a role model (Nadkarni, 2007). Still, given a lack of indigenous support for the Raiffeisen model of agricultural credit co-operatives the early Indian co-operative movement was promoted by a structure later known as the "classic British-Indian pattern" with a registrar whose powers exceeded those of the registrar of Friendly Societies in Britain by far and a specialised government agency responsible for registration, audit, supervision and dissolution of societies (Birchall 1997: 134 and Chapter 5).

Official co-operative legislation started after the turn of the century with the Co-operative Credit Societies Act passed in 1904. This 1904 act is considered the official beginning of the Indian co-operative movement (Andhra Pradesh State Cooperative Union, 2008; Hanisch, 2010: 26; Nadkarni, 2007; Rajmanohar, 2008b: 6). Since 1912, the Cooperative Societies Act has

allowed for non-credit co-operatives and co-operative federations (Rayudu, 1991; Rajmanohar, 2008b: 6). In 1919, the jurisdiction for co-operatives was shifted from central to provincial administration, where it has remained a state matter until today (Hanisch, 2010: 26; Nadkarni, 2007; Rayudu 1991; Rajmanohar, 2008b: 6). Only co-operatives which operate in more than one Indian state come under the Multi-State Cooperative Societies Act of 1984/85 (Andhra Pradesh State Cooperative Union, 2008).

After independence from British rule, the co-operative movement fitted quite well to Jawaharlal Nehru's model of a mixed economy, combining socialism and capitalism. Their organisational form was appraised as a combination of public and private ownership, and co-operatives were widely employed as governmental instruments for implementing the policies of community development defined in the five-year plans (Andhra Pradesh State Cooperative Union, 2008; Amin, 2007; Hanisch, 2010: 27; Rajmanohar, 2008b: 7; Raju et al, 2007: 77; Taimni, 1997). Since that time the employment of co-operatives as government tools for community development has involved the top-down usurpation of the movement. This has been amplified by extensive financial and material assistance. Motivated by vote-catching as well as concern for development politicians and governments assisted the co-operative sector with share capital, subsidies or guarantees and concessions (Rajmanohar, 2008b; Taimni, 1997). In this way, Indian co-operatives did not develop in a competitive environment but in an artificially promotive environment. Co-operatives' members and managers have largely been precluded from developing knowledge of managing or market (Hanisch 2010: 27; Taimni, 1997).

The liberalisation of the Indian economy that started in 1991 (Mitra, 2011: 151ff) involved the partial liberalisation of the co-operative sector as well. State control was reversed and the private sector accelerated at all levels (Shankar, 2007; Taimni, 1997). Liberalisation increased competition. Co-operatives were confronted with a changed environment for their operation. Their performance now had to compete with other organisational forms. The co-operative movement in India still seems to be in process of adapting to these changes (Hanisch, 2010; Singh, 2007). Some authors evaluate the changes as an opportunity. Singh, for example, envisages for co-operatives a role in counteracting increasing income disparities that can ally liberalisation (Singh, 2007). Economic liberalisation served as a starting point for legal reforms in the co-operative sector as well. In 1991, the Choudhary Brahm Prakash Committee, an expert committee on co-operative legislation, was appointed by the national Planning Commission at the request of the National Cooperation Union of India (NCUI) and particularly the Cooperative Development Foundation (CDF), Andhra Pradesh (Sharma, 2007). Based on the international co-operative principles the expert committee's recommendations targeted autonomy and self-reliance of co-operatives as well as their democratic character (Sharma, 2007). Since the 1990s a few Indian states have implemented the committee's recommendations and enacted more liberal co-operative acts, whereby the new acts often did not replace the old acts but ran in parallel as is the case in Andhra Pradesh (see below), in Bihar, Jammu & Kashmir, Karnataka, Madhya Pradesh, Orissa, Rajasthan, and Uttaranchal (Hanisch, 2010: 29; Sharma, 2007). After the millennium, the Multi-State Cooperative Societies Act of 1984 was also amended and replaced by the Multi-State Cooperative Societies Act (MSCS Act) of 2002 (Sharma, 2007).

Additional legal efforts to reform the Indian co-operative movement are still going on. Since 2006 controversial action has been taken to incorporate co-operatives into the national constitution of India. In 2006, the (106th) Constitution Amendment Bill was proposed to insert a new part IXB into the constitution with certain guidelines for running co-operative societies in India. The Amendment was rejected in August 2007. On November 30, 2009 a new attempt was started and the (111th) Constitution Amendment Bill was introduced to the lower house of the Indian national parliament, the Lok Sabha (Bhatt, 2009; Hanisch et al, 2010: 30; Sanyal, 2008). The bill was passed by the Lok Sabha and the Rajya Sabha (upper house) in December 2011. The amendment to the Constitution grants citizens a fundamental right to form co-operative societies and shall protect co-operative societies in India from political and government interference (Jha, 2011; Times of India, 2011).

The hitherto existing changes in co-operative legislation have resulted in more legal space for autonomy and independence for Indian co-operatives. This will be demonstrated by an examination of the legislation currently operating in Hyderabad, Andhra Pradesh. However, autonomy of Indian co-operatives is still not assured in practice as will be shown.

Co-operative Development in Hyderabad and Andhra Pradesh

Hyderabad is one of the fastest growing urban agglomerations in India, rapidly approaching the ten-million megacity line with an estimated population of 7.7 million in the year 2011 and an expected population of 10.8 million in the year 2012 (Government of India, 2011). Due to natural population growth, Hyderabad will continue to grow even if measures are taken to control migration (Greater Hyderabad Municipal Corporation, 2007; MCH, 2005; MCH, 2003). Enormous and rapid urban growth rates stress the urban infrastructure and environment in urban agglomerations such as Hyderabad: Urban and peri-urban inhabitants face inefficient structures for public and private goods, with service provision shortages for various facilities such as water, power, housing and transportation. Current urban institutions are not able to cope with the demographic pressures or risks of climate change and environmental degradation caused by populations on this scale (Revi, 2008: 225; Vira and Vira, 2004). Co-operatives are supposed to provide room for incorporating civil society into the management of scarce resources and urban challenges (Elsen, 2012: 85). However, the co-operative sector in Hyderabad is adversely affected by poor member participation and a lack of autonomy. The following sections will demonstrate the history and the shortcomings of Hyderabad's co-operative sector.

Under colonial rule Hyderabad had the status of sovereign princely state and therefore did not employ either the 1904 or the 1912 acts (Hirschman, 1970). Despite this Hyderabad initiated similar co-operative legislation quite early on: In 1914, the princely state established a Department of Cooperation and passed its own Credit Societies Act, and in 1952 the Hyderabad Cooperative Societies Act extended the co-operative movement further in the small state (Hanisch, 2010: 28; Rayudu, 1991).

After Independence, the Princely State of Hyderabad, ruled by the Nizam, refused to join Pakistan or India. During the so-called 'Operation Polo' of 1948, the Indian government coerced Hyderabad's accession by force (Sherman 2007). In 1956 Hyderabad and the state of Andhra (a state comprising 16 Telugu-speaking districts that had broken off from the state of Madras in 1953) were merged into one integrated Telugu-speaking state — Andhra Pradesh — according to the States Reorganisation Act (Rayudu, 1991; Mitra, 2011: 100). The reorganisation of states necessitated a reorganisation of co-operative legislation (Hanisch, 2010: 28). However, until 1964 the newly composite state of Andhra Pradesh lacked a uniform legislation of co-operatives (Rayudu 1991). The Telanga region of the new state still employed the Hyderabad Cooperative Societies Act of 1952 while the Andhra region employed the Madras Cooperative Societies Act of 1932. In 1964 a uniform law for the entire state of Andhra Pradesh replaced the former regional acts. Since then, the Andhra Pradesh Cooperative Societies Act of 1964 and the Andhra Pradesh Cooperative Societies Rules have constituted the legislation in effect, even though they have been amended several times (Hanisch, 2010: 28f; Rayudu, 1991).

In the 1990s Andhra Pradesh was the first Indian state to implement the recommendations of the Choudhary Brahm Prakash Committee into the Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995 (Hanisch, 2010: 29; Sharma, 2007; Rajmanohar, 2008b: 8). Still, the Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995 did not replace the former Andhra Pradesh Cooperative Societies Act of 1964. Both acts are currently valid in Andhra Pradesh (Andhra Pradesh State Cooperative Union 2008).

Overview of Today's Co-operative Societies in Hyderabad

In Hyderabad and Andhra Pradesh co-operative societies can register under four different acts. The characteristics of the societies coming under the different acts vary extensively.

In addition, one has to keep in mind the high number of non-registered societies or entities that are registered under different society acts. These types of societies can also comply with co-operative principles. The formal acts for registration as a co-operative encompass:

- (1) Andhra Pradesh Cooperative Societies Act of 1964 (APCS Act 1964)
- (2) Andhra Pradesh Mutually Aided Cooperative Societies Act of 1995 (APMACS Act 1995)
- (3) Multi-State Cooperative Societies Act of 2002 (MSCS Act 2002)
- (4) 2002 Amendment of the Indian Companies Act of 1956

for co-operative producer companies (Hanisch, 2010: 31). The co-existence of the older restrictive legislation (APCS Act of 1964) with post-1990s more liberal co-operative legislation (APMACS Act 1995) characterises the co-operative sector in Andhra Pradesh. Our study shows that the majority of Hyderabad's co-operatives are still registered under the APCS Act 1964. They lack autonomy and contradict co-operative principles, showing certain shortcomings in participative governance. These shortcomings in participation go along with shortcomings in their capabilities. Accordingly, lack of autonomy is highlighted as a core problem of the co-operative sector in Hyderabad. The following table presents the co-operative societies in Hyderabad that are registered under the APCS Act 1964 or the APMACS Act 1995 in 2010. The data was received in 2009 and 2010 from the Deputy Registrar of Cooperative Societies Hyderabad District, the Deputy Registrar of Cooperative Societies, Ranga Reddy District District and the Cooperative Development Foundation, Hyderabad. A similar illustration of the data can be found in Hanisch (2010: 37ff)

Table 1: Number of co-operative societies in Hyderabad registered under the APCS Act 1964 and the APMACS Act 1995 in 2010

	Housing	Thrift & Credit	Consumer	Urban Banks		Others*	Total	Percentage
				Working	Under liquidation			
APCS Act 1964	462	439	177	31	15	638	1,762	84%
APMACS Act 1995	165	140	44	-	-	6	345	16%
Total	627	579	221	31	15	644	2,107	100%
Percentage	30%	27%	10%	1%	1%	31%	100%	

*Source: data received from Deputy Registrar of Cooperative Societies, Hyderabad District. *"Others" includes weaker section co-operatives, labour contract co-operatives, industrial co-operatives, and bamboo worker co-operatives, among others.*

There are 2,107 registered co-operative societies in the urban district of Hyderabad as of February 28th 2010. The APCS Act 1964 is far more prominent and covers 1,762 co-operatives whereas the APMACS Act 1995 only covers the remaining 345 co-operatives. Sectorwise, the majority of registered co-operative societies in the urban district of Hyderabad belong to housing societies (627) or credit societies (579). Consumer co-operatives rank third (221) and urban banks fourth (46). Following these main sectors are labour contract co-operatives, industrial co-operatives, weaker section co-operatives, bamboo worker co-operatives and others (see Table 1).

The vast majority of co-operative societies in the urban district of Hyderabad is still registered under the APCS Act 1964, but over the last decade the APMACS Act of 1995 shows an incremental increase. In 2006 (31 January), only 210 societies were registered under the APMACS Act 1995, and in 2009 (28 February) 345 societies were already registered. Housing (73 to 165) and credit societies (89 to 140) were mainly responsible for this increase (data received from the Deputy Registrar of Cooperative Societies, Hyderabad District).

As Hyderabad comprises an area larger than its urban nucleus, its suburban surroundings have to be considered if a comprehensive picture of the co-operative sector of the city is to be created. Ranga Reddy District neighbours Hyderabad directly. The district has already partly become urban and parts of it belong to the Hyderabad Urban Agglomeration. Data on co-operatives in the Ranga Reddy District is only available for the whole district on an aggregated level. On 31 July 2009 a total number of 2,683 co-operative societies were registered in the Ranga Reddy District. Of those 1,343 societies were registered under the APCS Act of 1964 and 1,339 under the APMACS Act of 1995. Sectorwise the vast credit co-operatives dominate, covering 1,289 societies. Additionally, 580 housing co-operatives and 463 labour contract societies are registered in the Ranga Reddy District. Besides these are a few consumer co-operatives (52), joint farming co-operatives (29), urban bank co-operatives (26), farmer service co-operatives (12), one district co-operative central bank and one district co-operative marketing society. As in Hyderabad District, the APMACS Act 1995 has been spreading in the Ranga Reddy District over the last couple of years. On January 31st 2006 only 104 co-operatives were registered under the APMACS Act 1995, and on 31 July 2009 1,339 co-operatives were registered under the new act. This increase is almost exclusively due to an increase in thrift and credit co-operatives under the new act (from 86 to 1,102) and an increase in housing co-operatives from 49 to 212 (data received from the Deputy Registrar of Cooperative Societies, Ranga Reddy District).

Legal Scope for Participation and Autonomy in APCS Act of 1964 Co-operatives and APMACS Act of 1995 Co-operatives

The decision-making power of co-operatives and their members was strengthened considerably by the APMACS Act of 1995 when compared to the APCS Act of 1964. Accompanying this gain in power on the part of co-operatives and their members is a consequent decline of influence on the part of the registrar and the government. The registrar of co-operative societies heads the Cooperative Department (Andhra Pradesh State Cooperative Union Ltd, 2008). The following table compares the powers assigned to co-operatives and their members in the two acts.

Table 2: Powers assigned to co-operatives and their members in the APCS Act of 1964 versus the APMACS Act of 1995

	APCS Act of 1964	APMACS Act of 1995
Making rules	The government is empowered to make rules on every subject covered by the Act.	There is no rule-making power of government. All affairs of a co-operative are to be regulated by the provisions of the Act and the bylaws of the co-operative.
Special Courts	Government sets up special courts and tribunals. ²	Government sets up special courts and tribunals.
Registration	The registrar registers co-operatives at his discretion and can cancel registration at his discretion.	The registrar has to register a co-operative if it is in consonance with the Act. The registrar can only recommend dissolution to a tribunal if a co-operative works in contravention of the Act and principles of co-operation, etc.
Bylaws and Amendments	The registrar registers bylaws and can amend bylaws compulsorily; the registrar must approve of all bylaw amendments. The registrar can compulsorily amalgamate, divide, and classify co-operatives.	The registrar has little power: he has to register bylaws if they are in consonance with the Act. The registrar registers amendments to certain bylaw provisions and takes on record amendments to most bylaw provisions.

Admission, disqualification and expulsion of members / committees	In matters of admission, disqualification and expulsion of members, the registrar has final say. He can admit members and he must approve of expulsion of members. The registrar can disqualify committee members and he can supersede committees.	Admission, disqualification and expulsion of members and the committee are the exclusive prerogative of the co-operative.
Management and board	Size of board fixed; term of board fixed; composition of board fixed; reservations on board. ³ Elections are conducted by the registrar who can call for special general meetings and for meetings of no-confidence	Size, term, composition of board left to bylaws; staggered terms. Disqualification of all directors for not conducting elections in time, for not conducting general body meetings in time, for not placing audited accounts before annual general meeting.
Directives	The registrar can give directions for co-operatives.	The registrar cannot give directives.
Staff	Common cadre possible; little authority with board. Registrar must approve staffing pattern, service conditions, salaries, etc. Deputationists ⁴ from government.	All staff fully accountable to co-operative. Deputationists from government and other organisations possible if a co-operative so deserves.
Share capital	Government and other non-members can contribute share capital.	Members alone can contribute share capital and non-member share capital is forbidden. The government may provide other funds and guarantee to co-operatives based on memorandum of understanding that it may enter into with co-operative.
Investment in own business	Investment of funds even in own business. Is restricted, lending limits are fixed by the registrar who must approve of investments in own business.	No restriction in investment in own business, but other investments to be in any non-speculative manner specified by bylaws.
Audit	The registrar must approve of transfer of assets and liabilities and of division or amalgamation. The registrar approves of the bank in which deposits can be kept. The registrar audits; inspects; inquires. The registrar can summon documents etc; can surcharge.	Audit is the responsibility of the board; auditor to be chartered accountant or from registrar's office at co-operative's discretion; non presentation of audit report to general body in stipulated time results in disqualification of all directors. The registrar receives annual reports and audited financial statements; he inquires and he can conduct special audit where nonmember funds are involved.
Settlement of disputes	The registrar can suspend officers and settle disputes; he winds up co-operative and appoints liquidators; he can recover dues. The registrar serves on co-operative tribunal; he sanctions institution of prosecution and handles appeals, revisions, and reviews. The registrar or his appointee is the sole arbitrator.	Bylaws must contain manner of arbitrator settlement of disputes, only after which tribunal has been given role. The registrar has no role.

Dissolution	Dissolution only by registrar, only in the event of poor functioning; voluntary dissolution by members is not possible; no time limit on liquidation proceedings.	Dissolution by members and by tribunal; not just because of non-viability, but also because of lack of interest in continuing co-operative; for not functioning in accordance with the Act and principles of Co-operation; liquidators proceedings to be completed in 2 years.
Extra powers of government	<p>Government can postpone elections.</p> <p>Government can exempt co-operatives from legal provisions.</p> <p>Government can nominate directors to board.</p> <p>Government can appoint persons-in-charge for state level federations.</p> <p>Government can frame rules.</p> <p>Government can handle appeals, revisions, reviews.</p> <p>Government can give directions to co-operatives regarding reservations on staff.</p> <p>Government can hold equity in co-operatives.</p>	No extra powers of government.

Source: Andhra Pradesh Legislative Assembly: APCS Act of 1964; Andhra Pradesh Legislative Assembly: AMPACS Act of 1995; Andhra Pradesh State Cooperative Union Ltd. 2008

Co-operatives and their members have become the decisive decision-makers in APMACS Act of 1995 co-operatives. The registrar is actively participating only in the processes of the registration and the audit of co-operatives. Hence, the formal rules on which the APMACS Act of 1995 co-operatives are based allow for member participation. However, many APMACS Act of 1995 co-operatives, though independent from governmental control, are under external supervision by non-governmental organisations. These co-operatives rely on their external guidance and financial as well as administrative support. In most cases observed in Hyderabad the co-operatives have not been initiated by their members themselves but by external impulse. Only rarely, it seems, have members of co-operatives in Hyderabad designed their own rules and retained involvement in direct decision-making processes, thereby identifying with rules and resources and evolving commitment and accountability. For example the Sahaja Aharam Mutually Aided Cooperative Federation Ltd, registered under the APMACS Act of 1995, is a federation of seven producer co-operatives located in the peri-urban area of Hyderabad and one consumer co-operative society located in urban Hyderabad. 'Sahaja' meaning natural and 'aharam' meaning food, it is the federation's declared intention to promote an eco-friendly food supply in Hyderabad, including farming, consumption and the supply chain. The federation was initiated in 2008 by two non-governmental organisations, the Centre for Sustainable Agriculture (CSA) and the Association for India's Development (AID India). The Sahaja Aharam Organic Consumer Cooperative Ltd currently has 25 members, most of which are CSA and AID India employees. The entire management is in the hands of the two supporting agencies. The co-operative's management board is not elected and solely occupied by employees of AID India whose president is the executive director of CSA. Elections are intended and members of the co-operative are supposed to elect the managing board from among themselves, but no date has been set for the election so far (as of February 2012).

Conclusion

Characterised by the “classic British-Indian pattern” Indian co-operatives have been kept under governmental control since colonial times. Ongoing liberalisation reforms in the co-operative sector since the 1990s provide more legal scope for participation and autonomy as the review of the co-operative sector in Hyderabad has shown. In urban Hyderabad, the number of co-operatives registered under a liberal co-operative act is accelerating during the last years. Mainly housing and credit societies are responsible for this increase. Yet, the co-operative sector in Hyderabad is facing challenges which are characteristically for the co-operative movement in India.

Notwithstanding the given legal scope, rules-in-use of the new generation of co-operatives in Hyderabad still do not comply with the principles of autonomy and the co-operatives rely on external supervision by non-governmental organisations. It remains to be seen whether the ongoing dependency of the co-operatives on outside agencies will initiate a trend towards privatisation, a phenomenon to be observed from many countries. A first case example of this trend might have been the conversion of the widely known Karimnagar district mutually-aided co-operative milk producers union located in a rural district of Andhra Pradesh, into a producer company⁵ in 2012 (The Hindu, 2012). The conversion of the Karimnagar dairy co-operative might also be motivated by another threat to the co-operative movement in Hyderabad and Andhra Pradesh. In recent years political activities to restore the powers of government on the co-operative sector intensified (Government of Andhra Pradesh 2010). Concerning this matter, the power and impact of the (111th) Constitution Amendment Bill which shall protect co-operative societies in India from political and government interference still needs to be demonstrated. Given the antithetic political and legal driving forces it will be interesting to further monitor the next steps of development in Hyderabad’s and India’s co-operative sector.

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Notes

- 1 The informal or unorganised economy (also second or unrecorded economy) covers all undocumented legal as well as semi-legal and illegal economic activities. In developing countries not market-compliant economic activities are far more meaningful than in industrialised countries (Rittenbruch, 1990: 71-73).
- 2 For the settlement of internal disputes, for taking cognisance of violations of the provisions of the act, for deciding on action to be taken on special audit, inquiry, etc.
- 3 Reservation of appointments or posts in favour of the Scheduled Castes, the Scheduled Tribes and the Backward Classes.
- 4 Authorised delegates/ envoys.
- 5 In contrast to private companies, producer companies are still based on co-operative principles but membership is restricted to primary producers.