

New Agenda for Corporate Governance of Cooperatives

In order to refurbish their image and to leave abiding impact on the community as a whole, each cooperative needs to prepare workable programmes to fulfil their obligations of social responsibility. They may also volunteer to involve themselves in the implementation of the programmes of the Government e.g.

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With the reinstallation of UPA Government at the Centre, cooperatives may feel reasonably optimistic to have an enabling legal and policy environment for their growth and development. The Government in its previous tenure, had initiated constitutional amendments for ensuring democratic, transparent, accountable and professionalised management of cooperatives. The cooperatives do hope that the Government in its present tenure shall bring these amendments as top priority and direct the state governments to bring their cooperative laws in tune with the proposed constitutional amendments. It is encouraging to note that the Congress Party, which leads the UPA, has categorically mentioned in its election manifesto for democratisation and professionalisation of cooperatives. In an era of multi-

party government both at the Centre and the States, uniform view on important national issues is very significant; and democratisation and professionalisation of cooperatives is one of such issues. Therefore earliest approval of the proposed amendments in constitution becomes very essential.

But mere legal decrees will not be enough to ensure democratisation and professionalisation of management. Equally important is resolve of the members and cooperative leadership. Unless there is widespread attitudinal changes at all levels, both cooperatives and the government, process of democratisation and professionalisation of management of cooperatives through legal decrees may not bring desired results.

Holding timely election is regarded as democratisation of management of cooperatives. Timely elections is very important in this regard. It is the first stage in the process of democratisation. The most

important element of democratisation is wide and extensive members participation in the decision making process and constant renewal of leadership. Have cooperatives developed effective mechanism to strengthen these elements of democratisation is the question to which cooperative leadership should give careful thought. An ultimate objective of democratic management is to create cooperative value based governance system that will lead to creation of cooperative enterprises having rational blending of cooperative content and business efficiency. In this context establishment of internal audit, supervision and control systems within cooperatives itself is very important. Total dependence on external auditor for statutory audit is not enough to ensure good corporate governance of cooperatives. In many countries the cooperative law provides for establishment of internal audit and control committee through elections in the General Meeting. The committee is independent of the Board of

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Views expressed are personal.

Directors and accountable to the General Body. It is empowered to review and examine the management and financial decisions of the Board and Chief Executive and present its report to the Annual General Meeting to enable the members to deliberate on. In India the concept of internal audit and control system is generally lacking. Since stakeholders of cooperatives expect the decisions of the Board and Chief Executive beyond any question and controversy, establishment of effective internal audit and control system is very important.

Many cooperatives are facing problem of alienation of their membership due to entry of private sector in their business areas. Unflinching support and participation of members in the economic activities of cooperatives assumes an added significance, if drifting of cooperative membership to other sectors and erosion of cooperative competitiveness are to be stopped. Translation of principle of member economic participation in concrete terms needs to be ensured through necessary provisions in the by-laws and business regulations of cooperatives. Members' rights and obligations of cooperatives towards them should be appropriately correlated in actual operations of cooperatives. The principle of one man one vote needs to be visualised as right of equity holder. However viewed in the context of business aspects, those members who patronise

and participate in the economic activities in cooperatives may be given incentive of some additional voting rights irrespective of patronage dividend paid to them. The sleeping or non-active members and those members who do not reach the minimum level of economic participation in their cooperatives may also be denied right to fight elections for management position in the cooperatives. Equally important is members participation in the Annual General Meeting of their cooperative. It is both right as well as obligation of members to attend Annual General Meeting. There should be some prompting system to encourage members participation in General Meeting. If a member fails to attend three consecutive meetings, his right or entitlement of voting may be forfeited.

The professionalisation of management of cooperatives has following implications :

- Establishment of mechanism for induction of professionals in cooperatives.
- Formulation and implementation of enabling and dynamic personnel management policies by cooperatives.
- Clear demarcation of powers and responsibilities of Elected Board and Chief Executive.
- Coordinated functioning of elected Chairman and Chief Executive focusing on policies of the organisation.

- Formulation and implementation of dynamic HRD policies.

Keeping in view the emerging challenges and opportunities from globalisation of economy, there is urgent need for reviewing the status of professionalisation of management of cooperatives and for evolving workable steps for improving the situation. The National Cooperative Union of India may sponsor a comprehensive study in this regard.

The cooperatives are user member owned and controlled and community oriented organisations. "Concern for Community" is one of their cardinal principles. Therefore community development and social purpose are intrinsically present in the concept of cooperation. However very limited progress has been made in this sphere by cooperatives. In order to refurbish their image and to leave abiding impact on the community as a whole, each cooperative needs to prepare workable programmes to fulfil their obligations of social responsibility. They may also volunteer to involve themselves in the implementation of the programmes of the Government e.g. National Rural Empowerment Guarantee Scheme, National Skill Development Programmes for the urban poor, women and youth, food security etc. The Government should also appropriately earmark the role of cooperatives in these schemes. ■