



सहकार संरक्षण समिति  
సహకార సంరక్షణ సమితి  
Co-operative Movement Protection Council

STATE CONVENING COMMITTEE, ANDHRA PRADESH

1-10-134/11(3), Mayur Marg, Begumpal, Hyderabad - 500 016, A.P.

Dated: January 7, 2001

To  
Shri Yeswanth Sinha Jee  
Hon'ble Union Finance Minister and  
Member: Group of Minister to Review the  
"Report of High Power Committee for Formations and  
Conversion of Co-operative business into Companies  
and it's drafted 'Companies (Amendment) Bill - 2000'.

Respected Sir,

Sub: Sahakara Samrakshana Samithi - Humbly submits to reject the Report of Formation & Conversion of Co-operatives into Companies at larger interests of the Farming Community and "Swadeshi Concept" - Alternative proposal submitted - Regarding.

Ref: Our Memorandum on the above subject dt.14.11.2000.

Congratulations,

Indian Agriculturists, Co-operators and the co-operative movement protection council congratulate the Government of India under the Prudent and Dynamic Leader Shri Atal Bihari Vajpayee in staying the acceptance of the Report of High Power Committee for formation and conversion of Co-operative Business into Companies and it's drafted "Companies (Amendment) Bill-2000" which act, further deepening of crisis in Agricultural Sector is averted. Sahakara Samrakshana Samithi is very much thankful for considering our Memorandum referred in the above reference and referring the High Power Committee report to the group of Ministers for review the same.

Ourselves,

The Sahakara Samrakshana Samithi (Co-operative Movement Protection Council) is an association of co-operative ideologists, co-operators and the academicians, formed in 1994 is striving for the protection of interests of the Co-operative Movement and also Co-operative Bonafied. Under this guidance a Co-operative Philosophical monthly Magazine "Sahakara Prabodhini" is publishing in Telugu language since 1995. And promoted a Non-governmental organisation "Sahakara Samkshema Samithi" (Co-operative Movement Welfare Council) for Co-operative Education and Training and to undertake rural development extension services. Through this NGO, Co-operative awareness programmes is being conducted. A number of National, State Level seminars have been organised to focus the issues concerning the Co-operative Movement.

Contd..2



About the High Power Committee Report.

It is happy to note that Govt. of India, seriously thinking to have alternative form of institutions wherein the Farmer's and Rural Artisan's produces get fair price and play a big role in the market economy. We presume in this search only the Government of India has appointed High Power Committee for Formation and Conversion of Co-operative Business into Companies under the Chairmanship of Dr.Y.K.Alagh, an Economist. The committee is not appointed with an open mind, but gave a reference on which the committee has to move. If it was to be appointed with open mind, we expect, the recommendation of the economist Dr.Y.K.Alagh, could be different and a positive for the promotion of cooperative economic system.

- The report does not take into account the Bonafides of a Co-operative Institutions.
- It does not considered the Genises of co-operatives. Fact is that Co-operative Economic System is evoloed to protect the small producers. farmers, artisans and consumers from the exploitive nature of the Joint Stock Companies. Federation of primary co-operative societies is an answer to the Joint Stock Companies. - Eg: Anand, IFFCO, KRIBHCO.
- Hence, formation and conversion of co-operative business into companies does not arise. If at all, it is permitted, it means giving free hand to Joint Stock Companies to exploit the Indian Rural Economy without competition.

NEGATIVE EFFECTS OF THE BILL:

We fear the proposed bill "Companies (Amendment) Bill-2000" will give scope for

- \* Loss of identity of Co-operatives and dilution of Co-operative Principles.
- \* Company cultured big financial institutions and Multinationals will enter the rural Indian economy.
- \* The Agriculture Sector's crises deepens further.
- \* Small & Marginal farmers and rural artisans and petty traders will be dislocated.
- \* The Co-operative credit and Marketing Institutions like District Co-operative Central Banks and District Co-operative Marketing Societies will be closed down.
- \* In the course of time social tensions will raise.

Contd..3



CO-OPERATIVE SECTOR PROMOTES "SWADESHI" CONCEPT:

Co-operatives are economic centres of small, marginal farmers, rural artisans for the economic self reliance of the Indian people. The federations of these institutions will give befitting competition to multi national companies. The co-operatives protects and promotes the Swadeshi concept in a natural way.

ALTERNATIVES TO OVERCOME THE CRISIS IN AGRICULTURAL SECTOR:

For easy flow of credit and agricultural inputs: RELAXATION OF PRUDENTIAL NORMS IN CO-OPERATIVE BANKS:

The Government of India introduced the prudential norms in banking sectors to reach to the international standards of banking system as per the Narasimham Committee recommendations. There is a un-scientific and unjustifiable application of Norms to co-operative banks is being implemented due to which a calculated move to close down the District Co-operative Central Banks is on the card.

The Commercial Banks advances are mainly unsecured one. If the company/business stop for one month or more, recovery of the advances may be difficult. Hence, providing reserves for these type of advances may be justifiable in the commercial banks. Whereas, in Co-operative central banks, 90% of the advances are secured one, due to disfavour seasonalities and calamity, the recovery may be delayed, but they can be recovered. By the application of Norms, the District Co-operative Central Banks are providing reserves for non-performing assets. As a result, above 60% of District Co-operative Central Banks in India are exhibiting the losses.

The Narasimham Committee First Report has said it did not dealt with the Co-operative Central Bank, eventhough, the then Government of India applied the Norms to the Co-operative Central Banks.

Hence, the application of Prudential Norms to the secured loans in the District Co-operative Central Banks may be relaxed, so that the easy flow of credit and agricultural inputs for the farmers is paved way.

Alternative Form of Institutions: CO-OPERATIVE JOINT FARMING ON PRIVATE LINES.

With a minimum of 100 members of the same area, producing same crop, having the area of 500 to 1000 acres could form a Cooperative Joint Farming Society on private lines. They need not surrender their right on their lands. Simply pool their land, and cultivate in large scale using the present hight technology and market avenues. It will in accordance with the Bonafied of a Co-operative.

Contd..4



The primary co-operative joint farming society will be federated into Mandal, District and State Level. All the infrastructural facilities will be provided by these federal societies i.e. inputs and marketing. Governments have to assist in getting the infrastructural facilities.

Through this private Co-operative farming, the farmers will get fair price and get high yielding.

Hence, at the larger interests of Agriculturists and Artisans and promoting economic concept "Swadeshi", the Sahakara Samrakshana Samithi demands, the Government of India that the High Power Committee Report and its drafted Companies (Amendment) Bill-2000 may be withdrawn.

Thanking you,

In the Service of the  
Co-operative Movement

*S. Phoomiah*

(SAMBARAPU BHOOMIAH)  
Convenor  
State Convening Committee  
Andhra Pradesh

Enclosed our Profile