Cooperative Governance and Rural Transformation A Case Study of Mulkanoor Cooperative Rural Bank

Dr Pranab Baishya
FM ICM, Guwahati

***Abstract*—This study examines the role of cooperative governance in enabling rural transformation through an in-depth case analysis of the Mulkanoor Cooperative Rural Bank in India. Established in 1956 with minimal capital and strong member participation, the cooperative has evolved into a financially sustainable and socially impactful institution. Using a qualitative case study approach, the research analyses governance practices through the lens of the Four Pillars of Cooperative Governance—teaming, accountable empowerment, strategic leadership, and democracy. The findings reveal that strong member ownership, participatory decision-making, and financial discipline are key drivers of sustainability and rural development outcomes. The study contributes to the cooperative governance literature by demonstrating how institutional design influences performance and offers policy insights for strengthening cooperatives in developing economies.**

***Index Terms*—Cooperative governance, rural development, Mulkanoor, mutual cooperatives, member participation, India**

I. INTRODUCTION

Rural economies in developing countries often face persistent challenges such as low agricultural productivity, unemployment, and distress migration. In India, cooperative institutions have historically played a significant role in addressing these challenges by promoting collective action and resource sharing (ICA, 2015). However, the performance of cooperatives has been uneven, often constrained by weak governance, political interference, and low member participation (Birchall, 2011).

This study focuses on the Mulkanoor Cooperative Rural Bank, a successful cooperative model that has demonstrated sustained growth and rural impact. Unlike many cooperatives, Mulkanoor has maintained strong governance practices and member accountability over decades. The study aims to analyse how governance structures and practices contribute to its success.

II. LITERATURE REVIEW

Cooperative governance has emerged as a critical determinant of institutional performance. According to Birchall (2011), cooperatives succeed when members actively participate as both owners and users. Similarly, the International Cooperative Alliance (ICA, 2015) emphasizes democratic control and economic participation as core principles.

Cornforth (2004) highlights governance challenges in member-based organizations, including balancing professional management with democratic control. In the Indian context, Kumar (2016) notes that many cooperatives fail due to weak accountability and political capture. The introduction of Mutually Aided Cooperative Societies (MACS) Acts aimed to enhance autonomy and member control (Reddy, 2005).

Despite these insights, there is limited empirical research linking governance frameworks to rural development outcomes. This study addresses this gap by applying the Four Pillars of Cooperative Governance framework to a successful case.

III. OBJECTIVES OF THE STUDY

1. To analyse the governance structure of Mulkanoor Cooperative Rural Bank
2. To examine the role of member participation in its success
3. To evaluate financial sustainability mechanisms
4. To apply the Four Pillars of Cooperative Governance framework
5. To derive policy implications for replication

IV. METHODOLOGY

This study adopts a qualitative case study approach. Data are derived primarily from secondary sources, including institutional records, reports, and published literature.

Analytical Framework:
The analysis is based on the Four Pillars of Cooperative Governance: Teaming, Accountable Empowerment, Strategic

Leadership and Democracy
This framework enables a structured evaluation of governance practices and their outcomes.

V. EVOLUTION OF MULKANOOR COOPERATIVE

The Mulkanoor Cooperative Rural Bank was established in 1956 by 375 members across 14 villages with a share capital of ₹2,300. Over time, it expanded significantly, reaching 6,251 members and a working capital of ₹6,968.23 lakhs. The cooperative was initially registered under the Andhra Pradesh Cooperative Societies Act, 1964, and later transitioned to the Mutually Aided Cooperative Societies Act, 1995, which enhanced its autonomy and member control (Reddy, 2005).

VI. GOVERNANCE ANALYSIS

6.1 Teaming
The cooperative integrates members from 14 villages into a unified economic structure. This collective approach enhances risk-sharing, improves bargaining power, and generates local employment.

6.2 Accountable Empowerment:
Members actively contribute to the cooperative's financial base through savings and share capital. This dual role as owners and users ensures accountability and responsiveness to member needs (Birchall, 2011).

6.3 Strategic Leadership:
The cooperative benefits from visionary leadership and an active Board of Directors. While leadership positions are honorary, they demonstrate strong commitment. Professional management ensures operational efficiency.

6.4 Democracy:
The General Body acts as the supreme authority, with regular elections and participatory decision-making. The staggered election system ensures continuity and stability in governance.

VII. FINANCIAL SUSTAINABILITY

The financial model of Mulkanoor is characterized by: Strong member savings mobilization, internal capital formation, Consistent surplus generation and Limited dividend distribution to protect capital. Such practices align with cooperative principles of economic participation and sustainability (ICA, 2015).

VIII. IMPACT ON RURAL DEVELOPMENT

The cooperative has contributed significantly to:
- Enhanced agricultural productivity
- Increased rural employment
- Reduced distress migration
- Improved living standards

These outcomes demonstrate the role of cooperatives as engines of localized economic development.

IX. DISCUSSION

The success of Mulkanoor contrasts with many underperforming cooperatives in India. Key differentiators include:
- Strong governance and accountability mechanisms
- High levels of member participation
- Autonomy under the MACS framework

The findings support the argument that governance quality is central to cooperative performance (Cornforth, 2004).

X. POLICY IMPLICATION

- Promote cooperative autonomy through enabling legislation (e.g., MACS)
- Encourage member financial participation
- Strengthen professional management systems
- Institutionalize democratic practices

- Replicate successful models in other regions, including North-East India

XI. EMPIRICAL ANALYSIS AND FINDINGS

11.1 Analytical Framework and Variable Design:
To empirically assess the governance-performance relationship, this study constructs a Governance–Outcome Model based on the Four Pillars framework. Independent Variables (Governance Dimensions): Teaming (T), Accountable Empowerment (AE), Strategic

Leadership (SL) and Democracy (D)
Dependent Variables (Outcomes): Financial Sustainability (FS) Member Participation (MP) Rural

Development Impact (RDI)
Recent studies confirm that cooperative governance quality directly influences economic and social outcomes, especially through collective action and institutional design

12.2 Data Construction (Case-Based Index Method):
Since this is a qualitative case, we convert institutional features into measurable indices (Likert scale: 1–5).

Table 1: Governance Index Construction

Dimension	Indicators	Score (1–5)	Evidence
Teaming	Multi-village integration, shared benefits	5	14 villages integrated
Accountable Empowerment	Member savings, ownership	5	Strong member capital base
Strategic Leadership	Active board, professional GM	4	Hybrid governance
Democracy	Elections, General Body control	5	Regular staggered elections

11.3 Outcome Measurement:

Table 2: Performance Indicators

Variable	Indicator	Observed Outcome
Financial Sustainability	Working capital	₹6968.23 lakhs
Member Participation	Membership growth	375 → 6251
Rural Development	Employment, Migration	Reduced distress migration

11.4 Composite Governance Score:

We compute a simple average index:
$\mathrm{CGI} = \frac{\mathrm{T+AE+SL+D}}{4}$

$$CGI = \frac{5+5+4+5}{4} = 4.75$$

The computed CGI score of 4.75 (out of 5) indicates a very high level of governance quality in the Mulkanoor Cooperative. Values above 4.0 suggest strong institutional governance
The high score reflects: Effective member participation, Strong accountability mechanisms, Democratic decision-making and Stable leadership structure.

11.5 Replication of Successful Cooperative Models in North-East India:
The success of the Mulkanoor Cooperative Rural Bank provides a compelling case for contextual replication in other regions, particularly in North-East India, where rural economies are characterized by smallholder agriculture, limited market access, and institutional gaps.

Key Elements to be replicated from Mulkanoor Model

Mulkanoor Feature	Replication Strategy in North-East
Member ownership & savings	Promoting member equity participation in FPOs/cooperatives
Multi-village integration	Cluster-based cooperative models (block/district level)

Mulkanoor Feature	Replication Strategy in North-East
Democratic governance	Strengthening General Body institutions
Staggered elections	Ensuring leadership continuity and avoid politicization
Professional management	Appointing trained Managers (NABARD/ICM support)
Financial discipline	Encouraging internal capital formation

XII. CONCLUSIONS

The Mulkanoor Cooperative Rural Bank exemplifies how effective governance can drive rural transformation. By integrating democratic principles, financial discipline, and strategic leadership, the cooperative has achieved sustainable growth and social impact. The study highlights the importance of governance reforms in strengthening the cooperative sector in India.

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