

The Digital Opportunity for Collective Futures

IT for Change and K-DISC

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Key highlights from a roundtable on

The Digital Opportunity for Collective Futures

Co-organized by K-DISC and IT for Change

9 September 2023

Venue: KDISC Meeting Hall

Background

IT for Change and the Kerala Development and Innovation Strategic Council (K-DISC), held a half-day expert roundtable on 9 September 2023 in Thiruvananthapuram, India, bringing together 30 stakeholders (the list of participants is attached in Annexure 1).

The aim was to gather perspectives on how to move towards an enabling environment for enterprises, producer organizations, cooperatives, and startups to harness the digital opportunity. Specifically, the roundtable focused on exploring the following issues:

- a) Challenges that traditional cooperatives in the agricultural, service, and manufacturing sectors face in the digitizing economy.
- b) Reforms in legal, financial, institutional, and technological policy realms through which cooperatives seek to effectively benefit from digital technologies and their promise.
- c) Successes and challenges of new platform initiatives — 'digital native' firms (coops and others) — and lessons for policy from such models.
- d) Synergies with local government programs for encouraging innovation.

The roundtable was part of feeder activities towards an international conference on the theme of platform cooperativism to be hosted in Kerala between 30 November-2 December 2023, in collaboration with the Platform Cooperativism Consortium, New School, New York.

This report offers a synthesis of the main highlights from the discussions at the roundtable and a set of recommendations for future policy directions. Participants reflected on why the economic development roadmap for Kerala must engage with the platform economy, the barriers that impede cooperatives, startups, and collective enterprises from effectively seizing this opportunity, and recommendations to encourage platform collectivism.

Kerala's Economy at a Crossroads

Kerala state has a high rate of educated unemployment. Over the years, the [employment share in primary and secondary sectors is shrinking](#). This is reflective of a global trend wherein lower-middle-income countries are unable to pursue the same pathways to economic growth that high-income countries adopted in an earlier era. Value added in the agricultural sector has fallen, while [manufacturing employment has stagnated](#). The expansion of the services sector has been collinear with the expansion of the digital economy, ushering in the platform firm. As multi-sided marketplaces

that enable real-time demand-supply matching of workers with job providers, platforms enable the increasing flexibilization of work arrangements. The traditional firm with its centralized workforce management systems is replaced by on-demand platform work arrangements.

In the current context where capitalist firms control platform infrastructures, on-demand work ends up as exploitative and oppressive, mediated by algorithms that are biased, discriminatory, and inimical to foundational labor rights. Trade unions in Kerala have consistently rejected platform capitalism and its in-built precarization. There is also policy thinking on protecting decent work bottom-lines in the context of rapidly expanding gig work arrangements; for instance, developing a legislative framework for the gig workforce on the lines of the Rajasthan model.

However, the platform model should not be reduced to Big Tech extractivism. On the contrary, with its technological affordances of peer-to-peer interconnections, collaborative production, and commoning, the platform model is greatly aligned with cooperative principles. There is no reason why Uber needs to only be a capitalist platform; it could very well be designed to be a platform collectively owned by workers, with its data and intelligence advantage harnessed for enhancing the labor share of value.

Such alternative visions of platform enterprises will help us also imagine a new future of work, where aspirations for flexible work timings and home-based work are addressed. A recent survey by the Kudumbashree team of 8 lakh households in the state indicates that over 54 lakh youth are looking to find new jobs or change their current jobs, and a majority of these job seekers are women.

Traditional services opportunities in the IT and ITeS sectors are also shrinking in the state. It is critical, therefore, that platform, data, and AI technologies are harnessed for distributed digital innovation in different sectors. Traditional cooperatives also seem to be struggling to keep up with the challenges of digitalization. Although Kerala's cooperatives may have their genesis in the strategy to counter vulnerability of workers in free-market capitalism, it is time to move on to a proactive strategy to seize the platform advantage and strengthen the cooperative sector.

Barriers to Reaping the Digital Dividend

Regulation to contain the excesses of the mainstream platform economy is a necessary but not sufficient condition. An economy that can grow and flourish needs to embrace the potential for innovation. However, this is thwarted because the legal and policy regime has not kept pace with changes in the technological paradigm.

Startups that have registered as non-profit organizations seem to be left behind on account of anachronistic policies that disincentivize their public and social contribution. Adapting the cooperative form to the new age is fraught with challenges, and technology collectives often prefer to register as Section 25 or limited liability companies. In many government contracts for IT and digital services, only private companies are eligible to apply.

Other challenges also persist. Youth are not aware of how the principles of cooperation and the possibility of using platform affordances for exploring high-value, high-skill opportunities in the knowledge economy can be leveraged. The possibility that, instead of being a job seeker in the gig economy, one could initiate a collective enterprise is not on the table. The educational curriculum does not have any reference to cooperatives.

Platform Collectivism: A New Economic Model

Kerala's knowledge economy strategy already focuses on a twin-pronged framework — one for enterprise development and another that adopts a humane approach for workers.

An opportune moment is here to move decisively towards a 'Make in Kerala' paradigm — one that leverages the power of Kerala's distributed social infrastructure for creating and enabling the growth of distributed economic infrastructure through new enterprise models. These models must capitalize on collaborative production and efficiencies of aggregation offered by platformization, geared also to enhance women's productive capacity and access for all to resources, spaces, and the commons.

Affordances of the digital economy and the principles of cooperativism share a huge similarity. Yet, we must be cognizant that the traditional enterprise structure of cooperatives is not amenable to value monetization, which is a precondition for innovation and regenerative economies. A forward-looking strategy is needed to invent organizational models commensurate with the digital economy. The traditional cooperative form of enterprise organization is an industrial economy idea to reclaim autonomy for workers in a particular historical context. Applying this defensive frame in the current conjuncture would be a mistake.

Today, as we enter into an economic paradigm wherein innovation, enterprise, and labor are the key factors of production, a step change is needed to encourage and build a wider production ecosystem rooted in dynamism and agility.

A new structure in the form of the 'platform collective' can combine the values of cooperativism with affordances of digital platforms for efficiency/optimization, collaboration, distributive justice, and inventiveness.

Role of the State in Enabling Platform Collectivism

Platform collectivism as the framing logic of a home-grown digital economy must integrate values of social enterprise, decentralized democracy, and feminist economy (recognition of women's unpaid work, freedom from exploitative social and market structures).

Two aspects emerge as ground norms for the state to steer this paradigm shift — the non-negotiable role of 'innovation public goods' and a new legal-financial architecture for a business model that can build on top of the public goods layer to multiply collaboration, creativity, and value creation. The connection between Linux as a public good/digital commons, and monetization through Red Hat is a pertinent example here. The Kerala Savaari experience also points to the need for the state to underwrite the investment for market expansion that an Uberized model otherwise leverages through venture capital and aggressive market capture strategies.

There is a need for an apex government institution to orchestrate and coordinate the enabling ecosystem, decentralize value creation, put in place a mechanism for valuation in the platform economy, and achieve a balance between public and private good.

Collective enterprises organized along cooperative principles in the technology sector need a different regulatory framework. Traditional cooperative sector regulation or non-profit law are not fit for purpose in this regard.

A focus on domain-specific areas for innovation is also much needed, such as in the health sector startups. Investment in electronic manufacturing hubs to encourage IoT is also important.

Addressing the skill gap among youth needs a concerted approach akin to the policies of the Singapore government.

Slow Uptake of Digitalization in Traditional Cooperative Enterprises

As the case of Kerala's Primary Agricultural Credit Societies (PACS) demonstrates, the pace of embracing digital technologies has been very slow in the traditional cooperative sector in Kerala. PACS have just initiated the process of adopting core banking software that enables customers to bank from any branch. Nationalized banks and private banks are miles ahead, and this means new customers under the age of 45 no longer prefer PACS. New deposit growth is falling in the PACS. When open banking is the future, PACS may be rendered white elephants unless they rapidly catch up.

Similarly, many cooperatives have initiated the creation of digital marketplaces to eliminate intermediaries/middlemen in their engagement with customers, but there has been a proliferation of apps without a critical mass necessary for viable business. A public digital marketplace for cooperatives that enables aggregation and networked distribution with supporting logistics is missing.

The cooperative sector also makes decisions very slowly, given various historical reasons. Survival in the digital age, however, depends on a different kind of optimization of organizational processes that are more in tune with improved models, able to operate at scale.

Regulatory Barriers in the Cooperative Sector

Traditional cooperatives are impeded by bureaucratic management styles that prevent agile decision-making vital for just-in-time markets. Procedural and regulatory hurdles also impede the ability of the cooperative sector to embrace new opportunities in digital product and services markets. The registration of an IT cooperative society is inordinately time-consuming.

Women-led cooperatives and collective enterprises, oftentimes home-based, are not seen as productive and are denied access to finance. National policy decisions too, end up stymying the potential of cooperatives to access finance. For instance, the RBI directive preventing primary cooperative societies and banks from accepting deposits from non-members (those who do not have voting rights) does not augur well for the sector.

Current regulation is mainly directed at credit cooperatives and, as a result, is inappropriate for cooperatives in the technology sector. A number of challenges are faced by technology cooperatives:

- The bar on hiring temporary workers fails to recognize the reality project-based work in the digital services market.
- The requirement that a degree in commerce and qualifications for the cooperative domain is essential for all permanent staff becomes a problem in hiring technical staff with degrees in engineering and allied domains. No university in Kerala currently offers a Diploma in Cooperation in the online mode.
- District registrars tend to impose caps on the number of cooperatives in a sector that can be registered in a particular district, though this is not required by the law.

Need to Reboot Traditional Cooperatives Through Legal-Policy and Institutional Changes

The regulatory regime for the traditional cooperative sector needs separate treatment for credit and non-credit cooperatives. Sectoral particularities are bound to affect the sustenance and innovation capabilities of cooperatives — whether in agriculture, tourism, or technology services. It is time to think beyond legacy structures (legal and institutional), so cooperatives are able to make good on the digital opportunity and monetize the value they create.

Revisiting policies to examine how rules and procedures limit the adoption of new technologies is important. Definitions and categories need to change. Who is a farmer and what is an innovation needs to be revisited so that credit is extended not only on principles that are asset-based but also innovation-based. Similarly, policies must incentivize cooperatives to seek newer avenues in the digital marketplace. Today, a cooperative cannot even participate in a tender process.

The Kerala Cooperative Societies (Third Amendment) Bill, 2022 provides the legal scaffolding for the establishment of youth cooperative societies to “promote entrepreneurship, new technology, innovations, and startups with the objective to generate employment and income and the welfare of youth and having its area of operation within one district”. This objective can be met only through a robust institutional framework of public support, financing, ongoing capacity-building, and digital upskilling. Of the 40 youth cooperative societies initiated after this amendment, only about 10 continue to be operational.

The state must play a role in facilitation — providing data analytics, trigger warning systems/AI-based prediction, and other systemic infrastructure. Without the technological means for marketing, credit, distribution, monitoring, asset management, etc., cooperatives cannot leap frog into the digital age.

The future of cooperatives is also predicated on state-backed platform marketplaces. The ONDC initiative needs to be explored as a possible pathway in this regard.

Capacity building of traditional sector cooperatives to take advantage of the digital opportunity needs systematic investment. Women-led cooperatives and collective enterprises and their exclusion from digital technologies must be a special area of focus in such programs. An institution like KILA must be set up in this regard. Knowledge centers that cater to small units at the local level for digital technology adoption, design of platforms, market support (local and global), must be set up, taking a leaf out of the

Chinese model. Tech support requirements across the value chain — from procurement to aggregation and marketing and distribution — must be addressed through such knowledge centers.

Research support and knowledge sharing for cooperatives to learn from both failures and success stories in digital adoption is crucial. Innovation should be properly researched and scientifically verified and shared institutionally. Documenting and sharing best practices from within and outside the country is important.

A Whole-of-Economy Approach to Platform Collectivism

Collectivism faces a threat in a globalized economy that often privileges individualism and competition. It is akin to navigating a boat in choppy waters, going against the tide.

Therefore, transitioning towards collectivism must focus on transforming social relations, and not just target decentralization. The politics of patronage embedded in socio-political structures disempower citizens. The policy framework for platform collectivism must dismantle the patron-client relationship between state and citizens. This shift is crucial in enabling the entrepreneurial local economy to develop with greater autonomy at the edges.

Finally, the platform economy signifies a shift in the entirety of social organization. Hence, policies must be designed to effect systemic change. An integrated, whole-of-economy approach would call for improved public sector digital services, complemented by local government partnerships and data governance. Public digital infrastructure and digital public goods are vital for digital-native and traditional collectives, so that they can effectively harness the platform, data and AI opportunity. The state must invest in public platform infrastructure, cloud infrastructure, data exchanges in different sectors such as agriculture, fisheries etc., similar to EU's Common Data Spaces, as well as in financial technologies for credit cooperatives. A data governance framework that addresses privacy and collective data ownership considerations must also be developed. Governance of algorithms is another imperative. The current Big Tech model perpetuates an algorithmic architecture that is non-transparent, non-normative, and antithetical to human rights. This needs to be rectified. The regulation of unscrupulous microfinance and its new age manifestation in fintech is also crucial for a future of non-exploitative platform markets.

Moving the Dialogue Forward

A policy roadmap, addressing the concerns and recommendations discussed at the roundtable, is intended to be developed through follow-up community labs. These labs will involve deeper, self-organized conversations with cooperatives and digital enterprises/technologists. This process is planned to take place at the upcoming international conference in end November 2023.

Annexure 1. List of participants

Name	Affiliation
Alvin George	CEO, VST Mobility
Asharaf S.	Dean, Digital University of Kerala
Bergin S. Russel	Assistant Manager, Kerala Startup Mission
Bharath Nair	CEO, Centre for Development Initiatives
Biju A.	Deputy Labor Officer (HQ), Labor Department
Ganesh Gopal	Co-founder, Tinkerhub Foundation & Centre for Development Initiatives (CDI)
Githin Nath U.	Technical Head, Malabar Coop Tech
Joy Elamon	Director General, Kerala Institute of Local Administration
K.N. Harilal	Professor, Centre for Development Studies
Karthikeyan T.	President, Malabar Coop Tech
Mehar Moosa	Co-founder, Tinkerhub Foundation
B.P. Pillai	Former Director, Agricultural Cooperative Staff Training Institute
Prakash Mathew	Project Consultant, mByom
Rinosh Jacob Kurian	Chief Technology Officer, ULTS
Sabu Bala	State Programme Manager, K-DISC, Kudumbashree State Mission
Saji Gopinath	Vice Chancellor, Kerala Technical University, Digital University of Kerala
Shibu	IT Manager, ConsumerFed
Sonia George	General Secretary, SEWA Kerala
Sunil Raveendran	Lead, Kerala Chapter, India Blockchain Forum
S. Vijayakumar	Expert on Cooperative Sector
C.P. Vinod	Special Private Secretary, Minister for Local Self Governments
Arun Surendran	Principal, Trinity College of Engineering
P.V. Unnikrishnan	Member Secretary, K-DISC
Arun Krishnan	K-DISC
Anita Gurumurthy	Executive Director, IT for Change
Nandini Chami	Deputy Director, IT for Change
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Sonakshi Agarwal	Research Associate, IT for Change
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