

ROLE OF CO-OPERATIVE SOCIETIES IN ECONOMIC DEVELOPMENT OF INDIA

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Abstract

Cooperative societies are designed to protect the farmers from the village moneylenders. Cooperative movement has been initiated and taken forward by the Government to make legislation. The cooperative society's act 1904 was the first out of the legislative effort. Government has initiated has brought in "The cooperative Societies act 1912" to increase the scope and availability in Rural, Urban, consumer Industrial and marketing cooperative societies in India. Commercial banks are playing a very vital role in issue of institutional credit for agriculture, agriculture related equipment's and other requirements of farmers. However Bad debts are increasing in the Co-Operative banks, regional rural banks and commercial banks as well because of different reasons like failure of monsoon, ill performance of Medium enterprises, power shortage for small scale industries, lack of awareness in entrepreneurs, fast changing product life cycles prepared by small scale industries. This paper focused on the importance and role of co-operative societies in the economic development of India after the Independence.

Key Words

Cooperative Societies: An Overview

The word Co-operation is derived from Latin Word Co-operari where the word Co means 'with' and operari means to 'work'. Thus, Cooperation means working Together.

A Co-operative is voluntary association of people designed to meet their common economic social and cultural needs through jointly owned and democratically managed organization.

Co - operative movement can be defined as voluntary association of people to carry out a given economic activity through a democratically controlled enterprise by pooling their resources together with purpose of securing certain benefits like mutual help self-reliance, self-sustainability to its members.

Seven Driving principles of Cooperative Societies

1. Voluntary and Open membership.
2. Member Economic participation.
3. Democratic member Control.
4. Autonomy and independence.
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3. Education training and information.
4. Concern for the community.
7. Cooperation among members.

Why Cooperatives

The important motive of cooperatives is to release the weaker sections, poor people farmers from the exploitation practices of private banking, private financial institutions, and private moneylenders.

International and global market competition reiterates to rejuvenate the cooperative societies' policies, regularize the processes in terms of availability of credit, crop insurance, help in stabilization of farming output, increase in ease of transactions, beneficial schemes for deposits, change its policies in collateral security, recollection of long term and short term loans.

Evolution of Cooperative societies

The First cooperative was started as gross roots level credit institution by a group of weavers and other people in Rochdale, England in the name of Rochdale Equitable pioneers society in 1844.

Cooperative Movement in India

In India, the first credit cooperative was established in 1894 based on the recommendation given by Sir Fredrick Nicholson in response to the request of the governor of the then Madras presidency in 1892 regarding the possibility of introducing a system of agricultural and other land banks in his territory.

Cooperative societies are designed to protect the farmers from the village moneylenders. Cooperative movement has been initiated and taken forward by the Government to make legislation. The cooperative society's act 1904 was the first out of the legislative effort. Government has initiated has brought in "The cooperative Societies act 1912" to increase the scope and availability in Rural, Urban, consumer Industrial and marketing cooperative societies in India. In order to give permission to cooperatives for operation in more number of states "The Multi States Cooperative societies Act 1942" is enacted.

The initiation of cooperative law in 1956 became a mile stone in the cooperative movement which there after brought in the Model Cooperative bill which has given powers to state governments to control and regulate the cooperative system.

Later on "The Multi- State Cooperative societies Act (MSCS) Act 1984 was enacted and later again the changes are made in 2002 by government of India to form National Cooperative policy to give functional freedom and freedom of enterprise to the cooperatives.

Between 1985 – 1987 Government of India has sworn in several committees through which Democratization and professionalization of management in cooperatives has been started. In 1990 Chaudhary Brahm Prakash committee is appointed by GOI to bring in Model State Cooperative societies bill. The recommendations were given to reduce the political intervention, state intervention and also reduce the bureaucracy in operations. Latest legislative empowerment in respect of cooperative societies has been the 97th constitutional amendment, 2011 which stipulates that citizens shall have the right under article 19(1) to form cooperative societies which means that formation of cooperative societies has been made constitutional right.

Types of Cooperative societies

1. Consumers' Cooperative Society (Apna Bazaar, Kendriya Bandar etc.)
2. Producers' Cooperative society (APCO, Haryana Handloom Society etc)
3. Cooperative Marketing society (AMUL)
4. Cooperative Credit Societies (Urban and Rural Cooperative Banks)
5. Cooperative Farming societies (Lift Irrigation Cooperative societies)
6. Housing Cooperative Societies (Employees' Housing Societies)

Organizational Structure of Credit Cooperative Society Management System

At present three-tier structure of cooperatives exist in the state of Andhra Pradesh i.e. State cooperative banks at state level(SCB), District cooperative credit societies at the district level(DCCB) and Primary Agriculture cooperative societies(PACS) at the village level or base level. Cooperative societies provide both long term and short-term credit to the customers. The authority flow from higher to lower for operations.

Benefits of Formation of Cooperative Societies

1. Ease of joining.
2. Operational democracy.
3. Membership to all.
4. Good service to customers at village level.
5. Cooperation within the members.
6. Low Management costs.
7. Sharing of Surplus.
8. Check on Business.
9. Limited Liability.
10. Internal Financing.
11. Continuous existence.
12. Satisfy the needs of poor persons.
13. Perfect Co-ordination.
14. Desirable form of Business.
15. Reduction of glaring disparity.

Disadvantages

1. Lack of Secrecy.
2. Poor Business Outlook.
3. No mutual interest between members.
4. Corruption.

Four Phases of Cooperative Credit Movement

Between 1900 – 1930 cooperative movement is started with the formation of cooperative societies Act in 1904 by making cooperative societies as a state subject. In phase II RBI is formed in 1934 to improve credit flow in the country. During phase III economic planning was taken up with cooperative for faster growth in rural and agriculture sectors. During fourth phase liberalization is taken up and also cooperative societies are also strengthened to focus and improve the agriculture and rural sector growth rates.

Globalization and its impact on decision making of Credit Cooperative societies

After the beginning of Economic reforms, Globalization took good pace which brought number of changes in Marketing life cycles, Entry of Corporate giants into manufacturing, agricultural equipment, automotive industry, mechanization of agriculture in harvesting, FDIs in different sectors like Agri marketing, commodities marketing and pace of Economic growth in India during the last 2 decades. While Cooperatives failed to make quick decision making in making credit available to rural and urban areas in India. Cooperatives did not make any efforts to venture into long term credit availability for corporate businesses, micro finance, Medium enterprises which is a lost opportunity. Hurdles of Bureaucratization, politicization of governance in Cooperative societies, High Mortgage requirements, very poor recovery of credit, lack of dynamic leadership, Lack of implementation and use of Information technology. Opportunities for Cooperative Credit Societies are huge Credit customer Base, support of Central institutions, opportunity to increase the transparency of governance, Availability of credit from external sources like World Bank, reach to majority of Rural and urban areas in India, funding the marketing activities of Agri commodities, tie ups with Import and export agency of India, Huge investment opportunities for investment in New state of Andhra Pradesh and Capital Building, use the resources for nation building, Implementation of New Information technologies in Cooperative system for easy availability of credit, accept the deposits at a reasonable rate of interest. Cooperatives should rejuvenate itself to improve core competencies, implement modern technologies and methods for availability of credit, new methods for client acquisition, reduce the bureaucratization and state government intervention.

Share of Institutional Agencies in Agricultural Credit in India (Percent)

Until 1970s' Non Institutional sources i.e. Money lenders occupied the top place for the supply of rural credit (92.7% in 1951 to 68.3% in 1971). But after the economic reforms in 1991 the percentage share of institutional credit is reduced to 61.1% because of rigidity in credit availability and economic reform measures taken by Government of India.

Out of the institutional credit organizations, cooperatives have become reliable and best source of rural farm credit (93-94%), later the relative share of cooperative societies has come down by 30%. Commercial banks and rural banks have occupied around 30 – 40% relative share of providing rural credit.

Data of credit for agriculture in India

Commercial banks are playing a very vital role in issue of institutional credit for agriculture, agriculture related equipment's and other requirements of farmers. However Bad debts are increasing in the Co-Operative banks, regional rural banks and commercial banks as well because of different reasons like failure of monsoon, ill performance of Medium enterprises, power shortage for small scale industries, lack of awareness in entrepreneurs, fast changing product life cycles prepared by small scale industries. Crop Insurance is the need of the hour for the farmers which may save the farmers in the time of contingencies. It is very sad that there is insurance scheme for all the commercial products produced by corporate whereas still there are certain products like agriculture produce, horticulture produce, Poultry and aqua which are under high risk category for which insurance is not possible. Private money lenders are still playing a major role in providing investment or credit for their farming purposes for high interest rates and in return they get their produce at the cheaper rates than the market rates because of pre-fixation of prices before the season. In this way farmers loose the income potential in both the ways. Finally farmers are in situation of unprofitable agriculture. Also it is observed that commercial banks are issuing credit easily for the farmers where as they are citing number of reasons for issue of credit to the farmers. Enormous Research is to be done on Mortgage to be provided for the issue of credit in all the banks. Increase of cost of agriculture, cost of credit and lack of marketing facilities, heavy investment in mechanization, and failure of Minimum support prices (MSP) for agriculture produce can be stated as main reasons for Bad-debts in agriculture sector.

Conclusion

The planning commission of India highlighted the need for fiscal discipline at even the level of the states. This was to reduce the debt-to-GDP ratio of India. RBI, in its role as the ultimate financial authority in India, was also a keen supporter of the concept and publicly highlighted the need for state level fiscal responsibility legislations in India. By 2007, the states of Karnataka, Kerala, Punjab, Tamil Nadu, Maharashtra and Uttar Pradesh are among those, which have already legislated the required fiscal discipline laws at the state level. With effective co-operative societies and management system India will go further in development in the process of stable and sustain its role in agriculture production.

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