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## Importance of cooperative movement for Indian agriculture sector

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### Abstract

Indian economy is mainly agriculture based. Farming is said to be the back bone of the country's economy. Currently this sector is going through a bad phase & it seems that the impact of the new economic world order i.e. LPG is getting increasingly felt by the sector. Lack of professional business management skills, low farm yield due to use of traditional methods of cultivation, feasibility issues with the farming activity, global competition etc. are some of the problems being faced by the Indian agricultural sector. In addition to this contract farming, lease farming, entry of MNC's in the farming activity etc. has created lots of uncertainty & threats to the small farmers of India. This has resulted into lots of socio-economic problems for the country in general & small farmers in particular. The cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. Whether the cooperative sector can address some of these issues? What is the current scenario of cooperative sector in India? How this sector can address the problems created by LPG era in India? are the topics of deliberation of this paper.

**Keywords:** Cooperative, agriculture, government, credit, farmers

### Introduction

The cooperative sector in India is the largest in the world and it plays a pivotal role in employment generation, poverty alleviation and food security. The role of cooperative sector is extremely important in agriculture sector, as it supplies agricultural credit and funds and has the potential to deliver goods and services in vital areas where state and private sectors have not been able to do very much. India has basically an agrarian economy with 72% of its total population residing in rural areas. The rural people need lot of services in daily life which are met by village cooperative societies. The seeds of cooperation in India were sown in 1904 when the first Cooperative Societies Act was passed. Since then, the cooperative movement has made significant progress. Cooperatives have extended across the entire country and there are currently an estimated 230 million members nationwide. The cooperative credit system of India has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks. The village cooperative societies provide strategic inputs for the agricultural sector, consumer societies meet their consumption requirements at concessional rates; marketing societies help the farmer to get remunerative prices and co-operative processing units help in value additions to the raw products etc. In addition, co-operative societies are helping in building up of storage go-downs including cold storages, rural roads and in providing facilities like irrigation, electricity, transport and health. Cooperation in a vast country like India is of great significance because:

- It is an organization for the poor, illiterate and unskilled people.
- It is an institution of mutual help and sharing.
- It softens the class conflicts and reduces the social cleavages.
- It reduces the bureaucratic evils and follies of political factions.
- It overcomes the constraints of agricultural development.
- It creates conducive environment for small and cottage industries.

Co-operative movement is basically an activities with a common goal, co-operation refers to the formation of non-profit economic enterprises for the benefit of there members. Indian government launched the movement with the enactment of the co-operative societies Act

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1904. According to the Act of 1904, the co-operative societies were to be established in every district and were required to be managed by members on democratic lines. The supreme authority was vested in the general meeting, which consisted of all the members. All decisions as to liabilities, loans, investments, interests, etc. were to be adopted at the general meeting.

The basic nature of the co-operative societies is to encourage the 'values of self-help, democracy, equality, and solidarity. Co-operative members believe in the ethical values of honesty, openness, and social responsibility and caring for others. The movement was welcomed with great enthusiasm, the movement teaches the ordinary farmers, downtrodden community and landless laborers to live with prestige and self-confidence. Co-operative movement helps in all round development of the rural areas, which is possible through unity, trustworthiness and consistency of membership.

Despite rapid growth, the overall progress of cooperative movement during 110 years of its existence is not very impressive. It is therefore necessary to know the causes of poor performance of the movement and on that basis take such steps as would promote a faster growth of cooperative movement in India.

#### Literature Review

- **Balasaheb Vikhe Patil (2008)** <sup>[1]</sup> – The present paper studied the rural indebtedness in India. It is found that it has remained an important issue and an obstacle for development. For the sound economic and social development it requires in-depth analysis so as to address the problem in all its dimensions. Despite tremendous expansion of the branch network particularly in rural areas after nationalization of private sector banks and the growth of institutional credit for agriculture, the severity of agricultural indebtedness has persisted.
- **Umdor Sumarabin (2008)** <sup>[2]</sup> - In the paper researcher presented the analysis of the behaviour of rural household of northeast uplands of India in the borrowing and use of credit. Researcher quoted that the role of credit is very critical in enabling the poor to overcome poverty. There are evidences to show that access to credit is positively correlated with the decline in rural poverty and increase in secondary and tertiary output. The failure of the co-operative banks/ societies in meeting the credit needs of rural households in the uplands areas is supported by the findings of the baseline survey where none of the households identified co-operative societies as a source of credit. The survey shows that amongst informal sources, it is friends and relatives, and not the moneylenders that are a prominent source of credit for the rural households.
- **John Mugambwa (2005)** <sup>[3]</sup> - Author explained in the article the ups and downs, reasons for the failure of the movement and current attempts of the Papua New Guinea Government to revive the cooperative movement. Author discussed the values, principles and organizational structure of the co-operative movement, as usually which form a pyramid shape. Author described that the failure of the co-operative movement was due to overenthusiastic bureaucratic interference in the management of co-operative affairs, which the members do not like, inability to attract large capital investment, co-operatives do not appeal large capital

investors because they do not recognize capital as the key factor of production, mismanagement and competition from private companies.

- **Kavitha M. (2008)** <sup>[4]</sup> – The present study is the comprehensive study on the „Cooperative Movement in India- with Future Perspective“, as the paper discussed the all aspects of the co-operative movement like-meaning, origin of the co-operative movement, co-operative movement in India, types (housing, building, retailers“, consumers“, etc.) with the co-operative approach as a model of sustainable development. In conclusion of the paper author stated that, co-operatives have not really helped members to improve their position for fight against those who exploit the farmers and restrained their development. There are however several drawbacks i.e. poor infrastructure, lack of quality management, over-dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, neglect of professionalism, etc. are the limiting factors. Co-operatives are also unable to evolve strong communication and public relations strategies which can promote the concept of co-operation among the masses.
- **Das Banshree, Dr. Palai N.K. and Dr. Das Kumar (2006)** <sup>[5]</sup> - The paper discussed the problems and prospects of cooperative sector in India. India is basically an agrarian economy with 72 per cent of its total population residing in rural areas. The rural people need lot of services in daily life which are met with by village co-operative societies. Author explained that co-operative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization.

#### Problems of Cooperative sector

##### (a) Mismanagement & Manipulation

The strength of the movement was the involvement of the farmers who were shareholders in the society regardless of the size of their holdings. Over the years, this truly democratic idea got corrupted and farmers with larger holdings grew more powerful. In practice, this altered the power structure of the cooperatives. In the elections of the governing bodies of the sugar factories, money became such a powerful tool that the top posts of chairman and vice-chairman usually went to the richest farmers even though the majority of members were farmers with small- or medium-sized holdings. The social power that the cooperatives brought to rural India was gradually hijacked and turned into a political tool.

**(b) Government Interference:** The cooperative movement in India was initiated in 1904 under the auspices of British government. Right from the beginning the government has adopted an attitude of patronizing the movement. Cooperative institutions were treated as if these were part and parcel of the administrative set up of the government. The government interference thus became an essential element in the working of these institutions. As a result people's enthusiasm for the movement did not grow. The movement's independence and self-reliance existed only on paper and files.

**(c) Lack of Awareness:** People are not well informed about the objectives of the movement, the contributions it can make in rebuilding the society and the rules and regulations

of cooperative institutions. Unfortunately, no special efforts have been made in this direction. People look upon these institutions as means for obtaining facilities and concessions from the govt. So long as people expect to get something from the government, they see to it that societies somehow continue to function. Lack of education, dirty politics of the village, caste ridden elections to the offices of cooperative societies, bureaucratic attitudes of the government officers at the lower rank are some of the hurdles in spreading the correct information about the cooperative movement and in educating the people about its true character and vital role in the society.

**(d) Small Size & Single purpose:** The cooperative movement has also suffered on account of two important limitations on its working. (1) The size of these societies has been very small. Most of these societies are confined to a few members and their operations extended to only one or two villages. As a result their resources remain limited, which make it impossible for them to expand their means and extend their area of operations. (2) Majority of the societies have been single purpose societies. For this reason these societies are unable to take a total view of the persons seeking help, nor can they analyze and solve problems from different angles. The help these societies render thus cannot be adequate. By assessing the persons and the problems only from one angle, these societies neither help properly the person nor make a optimal use of their resources. Under these circumstances it has not been possible for these societies to make much progress.

**(e) Functional Weakness:** The cooperative movement has suffered from inadequacy of trained personnel right from its inception. The functioning of the cooperative societies also suffer from several weakness. Some of these are, taking no care of the need of credit seekers or their repaying capacity at the time of granting loans, making no adequate provision for the return of loans, unsatisfactory keeping of accounts, factional politics in it's management, lack of coordination among various divisions of the cooperative structure, too much dependence on outside sources of finance, lack of adequate auditing. Such weakness have prevented them from progressing on healthy lines.

#### **(f) Lack of Professionalism**

Professionalism reflects the co-existence of high level of skills and standards in performing duties entrusted to an individual. The absence of a proper system of placement and skill upgradation inputs constrain professional management in co-operative banks.

#### **Challenges for Cooperative movement**

- Inability to ensure active membership, speedy exit of non-user members, lack of member communication and awareness building measures
- Serious inadequacies in governance including that related to boards' roles and responsibilities
- Lack of efforts for capital formation particularly that concerning to enhancing member equity and thus member stake
- Lack of cost competitiveness arising out of issues such as overstaffing.
- Politicization and excessive role of the government chiefly arising out of the loopholes and restrictive provisions in the Cooperative Acts

- **Global Competition:** A borderless system of economic activity is coming into being. Big multinational companies will take full advantage of the borderless world, without hindrance of national boundaries to undertake large-scale economic activities, which will dominate the world market. Such a new economic scenario, presented a threat to cooperative movement's ability to survive.
- At present, there are about 207 national and 8 international organizations, which are the backbone of ICA and there are about 754 million individuals spread over 90 countries of Asia, Africa, Europe and America, who are members of ICA. With such a huge and diversified structure around the world, one cannot question the ability of the cooperatives to survive and succeed, but what needs to be deliberated upon is, the new direction towards which cooperative movement should move with firm determination.
- The vital link in cooperative finance system i.e. cooperative banks itself remains very poor. They are too small to operate properly and some of them are existing only on the paper.
- The NPAs of the cooperative banks are higher than those of commercial banks i.e. in NPAs to asset ratios.
- The shareholders participation in the working is much lesser than expected.
- They are facing infrastructural weakness and structural laws.
- Cooperative banks till now have to depend heavily on refinancing facilities from the govt., RBI and NABARD. They are not able to become self-reliant through their own resources of deposits.
- They are having much political and official intervention in their work. Besides that govt. interventions also coming in their way of progress and preventing them to become self-reliant.

#### **Measures of ensuring Competitiveness**

**1) Corporate Governance:** According to Milton Friedman, who was one of the first to attempt a definition, corporate governance is to conduct business in accordance with owner or shareholders' desires which generally will be to make as much money as possible while conforming to the basic rules of the society embodied in law and local customs. The Former President of World Bank, Mr. James Wolfensohn had said that corporate governance is about promoting corporate fairness, transparency and accountability. Good corporate governance is essential for the effective functioning of any financial entity. Hence appropriate representations of the directors with suitable professional qualification and experience should be ensured on the Boards of the society and that the promoters should not be defaulters to any financial institutions or banks and should not be associated with chit funds/NBFCs/ cooperative banks/commercial banks as Director on the Board of Directors.

**2) Mobilize Fund:** Large-scale enterprises in the cooperative sector may require huge funds. To mobilize more funds, cooperatives may enter capital market and mobilize funds by means of deposits, debentures etc. At the same time, cooperatives must evolve deposit-insurance scheme, to instill confidence among the depositors, both in urban and rural areas. Effective deposit mobilization will help them to build

their own bendable resources, for profitable and diversified lending. They have to adopt efficiency parameters, in terms of cost-effectiveness and a reasonable return on investment, if they have to survive in the competitive atmosphere.

**3) Export of agricultural produce:** there are a number of agricultural commodities like rice, sugar, fruits, vegetables; spices etc. that have strong competitive advantage in export markets. This has positive implications for agricultural cooperatives. This initiative can generate needed resources for the organization.

**4) Maximum membership:** Intensified enrolment drives to cover maximum number of small and middle sized agrarian producers, processors etc., intensified linkages with NGOs or Self-help Groups or panchayats. Apart ensuring revenue this will also ensure availability of resources & marketing infrastructure for the organization.

**5) Strategic Alliances:** The areas where the cooperative sector has a comparative advantage and the areas where cooperatives can build up strategic alliance with private sector, public sector and International agencies. Such an understanding will greatly help in the vertical and horizontal integration of support services for agro-industrial production processes. Partnering with these experienced organizations will be useful to the cooperative organizations.

**6) Professionalism:** For building up professionalism in the management of the cooperative enterprises, it is necessary on the one hand to upgrade the quality of the staff with latest developments and on the other hand, develop proper and cordial relationship between the managers and members of board of directors. Proper and continuous training must be provided to both cooperative leaders and profession executives.

**7) Effective Control:** The members of the cooperative society should be active & vigilant. They should exercise their control on the working of the organization. Every member should exercise their rights & insists for transparency in operation, accountability of the executive members & fairness of activities. Periodic verification of the records, use of technology for ensuring transparency in working etc. will bring some order in the system.

**8) Communication to the Stakeholders:** All the necessary documents & information must be shared with every members through web portals. All the members may be given login Id & password though which they may access crucial information & also ensure security of the information.

**9) Awareness:** It is necessary to spread the movement as people's movement. People should not think it as a part of the govt or a department of the govt. People should own it and manage it. People should be educated and about the advantages of this movement. Educational institutions at various levels, radio, TV, newspapers, poster, and other mass media can be used for this purpose.

**10) Cooperative Farming:** Co-operative farming is a compromise between collective farming and the peasant proprietorship and gives all merits of large-scale farming

without abolishing private property. It implies an organization of the farmers on the basis of common efforts for common interests. Under this system, all landowners in a village form a co-operative society for tilling the land. The land is pooled, but each farmer retains the right of property. The produce is distributed by each. They are allowed to withdraw from the cooperative farm whenever they desire. This measure will be helpful to deal with the threat of contract farming activities by the MNC's.

In India, the exceedingly small size of holdings is perhaps the most serious defect in our agriculture. If agriculture has to be improved, the size of the holdings must be enlarged. The co-operative farming societies, thus, enable the cultivators to enjoy the economies of large-scale farming through the pooling of land management resources.

**11) Agricultural co-operative Marketing Societies:** Marketing has occupied a far smaller place in the co-operative picture in India than in many countries, notably Denmark and the USA, but not other non-credit line of co-operation. One of the reason of pathetic economic condition of Indian farmers is his illiteracy about the economic & marketing aspects of his agricultural produce. The traders & agents use to earn much higher profit than the actual farmer. Marketing societies for agricultural produce will ensure fair returns of their labour.

**12) Identity of Cooperative brands:** The cooperative sector enjoys the trust & support of the people/customer. In case if some legal identification is ensured for the brands of cooperative sector, the marketing of the products of cooperative sector organization will become much easier. This will solve many of the marketing problems of these units.

**Conclusion:** The cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. Cooperatives have immense potential to deliver goods and services in areas where both the state and the private sector have failed.

It is worth mentioning here that any model of development which ignores India's rich endowment of human resources and rich natural resources including land and water resources is bound to fail. Any development route which bypasses the farming community of India is unlikely to be sustainable. Salvation of the developing economy as vast and diverse as India's lies only in the transformation and revitalization of its rural economy, which require people's empowerment and participation. One's sense of idealism is in direct proportion to one's distance from the real scenario. Neither private sector nor public sector shall promote social welfare. But, the cooperative sector has this potential. If this concept could be used in the form of cooperative farming, it will be a great advantage to the Indian economy. Hence, every citizen of the country should extend their support for the strengthening this sector.

**Direction for future Research:** The coverage of cooperative sector is very vast. This paper has attempted to devise measures for strengthening the agricultural sector of India. Similarly, other sectors of the economy may also be explored for their application to cooperative sector. The possibility of adoption of the measures suggested for agricultural sector of India in this paper may be explored for the other developing countries like India.

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