

Critical Review on Cooperative Societies in Agricultural Development in India

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Authors' contributions

This work was carried out in collaboration among all authors. Author AKS designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Authors SKM, TCP and SS managed the literature searches. Authors RB and NCB enriched the review work with their critical inputs. All authors read and approved the final manuscript.

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ABSTRACT

Cooperative Societies are grass root organization of group of people united with collective responsibilities to meet their common economic, social and cultural needs which run with philosophy of self-reliance and mutual help. It helps in agricultural development supporting critical inputs supply (seeds, fertilizer, pesticides, credit), storage facilities like Go downs, agro processing facilities and marketing the agro produce. Since 1904, the cooperative movement took stardom and the five year plans and Government legislation have integrated them into the policies for self-reliant rural growth and development. Agricultural cooperative societies dealing with inputs and credit disbursement, processing cooperatives such as Sugar Cooperatives, Dairy cooperatives etc. flourished with their consumer products whereas KRIBHCO, IFFCO became successful large cooperatives in marketing their fertilizers to their farmer members and outsiders act as a business enterprise. Status of Primary Agricultural Cooperatives Societies (PACS) reveals 19% of total PACS potentially viable, 49% running in profit, 45% small farmers' borrower from societies. Several challenges like lack of professionalism, lack of infrastructure, political interference, nepotism, unawareness of members, meager shareholding, overdependence on financing agencies for credit, poor recovery are hindering

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the sustainability of societies. Certain restructuring with policy intervention like reducing state control, increased professionalism, good governance, raising share capital, quality assurance with competitive product & service, multi-purpose support system, will act as vibrant social enterprise with public trust as Government sector initiative in the locality converged with other agencies.

Keywords: Cooperative societies; credit societies; challenges; prospects.

1. INTRODUCTION

The cooperative society is an organization of group of people with collective responsibilities and thoughts for the development of needy, especially under privileged. "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" [1]. Several avenues are covered under cooperatives like development of agriculture, agro-processing, storage, forestry, banking, credit, marketing, dairy, fishing and housing and its network covers 85 per cent of rural households [2]. It helps in many facets in agricultural development supporting resource and input use, harvesting of water resources, storage facilities, value addition, market information, distribution channels, marketing channels with regular monitoring network system. Economic activities like credit disbursement and agricultural inputs distribution are core activities of Cooperative societies. Cooperative movement has substantial role in agricultural GDP growth rate and subsequently poverty reduction in rural India. The global experience of growth and poverty reduction shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture [3]. Cooperatives have potential to tackle the problems of poverty alleviation, food security and employment generation. It has commendable potential to complement and supplement the public and private extension system providing goods and services. The local institution led by local leaders and local talents addressing local needs locally bases major cooperatives [4].

2. GENESIS OF COOPERATIVE SOCIETIES WITH POLICY MEASURES IN INDIA

In 1850s, when East India Company started policy of annexation, deindustrialization of traditional industries started which led to huge migration of people towards rural India. This situation created vast potential for cooperative

movement for generating self-employment opportunities at grassroots. The cooperative movement in India was formally launched in 1904. It played very important role in development of agricultural sector especially in supporting small, marginal and weaker section of society. Immediately after independence, cooperative sector was recognized by the government as third economic sector to serve between public and private sector and in 1950, Cooperatives became a part of the National Development Plans. The First Plan (1951-56) recommended the training of personnel involved in cooperative development and setting up of cooperative marketing societies. In 1954, the All India Rural Credit Survey Committee recommended an integrated approach to cooperative credit and highlighted the need for expanding its role for diversification into various business operations. The Second Plan proposed to expand the activities under the cooperatives with specific emphasis on storage and warehousing services. In 1958, the National Development Council prepared a National Policy on Cooperatives. The Third Plan proposed to involve the cooperatives in agricultural processing of commodities such as sugarcane, cotton, milk, etc. and take up other agro-based activities such as spinning and weaving. A Cooperative Training College was established in Pune with many regional centers to build capabilities of the staff, office bearers and farmer members. The Fourth Plan emphasized on the consolidation of the cooperative systems. The Fifth Plan focused on reorganization of marketing and consumer organizations to support agricultural development. The Sixth Plan aimed at transforming village primary societies into multipurpose societies and to extend the activities to food processing, fishery, poultry, dairy farming and other fields. The Seventh Plan emphasized people's participation to achieve the basic objectives, with a focus on employment generation and poverty alleviation strengthening of consumer cooperative movement especially in North-Eastern Region [5]. The Eighth Five Year Plan (1992-1997) laid emphasis on improving economic activity and creating employment opportunities for self-managed, self-regulated

and self-reliant institutional set-up. From the Ninth Plan (1997-2002) onwards, there has been no specific mention about cooperatives as a part of the Plan. Since Cooperation is a State subject and Multi-State Cooperative Societies Act, 2002, promoted parallel Cooperative Legislation for self-reliant cooperatives co-exist with the earlier laws. National Cooperative Policy (2002) is to facilitate an all-round development of cooperatives in the country being accountable to their members and making a significant contribution to the national economy. NCDC Amendment Act, 2002 has enabled it to cover notified services, livestock and industrial activities and more importantly to directly fund cooperatives against suitable security [6].

3. ROLE OF COOPERATIVES AND THEIR PROGRESS

Several types of cooperative societies functioning in India with different activities can be grouped into the following four categories: (Kumar et al, 2015)

- Production Cooperatives, which deal with agricultural and industrial production, such as Farming Cooperatives, Industrial Cooperatives and Processing Cooperatives.
- Marketing Cooperatives which are engaged in marketing of agricultural produce, such as Agricultural Marketing Societies and Consumer Cooperatives.
- Service Cooperatives which provide services necessary for their members, such as Cooperative Credit Societies and Cooperative Banks and also Housing Cooperatives.
- Allied Service Cooperatives which are dealing with activities necessary for daily life and business of the agriculturists, artisans, etc.

4. FARMING COOPERATIVE SOCIETIES

While various land reforms were enforced to ensure equitable distribution of natural resources, consolidation of small and fragmented holdings was considered necessary for improving agricultural production. Hence concept of Cooperative farming was mooted by the Planning Commission to pool the land owned by small farmers for joint management. Cooperative could then pool the holdings for land improvement and intensive cultivation, using modern technologies. 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 [7]. It implies an organization of the farmers on the basis of common efforts for common interests [8]. As the concept was new, ideally, the Government should have planned to establish a few model farming cooperatives for demonstrating the benefits. In the absence of such models, slogans and speeches could not convince the farmers about the economic advantage of cooperative farming. Hence the response was very poor.

5. AGRICULTURAL PROCESSING COOPERATIVES

The first processing cooperative society was established in India for setting up of a ginning factory in 1917. Subsequently, cooperatives for sugar processing, paddy milling, groundnut decorticating, copra and oilseed crushing, processing of fruit, vegetables, tea and jute were established. These processing cooperatives with individual farmers, cooperative marketing societies and local service cooperatives as members are regulated by cooperative rules and by-laws. The private sugar factory owners were exploiting sugarcane farmers and the Government had to take various measures to protect sugarcane growers. Hence, cooperative sugar factories were started at Etikoppaka, Thummapala and Vuyyuru. However, due to initial inception problems, lack of managerial ability and scarcity of funds, Thummapala and Vuyyuru had to be sold off to private enterprises. But Etikoppaka Cooperative Sugar Factory survived because of the good leadership, strong backing of the Central Cooperative Bank, and payment of higher cane price [9]. As blooming of cooperative sugar factories were being established, apex organization at the State and national level were created namely State level Federations of Cooperative Sugar Factories and the National Federation of Cooperative Sugar Factories Ltd to mediate with the State Governments and guide them in all respects. Many sugar cooperatives have now turned sick. Major problems faced by the cooperative sugar sector are absence of decision-making process, unprofessional management and lack of foresightedness. Sugar cooperatives in India have now become a perfect example of a sweet dream turning sour, which calls for immediate corrective measures [9]. There are about five lack cooperatives working but very few cooperative societies in selected areas like Dairy,

sugar, oil seeds, Mahagrape in Maharashtra, tomato growers in Punjab etc. succeeded in cooperative processing industry [10].

6. AGRICULTURAL CO-OPERATIVE MARKETING SOCIETIES

It is a collective effort to achieve economies of scale through bulk marketing strategy for agricultural products by enhanced bargaining strength of the farmers, eliminating middlemen, direct dealings with buyers, easier and cheaper transport, storage facilities, grading and standardization, provision of inputs and consumer goods. Krishak Bharati Cooperative Limited (KRIBHCO) and Indian Farmers fertilizers Cooperative Federation (IFFCO) are famous for fertilizer marketing from cooperatives. National Cooperative Marketing Federation (NAFED), National Cooperative Consumers' Federation (NCCF), are famous for cooperative marketing and consumer's products supply. 'Amul' products of Gujarat in dairy product marketing, Co-optex of Tamilnadu in weaver exporting, 'coirfed' products of Kerala are remarkable examples [11].

7. PRIMARY AGRICULTURAL COOPERATIVE (CREDIT/SERVICE) SOCIETIES (PACS)

Primary Agricultural Co-operative Society (PACS) comprised of 10 or more persons, organized at grass-root level of a village or a group of small villages with nominal share to enable even poorest farmer to become a member. It is the basic unit which deals with rural (agricultural) members for credit transaction like bank such as short-term and medium-term credit based on a three-tier system, i.e., the Apex Co-operative Bank at the State level, the Central Co-Cooperative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. It acts as a bridge between the ultimate borrowers and higher financial agencies, namely the RBI/ NABARD. Besides credit, it also support members in short term & medium term kind support like critical inputs (Seeds, fertilizer, pesticides) supply, pump set for irrigation, cattle for livestock farming, and processing marketing of member's agricultural produce, distribution of essential consumer commodities with construction of storage godown facilities. The ownership of shares decides the right and obligations of the holder to the society. Share capital forms an important form or part of the working capital [12].

8. STATUS OF PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES (PACS) IN INDIA

There are total 95238 numbers of PACS operational in India whereas only 17965 numbers are potentially viable i.e. 19% potentially viable societies covering 639342 numbers of villages and 130547380 numbers of members. There is 43698450 numbers of small farmers covered out of which 19820930 numbers are borrowers i.e. 45% of small farmers borrowed from PACS in India. Only 46405 number of PACS showing profit i.e.49% societies running in profit mode whereas 37838 numbers of PACS (40%) suffering out of loss. This loss in credit transaction is due to low recovery rate and deliberate intervention of government which encourage the defaulters for seeking loan waiving by government [13]. There are 54% untrained staffs i.e. 93432 numbers of out of 172287 number of total staff accounts a serious challenge in sustainability of cooperatives. Despite challenges, there is 85% coverage of villages with 51939 number of societies having go downs (storage structure) having 7214824.81 Ton capacity is tremendous opportunities for societies development and rural prosperity [14].

One empirical research on Customer or Member Satisfaction of Primary Agricultural Credit Societies in Kerala explains that male members, educated youth, medium aged group, agriculturist, low income group are getting higher satisfaction than others categories. Analyzing the factors affecting overall customer satisfaction, loan term is found to be most influencing factor followed by interest rate, behavior of employees and location of societies whereas varieties of service provided by societies have no significant influence in customer satisfaction[15].

9. CHALLENGES AND PROSPECTS OF COOPERATIVE SOCIETIES IN EMERGING SITUATION

9.1 Challenges of Cooperative Societies

Co-operative movement in India lacks spontaneity not democratic or bottom up approach contradicts the core principle. Lack of funds and conditioned borrowing from central banks to meet the credit requirement of members without interrogation of purpose of credit demand led disruption in productive use of credit.

Table 1. Operational status of PACS in India

Operational Status (in No.)		Financial status (in No.& Rupees)		Clients coverage (in No.)		Staffing pattern (in No.)	
Total	95238	Societies in Profit	46405	Number of Villages Covered by Societies	639342	Total No. of Staffs	172287
Viable	64382	Amount profit	41335859.15	Total members	130547380	Full Time Paid Secretaries	41896
Potentially Viable	17965	Societies in loss	37838	Small farmers members	43698450	Part Time Paid Secretaries	21150
Dormant	2709	Amount loss	73155672.40	Total number of borrowers	50690220	Other Staff (Clerk/Typist/Helper)	109241
Defunct	1542	Number of Societies with Own Go downs	51939 (7214824.81 Ton Capacity)	Small farmers borrowers	19820930	Trained staff	78855
Others	8640	Agricultural Over dues to Demand	20.75% (Short Term loan)	Villages covered	85.06%	Untrained staff	93432

Source: India Stat (2017-18)

Negligence of non-credit aspects by large Primary Agricultural Cooperative Societies, regional disparity in credit disbursement in eastern and north eastern India, lack of willing cooperation by people, lack of realization of horizontal and vertical linkage, exploitation by landlords and large farmers in larger share holding, political interference, nepotism in beneficiaries, and lack of coordination with other banking institution enables double financing to the defaulters leads to non-viable cooperative societies with loads of over dues.

Irregularity and manipulation by influential people being elected to Chairman and vice chairman altered the power structure hijacked the cooperative spirit among farmers members. Lack of modern banking practices, lack of awareness of members regarding societies' objective, lack of professionalism and limited coverage among members only with single purpose activities are major draw backs in functional progress of societies [16]. Lack of member sensitization for active membership, speedy exit of non-user members, lack of efforts for capital formation enhancing member equity, global Competition for competitive products, existing non-viable pen & paper cooperative banks having higher NPAs to asset ratios than commercial banks which not able to become self-reliant but depend heavily on refinancing facilities from the Government, RBI and NABARD are posing tough challenges in recent time [17]. Overstretching of the capabilities of the institutions without adequate technical, administrative and monitoring support could be the other reason for poor performance of many of the cooperatives.

Customer satisfaction plays decisive role in achieving success of societies progress which seriously lacks in banking services provided by these institutions which results switching over to commercial banking without notice or excuse being deprived of right service at right time through professional relationship provided by commercial banking sectors [18]. One of the research study also supported that the people under low-income category being main service takers of the co-operative banks are dissatisfied with the bank in updating them with the information of new services. This is because of legal constraints by the Government affects growth of the co-operative banks [19]. The time is now to analyses the status of agricultural cooperatives and identify the factors, which can enable them to improve their capacity to boost agricultural production in the country.

9.2 Prospects of Cooperative Societies

Cooperatives play an important role in financial inclusion of rural people covering a larger share specially farmers in comparison to banking sector. According to the World Bank's Global Financial Development Report 2014, "Research—both theoretical and empirical—suggests that financial inclusion is important for development and poverty reduction [20]. The Government neither highly intervene nor completely loose rather should take a regulatory and supervisory role while members should manage the cooperatives' operations by reducing state control on the functioning. To achieve autonomous and sustainable organization, there needs to be increased professional management and governance in the running of the cooperatives.

Raising share value of individual will result member real involvement in business operations and receive higher dividend. There should be attractive shop and office premises as like commercial banks with quality assured and honestly priced products in consumer cooperative stores. To attract more local customers, they should be available to so early in the morning or stay late in the nights for convenience of their customers. Being professional for tracing new marketing opportunities, they should educate members about the objective of cooperatives for active participation in business activities rather passive recipient. There can be core banking facilities with issuing cheque book, ATM in credit cooperatives. Agro-processing facilities, cold storage facilities, branding and quality standardization, market linkage are utmost priority for value chain development and sustainable enterprise mode cooperatives [10]. Kumar[4] emphasized value chain development with the key components such as development of institutional infrastructure, formation of private capital, distribution of agricultural inputs, and processing and marketing of the produce through a large network of 5.45 lakh cooperatives functioning with 2.36 crore members and a working capital of Rs. 34,000 crores. The digitization of cooperatives for online rural marketing, need based production & processing, market driven extension and Kissan Mandi like Hariyali Kissan Bazaar (One Stop Singe Window System) can be major breakthrough in transforming cooperative sectors in India.

Vice President of India emphasized on his delivery remarks on 19th Vaikunth Bhai Mehta

Memorial Lecture organized by National Cooperative Union of India (NCUI) that cooperatives have power to revive agriculture and make it sustainable. He explained that cooperatives can be training institute for farmers in improved technological practices for higher income of farming communities. Cooperatives should include more number of female members for inclusive growth in rural economy. Cooperatives can be instrumental in achieving Doubling Farmer's income target by facilitating and actively involving all seven (7) points' strategies made by Government of India. Cooperatives for its growth and development, it requires self-renewal with digital technology adoption and integration of people friendly facilities. [21]. National Cooperative Union of India also emphasized on "Role of Cooperatives in New India" where several aspects to revive the sector in to a dynamic vibrant entities. Those are innovation through rural cooperatives, enabling legislation for cooperatives, upgrading knowledge and skill through training, specialized cooperatives of youth, women and weaker section along with financial inclusion, digitization and technology adoption to strengthen the cooperative societies. [22]

10. CONCLUSION

Cooperative societies have potential to act as not only financing credit in short term and medium term loan rather these can provide technical and vocational service to the small and marginal farmers to transform agriculture into agribusiness enterprise by pooling of the resource for realizing economies of scale. Infrastructural development, good governance, professionalism, policy legislatives, strict guidelines, members' education, assured quality, market linkage, processing of produce, skilled staffing and fair policies can be pivotal in transforming the rural cooperatives into vibrant successful models for farmers' socio-economic prosperity in the rural India.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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