

Role of Co-Operatives in Rural Development

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Abstract

On attainment of independence, the country decided to build its economics base in a planned manner. The cooperative sector was given due importance as a third sector which could act as a balancing factor by eliminating the drawbacks of the public and private sectors. Except for a few successful cooperatives, the cooperative movement in India has failed to bring about a transformation of the rural economy. Some theoretical issues on cooperative development as an alternative model of development are discussed. The future prospects of cooperatives in India have also been discussed in the context of liberalisation and globalisation.

Keywords: Cooperative, Rural, Agriculture, Government, Credit, Liberalisation, Economy, Development, Cooperative Movement, Society etc.

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Introduction

Rural developments is a major concern before our planners .Most of the planning objectives cannot be achieved without making sufficient and necessary efforts towards Rural development .How the issue of rural development is addressed by country decides its approach towards comprehensive economic development. From this point of view the process of development in every developing country should be rural development. Most of the developing countries have a large population in rural areas. There is continuous and growing divide between urban and rural regions. This growing division leads to neglect of rural areas, disproportionate distribution of resources and absence of logical approach towards development. The issues and problems in rural area often remain neglected and people in rural area develop a feeling of step motherly treatment. Want of resources, lack of infrastructure, low income and lack of progressive approach of people are some of the reasons of absence of low development in rural areas.

When a large population stays in rural area, a country cannot afford to neglect the growth process and aspiration of people in rural area. Without economic transformation the social change and development is not possible. In county like India rural regions often are extremely neglected and not properly attended. When it comes to developmental process, want of resources, lack of proper model of development, faulty system of implementation are some of the reasons of the poor rural development .Low aspiration of people, lack of vision, ignorance, feeling of complacency and less attention on developmental priorities are some of the reasons of poor development indicators in rural India. It becomes necessary that the problem of rural development should become the centre stage of rural development without which our country cannot attain desired stability.

Rural cooperatives

Cooperative must have a great and long history .Last 200 years are marked with various achievements of cooperatives. First cooperative movement started in England, today its beneficiaries are spread all over the world. Various financial institutions and Banks are result of principles of cooperatives. Cooperative institutions have brought changes in many societies and nations. When it comes to conflict of ideologies like capitalism and socialism often cooperative is considered as middle path. Cooperative ideology and institutions work as golden means that balance the priorities, preferences and requirements of different stakeholders in effective manner. In India cooperative has been expected as mantra of development in early 20th century .Since then a large number of cooperative institutions have emerged and

have changed socioeconomic dimensions of developmental process. The weaker section of the society ,backward communities ,unorganized economic players are rightly benefited through cooperative organizations .In a heterogeneous country like India the purpose of development cannot be achieved by using a single mechanism and unique ideology.It requires multifold solution. A mix of various institutions, agencies and techniques only can help to achieve the goal of economic development .That is why Indian planners have adopted mixed economic system, giving scope and opportunity to capitalist and socialist ideas simultaneously have given cooperatives and cooperative institutions due weight age and importance.

In rural India the only solution for rapid economic development can come in the form of rural cooperatives. Rural India requires economic institutions that can utilize and scatter small resources effectively. It requires institutions that are helpful in creating confidence, organizing people and utilizing their resources effectively. From this point of view rural cooperatives have a vital role to play. These institutions can bring in desired social change and help in economic development .Rural cooperatives can generate desired confidence which can help in creating appropriate infrastructure and improve the network of various agencies and institutions in rural area. Rural cooperatives can play the role of catalyst in organizing resources, implementing plan and developing the target of economic development .Rural cooperatives have a great role to play in organizing small but profitable purposive economic activities .They can take initiative to create a right system with people's participation as the basic plank of socio-economic transformation.

Cooperative Movement in India

From the days of Hazari Committee (1971) to Vaidyanathan Committee (2004) and High Powered Committee on Cooperatives (2009) Government has shown its intent on institutional and legal reforms to make the cooperatives as vibrant economic entities.

The development of Cooperative movement is so spectacular that it has emerged as a very big sector in Indian economy contributing to the economic development of this country. Maharashtra has been in the forefront in the cooperative movement. With its success on one hand, the Cooperative movement has been facing severe criticism on other, only because of few instances of mismanagement, malpractices and failures in this movement. To enable the state to maintain its premier position in the country in this respect, the YASHADA had decided to give due emphasis to capacity building of all the stakeholders in the cooperative sector. With a view to ensure this and having regard to the fact that a large number of training programmes

have been organized for the capacity building of officials and non officials of Co-operative Banks / Co-operative Credit Societies / DCC Banks/ APMCs, it was felt necessary to establish a Centre for Co-operative Training and Research. The Centre for Co-operative Training and Research was established on 7th April 2004.

The history of co-operative movement in India started with the passing of the first cooperative societies act in 1904 by the government of India. The primary objective of this act was to extend credit facilities in adequate measure at a cheap rate of interest. However, in the Act of 1904, nothing was said about the establishment of central bank necessary for financing of the primary credit societies. The Act of 1912 recognized along with co-operative credit societies, cooperatives for marketing, farming, housing etc. The consequent acts in the years 1919 and 1925 minimized the limitations of the previous laws. Co-operative movement has also been highlighted by the Rural Survey Committee (1954), by Vaikunth lal Mehta Committee (1960) and also by the five yearly plans. In 1901 the famine commission expressed the view that ‘in the establishment of mutual credit associations lies a large hope for the future of agriculture in India and the probability of lasting success which will be greatly strengthened if mutual credit associations take root and flourish in the country.’

Development of co-operative movement in the Post-Independence Period

The attainment of independence by India gave impetus to the development of the cooperative movement as the rural development received priority in the development of the nation building agenda of the Government of India. There was a marked shift from the laissez faire state to a welfare state, with emphasis of planning. The encouragement and the financial support extended by the government of India & state government resulted in not only in the expansion of the credit co-operative institutions but also led to the proliferation in several other fields.

India’s first Prime Minister Pt. Jawaharlal Nehru had strong faith in the cooperative movement. In his speech in international seminar on cooperative leadership in South-East Asia he had said *“But my outlook at present is not the outlook of spreading the cooperative movement gradually, progressively, as it has done. My outlook is to convulse India with the Cooperative Movement or rather with cooperation to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the cooperative approach the common thinking of India....Therefore, the whole future of India really depends on the success of this approach of ours to these vast numbers, hundreds of millions of people”*.

In 1984, Parliament of India enacted the **Multi-State Cooperative**

Societies Act to remove the plethora of different laws governing the same types of societies.

The most important success stories lay behind the success of White Revolution which made the country the world's largest producer of milk and milk products; and Green Revolution and the conversion of villages into model villages have assumed great importance in the wake of the Green Revolution.

Government of India announced National Policy on Co-operatives in **2002**. The ultimate objective of the National Policy is to-

- (a) Provide support for promotion and development of cooperatives
- (b) Reduction of regional imbalances
- (c) Strengthening of cooperative education, training and human resource development

The term co-operation is derived from the Latin word co-operari, where the word co means 'with' and operari means 'to work'. Thus, co-operation means working together. So those who want to work together with some common economic objective can form a society which is termed as "co-operative society". It is a voluntary association of persons who work together to promote their economic interest. It works on the principle of self-help as well as mutual help.

Types of Co-operative Societies

1. Consumers' Co-operative Society:

These societies are formed to protect the interest of general consumers by making consumer goods available at a reasonable price. They buy goods directly from the producers or manufacturers and thereby eliminate the middlemen in the process of distribution. Kendriya Bhandar, Apna Bazar and Sahkari Bhandar are examples of consumers' co-operative society

2. Producers' Co-operative Society :

These societies are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipments, machinery, etc. Handloom societies like APPCO, Bayanika, Haryana Handloom, Boyanika, Cuttak Odisha Handloom etc., are examples of producers' co-operative society

3. Co-operative Marketing Society:

These societies are formed by small producers and manufacturers who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in the market. Gujarat Co-operative Milk Marketing Federation that sells AMUL milk products is an example of marketing co-operative society

4. Co-operative Credit Society:

These societies are formed to provide financial support to the members. The society accepts deposits from members and grants them loans at reasonable rates of interest in times of need. Village Service Co-operative Society and Urban Cooperative Banks are examples of cooperative credit society.

5. Co-operative Farming Society:

These societies are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming. Lift-irrigation cooperative societies and Pani Panchayats are some of the examples of co-operative farming society.

Role of Co-Operatives in India Economy

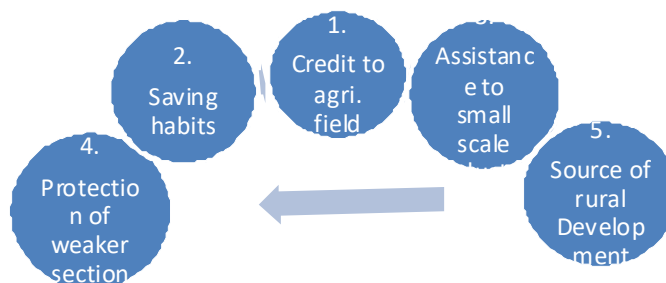
Role of Cooperatives Credit to Agriculture field Assistance to MSSE Development of Processing Industries Rural Development Employment Opportunities Protection of Weaker sections Encourages Saving Habits.

1. Providing credit to agricultural field- Farmers, labourers, artisans get such assistance to protect farmers from the hands of landlord's credit co-op. provides protection.

2. Assistance to small-scale industry- There are artisans, small entrepreneurs at rural level. These small entrepreneurs can be financially supported by co-operatives. It helps to create employment opportunities and, then improve the standard of living of rural people.

3. Development of processing industry- Factories based on agricultural product can be started that is Sugar factory, Paper mill, Rice mill, Dairy business, etc. Business could be started because the required raw material is made easily available.

Figure: Role of Cooperatives



4. Employment opportunities In India

We are facing big problem of unemployment. Co-operatives formed in different regions help to eradicate unemployment by creating employment

opportunities.

5. Saving habits

Weaker section of the society having less finance tends to spend fully without the provision of future. It is co-operative credit society, which inculcates the saving habits among the masses.

6. More participation in export

The economy of any country becomes healthy when it has more export & less import. Co-operative sector has definitely helped to produce more & export it to foreign countries especially in the field of agriculture, Dairy, etc.

7. Source of rural development

Majority of people in India resides in rural areas. After 71 years of independence majority of Indian from rural areas are still backward. Rural development is the need of the hour. Mahatma Gandhi used to say 'turn to villages' because the development of our country lies in the development of rural India. Co-operative credit society has become one of the important sources of rural development.

8. Protection from financial inequality

After independence the gap between rich and poor has increased. Rich are becoming richer & poor are becoming poorer. Even there is also a regional imbalance, which leads to financial inequality.

9. Protection of weaker section

Weaker section of the society is greatly exploited by moneylenders & traders. Although Government has taken strong step to protect weaker section from exploitation till today. They have become prey of moneylenders & Jaminders. Co-operative credit societies surely protect the weaker section from the hands of moneylenders by providing them financial existence.

Defects in Co-operative Movements

1. Lack of motivation- There is very poor response from the people.
2. Lack of Motivation - leads to failure.
3. Unequal development- although this movement started in almost all the states, some states failed. There was good response from states like Maharashtra, Punjab, Uttar Pradesh, Tamil Nadu, etc. but the response from the states like Assam, Bihar, and west Bengal is not satisfactory.
4. Economically not viable- More attention was on quantitative development rather than qualitative development. Out of 20,000 credit societies, not a single co-operative credit was economically viable. In U.P. out of 46,000 co-operatives only 30,000 co-operatives were economically viable.

5. Lack of managerial skills Co-operative sector lacks trained, qualified and experienced personnel.
6. Lack of capital there was non-availability of funds required for day-to-day functioning of the credit society.
7. Lack of attention to the members - Favouritism has entered this movement. Rich people like big farmers & landlords-were given much attention & ordinary people and poor farmers were neglected.
8. Problem of NPA- some of the co-operative credit societies was having the NPA of 25 to 30%. This is because loans were given to the persons who misuse the same. Lack of efforts to collect the loans turned into increasing NPA. Even weaker section of the society could not pay loans within a stipulated time. Many times rich farmers also avoided paying the loan instalments at the right time.
9. Failure in fulfilling the needs of members- Many times co-operatives were unable to fulfil the needs of their members and hence people had to take the help of landlords and zamindars.
10. Politics in co-operative credit – There is interference from local politician in the day –to-day activities. Most of the directors have political background. Hence the sole purpose of co-op. credit is neglected.
11. Corrupt practice it is the corrupt practices of managerial employees of credit societies that led to its failure.

Problems faced by credit co-operatives

The credit movement has been hampered by several problems, which creates barriers in its path to success. Many co-operatives are unable to function efficiently because of the following problems.

- 1) **Lack of funds:** -Many members don't have the habit of savings. The inability to raise adequate funds leads to their dependency on moneylenders for credit.
- 2) **Managerial Problems:** - Management lack professionalism while sometimes mismanagement leads to failure. Many co-operatives in India are victims of various scams & frauds.
- 3) **Competition from private agency:** - There is competition from private credit providers, such as moneylenders, Zamindars & Traders etc.
- 4) **Lack of government support:** -Government doesn't take much interest to make co-operative credit financially strong. Also the lack of proper supervision by government leads to inefficiency and corrupt practices in co-operative credit societies.
- 5) **Poor response & Co-operation from people:** - Many people in India are

illiterate. There are not many facilities available today. Even after much efforts of awareness about the co-op credit society, there is poor response from the people.

6) Lack of motivation: - Most of the time workers working for co-operative credit society are not properly motivated. They are not paid properly, also they are ill-treated. This lack of motivation leads to inefficient functioning and finally resulting in non-co-operation from workers.

7) Poor performance: - Performance of co-operative societies in India is not satisfactory. Dispute between management and workers, excessive government interference, huge government grants & equity participation leads to poor performance .As a result of this most co-operatives in India are financially less viable.

8) Lack of professionalism in Management: - Competition poses a major threat to co-operatives that is used for thriving on government conferred privileges including monopolistic status, huge grand & subsidies. One of the main reasons is the lack of finance that would be useful to attract professional managers. Most of the co-operatives from rural areas can't afford to hire professional managers.

9) Excessive government control & political interference: - Co-operative was dragged into the party politics when they reported about the unprincipled politician who began to see them as vehicles for political mobilization and to fill vote banks.

10) Lack of good leadership: - Good leadership is a pre-requisite not only for creating a co-operatives but also for providing a vision, inspiration and guidance for both the members and the management so as the enable the co-operatives to achieve its purpose. Every co-op. needs an honest, skilled, energetic & dedicated leader who should be preferably drawn from the cardinal stakeholder. It is unrealistic to expect a good leader to spend his time & energy for an organization without any compensation.

How to resolve the problem of co-operatives?

1. Co-operatives need to explore other non-conventional avenues for raising resources needed for their operations & meeting their working capital requirement.
2. Co-op. needs to train its personnel for better performance. National level management institute like Vaikuntha lal Mehta Institute of co-op. management, Pune could help in developing appropriate curriculum for the purpose of training.
3. Adequate compensation should be paid to the elected leaders for their services to protect co-op. from misuse of funds, regular audit by an independent and reputed authority is necessary.
4. Co-op. needs to make profit so as to serve their members. There is a vital need of good human resource practices and better response from the people.

Following steps are required to encourage co-operativeSector

1. Government should take initiative to form an alliance between the Apex Institution involved in the development of co-operative societies.
2. The government should see that there is no political interference as it is a major hurdle in the development of co-operative.
3. The success of co-operatives in the west is because the members are educated unlike Indian members involved in cooperatives here.
4. It is observed that, many members of co-op. are looking after their own vested interest. To overcome these problem stringent rules need to be framed.
5. Co-operative can't retain professional managers. That is why they need to change their approach in introducing professionalism in co-operative sector.
6. Government should play a role of facilitator and should not directly interfere in the cooperative enterprises.

Conclusion:

The co-operative legislation played a major role in shaping the road and giving the cooperative movement the right direction. Legal framework is a very important factor and plays a vital role in ensuring the survival of the co-operatives. After independence, various Acts have been passed to meet the requirements of the co-operatives at the local as well as state level. Though considerable steps have been taken, there is an urgent need for drafting accurate rules and regulations for protecting the interests of the members and the poor and needy people. 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.

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