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Co-operative system in India and operations in rural development

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Abstract

India lives in villages where most of the inhabitants are small, marginal, landless farmers and artisans. After independence, agriculture was identified as one of the thrust areas for rural development. Even at that time, the policy makers had visualized the fact that without people's participation and institutional support, the rural development programmes could not be pushed through. India has a long history of cooperation, with a variety of cooperative activities being conducted in numerous facets of society. Here is a timeline of the Indian cooperative movement. Cooperative behaviours can be traced back to ancient Indian society during the ancient and medieval periods. Communities frequently collaborated in agriculture to complete chores like irrigation and land preparation. In the past, the "Bhoomi Sena" (land army) served as an example of group agricultural activities. Similar to today's mutual-aid societies, indigenous trading groups like the Marwaris and Chettiars supported and provided credit to their members.

Keywords: Co-operation, marketing, processing, economic, liberalization, agricultural, rural development, state

Introduction

During the British colonial era, the formal cooperative movement in India grew in strength. Modern cooperative legislation began with the passage of the Cooperative Credit Societies Act in 1904. The emphasis was on giving rural farmers and artisans, who were frequently taken advantage of by moneylenders, access to reasonable finance. During this time, the cooperative movement grew, placing a focus on agricultural credit. The importance of cooperatives in the distribution of rural finance was underscored by the All-India Rural Finance Survey in 1954. During Five-Year Plans to support rural development, agriculture, and small-scale enterprises, the Indian government incorporated cooperatives into its development plans. There was a drive to nationalize important industries, notably banking, in the 1960s and 1970s. During this time, a lot of cooperative banks were combined with bigger banks.

Economic liberalization had an effect on the cooperative industry in the 1990s. The conventional cooperative model was less important than more market-oriented strategies. A variety of fresh cooperative organizations, including dairy cooperatives, urban cooperative finance societies, housing cooperatives, and consumer cooperatives, have arisen. Structure of the Cooperative Credit System By and large, the structure of production credit is a three-tier system comprising the State Cooperative Bank at the state level, the District Cooperative Bank at the district level and the Primary Agriculture Cooperative Society at the village level. The investment credit structure has two tiers, i.e., the State Cooperative Agricultural and Rural Development Banks at the state level and Primary Agricultural Cooperative Rural Development Banks at the grass roots level. But wherever there is no structure for providing the investment credit, it is rooted through the production credit system as explained in the diagram below. Besides, there are national level Federations which take care of policy, planning and promotional works in this case. The refinance to cooperative banks comes largely from the National Bank for Agricultural and Rural Development (NABARD).

Methods

In the present study Co-Operative System in India and Operations in Rural Development in detail with help to secondary data which collected from books, daily newspaper, journal and internet.

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Cooperative Marketing

The need for cooperative marketing was realized in view of the growing malpractices prevailing in buying and selling of agricultural produce. The producers were not getting the due share of their agricultural produce. They were forced to sell their produce on through away prices. So as to protect farmers, marketing cooperatives emerged after the enactment of Cooperative Societies Act 1912. Accordingly, an integrated programme of cooperative marketing was planned and a cooperative marketing structure was set up at various levels. The significance of cooperative marketing was recognized as early as 1928 by the Royal Commission on Agriculture, which remarked that group marketing would be more efficient than marketing by individuals, especially in conditions that prevailed during that period in India. The objectives of promoting the marketing cooperatives were:

- a) To strengthen the bargaining capacity of the member cultivators so as to secure them a better price for their produce.
- b) To help in improving the socio-economic conditions of producer members.
- c) To help in stabilizing marketing conditions to regulate the supply of commodities.
- d) To eliminate the middle men and moneylenders.
- e) To restrict the intermediaries and benefit the consumers directly asking them for reasonable prices.
- f) To systematize fair trading practices
- g) To educate and persuade the farmers to grow better quality products.
- h) To arrange and provide the facilities of transportation, grading and storage of agricultural produce.
- i) To protect the economic interests of members by educating them about the latest techniques of farming.
- j) To inculcate the habits of self-help and thrift among the members of the cooperative marketing society.

The cooperative marketing structure in the country has two tiers, except in Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Manipur, Punjab, Tamil Nadu, Uttar Pradesh and Pondicherry, where it has three tiers, i.e. primary at the block level, district marketing at the district level and state cooperative marketing federations at the state level. Initially, general purpose cooperative marketing societies were organized and later attention was shifted to more specialized or commodity marketing cooperatives, such as those for Fruits and Vegetables, Cotton, Tobacco, Areca nut, Coconut, Rubber, Sugarcane, Tea, etc. At present, there are 30 general purpose and 22 specialized state level cooperative marketing federations, 394 district marketing and 8869 primary marketing societies in operation. Besides, NAFED and TRIFED are two national level federations. NAFED has been recognized as the nodal agency for marketing agricultural commodities, price support and export channelling of agricultural produce.

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Processing Cooperatives

The marketing cooperatives did not seem to help much, as many of the earlier problems continued. And it was felt that without making any value additions to the agricultural products, the cooperatives would not be able to help much in ensuring better prices for the products. In order to reduce the number of middlemen and to obtain a greater return on the agricultural produce, processing of crops by the marketing cooperatives was felt to be necessary.

Dairy Cooperatives Dairy in India is closely interwoven with agriculture and plays an important role in the rural economy. Besides having vast employment potential, dairy provides not only milk, but also stabilizes farm incomes. Small farmers and landless Labourers account for 53% of the animals and 51% of milk production. Thus small, marginal and landless farmers play a very important role in milk production in the country. The need to form the dairy cooperatives emerged due to continued exploitation of these weaker sections of the rural population by the private local dairy owners and other traders. With the declaration of the National Policy on Dairying in 1956, the growth and development of dairy cooperatives received a major boost.

Primary Agricultural Cooperative Society

The first Primary Agricultural Credit Cooperative Society was registered in 1905 at Dharwad in the former state of Bombay. By March 2003, the number had increased to 106,004 with a total membership of 109 million in the country. In 1960-61, the number of such societies was 2.12 lakhs, but the process of re-organization brought this number down considerably. Almost cent percent of the villages and 71% of the rural households have now been covered by these societies. Initially, the PACS used to provide only short- and medium-term credits (i.e. crop loans) to farmers, but after they were granted the status of multi-purpose societies, the PACS extended the number of services, which include distribution of inputs like fertilizers, certified seeds, insecticides, consumer goods, storage facilities and marketing of agricultural produce to farmers at the village level. By 2001-2002, the total loans advanced by these societies amounted to Rs. 247.38 billion to 42.69 million borrowers. These societies are also actively involved in the public distribution system and procurement of wheat, cotton and jute on behalf of the Government. Nearly 58% of the PACS are involved in consumer business and the distribution of inputs. During the year 2001-2002, these societies marketed 132.3 billion rupees worth of agricultural produce and also distributed consumer goods worth Rs. 9127.4 million. During the mid review period of the fourth five-year plan, it was emphasized that there were SFDA, MFDA and Tribal areas where PACS could not meet their requirement of inputs and seeds, nor market the tribal produce easily.

District Central Cooperative Banks

The District Central Cooperative Banks are the nodal banks

for production credit at the district level. By 2002-2003, there were 368 DCCBs, which operated through 12,763 branches. These banks provide finances to Primary Agriculture Cooperative Societies at grass roots level. The borrowings from these banks flow largely from NABARD, which accounted for 87% of the total borrowings from the DCCBs by the end of March 2002. The rest of the finances come partly from the respective state governments (10.8%) and partly from the commercial banks (3.5%). The DCCBs function as fully-fledged banks at the district level and accept deposits from non-members also, but advance loans only to the members. By 31st March, 2001-2002, these banks had advanced loans to the extent of Rs. 506 billion. There are 1,12,692 employees deployed in these banks.

State Cooperative Banks

The State Cooperative Banks (SCBs) are the apex cooperative organizations for production credit, i.e., short- and medium-term loans, at the state level. These banks are classified as scheduled banks and perform all the business that a normal bank performs. There are 29 State Cooperative Banks, which operate through their 880 branches. The share capital of these banks is Rs. 6752.7 million and the government participation in the share capital accounts to only 8.5%. Major borrowings (nearly 80.5%) from these banks come from NABARD. The SCBs provide finances to their respective District Central Cooperative Banks, and also supervise, monitor and control their operations. The total amount of loans disbursed by these banks during the year 2002-2003 was about Rs. 366.4 billion. The deposits of these banks increased to Rs. 35992.8 million in 2001-2002 from Rs. 7525.1 million in 1990-91, and 80.50% of the total deposits are from the cooperatives.

The size and volume of cooperative business during the post-independence period has shown rapid growth and multiplied many folds. The coverage of villages by cooperatives, which was 30% in 1950-51, has reached cent percent and by 2001-2002, 75% of the rural households were brought into the cooperative fold. Cooperatives have entered into every sphere of economic activity and emerged as one of the significant segments of Indian economy. Their contributions in shaping the rural economy also are substantial. The share of cooperatives in rural credit disbursement amounted to 49.3% during the year 2001-2002, fertilizer distribution was 36.0%, fertiliser production 29.0%, sugar production 59.0%, branded oil marketing 50%, ice cream production 45%, animal feed production 50%, spinning 12%, fabrics production 22.0%, handloom cooperatives 55%, wheat procurement 36.0%, jute procurement 21%, fishermen's cooperatives 11%, rural fair price cooperatives 28%, salt manufacture 7% and employment was created for 15.1 million people. The contribution of milk cooperatives in milk production, procurement and distribution is significant. Cooperatives were also organized at grass roots level for fisheries, forest labour, farm forestry, poultry, weavers, handlooms, handicrafts, and irrigation to organize the rural people and provide them necessary services for the development of rural community.

The education and training networks of cooperatives have promoted awareness regarding development, advantages and techniques of living under the umbrella of cooperatives. This has helped in curbing the migration of the rural people from rural to urban areas. The cooperative venture and its

programmes have also promoted diversification in crop production; effective use of chemical fertilizers, insecticides and better seeds; new techniques for improving the fertility of the land and various ancillary activities.

The setting up of marketing and processing cooperatives has not only helped the farmers in ensuring better prices for their produce but have also generated significant rural employment. With the present size and network of the cooperatives, their contribution should have been much more than what it is today. The major problems that have limited the size of their contribution are, to name the important ones, the increasing amount of nonperforming assets (NPA), limited resources, lack of infra-structural facilities and professionalism, absence of modernization and little technology transfer, over dependence on governments, absence of effective monitoring and poor market information systems.

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