



Co-operatives for agri-development in India

Dr. K. K. Tripathy

Co-operatives are self-supporting community associations which are expected to realize social, economic and political objectives ranging from self-help and grass-root participation to production, distribution and social control over resource allocation and mobilization. In pre-independent India, the Cooperative Credit Societies Act 1904 was enacted to combat rural indebtedness and to provide a formal and legalised institutional status to credit societies. In post-independent India, as the country pursued a Five

Year Planning strategy as the lever of socio-economic development of its citizens, cooperatives came to be accepted as an essential instrument of social and economic policy.

India revisited her economic strategy in the 1990s and opened up the economy by carrying out a number of policy measures. However, the age old problem of poverty and unemployment remain alive even after almost two and half decades of economic reforms and globalization efforts.

In this backdrop, this paper attempts to review the significance and potential of cooperatives in India and to examine the issues and problems of the co-operative sector in a globalised regime, primarily focusing on the evidences from agricultural credit co-operatives.

Co-operatives

Co-operatives have a distinctive identity of their own and are based on the principle of co-operative values and principles. Members of co-operatives have a common

socio-economic interest and they use this democratic organization to pool their resources by making self-help effective through mutual aid and by strengthening the bonds of moral solidarity between them. Co-operation assumes the interaction between the economic and socio-cultural and political power in a specified region. International Co-operative Alliance (ICA) statement of cooperative identity includes the definition of co-operatives:

Principles

The principles on which the co-operative values are based are evolving with the needs and requirements of the co-operative members. The following are the major principles of co-operatives:

Democratic Member Control: Cooperatives are democratic organisations controlled by their members. Members actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the members. In primary

cooperatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Member Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. Members usually receive a limited compensation, if any, on capital subscribed as a condition of membership.

Autonomy and Independence: Co-operatives are autonomous, self-help organisations are controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information: Co-operatives provide education and training

for their members, elected representatives, managers, and employees. Therefore, they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation among Co-operatives: Cooperatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures. Concern for Community: Co-operatives work for the sustainable development of their communities through policies approved by their members.

Agriculture & Rural Development

The co-operative system in India can be classified into two types viz., credit and non-credit co-operatives. The credit co-operative has a three tier structure for the distribution of rural credit with Primary Agricultural Credit Cooperatives (PACs) at the village level, District Central Co-operative Banks at the district level and State Co-operative Banks at the state level. The urban areas are served by urban credit co-operatives. The non-credit co-operatives include producers' societies, Consumer Co-operatives and others like housing, transport, insurance, labour, farming cooperatives etc.

Two-thirds of India's people live on agriculture and allied activities and reside in rural areas. There are 650 rural districts in India covering 727,911 villages which has 106 million land holdings with the average size of the holding being only 0.88 hectare. The policy initiatives of government of India for strengthening the rural credit delivery mechanism has, therefore, laid emphasis on enhancing the flow of credit at the grass-root

"A co-operative 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" (ICA, 2007).





level through an effective credit planning, adoption of region-specific strategies, rationalization of lending policies and procedures and the reduction of cost of rural borrowings.

Number of branches of scheduled commercial banks in India as on 2015 stood at 1,25,672 out of which 39 % [48,732] were rural branches. The co-operatives, on the other hand, have 1,07,949 rural outlets including 93,042 number of Primary Agricultural Co-operative Societies (PACS).

About 13 crore members are active in 93,042 PACs out of which 4.81 crore (37%) are borrowing members. Around 52 % of loans outstanding of co-operative banks is towards agri-credit out of which 90% is towards crop loans only. Thus a large number of Indian farmers are availing credit support from the cooperatives for seasonal agri-operations. Further, PACs in majority parts of the country are engaged in seed and fertiliser distribution activities.

Similarly, share of agri-credit in the total credit portfolio of State Co-operative Banks and District Central Co-operative Banks stood at 63 and 52 per cent, respectively by 31st March 2015. The co-operatives registered a major role in purveying agri-credit in the country, especially the crop loan through Kisan Credit Cards (KCCs).

Co-operative Development: Issues And Challenges

Co-operation is a philosophy of life and an important guiding principle for the all-round development of a community. Co-operation brings together people on the basis of equality for the promotion of their economic interest. Major issues which limit the growth of co-operatives in India are:

- Lack of effective and efficient unit level leadership in the co-operatives creates confusion in devising and implementing clear policies to carry out programmes

and activities without having any confrontation with the Government.

- Lack of transparency and accountability in the co-operatives which needs to be given foremost priority and the co-operatives should not lose their unique identity for the sake of getting easy money or patronage of facilities offered by government or any other third party
- Absence of clear, well defined roles and functions including code of conduct of elected officials in a co-operative set up.
- Lack of focus on the basic values and co-operative principles in the operations of the co-operative units.
- Lack of professional and management competency in different tiers of co-operatives
- Political and bureaucratic influence over the co-operative system



- Lack of technology adoption by co-operatives
- Inflexibility in operation has restricted the co-operatives to diversify their products.
- Lack of professional training to co-operative staff

Conclusion

The co-operatives are the people's institutions and their management is vested on the people themselves. Co-operative enterprises and co-operatively organised economic entities have tremendous potential in creating a viable and vibrant rural economy through inherent community participation and ensuring livelihoods and food security to all.

Co-operatives as organizational arrangements of collective economic activity can break up interlocked capital, labour and output markets and alleviate poverty. However, to achieve these goals, the issues faced by the co-operatives be addressed and services of these decentralised democratic agencies should be improved upon for linking small and marginal farmers and the poor to the global market.

To ensure development of co-operatives, effective loan appraisal, adequate and efficient leadership, governance in co-operatives should be ensured to enable the co-operatives to become viable and

vibrant in a rural and agricultural eco-system. Focus should also be laid on retaining existing clients at all levels of co-operatives through adoption of improved technology enabled services. Attracting local youths and retaining them for a reasonable duration in rural areas for financing small and marginal farmers and weaker sections of the society would be the key for better results of these institutions.

To increase the outreach of co-operative credit to its millions of poor members, steps are needed to ensure that the co-operative credit institutions are member driven, based on self-help and democratic principles. The members should have ample flexibility to devise their recovery procedures so as to reduce their over dues and to make their institution economically and financially viable.

[The author is Director in the Vaikunth Mehta National Institute of Co-operative Management (VAMNICOM), Pune, Ministry of Agriculture & Farmers Welfare. Views are personal. E-mail: tripathy123@rediffmail.com]

