



Co-Operative societies in India: An overview

Dr. P Koteswari, Dr. K Sudha

Research Scholar, Department of Commerce, S.V. University, Tirupati, Andhra Pradesh, India

Abstract

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. Therefore, they follow certain broad values other than those associated purely with profit making. The need for profitability is balanced by the needs of the members and the wider interest of the community. The values universally recognized as cornerstones of co-operative behaviour are self-help, democracy, equality, equity and solidarity. The voluntary and open membership, democratic control, economic participation, autonomy, training and information and concern for community are the overarching features by which the co-operatives put their values into practice. The Co-operative institutions exist all over the world providing essential services which would otherwise be unattainable. The co-operative movement in India has celebrated its centenary year of service recently. The Indian co-operatives are unique as they were initiated and supported by the Government. In this paper explain that the development of co-operatives, Growth co-operatives, Types of co-operatives, Merits & Social Benefits of Co-Operative, Causes of slow progress co-operatives in India).

Keywords: co-operative, development, growth, types of co-operatives, merits & social benefits of co-operative, causes of slow progress

Introduction

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. The Co-operatives as business enterprise possess some basic interests such as ownership and control but these interests are directly vested in the hands of the user. Therefore, they follow certain broad values other than those associated purely with profit making. The need for profitability is balanced by the needs of the members and the wider interest of the community. The values universally recognized as cornerstones of co-operative behaviour are self-help, democracy, equality, equity and solidarity. The voluntary and open membership, democratic control, economic participation, autonomy, training and information and concern for community are the overarching features by which the co-operatives put their values into practice. Around the world modern co-operatives have developed for over 200 years. The Co-operative institutions exist all over the world providing essential services which would otherwise be unattainable. In many Third World countries, co-operatives such as credit unions and agricultural organizations have been very successful in helping people to provide for themselves where private and other corporate capitals do not see high profitability. In 90 countries of the world, over 700 million individuals are members of co-operative institutions. Globally, the co-operatives have been able to elevate its position as a powerful economic model. In some countries they are a sizeable force within the national economy. During the British rule, the Nicholson a British Officer in India suggested to introduce Raiffersen model of

German agricultural credit Co-operatives in India. As a follow-up of that recommendation, the first Co-operative Society Act of 1904 was enacted to enable formation of *agricultural credit co-operatives* in villages in India under Government sponsorship. With the enactment of 1904 Act, the co-operatives were to get a direct legal identity as every agricultural co-operative was to be registered under that Act only. The 1904 co-operative Societies act was repealed by 1912 Co-operative Societies Act which provided formation of co-operative societies other than credit. Under 1919 Administrative Reforms act, co-operatives was made a provincial subject making each province responsible for co-operative development. In 1942, the British Government enacted the Multi-Unit co-operative Societies Act, 1942 with an object to cover societies whose operations are extended to more than one state. The impulses of the Indian freedom movement gave birth to many initiatives and institutions in the post-independence era in India and armed with an experience of 42 years in the working of Multi Unit Co-operative Societies and the Multi-Unit Co-operative Societies Act, 1942, the Central Government enacted a comprehensive Act known as Multi State Co-operative Societies Act, 1984, repealing the Act of 1942.

They are business entities where people work together to solve common problems, seize exciting opportunities and provide themselves with goods and services. A co-operative is managed on the basis that the customers of a business are also the owners of the business. Each customer is entitled to become a member of the co-operative society, thereby receiving the benefit of success via a dividend payout. The beginning of this great movement is dated back to 1844, when

a group of men known as the *Rochdale Pioneers* began trade in grocery produces in England, based on a new principles of fair prices for reliable quality goods. These organizations are better recognized worldwide, for their non-profit character and root level social functioning on voluntary basis. The voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among the co-operatives and concern for community are the principles of co-operatives. The self-help, self-responsibility, democracy, equality, equity and solidarity are the values of co-operative organizations. In the tradition of its founders, the movement also follows such ethical values as honesty, openness, social responsibility and caring for others. Needless to say, it is a social movement and its growth will unanimously result in the wholesome growth of the society. The first of the seven principles of co-operatives is voluntary and open membership. The co-operatives are membership driven organizations that anyone may join and their work and their services offer a great deal to society as a whole. The United Nations estimates that 800 million people are members of Co-operatives and 100 million are employed by them, though Co-operatives play a vital role in the lives of many more.

CO-Operatives in India

The co-operative movement in India has celebrated its centenary year of service recently. The Indian co-operatives are unique as they were initiated and supported by the government. Elsewhere it had always been organized only by volunteer members with least or no government intervention. In India it was introduced in 1904, as the planners of the country firmly believed that it could serve for national development and also could serve as a shield in protecting the vulnerable section of populace, especially the farmers from certain social evils like agricultural backwardness, poverty and rural indebtedness. Though they were initially organized only as the credit institutions, Indian co-operatives today, tirelessly serve in endless areas of services. They serve in credit and non-credit areas. They deliver credits for agriculture as well as non-agriculture purposes. They operate their businesses in numerous non-credit phases too. They work for milk producers, agricultural producers, weavers, consumers, fishermen, coir makers, employees, students of universities and colleges and for many others. The co-operatives contribute to economic and social development in both developed and developing countries. Though the value which a co-operative contributes to society differs depending on its individual objectives, the co-operatives play a role in finding solutions to unemployment and promoting technical skills. The members are able to assert greater control over their livelihoods and meet their everyday needs, especially in rural areas where jobs are scarce and basic services are often weak.

Development of CO-Operatives in India

The development of co-operatives is divided three types in India. The co-operatives are

1. Developed Co-operatives States

The developed state are Maharashtra, Karnataka, Kerala, Haryana, Punjab, Gujarat, Tamil Nadu, Union Territories of

Delhi Daman & Diu, Dadra & Nagar Haveli, Chandigarh and Pondicherry.

2. Developing Co-operative States

The Co-operatively developing states are Uttar Pradesh, Himachal Pradesh, Andhra Pradesh, Rajasthan, Orissa, Madhya Pradesh, Uttaranchal, West Bengal, Union Territories of Andaman and Nicobar Islands and Lakshadweep.

3. Under Developed Co-operative States

The under developed state are Sikkim, Jharkhand, Assam, Meghalaya, Manipur, Tripura, Nagaland, Jammu & Kashmir, Mizoram, Bihar, Arunachal Pradesh and Sikkim.

Types of Co-Operatives in India

In India the various types of co-operatives are working in the society. The types of co-operatives are

- Co-operative education and training
- Agricultural credit Co-operatives(production)
- Agricultural credit Co-operatives(investments)
- Non agricultural credit Co-operatives(urban banks)
- Co-operative marketing
- Tribal Co-operatives
- Fertilizer Co-operatives
- Consumer Co-operatives
- Weaver Co-operatives
- Sugar Co-operatives
- Co-operative spinning mills
- Industrial Co-operatives (non weavers)
- Dairy Co-operatives
- Fisheries Co-operatives
- Housing Co-operatives
- Labour Co-operatives
- Poultry Co-operatives

Growth of Co-Operative Sector In India

India has 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 by village co-operative societies. The seeds of cooperation in India were sown in 1904 when the first co-operative Societies Act was passed since then, the co-operative movement has made significant progress. The co-operatives have extended across the entire country and there are currently an estimated 230 million members nationwide. The co-operative credit system of India has the largest network in the world and co-operatives have advanced more credit in the Indian agricultural sector than commercial banks. The village co-operative 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. The various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. In fertilizer production and distribution the Indian Farmers Fertilizer Co-operative (IFFCO)

commands over 35 percent of the market. In the production of sugar the co-operative share of the market is over 58 per cent and in the marketing and distribution of cotton they have a share of around 60 per cent. The co-operative sector accounts for 55 percent of the looms in the hand-weaving sector. The Co-operatives process, market and distribute 50 per cent of edible oils. The dairy co-operatives operating under the leadership of the National Dairy Development Board and through 15 state co-operative milk marketing federations has now become the largest producer of milk in the world. The ground work for this was laid in the early 1970 when the largest dairy development programme in the world - Operation Flood was launched. The Operation Flood was a national marketing strategy linked to a dairy infrastructure development programme that created a chain of dairy processing plants, collection stations and a national milk transportation grid. With the passage of the Insurance Act, co-operatives have been allowed to entry into the insurance business. Insurance is a field where the immense potential of Co-operatives still remains untapped. The Indian Farmers Fertilizer co-operative has recently teamed up with a Japanese company and formed a joint venture for undertaking general insurance business in India. This signifies that Indian co-operatives have come of age in formulating strategic alliances. Thus the co-operative societies in India in fact are playing multi-functional roles both in rural and urban areas. An Expert Group constituted by the Government of India in 1990 the recommended are,

1. to facilitate building up of integrated co-operative structure;
 2. to make the co-operative federation organizations responsive towards their members;
 3. to minimize government interference and control in the functioning of co-operatives and
 4. to eliminate politicization from the co-operative sector.
- Based on the recommendations, the central Government enacted the Multi State Co-operative Societies Act, 2002, which provided for democratic and autonomous working of the Co-operatives, which came into force with effect from August 19, 2002. The various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. The co-operatives in India have made an all round progress and their role in, and contribution to agricultural progress has particularly been significant.

Merits and Social Benefits of Co-Operative Sector In India

In India the various types of co-operatives are working in the society. The merits and social benefits of co-operatives are,

Utopian Principles

The principles themselves are the strength of co-operative business. The open and voluntary membership and democratic member control (one member - one vote) concepts strives to ensure equal growth opportunities to all citizens of the state who have common business needs and aspirations. It also ensures their direct participation in the business.

Non Profit Character

The co-operatives are basically welfare driven rather than

being profit driven. This doesn't mean they are charitable like, but protecting and promoting the economic and social well being of their members is the primary concern of co-operatives. The concept of member economic participation insists economic benefits to members via dividend payout in proportion to their business involvement, the higher you participate in the business; higher will be your dividend. This is an effective stimulus which encourages member's involvement in co-operative business.

Root level Functioning

They are root level organizations familiar to all, as they effectively operate public distribution system in each village of the country. Everywhere you go, there will be some co-operative society or bank. The point is they need no introduction and if they could offer attractive products which exactly meet their customer needs, co-operative businesses could be made successful and prosperous with their known customer band.

Governmental Backing

The co-operatives are legally recognized institutions supported by governments. This legal backing is their main strength. They are exempted from taxes, stamp duties etc. further they are offered with technical, financial and administrative assistance by the Governments. This enables the co-operative businesses to generate the sufficient capital investments for their business operations with least effort.

Internationally Recognized

The principle co-operation among co-operative is really unique. It serves as the base to co-operatives to expand their business operation as far as possible. Now a handloom product woven at Chennimalai area of Coimbatore district in Tamilnadu is being exported to Germany and USA.

Creation of employment

When common brands are developed for cooperative products and are disseminated among consumers successfully, the resultant benefits then to the society will be limitless. It will offer huge direct and indirect employment opportunities to their members and will empower them with assured income. For example increased demand for dairy products will hire additional work force in dairy plants. It will also encourage breeding of milch animals and thereby help the women and cattle herders to earn additional income through milk production. Increased demand for processed agricultural products such as potato wafers, pickles, fruit jam etc can directly give employment to their members in the processing plants as well as indirectly it will induce the employment of farmers who produce the raw materials for such processed food.

Price holding and stability

Successful marketing of co-operative products will ensure their dominant position in price holding which safeguards the economic interests of general public. For example the price line of the milk pockets supplied by the private dairies are under control only because the tough competition posed by the cooperative dairies. When the co-operative consumer store

successfully operate in a market the local super markets/ private groceries will be compelled to fix nominal price for the goods they sell. These price advantages in the long run will help the co-operatives to win the community support and the faith over this great democratic movement will be regained once again.

▪ **Agricultural Production will Increase**

The economy of any developing country shall be agro based one, India is not an exception. Despite her planned growth in many spectrums of industrial sector, the Indian economy still remains agro based one. Understanding the need for developing the country in the agricultural way the Union Government has said the agriculture will be given the prime concern in the next plan. When the products of agro based co-operatives are marketed successfully, it will boost up agricultural production as well as employment opportunities in this vast field. The farming co-operatives, farmers service societies (FSS), Primary Agricultural Cooperative Societies (PACS), Fertilizer co-operatives, agro implements manufacturing units, agro processing units, etc can take an active part in this vital revolution.

▪ **Increased GDP & International trade links**

When common brands are developed for cooperative products and are made as leading brands in the domestic market, co-operatives can extent their horizon globally by making memorandum of understanding with successful co-operatives abroad. Dairy products, textile products, leather goods, spices and other processed agricultural goods, processed food items such as canned meat; fish, etc can be exported by co-operatives, provided they meet the quality conditions demanded by the concerned foreign country.

▪ **Public distribution system will be strengthened**

Co-operatives deliver inevitable services to the economically weaker section of people through their public distribution system. They distribute food materials such as rice, wheat, sugar, atta and other materials like kerosene at subsidized rates. Besides they also distribute handloom products such as sarees and dhotis under the free distribution scheme of the governments. The successful existence of the movement will ensure the protected, caring institutional set up like PDS shops, to the people who struggle below the poverty line.

▪ **Creation of social assets**

Success of cooperative will create a strong and value based society where the under privileged communities such as scheduled caste and scheduled tribes, women and other vulnerable populace are economically empowered as they shall be given equal opportunity to take direct participation in activities like production and marketing. It shall be a utopian world where people will observe high morale namely brotherhood in participation, honesty in dealings and found prosperity in all their operations. But until people are ready to make out of box thinking, shed away the evil beliefs such as caste and religion, try to understand the basic of cooperation and cooperate accordingly all these benefits shall be remaining only as a dream.

Causes of Slow Progress

Despite rapid growth the overall progress of co-operative movement during 100 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 co-operative movement in India. The causes of slow progress are,

▪ **Government Interference**

The co-operative movement in India was initiated in 1904 under the auspices of British Government. The right from the beginning the Government has adopted an attitude of patronizing the movement. The Co-operative 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 enthusiasm for the movement did not grow. The movement independence and self reliance existed only on paper and files. After attainment of independence in particular after beginning of the planning, some healthy changes in the attitude of the Government did take place. It was not given proper importance that it deserves in any plan. But even the co-operative movement has not become full-fledged people movement. Even today quite often co-operative societies are imposed upon the people. This does bring about an increase in the membership of the societies. But the spirit of cooperation cannot flower fully in these circumstances. Neither it growth took place according to any plan nor did it become a people's movement. It just grew very slowly and that too haphazardly. It was a state driven institution.

▪ **Mismanagement and Manipulation**

The essence of the co-operative movement is that it gives the farmers the status of shareholders and assures them agricultural, educational and medical facilities. Under the Maharashtra State Co-operatives Act, a minimum of 11 farmers is required to form a co-operative. Today the shareholder membership averages between 15,000 and 25,000 farmers. The relationship between the shareholder farmer and the co-operative is simple - the farmer is committed to contributing a certain amount of cane per season and the mill is bound to take this cane. The strength of the movement was the involvement of the farmers who were shareholders in the sugar mill 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 Co-operatives. In the elections to 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.

▪ **Lack of Awareness**

The 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 co-operative institutions. Unfortunately, no special efforts have been made

in this direction. The people look upon these institutions as means for obtaining facilities and concessions from the Government. So long as people expect to get something from the Government, they see to it that societies somehow continue to function. The lack of education, dirty politics of the village, caste ridden elections to the offices of co-operative societies, bureaucratic attitudes of the Government officers at the lower rank are some of the hurdles in spreading the correct information about the co-operative movement and in educating the people about its true character and vital role in the society.

▪ **Restricted Coverage**

The co-operative movement has also suffered on account of two important limitations on its working. One is that 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 I make it impossible for them to expand their means and extend their area of operations. Two, the most 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 an optimal use of their resources. Under these circumstances it has not been possible for these societies to make much progress.

▪ **Functional Weakness**

The co-operative movement has suffered from inadequacy of trained personnel right from its inception. Lack of trained personnel has been caused by two major factors. In the first place, there has been a lack of institutions for this purpose of training personnel. Secondly because of its unsatisfactory working of co-operative institutions, efficient personnel did not feel attracted or motivated towards them. The functioning of the co-operative societies, too suffer from several weaknesses. 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 its management, lack of coordination among various divisions of the co-operative structure, too much dependence on outside sources of finance, lack of adequate auditing. Such weakness has prevented them from progressing on healthy lines. Thus there are several pitfalls. 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. Indian co-operatives are also unable to evolve strong communication and public relations strategies which can promote the concept of cooperation among the masses.

Conclusion

To quote the words of Juan Somavia, ILO Director General, the co-operatives can be highly instrumental in enabling and empowering women and men to seize the opportunities created by globalization and in providing a buffer against its

downside. The co-operatives should not be understood simply as a business structure alone, rather it should be recognized by its inbound values. It is a way of life, it is a movement and it is the world class religion which preaches democracy, togetherness, humaneness, empathy and concern for others while showing some one the way to improve his own life socially and economically through collective efforts. The fight against poverty is a global battle and co-operatives shall be the only armory. When systematic plans are made to make their marketing efforts fruitful and their products popular among customers, it will not only be beneficial to the co-operatives, but also to the society as a whole.

After independence, India marched ahead with central planning in order to achieve economic development. The new economic policy of globalization after eighties has reduced the dominant role of the state. The pendulum of economic growth in India is swinging from over commitment of public sector to over enthusiasm of the private sector. The urban sector is growing impressively very fast in India. The growth rate of service sector has become very impressive but the agricultural sector has lagged behind. The problem of poverty and unemployment among common people poses a real dilemma between the role of the State and role of the market forces. Market forces fail to unleash forces for growth and at the most it tends to generate low-income activities horizontally. This process fits perfectly well with an investment pattern and production structures to sub serve a social milieu and life style which has no relevance for the broad mass of the rural people. It has created a dangerous process of marginalization and contractualisation. As a result the economic vulnerability and livelihood insecurity manifests. There is inherent urban bias in the formulation of macro adjustment policies. It is creating a system which is ultimately as centralized and undemocratic as any that can be imposed by the meddling bureaucracy. Its success can at best be treated as a pyrrhic victory, when means win and ends lose. The market is never friendly to the poor people or backward regions. It creates sharp regional imbalance. The majority of the rural sector and the unskilled and illiterate section of the urban sector tend to lose their right to livelihood and economic citizenship. The vicious circle of poverty manifests in different forms. There is also the growth of dangerous tendency of the elite to dismiss the deep concern towards poverty and economic vulnerability as the obsession toward egalitarian romantics. They strongly believe myopically in the trickle-down theory. There is now increasing indifference towards the problem of poverty and inequality. The Expansionist economic reforms during the 1980s and 1990s boosted economic growth but high level of poverty and unemployment persist in India. Despite impressive economic growth, the powerful wave of consumerism, computerization and corruption coexists in social life of India. It puts over emphasis on high-tech efficiency of industrial sector and modern urban service sector at the cost of rural sector, where majority eke out their living. One must always remember one simple thing 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 falter. Any development route which bypasses the rural people of India is unlikely to be sustainable. Salvation of the developing economy as vast and diverse as India lies only in

the transformation and revitalization of its rural economy, which require people 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. India requires meaningful reforms in the cooperative sector, before complete opening up its economy to the competitive regime, which should ensure, A). Higher standard of living for the village people. B) Production for mass consumption. In comparison to the step motherly treatment of the past, co-operatives should be considered an important plank of development. The co-operatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. The co-operatives have immense potential to deliver goods and services in areas where both the state and the private sector have failed.

References

1. Deb, Alok Kumar, World Co-operative Movement, www.Cooperative Movement India. com
2. Nabard, Statistical Statements Relating to Co-operative Movement in India, Delhi, 2016.
3. Parthasarathy G. Economic Reforms and Rural Development in India, Academic Foundation, Delhi, 2016.
4. Samantaray PC. Hundred Years of Co-operative Movement: Emerging Issues and Challenges, Orissa Review, 2014.
5. Thorat YSP. Key note address, Centenary of Indian Co-operative Movement Round Table on Co-operative Banking, Pune, 2005.