

GROWTH OF COOPERATIVES IN INDIA

Dr. Satyajeet S Deshpande

Associate Professor, New L J Commerce
College, Ahmedabad

E-mail: economicsdeshpande@gmail.com

(M) - 09925831823

ABSTRACT

The cooperative movement in India started somewhere in 1904 when the first Cooperative Credit Societies Act was formed. Formerly, the objective of the cooperatives was to uphold the interest of the poor farmers from private money-lenders. Since independence, the cooperative movement has broadened to the extended corners of the country. Cooperation has now touched upon almost all sections of the Indian economy. After the Second World War, the Urban Cooperative Bank is a major modernization in the cooperative sector. As on 31st March, 1996, the Urban Cooperative Bank sector encompasses about 1500 banks with 4500 branches. The total deposits of these banks are Rs.24000 crores which constitutes about 4.5% of total deposits of the entire banking system. This paper looks into this incredible growth of cooperatives in India. It attempts to justify the hypothesis that "With growth of the cooperatives, the country advances." The first section of the paper defines the concepts of cooperatives. The second section enumerates a long list of advantages of cooperatives and discusses how these advantages help in upliftment of economically and socially backward population. The third section of the paper describes some famous cooperative movements in India. The fourth section narrates some issues faced by cooperative societies. The final section of the paper presents a case study of Co-operative society which uplifted the tribal population in Valsad.

Key-Words: *Cooperative societies, Amul, KRIBHKO, IFFCO, Lijjat Papad, Adarsh Cooperative Bank, Time Series Analysis, Urban Cooperative Banks*

Introduction:

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. Robert Owen (1771-1858) is considered as the father of the cooperative movement. A Welshman who made his fortune in the cotton trade, Owen believed in putting his workers in a good environment with access to education for themselves and their children. On the recommendation of a committee appointed by the government of India under the Chairmanship of Sir **Edward Law**, the



Cooperative Credit Societies Act was introduced in 1904 providing for the formation of Primary Cooperative Credit Societies. This act gave the momentum to the **Cooperative Movement in India**. Soon after **India's first** "urban **cooperative credit society**" was registered in Kanjivaram in the Madras Presidency in October, 1904. And then, almost in all the states of India, cooperatives were registered. In a couple of years, the country realized the role of cooperatives in its social and economic advancement. This paper talks about the role and responsibility of cooperatives in upliftment of the tribal population.

Concept of Cooperatives

The Cooperative Development Authority (CDA), the government agency in charge of development and monitoring cooperatives in the country gives this definition - a voluntary organization of people who have agreed to pool their resources together in order to undertake an economic enterprise for the purpose of meeting their common needs, and which they themselves democratically manage and control, and share the economic benefits on the basis of participation and patronage. Since independence, India has seen a huge growth in cooperative societies mainly in the agriculture, sugar, dairy, housing and banking sectors. In 1945, the govt. appointed the cooperative planning committee to draw up a plan of cooperative development in the country. The committee, which was chaired by R.G. Saraiya, fixed an overall objective of bringing 50% of the villages and 30% of the rural residents within the range of the movement in a period of ten years. With the achievement of Independence and the initiation of planning, the role of cooperatives underwent a sweeping change. Co-operation no longer signified a 'series of activities organized on cooperative lines' but it was acknowledged as an organization that could play 'a very constructive role in the encouragement of economic and social democracy and in the execution of democratic planning in the country.' A long term policy with regard to its structure and organization was formulated. Over the period of three plans (1951 to 1965), the cooperative movement specifically and country in general made rapid progress. The number of societies of all types amplified from 1.8 lakhs to 3.47 lakhs; membership increased from 137 lakhs to 503 lakhs and their working capital extended from Rupees 276 crores to rupees 2800 crores. There was a near-doubling of the number of societies, a more than 3½ times increase in membership and a more than 10 times rise in working capital.

Advantages of Co-operatives

How is it helpful in upliftment of economically and socially backward population?

Formation of cooperative societies offers end number of advantages as following.

1. Social Service and Comradship:

The basic viewpoint of cooperatives is self-help and mutual help. Thus, cooperatives promote fellow feeling among their members and instill moral values in them for an improved living.

2. Own sources of finance

It has its own fund. It need not depend on outsider's funds to meet its future financial requirements. It can utilize the funds available in the general reserve.





3. Tax- Benefit

A cooperative society is excused from income-tax and surcharge on its earnings up to a certain limit. Besides, it is also exempted from stamp duty and registration fee.

4. Open Membership:

The membership of cooperative societies is open to all regardless of caste, color, creed and financial standing. There is no limit on maximum members.

5. Limited Accountability:

Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative societies.

6. Trouble-free Formation:

Construction of a cooperative society is easy. Any ten adult persons can willingly form themselves into an organization and get it registered with the Registrar of Co-operatives. Formation of a cooperative society also does not engross long and complicated legal formalities.

7. Permanent Existence:

It is a separate legal unit. So no reason like death, retirement, mental illness, bankruptcy of the members can result into its closing down.

8. Receiver of Government help and assistance:

Government has taken up cooperatives as an efficient tool of socio-economic change. Hence, the Government offers a number of grants, loans and financial support to the cooperative societies – to make their working more successful.

9. Democratic Management:

The management of cooperative society is entrusted to the managing committee duly elected by the members on the basis of 'one-member one -vote' irrespective of the number of shares held by them. The proxy is not allowed in cooperative societies. Thus, the management in cooperatives is democratic.

10.Exclusion of Middlemen:

Cooperatives societies can deal openly with the producers and with the ultimate consumers. Therefore they are not reliant on middlemen and can save the profits earned by the middlemen.

11.Persuade thrift

Cooperative societies encourage the habit of savings and thrift among their members. They provide loans only for useful purposes and not for lavish expenditure.



12. Just price and high-quality

Co-operative societies buy and sell in mass quantities directly from the producers or to the consumers. Products are processed and graded before they are sold. Bulk purchases and sales guarantee fair prices and good quality.

Some Famous Cooperative Movements in India

1. Shri Mahila Griha Udyog Lijjat Papad

Under the leadership of Jasawantiben Jamnadas Popat, seven Gujarati women gathered on the terrace in South Bombay and decided to start a venture to earn livelihood. They borrowed Rs. 80 from Chhagandas Parekh, a member of the servants of India society and a social worker. On 15 March 1959, they met on the terrace of their building and started with the manufacture of 4 packets of Papads. And that's how Shri Mahila Griha Udyog Lijjat Papad, or popularly known as Lijjat Papad, was created. Today it has 62 branches in 17 states and 40000 members. The annual turnover is rs 650 crores

2. Biggest Food Brand in India: Amul Cooperative: The Taste of India

Amul was founded in 1946 in Anand, Gujarat with a mission to stop the exploitation of the farmers by middlemen. Angered by the unfair trade practices, the farmers of Kaira approached *Sardar* Vallabhbhai Patel under the leadership of local farmer leader Tribhuvandas K. Patel. He advised them to form a cooperative (**Kaira District Co-operative Milk Producers' Union**) and supply milk directly to the Bombay Milk Scheme instead of Polson (then existing dairy). Cooperatives were formed for each village. The cooperative was further developed and managed by Dr. Verghese Kurien with H.M. Dalaya. Dalaya's innovation of making skim milk powder from buffalo milk (for the first time in the world) and a little later, with Kurien's help, making it on a commercial scale, led to the first modern dairy of the cooperative at Anand, which would compete against established players in the market. **Amul is** managed by the Gujarat Co-operative Milk Marketing Federation Ltd. The **Amul** cooperative **was** created by Dr Verghese Kurien, who **is** also known as the Father of the White Revolution in India. AMUL stands for **Anand Milk Union Limited**. Amul spurred India's White Revolution, which made the country the world's largest producer of milk and milk products.

3. Adarsh Cooperative Bank: A Multi-state Credit Cooperative Society

Adarsh Co-operative Bank Ltd., is a Multi-State Co-operative Bank that had begun operations in 1972, at Sirohi of Rajasthan with a motive to create an autonomous association of persons united voluntarily to meet their common, economic, social and cultural needs. It was setup with an intention to promote financial cooperation among low income group members of society and to persuade savings for creating funds to aid the deserving members. It was in line with the government's focal point on raising the living standards and earning capacity of farmers and laborers. At the end of December 2010, the bank had 45 computerized branches in the state of Rajasthan and Gujarat. The bank holds the honor of being one of the first computerized banks. The bank has also achieved highest growth rate amongst the cooperative banks in Northern India.

List of popular cooperatives in India:

- Aavin Aavin(Tamil:ஆவின்) is the trademark of the Tamil Nadu Co-operative Milk Producers' Federation Limited,
- Anyonya Co-operative Bank Limited
- Horticultural Producers' Cooperative Marketing and Processing Society
- Indian Coffee House
- Indian Farmers Fertiliser Cooperative Limited (IFFCO)
- Kaira District Co-operative Milk Producers' Union
- Karnataka Milk Federation(KMF)
- Kerala Co-operative Milk Marketing Federation (KCMMF)
- KRIBHCO
- Orissa State Cooperative Milk Producers' Federation (OMFED)
- Pratibha Mahila Sahakari Bank
- Sant Muktabai Sahakari Sakhar Karkhana
- Vasudhara Dairy
- Bihar State Milk Co-Operative Federation Ltd. (COMFED)

Issues faced by Cooperatives: Limitations

India has basically an agrarian economy with 72% 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. Even though these cooperatives function excellently since its inception before 100 years, the overall picture is not very impressive. Here are the causes for its slow progress and recommendations for faster growth of cooperative movement in India.

1. Lack of Proper Management and Corruption

The problems from which co-operative institutions suffered such as the lack of proper accounting, irregularity of loans, upholding records, were mostly due to a lack of trained and skilled staff. In 1965-66, only 14% of the societies had full-time salaried secretary—manager.

Despite the beginning of training programme, the quality of staff in the cooperative institutions had not attained a high standard of efficiency.

Recruitment was not based on merit but on a candidate's capacity to influence superiors. That is why there were complaints of inefficiency, corruption and gathering of over-dues.

2. Government Interference and Lack of Public Interest

Public assurance in the co-operative societies is low. The reason is, in many of the co-operatives there is political interference and domination. The members of the ruling party dictate terms and therefore the principle for which cooperatives are formed is vanished.

3. Lack of Awareness

People join societies for their convenience and leave societies after fulfillment of their needs. They do not know the aims, objectives and principles on which such societies work.

4. Restricted Coverage

Co-operative societies cannot be initiated in all industries. Their scope is limited to only certain areas of ventures. Since the funds available are restricted they cannot undertake large scale operations and is not appropriate in industries requiring large investments.

5. Functional Weakness

It has been often observed that the members of the cooperatives have conflicts of interests after the initial formation of the cooperative. It affects the function of the cooperative. The members are not adequately trained. Some of other weaknesses are, taking no concern of the need of credit seekers or their repaying capacity at the time of granting loans, making no sufficient provision for the return of loans, substandard keeping of accounts, politics in its management, lack of co-ordination among various divisions of the cooperative structure, too much dependence on outside sources of finance, lack of public relation tactic, inactive membership, absence of elections and lack of adequate auditing. Such weaknesses have barred them from succeeding on healthy position.

6. Lack of Competent Leadership

In India, the cooperative representation has been functional in some areas like credit, diary, sugar, consumers, marketing, fishing etc. The cooperative model has been successful in some areas like dairy, credit etc. where as in some other areas they have showed not so success. Much of the success of the cooperatives ventures in specific areas has been mainly due to an sharp need for a quality leadership. Therefore, leadership and its quality become all the more important when cooperatives are being introduced in new areas or are redefining their area of operation. After Varghese Kourien, we have seen less examples of stalwart as leaders and their flawless leadership.

Other limitations of the cooperatives are that they have limited objectives and the decisions are taken by large number of people. So consensus is hard to achieve. Members may manage a cooperative to market only one specific product or to handle only specified kinds of farm supplies. These boundaries may limit the cooperative's volume and prospects to reduce per-unit costs or to serve all farmers or all rural residents in the area

References:

- ✂ Alderman, Harold, Cooperative Dairy Development in Karnataka, India, 1987
- ✂ Das, Kumar, Rural Development Through Decentralization, Discovery Pub. House, Delhi. 180p, 1993

- ✂ Deb, Alok Kumar, World Cooperative Movement, 2006
- ✂ Eleanor, Margaret Hough, K. Madhava Das, Cooperative Movement in India(Ed): Oxford University Press ,506p, 1967
- ✂ Singh Gurusharan K, India's Rural Cooperatives/edited , Vedam Books, Delhi, 456 p., 1998
- ✂ Singh Ram Binod (2006), Gandhian Approach to Development Planning. New Delhi, Concept, 278 p.