



Rural Development through Co-operative Societies

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Abstract

Largest population in India is mainly dependent on the agricultural and more than half of its population residing in the villages. Rural sector is the key contributor to the overall GDP of the nation and hence lack of development in villages means lack of development in India. Cooperative societies are playing important role. Agricultural societies are formed by small farmers to work jointly and thereby enjoy the benefits of large-scale farming. Concentrating on the agricultural and co-operative sectors is great mantra for India. Agricultural farming is a best alternative for overall economic development of the farmers. This paper focuses on the rural development through co-operative.

Keywords : co-operative, societies, rural development

Introduction

Since 65% of India's population depends on agriculture, it has become a dominant source of livelihood in rural districts. People earn through the activities of farming, fisheries, forestry, and livestock. The agricultural co-operative society actively supports the men and women agrarian producers to increase employment opportunities for marginalized groups. A co-operative is a jointly owned commercial enterprise that produces, distributes goods and services and is run for the benefit of its members. It is usually organized by farmers, employees, consumers etc. It provides its members an equal say and share in the profits. It is a flexible business model and can be set up in different ways using different legal structures. Co-operative is a non-capitalist and non-profit making organization. It is a social mode of doing business which is being applied at present as a solution of many economic problems. This was specially evolved to safeguard the economic interest of weaker sections of the society and to save them from the exploitation of capitalists. It eliminated the middlemen and brought producer and consumer together. It is a type of socio-economic business organization with moral philosophy of its own.

A cooperative is a business organization possessed and operated by a group of individuals for their mutual benefit. Cooperatives are defined by the International Co-operative association's statement on the Co-operative Identity as autonomous associations of persons united

voluntarily to meet their common economic, social, and cultural needs and objectives through jointly-owned and democratically-controlled enterprises. A cooperative may also be defined as a business owned and measured equally by the people who use its services or by the people who work there. Cooperative enterprises are the focus of study in the field of cooperative economics.

The purpose of co-operative society does not restrain to provide social benefits but also to give financial security to the people performing agrarians' activities. So, co-operatives avail finance through agricultural funds and credits to strengthen the economic position of farmers.

The cooperative principles are :

- 1) Voluntary and open membership
- 2) Democratic member control
- 3) Member economic participation
- 4) Autonomy and Independence
- 5) Education, Training and Information
- 6) Cooperation among cooperatives and
- 7) Concern for community.

India has an agrarian economy with 72% of its total population living in rural areas. Cooperative societies are now providing indispensable services to the community all over the world.

History of Cooperative Movement in India !

The experience of British government with India's peasant society on occasions of famine, scarcity gives the idea of providing some financial assistance to the village people. It was also found that Indian peasantry always suffered from lack of funds required for the development of farm produce.

The striking factor is that the jagirdars and zamindars always exploited the peasants when the latter failed to deposit the land tax in time. Even they required money for their subsistence if there was a famine. Realisation of land tax was the first objective of the co-colonial rule.



This prompted the British government to establish credit cooperative societies in the villages. The first Cooperative Credit Societies Act was passed in 1904. To remove the weaknesses of this Act, the new Cooperative Societies Act was passed in 1912. The movement has now made rapid strides.

The government before fostering and supporting it wanted to be sure if it was developing on right lines. Therefore, it appointed Maclagan Committee in 1914 which suggested certain improvements in its functioning, such as better procedure of audit, emphasis on teachings to members and to have steady progress of the movement. However, in spite of warning given by the committee, the number of societies continued to increase rapidly.

The cooperative movement got a boost during the war period. Various post-war plans were drawn up in the country and they all emphasised the increasing role of cooperative movement. The second report on recommendation and planning issued by the Government of India gave an important place to cooperative movement. As a result, a Cooperative Planning Committee was appointed by the Government of India in 1945.

It was in 1951 that the RBI appointed a committee with the terms of guidance to survey All India Rural Credit Societies. The report of this committee was submitted in 1954.

The important suggestions and recommendations given by the committee include the following:

(1) There should be a partnership of the state government in all kinds of societies (such as credit societies) and banks like Central Bank, State Banks, cooperative marketing, storage, warehousing and all other important societies such as dairying, milk supply, transport and industrial societies.

(2) A central committee for cooperative training should be set up.

(3) It would be the responsibility of the state government to implement these programmes. Besides, the other two main agencies will be the Ministry of Food and Agriculture of Government of India and the Reserve Bank of India.

(4) The funding for the cooperative societies of all kinds including the cooperative training centre will be from the following sources:

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- (i) Reserve Bank of India;
 - (ii) National Agricultural Credit (Long Term Operation) Fund;
 - (iii) National Agricultural Credit Stabilisation Fund;
 - (iv) State Agricultural Credit (Relief and Guarantee) Fund;
 - (v) State Cooperative Development Fund;
 - (vi) State Cooperative Bank and Central Cooperative Bank.

(5) The credit institutions at the primary, secondary and apex levels need to be reorganised and at least 51 per cent of the shares in apex organisations should be held by state government. These apex organisations will purchase 51 per cent of the shares in central organisations and the central institutions in their turn of primary organisations.

(6) There shall be a Central Land Mortgage Bank in each state and, Primary Land Mortgage Banks at the lower level.

(7) Primary Village Credit Societies should be reorganised as to have a membership of about 500 persons. And, these should be linked up with marketing societies in the marketing centres. Processing function is to be developed substantially and specially for the producing sugar, ginning cotton, crushing oil and baling jute.

Most of the above mentioned recommendations were accepted by the Government of India and put into effect under the Second Five Year Plan.

Types of Co-operative Societies

Although all types of cooperative societies functions on the same principle, they differ with regard to the nature of activities they perform. Followings are diverse types of co-operative societies that exist in our country.

- 1) Consumers' Co-operative Society: These societies are formed to protect the interest of general consumers by making consumer goods accessible at a reasonable price. They buy goods directly from the manufacturers or manufacturers and thereby eliminate the middlemen in the process of distribution. Central stores, 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 obtainable items of their need for production like raw materials, tools and equipments, machinery, etc. Handloom societies like Haryana Handloom, APPCO, Bayanika, , etc., are examples of producers' co-operative society.
- 3) Co-operative Marketing Society: These societies are developed 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 concern 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 offer financial support to the members. The society accepts deposits from members and grants them loans at rational rates of interest in times of need. Village Service Co-operative Society and Urban Cooperative Banks are examples of co-operative credit society.
- 5) Co-operative Farming Society: These societies are formed by small farmers to work equally 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.
- 6) Housing Co-operative Society: These societies are formed to provide residential households to members. They purchase land, develop it and construct houses or flats and allot the same to members. Some societies also provide loans at minimum rate of interest to members to construct their own houses. The Employees' Housing Societies and Metropolitan Housing Co-operative Society are examples of housing co-operative society.

Agriculture and Co-operatives

India was positively on the world stage for the past few years though only a miniscule part of it was shining. Time and again, the democratically elected rulers of India have neglected the real India i.e. Bharat and paid the price for it. Like a true father, Gandhiji had realized this and he had repeatedly reminded the elected rulers that real India resides in her four lakh odd villages. But as it always occurs, the power centers lie in the cities and once elected, most of our leaders forget their roots. The glamour and shine of cities make our leaders blind to the real difficulties of 75% of our population who make a livelihood on agriculture. We always



tend to forget the simple fact that we can make no growth if a majority of us remain unaffected by our grandiose developmental efforts.

If India is to stay on course in its vision as a developed nation by 2020, the one and only option in front of it is to spend at least 50% of its budget every year on two vital sectors i.e. Agriculture and Co-operatives. Spending in agriculture does not necessarily mean expending money directly on growing grains and crops. What is required is a clear and strong intervention in the lives of those who are really engaged in agriculture for a living. Families of small and medium Farmers make up half the population of India. Unless these families are involved in the development process the country cannot make any substantial progress, even if *Chandrayaan* is successful. Development in any society involves the social and economical aspect of its citizens. The poor families must not only have more income but their social status as Farmers must also go up. Ever since our liberation from the British, the social statuses of those who are involved in agriculture have declined drastically. In the case of small & medium Farmers who are involved in conventional cultivation of common products like rice, wheat, coconut, jute or sugar cane.

Several development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. The co-operatives in the State have made an all-round development and their role in, and contribution to agricultural progress has particularly been significant. The schemes regarding the construction of godowns and the transformation of villages into model villages have assumed great importance in the wake of the Green Revolution.

The Co-operative Movement was initiated into India by the Government as the only method by which the farmers could overcome their burden of debt and keep them away from the controls of the money-lenders. The Co-operative Credit Societies Act, 1904 was passed by the Government of India and rural credit societies were formed. Through the appointment of registrars and through dynamic propaganda, the Government attempted to spread the Movement in the rural areas. Within a short period, the Government understood some of the shortcomings of the 1904 Act and, therefore, passed a more comprehensive Act, known as the Co-operative Societies Act of 1912. This Act recognized non-credit societies also. But the rural credit societies have continued to be leader till now.



Agriculturalists and Farmers

The more upward mobile among Indian Farmers have already migrated to cash crops like rubber, spices, orchids etc., and they are the ones who are really enjoying the benefits meant for the Farmers. In fact most of them are no more Farmers but are running the show in a larger scale. They have designated themselves as Agriculturalists (Farmer is a bit derogatory for them) and have hijacked most of the platforms meant for the poor Farmers. Subsidies and grants meant for the Farmers are being usurped by these Agriculturalists. The classical Indian Farmer remains as impoverished and helpless as he was fifty years ago. Perhaps his value has come down because of the adverse impact of globalization and liberalization. The consumers are no more dependent on him for any produce because of easy availability of packaged products in the nearby supermarket.

It is the small (and medium) Farmer and their family that should be the real target of any intervention by the state. Grants and subsidies, if any, are to be of benefit to such people for their economic and social uplift. There should be mechanisms to ensure a minimum income for each household so that education, food and healthcare of such families remain unaffected, even if the crop or its market fails. Providing loans from banks for agriculture purposes must be made easier and given priority. State must ensure irrigation and easy availability of fertilizers & pesticides at all the required places. A clear message about the standing of being a Farmer must be given out by the powers that be. In this context, the slogan of “*Jai Jawan Jai Kisan*” by Lal Bahadur Shastri - our Prime Minister in mid sixties - was a highly imaginative one.

Success or failure of any subsidy (or Minimum Income Guarantee) program depends mainly on the entry and exit policy adopted for its target group. Any such program that is brought in to help the Farmers must have the following entry criteria:

- Only for those who are permanently resident in a village
- Only for those who cultivate a maximum of 5 acres of land
- Only for those who personally take part in farming activities

Given our highly established *Panchayati Raj* system of local governance, it would not be difficult at all to identify the appropriate recipients for any such subsidy program. The exit policy should also be equally applicable and those who breach any of the above criteria must be out of the scheme automatically. Under no circumstances should the so-called



Agriculturalists be allowed to corner the benefits meant for the poor Farmers. If that can be ensured, a big chunk of our population will start shining in a matter of few years.

Farmers and Co-operatives

The best bet for success of any developmental efforts in the agricultural sector is to complement them with equally imaginative efforts in the co-operative sector. Development of co-operative sector has many benefits. For a secular country like India, there is no better option for involvement of all sections of the society in our developmental efforts. Co-operative sector of Indian economy had a spiritual standing too when people like Vinobha were at its helm. Imagine a situation when all our schools, colleges and hospitals are working under the co-operative sector instead of the various community (or communal) organizations. Co-operative sector has inbuilt democracy and only those who can demonstrate their commitment & efficiency can survive in the co-operative elections. That is why we find that some of our better political leaders have come from the co-operative sector.

There is no better way to illustrate the potential efficacy of the co-operative sector in our social life than citing how a co-operative bank, instead of a regular commercial bank, could have prevented the recent suicide of a bright but poor Engineering student for want of tuition fees. It is true that there are guidelines in force in regular commercial banks regarding advancing of educational loans to all on personal guarantee. But the same commercial banks have also directed their managers to ensure the repayment capacity of those who opt for such loans. If the co-operative bank in the area was entrusted with the task of providing the educational loans, the story would have been totally different. In the recent days most of the financial institutions in the co-operative sector are also run on purely commercial basis. It is here that the State intervention can make the difference. The grants, subsidies and aid meant for the poor Farmers must be channeled through the co-operative sector. Once there are enough resources in the sector in terms of money, there will be increased participation by the talented offspring of the poor Farmers and that will result in an all round development of the village. *Panchayat Raj* institutions and co-operative sector can bring about lot of positive changes in our rural areas. Human touch so inherent in these institutions can draw the poor farming community out of its reluctance to experiment if income guarantee schemes are properly in place.

Cooperatives provide credit to the farmers, the most desirable thing in the farming. Apart from this cooperatives help farmers by offering top quality fertilizers, seeds, insecticides, pesticides etc at reasonable price. Farmers also get marketing, warehousing facility and transport support from the cooperatives. Service cooperative societies help the poor and marginal farmers with tractors, threshers etc on rent. Rural cooperative societies are now entering into real land, power, insurance, and healthcare and communication sector. If these keep on working with an objective of development then days are not far when quality of rural life would be far healthier than urban India.

Win Win Formula

Concentrating on the agricultural and co-operative sectors is a sure “win and win again” formula for farmers in India. It is also a sure policy to get over the anti-incumbency factor which has become so dynamic in Indian election scene nowadays. More the efforts spent on restoring these two sectors more will be the beneficiaries who will forever remain obliged to the farmers which brought development to their own doorsteps.

Conclusion :

The role of cooperative in the socio-economic development in developed, developing and under developed region are very immense. The cooperative society is playing major role in the development rural area. In rural areas particularly for those marginalized people are crucial. Cooperatives societies playing key role in providing small finance, help in agricultural business including sale, purchase of seed, pesticides, etc. Cooperative societies helps in empowering rural population.

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