

CHALLENGES BEFORE NON-AGRICULTURAL COOPERATIVE SECTORS

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◆ **ABSTRACT**

The Indian Cooperative Sector has earned distinction of being the largest in the world. This is true in terms of membership and Co-operative network which spread over almost all the villages in the country and the number of Co-operative Societies. The cooperative sectors occupy an important place in the Indian Financial system. In India, Cooperative sector are the base of Indian Economy. The life of Indian people is very much dependent on the production of this financial sector. In Indian Economy are progress & developed the cooperative movement and such in these sector are developed in India, before and after independence. The establishment and growth of cooperative sector should be regarded as one of the important instrument for economic, social & cultural development. Cooperative sector are an important constituent of the Indian financial system. The cooperative movement originated in the west, but importance which such banks have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today, and their business in the urban areas also has increased in recent years mainly due to the sharp increase in the number of cooperative banks.

In a developing country like India with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit. The need of the hour for the cooperative sector in the era of liberalized environment is to seize every opportunity available to it. Thus, the future vision of cooperative movement will have to be based on efficiency parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of financial resource base.

◆ **KEYWORDS**

Cooperative Sector, Cooperative Societies, Indian Financial System, Indian Economy, Challenges before Cooperative Sector.

◆ **INTRODUCTION**

Presently, the cooperative sectors occupy an important place in the Indian Financial system. In India, Cooperative sector are the base of Indian Economy. The life of Indian people is very much dependent on the production of this financial sector. The Indian Cooperative Sector has earned distinction of being the largest in the world. This is true in terms of membership and Cooperative network which spread over almost all the villages in the country and the number of Cooperative Societies. In Indian Economy are progress & developed the cooperative movement and such in these sector are developed in India, before

and after independence. The establishment and growth of cooperative sector should be regarded as one of the important instrument for economic, social & cultural development.

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Cooperative societies as economic institution play a very important role at the grass level in the development of local areas. India's cooperative banking structure consists of two main segments agricultural and non-agricultural credit institutions. There are two separate structures in the case of agricultural credit - one for short and medium term credit and the other for long term credit. The cooperative credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the central cooperative bank at the district level and state cooperative bank at the apex level. Over and above these institutions, grain banks are actively functioning as primary societies in certain states. Though cooperative sectors has made remarkable progress in several areas, certain glaring defects have also developed in the movement, which have been, in a way, defeating the very objectives of the institutions.

◆ CONCEPTUAL BACKGROUND

Cooperative sector are an important constituent of the Indian financial system. The cooperative movement originated in the west, but importance which such banks have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today, and their business in the urban areas also has increased in recent years mainly due to the sharp increase in the number of cooperative banks. Cooperative Credit Institutions and Rural Cooperative Banking play an important role in meeting the growing credit needs of rural India. The volume of credit flowing through these institutions has increased day by day.

In our country, there are about 5.5 lakhs of cooperative Societies with membership of more than 22 crores. It covers a wide range of commercial activities and nearly 50% of them are engaged in agriculture and agriculture related matters. Nearly 70% of the Indian population being dependant on agriculture, is thus, connected with agricultural Co-operatives. Co-operatives have covered 100% of villages and 67% of rural households. Co-operative sector contributes 50% of total agricultural credit and distributes 35% of total fertilizer consumption in the Country. They are procuring 60% of total sugar-cane. They are also playing crucial role in the agro-processing sector i.e. processing of sugarcane, milk, cotton and oil seeds etc. Dairy Co-operatives have excelled in their area of operation and have enabled India to attain top position in milk production in the world. Edible oil marketed through Co-operative channel is estimated at 50% and handloom Co-operatives account for 55% of the total out-put. But in spite of being largest movement in the world and strongest link, it faces number of challenges like lack of internal resources and poor mobilization of external resources, inadequate infrastructure, competitive tier structure, apathy of members towards management, lack of accountability increasing sickness, dormancy, low level professionalism, excessive government control, political interference, dominance of vested interest over the management, lack of human resources development, education and training.

The Indian cooperative movement was initiated by the government. It spread and diversified with the encouragement and support of the government. Its present condition is also to a great extent because of the intrusive involvement of and interference by the government. This research paper provides a brief review of the various phases of the evolution of cooperatives in general and challenges before cooperative sectors in particular over the past century.

◆ OBJECTIVES OF RESEARCH STUDY

The present research study was carried out with following objectives in view:

1. To study the conceptual background of Cooperative Sectors in India.
2. To study the Development of Cooperative Sector in Globalization.
3. To study the Challenges before Cooperative Sectors in India

◆ RESEARCH METHODOLOGY

The present research study uses the most recent available published secondary data. To achieve the above stated objectives, the secondary data was used. The secondary data that are mainly used are published in annual reports of various banks and survey reports of leading business magazines. The secondary data was also used from various reference books related to Cooperative Sector, Cooperative Movement, Cooperative Credit Societies, Commerce, Information Technology, Marketing, Banking, Finance, E-Commerce, M-Commerce, Management etc. For the said research study the secondary data is also collected from the various National and International Research Journals which are related to Commerce, Management, Marketing and Finance.

For the said research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. The Secondary data is also collected from various websites, internet, books and magazines.

◆ HYPOTHESIS OF THE RESEARCH STUDY

Cooperative sectors are an important constituent of the Indian financial system. The Indian cooperative movement was initiated by the government. The said research study is carried out with the following hypothesis in view:

- H1** In early days, the performance of cooperation in India is satisfactory but there is a limited scope for improvement of cooperative sectors.
- H2** Recent years, the nature of cooperative sectors and the challenges before cooperative sectors are increasing day-by-day.
- H3** The role of cooperative sectors in rural & urban social welfare view is increasing day by day in India.

◆ DEVELOPMENT OF COOPERATIVE SECTOR IN INDIA – IN GLOBALIZED ERA

In India, globalization refers to the opening of the gates of the economy for mutual global cooperation by way of reducing control and bureaucratic delays and steering the economy towards better market orientation. Cooperation is a world-wide movement. It was introduced in India mainly as a defensive organization for dealing with problems of rural indebtedness. With the acceptance and implementation of a planned economic development wedded to the ideas of socialism and democracy, co-operation became a dynamic economic instrument for achieving the social objectives of the National plan. After economic liberalization under the new economic environment, cooperatives at all levels are making efforts to reorient their functions according to the market demands. The failure of the

public sector in several cases is a worrisome trend. Privatization has also failed to make an impact in the rural areas. Therefore there is great hope on the cooperative sector.

The cooperative movement has a long history in India. Cooperative sectors were set up in India towards the close of the nineteenth century drawing inspiration from the success of experiments related to the cooperative movement in Britain and the co-operative credit movement in Germany. Cooperative sectors have a duty to rise up to meet these aspirations, convert the perceived weakness into exciting opportunities and facilitate inclusive growth. Cooperatives, as economic enterprises and as self-help organizations, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities. Over the years, cooperative sectors have successfully operated locally owned people centered businesses while also serving as catalysts for social organization. It is a well-known fact that the year 1991 marked the beginning of a new era in economic policy of our country. To encourage privatization, policy changes such as deregulation of state enterprise, reduction in tariff barriers, creation of appropriate climate to promote private investment in infrastructure, manufacturing etc. provided for new direction and affected almost all these sectors of the economy, including cooperative sector. But the reform measures under the new economic policy, mainly concentrated only in removing the fetters on private enterprises and in stimulating higher economic growth by promoting industrial sector. The rural and agricultural sector remained somewhat neglected and also the effect of economic reforms on the economic fortunes of the common people was overlooked. Throughout the reform decade i.e., from 1991 to 2000, the role and relevance of the cooperative sector remained on the background, in spite of its predominant position in various fields of our national economy. There are at present 5.04 lakh cooperative societies of different type with a membership of 22 crores, covering 100 percent villages and 67 percent rural households.

◆ CHALLENGES BEFORE COOPERATIVE SECTORS IN INDIA

Major challenges faced on the cooperative sectors relate to the following aspects:

1. Internal and structural weaknesses of cooperative sectors, combined with lack of proper policy support have neutralized their positive impact and resulted partly in the mismanagement, inefficiency and corruption in the financing of cooperatives. This has necessitated the need for a clear – cut policy on co-operatives, to enable sustained development and growth of healthy and self-reliant cooperatives
2. Since the government now has withdrawn support, due to changed economic priorities, many cooperatives encounter difficulties in generating their own resources and have to completely reorganize them to survive and succeed in a competitive environment, without depending any state support.
3. The cooperative financial sector is facing severe problems which have restricted their ability to ensure smooth flow of credit - Limited ability to mobilize resources, Low Level of recovery, High transaction of cost, Administered rate of interest structure for a long time.
4. Cooperative sectors need be member-driven; stakeholders should have a command over its affairs and activities. There is need for more transparency, more of interaction and confidence-building measures.
5. Restrictions relating to share capital and automatic conversion of credit societies and also other problems like lack of professionalism or unsatisfactory.
6. The cooperative sectors have also suffered on account of two important limitations on its working. One is that the size of these societies has been very small and the cooperative sector has suffered from inadequacy of trained personnel right from its inception.

7. Strengthening information and database of Cooperatives is of utmost importance. Cooperative sectors need to be adopted by the process of computerization and inter-connectivity to provide best services to members and customers with anytime and anywhere service.
8. Due to cooperative legislation and administration, Government interference has become a regular feature in the day-to-day administration of the cooperative sectors.
9. The cooperative institutions are face deliberate control of cooperatives by the government, Participation of the nominated director by the government and deputation of government officials to cooperative institution.
10. Aggressive marketing strategy is adopted for sensitizing members and general public about the service and quality rendered by the Cooperative sectors. Commitment to best service and pursuit for excellence should be the hallmark of Cooperative. Every society should adopt their customers' or members' charter and should meticulously adhere to this charter.
11. The state cooperative sector is not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.
12. Adoption of scientific planning for deployment of human resources on the principle of right man for the right post at right time would help Cooperatives Sector to accelerate the pace of reforms. Human resources need to be proactive. Motivation, recognition for good work and leadership is inculcated for augmenting productivity.
13. The essence of the cooperative sector movement is that mismanagement and manipulation.
14. Lack of education, dirty politics of the village, bureaucratic attitudes of the government officers at the lower rank are some of the hurdles in spreading the correct information about the cooperative sector and in educating the people about its true character and vital role in the cooperative sectors.
15. Cooperative sector should compete with other players in prevailing market forces without any protectionist or discriminator approach.
16. Professionalization of management is one of the basic prerequisites of Cooperative sectors. Both the personnel as well as directors of committee of management should be exposed to regular training, interaction and orientation.

◆ CONCLUSION

Presently, the cooperative sectors occupy an important place in the Indian financial system. However the cooperative sectors strengthen their uniqueness and growth in the banking industry and it is required to take certain measures like for strengthening the cooperative sector sustenance of its growth is attendant to professionalization of its management, inculcating good corporate governance, technology absorption and scrupulous adherence to regulatory framework. In future the cooperative sectors are ready to face many challenges in the competitive environment of both Public and Private sector banks expansion activities both vertically and horizontally. Role of cooperative sectors are very much depended on the urban and rural areas. This research paper is a first attempt to better understand cooperative sectors in India. The finance plays a significant role in the economy of cooperative sectors.

In a developing country like India with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative sector. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative sector. The need of the hour for the cooperative

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