

Co-Operative Credit Societies in India

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Abstract

Primary Cooperative Credit Societies are fashioned at the village or societal level. Any cooperative society is referred to as a primary credit society.

A basic agricultural credit society is the only exception. It is generally an association of people who live in a specific area. Borrowers or non-borrowers will make up the members. The share capital of the deposits and loans from the central cooperative banks provides the society with its funding. According to the rules, a Primary Credit Society should only have Rs 100,000 in reserves and paid-in capital. Similar to how society will conduct banking operations without needing to obtain a license from the government. The Banking Laws (Amendment) Act of 2012, however, allows for the assumption of additional restriction powers over cooperatives.

Keywords- Fashioned, Borrowers, Consistent, Mounted, etc.

INTRODUCTION:

In India, cooperative societies were seen as the best means of encouraging people to return and help themselves through the technique of getting rid of dishonest middlemen who make huge profits at society's cost. The Cooperative Credit Societies Act of 1904 made it possible to establish cooperatives to offer farmers low-cost credit and protect them from being taken advantage of by moneylenders. The Cooperative Societies Act, of 1912 broadened the scope of cooperation and provided for centralized control. A cooperative society that seeks to advance the financial interests of its members in accordance with cooperative principles may also be registered with limited or unlimited liability by submitting an application along with a copy of its bylaws and having at least ten adult members of the same neighborhood, class, caste, tribe, or occupation sign the document.

OBJECTIVES OF THE STUDY:

1. To research India's cooperative credit societies.
2. To research the Indian credit societies' organizational structure.
3. To research the issues with India's cooperative credit societies.

COOPERATIVE SOCIETIES IN INDIA:

A cooperative society is a voluntary association of independent people who have banded together to fulfill their shared economic, social, and cultural needs and objectives through a jointly owned and democratically controlled organization.

The largest cooperative movement in the world started in the agrarian nation of India.

Farmers that want to process their produce pool their resources to establish dairy farms, sugar refineries, spinning mills, and other cooperative agricultural companies.

There are 330 cooperative sugar mill operations and 1,94,195 cooperative dairy organizations in the nation.

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35% of the sugar produced in the nation is generated by cooperative sugar mills.

Cooperative institutions are found in both urban and rural regions of banking and finance.

The primary agricultural credit societies (PACS) founded by farmer associations at the village level provide the best visual representation of credit flow at the local level.

In ahead of a village's need, these groups send credit requests to the district central cooperative banks (DCCBs). At the pinnacle of the rural cooperative lending pyramid are state cooperative banks.

Because they represent a group of farmers, PACs have much more negotiating power than a single farmer making his case to a commercial bank.

Rural and urban communities both have cooperative marketing societies and cooperative housing societies.

Consumers' cooperative societies are one of the many varieties of cooperatives in India that strive to protect all consumers' interests by lowering the cost of goods.

Kendriya Bhandar, Apna Bazar, and Sahkari Bhandar are three well-known instances of these cooperatives. By purchasing products directly from manufacturers, you can cut out intermediaries. It will provide consumers with goods at lesser prices.

There are also producers' cooperative organizations, which offer access to raw materials, equipment, and other resources. Small producers' interests are protected in this way.

Producers' cooperative organisations, such as APPCO, Bayanika, Haryana Handloom, etc., are examples of the handloom industry.

One of the most recognisable cooperative brands in the country is Amul. Gujarat's 36 lakh milk producers gave birth to this. The Gujarat Co-operative Milk Marketing Federation is governed by this.

Small producers and manufacturers that were having problems selling their products on their own formed a cooperative marketing association.

History of Co-operative movement in India

Pre-Independence:

The first cooperatives were founded as an independent, self-managed people's movement without any involvement from the government to aid the region's credit-starved citizens.

British India emulated the cooperative movement in India that was akin to the Raiffeisen system in order to relieve the suffering of the poor farmers, particularly the harassment by moneylenders.

In order to originally provide loans for debt alleviation and property improvement, Land Mortgage Cooperative Banks were founded in 1938.

Beginning in 1939, the Reserve Bank of India refinances cooperatives for seasonal agricultural operations.

The British Indian government created the Multi-Unit Cooperative Societies Act in 1942 to address cooperative organizations with members from more than one province.

Post-Independence

Cooperatives were a crucial component of the Five-Year Plans after independence.

The concurrent list includes collaboration together with agriculture.

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In 1958, the National Development Council (NDC) recommended developing cooperative marketing groups, employee training, and a national cooperative strategy.

The National Cooperative Development Corporation Act of 1962 established the National Cooperative Development Corporation (NCDC), a statutory corporation.

The Indian Parliament passed the Multi-State Cooperative Organizations Act in 1984. This is an attempt to unify the various rules regulating similar cultures.

In 2002, the Indian government unveiled its National Cooperative Policy. In order to boost cooperative economic activity, which in turn helps rural India, the Constitution (Ninety Seventh Amendment) Act of 2011 on cooperatives was created.

Cooperative Societies were inserted to Section III of the constitution after the words "or unions."

According to a new Article 43B that was introduced to Part IV, the state shall endeavor to support the voluntary formation, autonomous functioning, democratic control, and professional management of cooperative societies.

To accommodate state vs. center functions, Part IXB of the constitution was added after Part IXA.

The Union Agricultural Ministry launched the NCDC's "Yuva Sahakar-Cooperative Business Support and Innovation Programme" to help young people launch cooperative companies.

Project Sahakar 22, launched by NCDC recently, seeks to double farmers' income by 2022.

The Agricultural Credit Department of the Run Batted in in 1937 first advised the establishment of helpful cooperative groups in India. The

The cooperative designing committee later backed the ideas put out on useful cooperative societies. The cooperative planning committee (1946), which was tasked by the government of India with creating an outline for cooperative growth in the nation, advised that society should be reformed and organized in order to serve as a hub for the members' long-term economic advancement. The Committee said that primary village societies should focus on financing crop production, promoting crops, providing farmers' household goods and farm necessities, maintaining machinery for recruiting skilled agriculturists, supporting ancillary industries, etc. Regarding the organizational aspect, the Committee suggested that "All people dwelling in the society's operational area should be welcomed by the society's membership. The Society should therefore be set up to have at least fifty members and a workspace that would permit sufficient business while also allowing for efficient and cost-effective management " In fact, the Cooperative Organizing Committees (1946) recommended that "a try ought to be created to bring, 50% of villages and 30% of the agricultural population at intervals the extent of the organized primary societies at intervals an amount of ten years." These recommendations were supported by the Fifteenth Conference of Registrars of Cooperative Societies at the helm in 1947. The concepts and ideals of cooperation are frequently embraced throughout India's whole business as well as social life. The different levels of the cooperative credit structure are consistently organized so that the members can easily absorb the true spirit and conduct of the cooperative movement, particularly the sensible aspect of this movement, which helps to increase productivity, expand employment, and improve the financial situation in rural areas. The cooperative sector has expanded its operations across all economic sectors. Co-operative societies are the most crucial component in protecting the population of agriculturally illiterate people, and they must become more effective in their struggle as a result of economic reforms that have led to various changes in policies in the Indian economy. Co-operatives should be self-directed in the context of economic reforms because once government policy loses its protective function, their existence will

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finally depend on how well they perform and how hard they fight. Co-operatives have some operational flaws, such as being cash-strapped, having trouble borrowing money, advancing loans even for unproductive purposes, etc. If these vulnerabilities are well acknowledged, however, they can be eliminated by taking active action to overcome them.

Hence, there is no alternative to cooperation for the economic improvement of the poor lots of rural economies within the context of economic reforms, and it is firmly believed that the cooperative movement should succeed. By supplying crucial financing for general expansion, bolstering the agricultural base, boosting production capacity, and doing so economically for overall development, cooperatives play a significant role in rural areas.

ORGANIZATION OF CO-OPERATIVE CREDIT STRUCTURE IN INDIA:

In India, there are two basic components to the cooperative banking system: urban cooperative banks and rural cooperative credit institutions.

Rural cooperatives have a complex structure, whereas urban cooperative banks just have a single level. The short Co-operative Credit Structure (STCCS) and long-run co-operative credit structures are the two different types of rural cooperative credit institutions.

Mutually Beneficial Credit Structure (LTCCS). Primary Agricultural Credit Societies (PACS) are situated within the STCCS at the village level, District Central Cooperative Banks (DCCBs) are situated within the STCCS at the intermediate level, and State Co-operative Banks (SCBs) are situated within the STCCS at the apex level. Farmers and rural craftsmen typically receive crop and other capital loans from the STCCS for a little amount.

State Cooperative Agriculture and Rural Development Banks (SCARDBs) at the state level and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) at the suburbanized district or block level make up the long-term structure of rural cooperatives. These businesses specialize in offering medium- to long-term loans to support investments in rural economies, housing, and agriculture.



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PROBLEMS OF COOPERATIVE CREDIT SOCIETIES:

1. Lack of Naturalness:

Since it didn't come from the people themselves, the cooperative movement in India lacks

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naturalness. Sometimes people don't take the initiative to start cooperatives on their own. On the other hand, rural residents view banks and cooperative societies as government institutions for making decisions. Rather than causing something in return, they are only concerned in etymologizing edges from them.

2. Lack of Funds:

Due to the fact that their closely held funds hardly ever amass a sizable portfolio of capital, cooperatives face resource limitations. The cooperatives' borrowings from the central finance agency are strongly conditioned by their thin closely-held fund base. As a result, the existing as well as new members' credit requirements have been satisfactorily met.

3. Neglecting the Demand Aspect:

In the past, cooperatives have interpreted the issue of agricultural financing from the perspective of "supply." It neglects the "demand" aspect.

4. Loans for Productive Functions Only:

The Cooperative Credit Societies do not provide for all of the farmers' credit needs. They only provide loans for agricultural enterprises. Farmers seek out money lenders to meet their alternate needs. This split allegiance to the cooperative society and, by extension, the moneylender, is consistent with how the cooperative movement is growing.

5. Negligence of Non-Credit Aspects:

The initial Agricultural Cooperative Societies are typically only disbursing credit and haven't yet established themselves as truly useful organizations that attempt dispersed functions in addition to credit.

6. Regional Disparities:

Regional differences in credit accessibility have been well studied. The perception of credit availability within the states, social groups, and isolated regions of Japan is absolutely depressing. As a result, the farmers in these areas cultivate technology.

7. Lack of Cooperation on the part of the People: In the Indian context, the majority of people are under the influence of ideology, mental objects, and illiteracy. They do not understand the value of cooperation in their daily lives. The growth of the cooperative movement is hampered by a lack of willing collaboration on their end.

8. Defective Management:

The cooperative credit system is accused for being primarily run by large farmers and landlords. Because of this, small and medium-sized farmers don't receive their fair share. They normally don't ask for assistance from the cooperative society. Large farmers and landlords manage to have a stronger hold on these communities thanks to their greater economic and social power. They receive the lion's share of the benefits. The cooperatives experience partiality, favoritism, and favoritism in this way. As a result, the cooperative movement's growth is negatively impacted.

9. Political Interference:

Sujata Patel and Daniel Thornier, two sociologists, share the opinion that political meddling poses a significant barrier to the growth of the cooperative movement. In a rural Asian nation,

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cooperative organizations have emerged as the new political foundation. Typically, political considerations are used to select the recipients.

10. Non-viable Character:

Several agricultural credit societies in India have been found to be non-viable. It's because committed, ethical, and thrifty people don't volunteer to join such organizations. Red tape, excessive political involvement, and the strong grip of large farmers have all prevented the cooperative movement from growing. As a result, the cooperative movement has not produced the expected results.

11. Lack of Coordination: At the local level, there hasn't been any coordination between the institutional agencies. Cooperative defaulters will borrow from alternative organizations. These financial overlaps and duplications are only discovered due to a lack of coordination.

12. Downside of Overdue:

Last but not least, the cost of late payments is the biggest drawback of cooperative credit. The recuperation component has not performed well at all.

In relation to the cooperative credit societies, 27–50% of the past-due amounts are recorded. Moreover, Central Co-operative Banks and exploitation Banks have past-due balances. Evidently, the high rate of past-due accounts makes it difficult for cooperative credit societies to recycle their credit.

CONCLUSION:

Slowly but surely, the agricultural sector developed a significant interest in the Mahajan informal credit market, which is dominated by moneylenders. Rural responsibility increased as a result of the revolution's commercialization of agriculture. Cooperative societies provide a range of services to the agricultural and non-agricultural sectors in the state's geographic area (such as industrial, housing, labor, etc.). Associate degrees are produced by cooperative groups. supportive environment, competitive spirit, and support for economic activities in remote areas that encourage rural residents' involvement in maintaining total progress.

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