



FARMING COOPERATIVES IN INDIA: PROBLEMS AND PROSPECTS

*By Adhip Narayan Banerjee
From School of Arts and Law, Manipal
University Jaipur*

*By Riddhi Banerjee
From School of Law, Techno India
University, Kolkata*

Introduction

The cooperative society is a consortium of a cluster of people with collective liabilities, responsibilities, and thoughts for the upliftment of the needy, especially the underprivileged. "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."¹ Under the umbrella of cooperative several other branches fall under its ambit such as the development of agriculture, agro-processing, storage, forestry, banking, credit, marketing, dairy, fishing and housing and its filigree shelters 85% of the rural menage². It aids in many aspects of agricultural burgeoning by promoting the use of resources, the addition of value, market channels, distribution channels, storage facilities, etc. Rural marketing eases the flow of goods from rural producers to urban consumers at a possible time with just prices in lieu of resources from

the urban market, which can be perceived as a modern market barter system.

Certain economic activities such as credit disbursements and agricultural inputs distribution are regarded as the core of cooperative economic activities. The cooperative movement was affluent in the rise of the GDP (Gross Domestic Product) of rural India and reducing poverty. The global ordeal of development and reduction in poverty shows that GDP (Gross Domestic Product) growth originating in agriculture is at least twice as effective in reducing poverty as GDP (Gross Domestic Product) growth originating outside agriculture³. Thus, we can come to the conjecture that the cooperative system holds the cue to alleviate poverty and tackle the issues of food security.

Literature Review

- a. NCUI⁴: In this literature, the growth of agricultural cooperative is justified with appropriate surveyed data concerning the finer and thinner divisions for better segregation and classification of the data, to be used for the study. This literature also postulates the prospective and retrospective aims of the Government in the cooperative sector and acts as a report card of how much of it has been achieved and which part is still striving for excellence.

¹ United Nations (2012). International Co-Operative Alliance Statement On The Co-Operative Identity. International Year Of Cooperatives; 2012.

² Dubey AK, Singh AK, Singh RK, Lakhani Singh, Pathak M, Dubey VK. Cooperative societies for sustaining rural livelihood: A case study. Indian Res. J. Ext. Edu. 2009;9(1).

³ Swaminathana B, Sivabalanb KC. (2016) Role Of Agricultural Market Intelligence In Uplifting Small And Marginal Farmers: Aspects, Prospects And Suspects.

⁴ Indian Cooperative Movement, A Statistical Profile (2012), National Cooperative Union of India, XIII Edition, July 2012



- b. Om Ashtankar⁵: This literature emphasizes the need for any economic measure to cover the agricultural sector for it to pass the litmus test and be successful. It also opined that the cooperative sector is the arch of the Indian economy in the contemporary scenario. The literature also provides the drawbacks and the advantages of the sector, what measures should be taken to ensure its credibility and how it will sustain itself for the coming generations.
- c. Sami Uddin⁶: This literature focuses on the study of Uttar Pradesh's cooperative system about India's cooperative guidelines. There is also a comparative study of India's cooperative system, Uttar Pradesh's cooperative system and systems of foreign countries such as Russia, Poland, China, Israel, Uganda, Syria, Czechoslovakia, Iraq, Nigeria, etc. The literature also elucidates the five-year plans and the farming prospects in India.
- d. E-Gyankosh⁷: Elucidates about the evolution of the cooperative system, the legislative measures taken by the Government after the independence of India and the structure of the cooperative system to understand the mechanism of its framework.
- e. John Mugambwa⁸: The author elaborated on the uprisings and downfalls, the final failure of the movement in Papua New Guinea. The author also postulated the required core values of a functioning cooperative system, opined those frequent bureaucratic interferences in the system engendered the inability to attract large capital investments

and the decrease of support from its members.

Statement of Problem

The Cooperative system is thriving in the country for 50 years. Yet it is believed that the prospects of the system have not reached the agricultural sector completely. Addressing this issue will explain the anticipated/actual prospects and drawbacks of the system, why the farmers chose to be included/not included in the cooperative system.

Research Objective

The research aims to provide a constructive analysis of the current cooperative movement prevailing in India. It also aims to study the evolution of the cooperative system and how it has impacted during its journey and its destination at the current time. The gradual change and its impact have been backed by the legislature and the propagation of the movement has faced several positives and negatives, the researcher aims to cover the point of change and how the legislature affected the function of the farming cooperatives.

Research Questions

- What effect the cooperative system has on the agricultural sector of the Indian economy and what are its prospects and drawbacks in the system?
- How is the system shaped to match the Indian economy and analysis of the legislative backing it has?

⁵ Om Ashtankar, Importance of Cooperative Movement for Indian Agriculture Sector (2015), IJAR,

⁶ Sami Uddin, Cooperative Farming and Rural Industrialisation with Reference to Uttar Pradesh (1975), Aligarh Muslim University, 1975

⁷ E-Gyankosh, COOPERATIVE LAGISLATION IN INDIA, Unit 18, State and Agricultural Sector By E-Gyankosh, 2019

⁸ John Mugambwa. The Saga of the Co-operative Movement in Papua New Guinea, Journal of South Pacific Law, 2005, 9(1)



Hypothesis

The cooperative system has caused exponential growth in the economy and the legislative backing has provided enough room and independence for the movement to grow and breathe.

Research Methodology

This research will reach a conclusion depending on the statistical data based on surveys and existing paperwork data, carried out by several independent and governmental agencies to justify the hypothesis. The research will also postulate the prospects and drawbacks of the system employing several case studies and ground-zero reports to avoid biases and provide accurate and independent opinions and observations. The research is based on both doctrinal and empirical principles to understand the legislative backing of the movement and at the same time analysis of the practical availability of the benefits and/or drawbacks of the widespread movement.

History and evolution of Cooperative Societies: The fountainhead

During the period of 1850s, the East India Company started their rampant process of annexation and dismantling of traditional industries, which resulted in a huge chunk of the population shifting towards rural India. This created a vast void, enough to initiate the cooperative movement in India.

During the colonial rule in India, a British official, Nicholson, suggested introducing Raiffeisen⁹, the German model of

agricultural credit cooperative system, in India. As a result, the British Government agreed and introduced the Cooperative Credit Societies Act, 1904 that was enacted to enable agricultural credit cooperatives in the rural and remotest parts of India, under the sponsorship and nurturing umbrella of the Government. 8 years later, the act was repealed with the introduction of the Cooperative Societies Act, 1912¹⁰. The latter Act paved the way for the formation of cooperative societies other than credit system, polishing the cooperative system for the sake of rural India. Both the Acts played a very important role in strengthening and developing small, marginal, and weaker belt of the society. To induce better management of the system, the subject was made a provincial matter with the enactment of the Administrative Reforms Act, 1919 recommended by the Viceroy of India Lord Chelmsford and the Secretary of State for India Edwin Montagu, that covered 10 years (1919-1929). The Act incepted a responsible Government in India and ending the benevolent despotism of the authorities. The aforementioned act also introduced the diarchy system of Government in India. The Government, later on, felt the need to cover societies that had their operations extended to more than one or several states, hence, they introduced the Multi-Unit Co-Operative Societies Act, 1942¹¹. With the growing independence struggle in India, it gave birth to several initiatives and institutions, moving forward, after India gained independence from the colonial rule, in 1984, the independent democratic Government repealed the act of 1942 and introduced a new

⁹ Named after Friedrich Wilhelm Raiffeisen, who was a German Mayor, and cooperative pioneer.

¹⁰ The Cooperative Societies Act, 1912, No. 2, Acts of Parliament, 1912 (India).

¹¹ The Multi-Unit Co-Operative Societies Act, 1942, No. 6, Acts of Parliament, 1942 (India)



act called the Multi-State Co-operative Societies Act, 1984¹².

The independent government recognized the cooperative sector as the third economic sector that connected the private and public sectors. Later in 1950, cooperatives were brought under the ambit of National Development Plans. The first plan during the period of 1951-1956 endorsed the training of personnel who were involved in setting up and developing the cooperative marketing society. The second plan involved the expansion of activities under cooperatives and highlighted the importance of storage facilities. The third and fourth plan endorsed the involvement of cooperatives in agricultural processing of commodities such as sugarcane, cotton, milk, etc., take up other activities based on agriculture to promote large scale production such as spinning and weaving employing the existing resources in warehouses and consolidation of cooperatives system respectively. From the ninth plan onwards (1997-2002) there was no specific mention of the cooperative system as cooperation has been a State subject and Multi State Cooperative Societies Act, 2002¹³ propagated parallel cooperative legislation for self-reliant cooperative dwellers, giving the older laws a prospective mode of operation. With the introduction of the National Cooperative Policy (2002) an ambidextrous burgeoning was anticipated, being responsible to make a significant contribution to the agrarian economy of India. NCDC Amendment Act, 2002¹⁴ has allowed it to bring under its ambit the notified

services, livestock and industrial activities and majorly, to directly support cooperatives against suitable security by investing major capital funds.

Role of Cooperatives: At a glance Cooperatives can be clustered into several groups in conformity with their activities: (Kumar et al 2005)

- Production Cooperatives- It deals with industrial and agricultural productions.
- Marketing Cooperatives- It deals with the marketing of agricultural productions.
- Service Cooperatives- Renders services for members of cooperatives such as Cooperative Credit Societies, cooperative housing, cooperative banks, and, etc.
- Allied Service Cooperatives- Dealing with activities that are necessary for daily life businesses of farmers, agriculturists, artisans, etc.

Centre for Study of Developing Societies (CSDS) had conducted a survey¹⁵ comprising of five thousand agriculture-dependent households, situated across 18 states in India. It was evident from the statistics that seventy-six per cent of the households are considering different forms of livelihood, pushing sixty-one per cent of them towards the urban area in search of better healthcare, more earnings, better education and more opportunities. Agriculture is slowly losing its charm and shine with mounting debts, unfavorable weather conditions, floods, droughts, pests attack and a rise in prices of inputs.

¹² The Multi State Co-Operative Societies Act, 1984, No. 51, Acts of Parliament, 1984 (India).

¹³ The Multi State Co-Operative Societies Act, 2002, No. 39, Acts of Parliament, 2002 (India).

¹⁴ The National Cooperative Development Corporation Act, 1962, No. 26, Acts of Parliament, 1962 (India)

¹⁵ Lokniti, <https://www.lokniti.org/otherstudies/state-of-indian-farmers-161> (Last visited 11th May, 2021)



The government had brought several reforms to benefit the farmers, but it was observed such reforms benefitted the big farmers more than the poverty-stricken and/or small landholding farmers, as ten per cent in the survey has claimed that they received the benefits provided by the government. Seventy-four per cent of the farmers were observed to not have been aware of the schemes provided by the government, hence, there is a huge discrepancy in the symmetry of information provided by the local bodies. Sixty-four per cent of the farmers, also feel that the Minimum Selling Price (MSP) provided by the Government is not worthy of the labor and energy they put into the production of the goods. All the facts bespeak the rising farmer suicides in the country, and to resolve the agrarian crisis, that is the arch of the economy is need of the hour.

Cooperatives have acted for the eradication of middlemen to avoid exploitation of farmers. Whatever profits are gained by the cooperatives, are equitably shared between the members, to make a bridge and reduce the gap between the incomes of rich and poor farmers. The organizations also grant a significant amount of loans, that aids in providing modern farming pieces of machinery, high-quality fertilizers and seeds for a better production rate increasing the turnover in profit. This engenders the farmers' safety from private borrowings which exploits them by unfair terms in the agreement, unjustified negotiating position of the promise in the contract (mostly ex-parte) and punitive interest rates.

From the sociological perspective, cooperatives propagate the extraordinary values of toleration, brotherhood, condemnation of social evil, resisting

exploitation, coherence and harmonious development through peace and unity. It has also provided the unaware, a proper view of how the democratic setup and structure work, and the notion of self-governance. Cooperatives have also opened avenues of year-long employment and income through agriculture and livestock products.

Cooperatives connected with Agriculture: A welfare intended vision.

For the welfare of landowners, increasing transparency and simplicity of the system and for the consolidation of the farming population and their lands, various land reforms were introduced. The small and fragmented holdings by farmers and landowners were conjoined to form a robust cooperative system, mooted by the Planning Commission. It ensures collective farming, while at the same time keeping the private property ownership rights intact with some regulations. The initial response during its introduction was very poor due to the absence of some model to expound the growing reforms to the members, hence they could not trust the intention of the sovereign.

The foundation of cooperative society in India was laid with the initiation of a ginning factory in 1917. Motivated by the same, factories for paddy milling, sugar processing, groundnut processing, etc. were also set up. They were pulled under the ambit of cooperative rules as private owners were exploiting the farmers by giving unjust resources and price for their labour. Most of the cooperative societies then founded failed, while Etikoppaka Cooperative made an example with the proper backing of the Central Cooperative Banks and receiving higher prices for the canes. The societies bloomed gradually with the regular intervention of the Government, and to



provide simplicity and speedy solutions to the issues to be addressed, State and national level were created namely State level Federations of Cooperative Sugar Factories and the National Federation of Cooperative Sugar Factories Ltd to mediate with the State Governments and guide them in all facets. But now the golden period of Sugar mills look gleam due to truancy of superintendence, lack of mediating steps, and lack of managerial prospects and skills. The cooperative society at this current situation is gradually increasing its pace in the dairy sector, oilseeds sector, tomato cultivation sector through various firms and/or companies and/or independent farmers under the cooperative system.

Agricultural cooperative societies aim to reify increase in production by the means of bulk marketing strategy achieved through favorable reforms for bargaining power of farmers, abolishing middleman system (such as arhthiyas), better storage facilities, etc. The establishment of Krishak Bharati Cooperative Limited (KRIBHCO) and Indian farmers fertilizers Cooperative Federation (IFFCO) propagated gain in inputs of production by providing efficacious fertilizers at low costs to farmers.

Primary Agricultural Cooperative Society (PACS) is tied up with more than or equal to ten members, founded at the grassroots level for better outreach to the people and speedy redressal, with a very negligent share to give a chance for the poorest family in the remotest village of the country to become a member and take part in the movement. It also acts as a connecting bridge with higher financial authorities such as the RBI and/or NABARD.

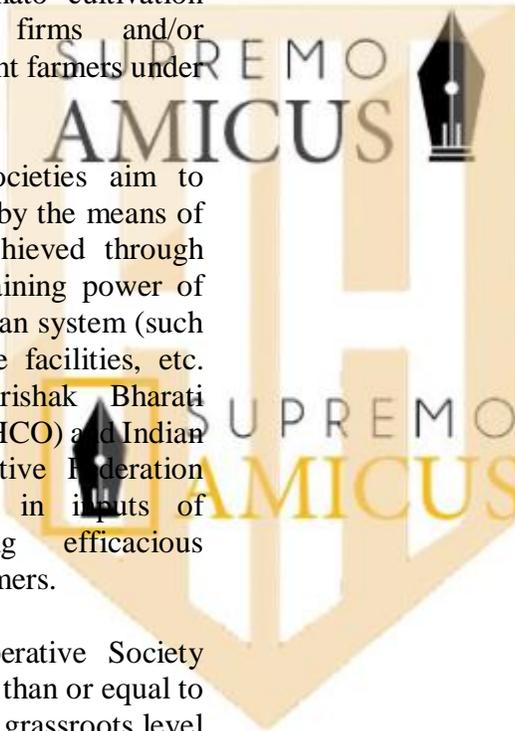




Table 1. Operational status of PACS in India¹⁶

Operational Status (in No.)	Financial status (in No.& Rupees)		Clients' coverage (in No.)		Staffing pattern (in No.)		
	No.	Rupees	No.	Rupees	Total	of Staffs	
Total	95238	Societies in Profit	46405	Number of Villages Covered by Societies	639342	Total No. of Staffs	172287
Viable	64382	Amount profit	4133585915	Total members	305473	Full Time Paid Secretaries	41896
Potentially Viable	17965	Societies in loss	37838	Small farmers members	43698450	Part Time Paid Secretaries	21150
Dormant	2709	Amount loss	7315567240	Total number of borrowers	50690220	Other Staff (Clerk/Typist/Helper)	109241
Defunct	1542	Number of Societies with Own Go downs	51939 (721482481 Ton Capacity)	Small farmers borrowers	19820930	Trained staff	78855
Others	8640	Agricultural Over dues to Demand	20.75% (Short Term loan)	Villages covered	85.06%	Untrained staff	93432

¹⁶Ministry of Agriculture and Farmers Welfare Government of India, Agricultural Statistics at a Glance 2018, pp.405, <https://agricoop.gov.in/sites/default/files/agristatglance2018.pdf>



Problems of Cooperative Farming

- a. Mismanagement and beguile of the opportunity: The essence and singularity of the movement were built around the concept of non-discriminating involvement of farmers based on the size of their landholdings, but as time flew past, the idea became polluted with the evil of corruption and greed, which rendered big landholding farmers to become more powerful. This razed the shiny and rapidly growing building of cooperative to the grounds. The elections of the cooperatives in various mills were manipulated by the influx of large amounts of money, disregarding the pious and sacred democratic process to elect a germane chairman or vice-chairman, thus, gradually turning the structure of cooperative into a political fastener.
- b. Government interventions: Since the genesis of the movement, the Government had adopted the attitude of patronizing the same and held the management of the cooperative tightly within its fists, that it came within the ambit of the Government. This hampered the growth of enthusiasm about cooperative farming, among the people, and they felt that their freedom was being carried away with the government's frequent interference.
- c. Lack of awareness: The masses before being involved in a scheme, favours to know the details of the scheme before investing themselves, as they do not want to risk any of their assets. Thus, it is of urgent need that the farmers are made aware and understood every single detail of the process of the movement and the objectives of the same. The reasons behind this shortcoming are multiple and swindled together such as lack of education, panchayat politics, caste

system, superstitions, and bad attitude of government officials at low rank.

- d. Small organizational size: The cooperative farming societies have been formed on a very narrow foundation of members with a single objective. They are confined to few members and their impact was for only one or two villages, hence there was a shortage of required manpower and other resources. The cooperative is thus, unable to have a complete perspective to analyze and solve the issues. Thus, the help that the cooperative society is supposed to provide, is not satisfactory and as a result, there are grievances from farmers.
- e. Lack of required attitude: The attitude of devotion and efforts towards the work on behalf of the officials have rendered the movement useless. There is even a lack of a professional approach towards the system as there is a lack of skill upgrade program from a professional management training program. It is also difficult to find qualified persons for farm management, such as managers to look after the operations and fathom the complex issues and grievances.

Perquisite of Cooperative Farming

Cooperatives play a cardinal role in the financial availability of rural people, aimed to cover a larger number of farmers. As per the study of World Bank's Global Financial Development Report 2014¹⁷, it is an effective way for poverty reduction. The government takes the seat of supervisor, thus there is lesser interference, while it is effectively managed by its competent members. To ensure and attest to the self-governing nature of the cooperative society, it is essential to

¹⁷ World Bank Global Financial Development Report 2014,
Available:<https://openknowledge.worldbank.org/bitst>

[ream/handle/10986/16238/9780821399859.pdf?sequence=4&isAllowed=y](https://www.supremoamicus.org/ream/handle/10986/16238/9780821399859.pdf?sequence=4&isAllowed=y), 2014



maintain and increase the quality of professional management.

Cooperative farming ensures that it prevents the dispersion of lands, which acts as a hindrance to the accessibility of the government schemes aimed at agricultural development. Such consolidation of land will result in higher production as there will be more farming lands and hence attract foreign direct investments. It results in increased creditworthiness. The large consolidation of lands will also allow the movement of modern farming pieces of machinery such as tractors, threshers, pump-sets, combine harvester, effective irrigation system, etc. Economic progress can be measured by the efficiency of the industries in the production and their exports, in this case, it is the productivity of the farmers. The cooperative movement has also aided in employment outside agriculture to make their economic progress through income by various sources. The supply of agricultural products can also be maintained to meet the demands of such workers.

Cooperative farming will lead to a marginal increase in the marketable surplus, which is a determining factor of a country's prosperity in terms of exports and imports. This movement is also favorable for the government, as with a smaller number of farms, it is easier to collect taxes, introduce better schemes, and provide significant subsidies.

Conclusion

Cooperative societies can come up with both technical and vocational service to the small-scale farmers to convert agriculture into agribusiness enterprise by combining the supplies for realizing economies of scale apart from financing credit in short term and

medium-term loan. In the rural India, the rural cooperatives can be reshaped into high-spirited prosperous models for farmers' socio-economic development by ensuring infrastructural development, good governance, professionalism, policy legislatives, strict guidelines, members' education, assured quality, market linkage, processing of produce, skilled staffing, and fair policies. Hence in the light of all the information provided in this work it can be concluded that the said hypothesis is proved even though, the Government interference might affect the growth of this movement, proper and robust legislative scaffolding has ensured the continuous and long term growth of the golden welfare scheme of Cooperative Farming, built in the lines of Raiffeisen.

Bibliography

1. Research Gate
2. Government of India
3. CSDS
4. CCAST
5. Times of India
6. Indira R, Paramashiaviah. A study on cooperative sector banks in India: problems & prospects. Journal of Advances and Scholarly Research in Allied Education. Ignited Minds Journals.2019;16(5):203-208.
7. Das B, Palai N, Das K. (2006). Problems and prospects of the cooperative movement in India under the globalization regime. XIV International Economic History Congress. Helsinki 2006, Session 72.
