

ROLE OF COOPERATIVE INSTITUTIONS IN THE FIELD OF BANKING, AGRICULTURE AND MICROFINANCE

Dr. Manikandan Iyer¹ and Ms. Ravneet Syan²

¹ Head of the Department, Department of Business Economics, Smt. M.M.K. College of Commerce and Economics, Bandra (West), Mumbai – 400 050 affiliated to University of Mumbai.

² Assistant Professor, Department of Business Economics, Smt. M.M.K. College of Commerce and Economics, Bandra (West), Mumbai – 400 050 affiliated to University of Mumbai.

Abstract

The cooperative sector plays a dominating role in not only boosting the agricultural, but even the non agricultural activities in India. The reach of the cooperatives is even in the remote locations of the nation, where the nationalized financial institutions do to support to the needs of the masses. This sector is integrated firmly with the economy of the nation. It serves with ideological understanding aiming to improve the economic wellbeing of the poor people. The cooperative institutes hold an attitude far with societal development and positive approach. It accounts for nearly 35% of micro finance opportunities in India. The present paper thus examines the role of cooperative institutions in supporting agricultural, banking and microfinance development in the nation.

Keywords: Cooperative Movement, Agricultural development, Banking, Micro finance, development

1. INTRODUCTION

In the present scenario the population of India is rising. According to the census report of Indian census 2011, the population of India is 124.72 crores. If this trend of population continues in our country, there will be a huge impact on several sectors of the economy adversely. Agriculture is the backbone of the economy. It is necessary to find out what measures can be taken to improve agricultural productivity with the help of the concept of roof farming or Cooperative farming. Nowadays, Group farming plays an important role in such a situation where the population rises day by day. Farmers land holding capacity is decreasing. Farmers are having low agricultural profitability and productivity. Due to the decreasing land holding capacity the land is fragmented into several small pieces among the family members.

Dr BR Ambedkar introduced the concept of Cooperative Farming. Dr BR Ambedkar says that in future Indian agricultural land will be divided into small pieces due to rising population. Further, inland capacity will decrease. Dr BR Ambedkar has written an article on mass problems entitled "the problems of small holdings and their remedies in India."

Dr BR Ambedkar pointed out two important facts regarding Indian agriculture, one is India is a country largely engaged in agriculture and second one is Indian agricultural productivity is the lowest in the world. If a country wants to increase agricultural production and productivity, it is necessary to increase group farming. This type of cooperative farming is necessary because the population of the country is increasing day by day.

The present paper deals with cooperative institutions and its role in agriculture, banking and micro finance. As a large section of population is coming under the category of economically weaker section, it happens to ruin the GDP of the nation. These people find it difficult to make sure that their business grows rapidly. They depend on the financial support sources for managing their expenses as capital investments. From that perspective, it is very necessary that the nation should have an effective chain of cooperative institutions to provide credit facilities to the farmers and other stakeholders who are in need of the same.

2. HISTORICAL BACKGROUND OF COOPERATION MOVEMENT

Among the states in India, Maharashtra ranks at the top for several reasons in the historical past. This shows how the social reform movement started in the 19th century. That time several social workers decided that the destitute women, provide formal education to the girls, shelter and training to the widows, including child widows and related economic and current issues.

Cooperative movement started in India around 1980 is to prevent exploitation of farmers by the money lender. Around 1930, some social workers started establishing schools in rural parts of Satara district. Private colleges and Government colleges are also set up for research in Social Sciences. This was done in the city of Pune. Research centres are also set up in Pune. Social Revolution took place which affected the untouchables around 1913. In Mumbai there was an industrial revolution.

3. MEANING OF COOPERATION

In general the term cooperation means organisation which consists of persons of small who are unable to face powerful market forces like competition where people get together and organise themselves into a Cooperative. They pull down their resources and engage themselves in large activities. According to the draft plan, cooperation represents institutionalization of the principle and impulse of mutual aid. It has the merit of freedom and opportunity for the small workers on a large scale. Management and organisation is also very important in corporations. Therefore conveniently it started which has desired social economic impact on the existing condition of the society.

4. DEFINITION OF COOPERATION

The word cooperation means an institutional framework to organise self-help among those who participate in it. The development of the cooperative sector is one of the most important aspects of the state economy. Cooperative sector has changed the fees of the state economy as well as in the economy.

5. FEATURES OF COOPERATION

- 5.1 Cooperative membership is largely voluntary
- 5.2 Management of cooperative is totally democratic
- 5.3 Central objective is to increase economic, political and social targets

6. STRUCTURE OF COOPERATIVE

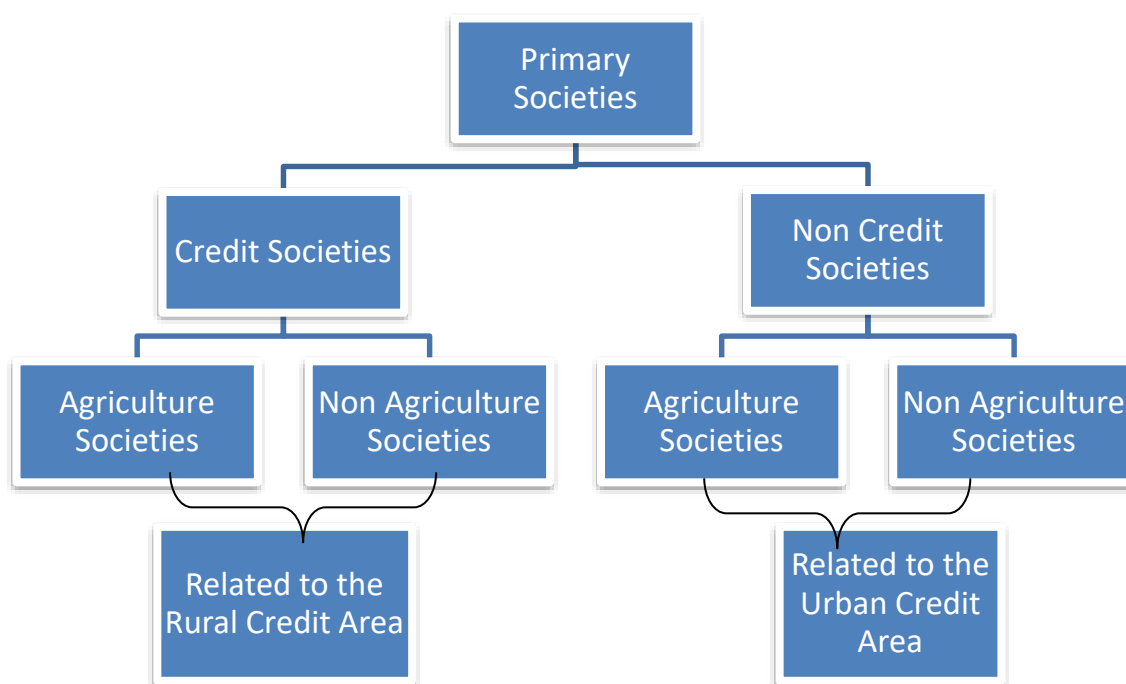


Figure 1: Structure of Co-operatives in India

6.1 Central Cooperative Bank

Central banks supervise the functioning of primary societies at district level and offer financial assistance to them. In addition to primary societies, individuals can also become members of this Bank.

6.2 State Bank or Apex Bank

At the state level the State Cooperative Bank is at top. It is also called as the apex Bank. It controls the work of the Central Bank and Finance and primary Cooperative. It is a middleman between the RBI and the Central Cooperative banking system. This is all short and medium term credit supply Cooperative.

6.3 Land Development Bank

The Land Development Bank is very important in many of the states of the country. These banks consist of two parts.

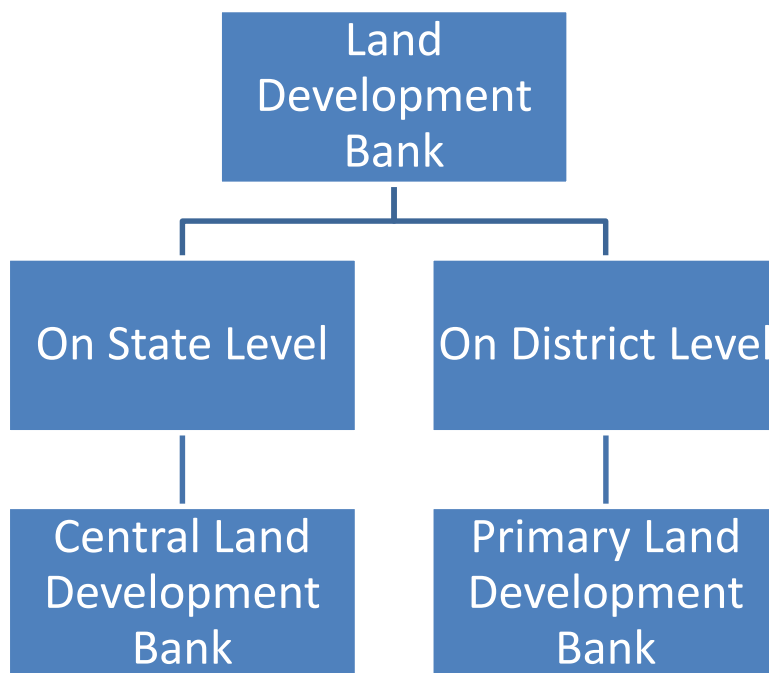


Figure 2: Structure of Land Development Bank

NABARD to create the long-term credit supply for the purpose of rural development and to manage the three types of credit cooperative.

7. IMPORTANCE OF COOPERATIVES

- 7.1 Economic benefits
- 7.2 Moral education benefits
- 7.3 Social benefits

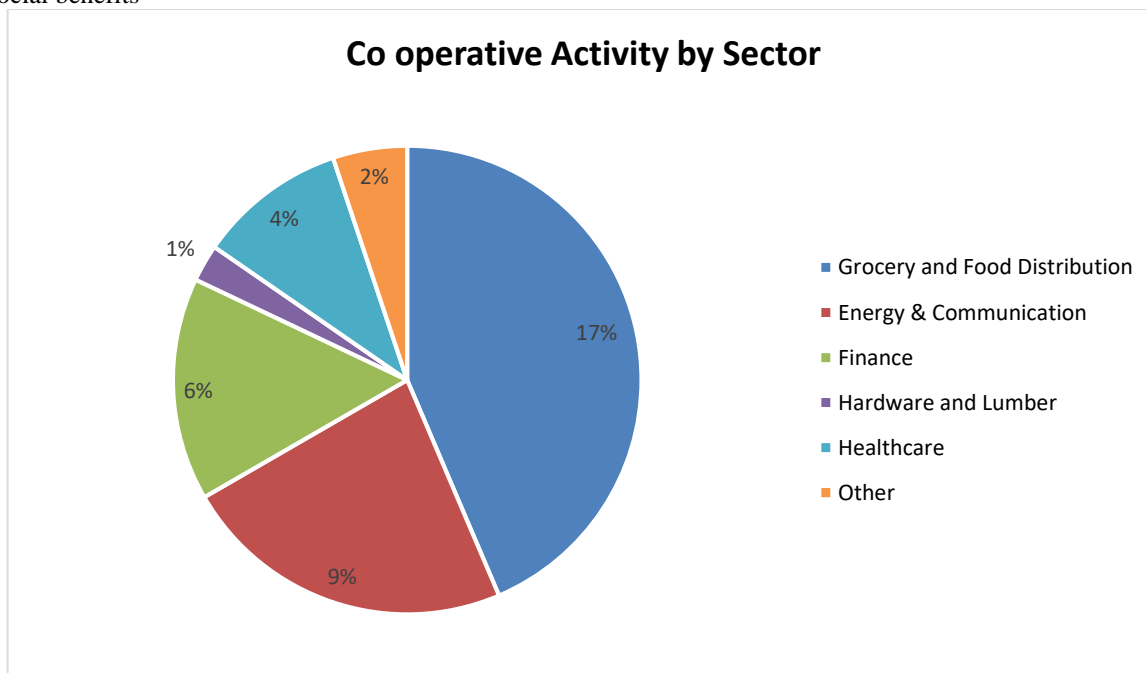


Figure 3 : Co-operative activity by sector.

8. OBJECTIVES OF THE STUDY

8.1 This research paper's main objective is to understand the importance of cooperative movement.

8.2 The second objective is to understand the role of cooperatives in financial institutions and study the microfinance institutions and its role in rural development as well as agricultural development.

8.3 The third objective is to understand the Cooperatives and Micro finance Institutions impact on common people and farmers as well as the agriculture sector.

9. METHODOLOGY OF THE STUDY

This research paper is based on the availability of secondary data and other search results and reports. This paper is an attempt to explain the importance of cooperative movement and microfinance institutions and its impact on rural development as well as the rural poor agriculture sector and the growth of the financial institutions.

10. DEVELOPMENT OF COOPERATIVE SOCIETIES

The development of cooperative banks and sectors is very important in the field of agriculture . Cooperative sector has changed the face of the state economy. Following table denotes the number of Primary Agricultural Cooperative Societies over a decade.

Table 1 No of PACS over a Decade

COOPERATIVE YEARS	NUMBER OF SOCIETIES
2005-2006	89827
2006-2007	53339
2007-2008	67146
2008-2009	46222
2009-2010	89523
2010-2011	90279
2011-2012	101297
2012-2013	90958
2013-2014	93042
2014-2015	92789

Source: <https://ncui.coop/wp-content/uploads/2018/06/A-STATISTICAL-PROFILE-2016.pdf>

The above table shows the number of cooperative societies decreased from 2005-2006 till 2008-2009 by 89,827 to 46,222 and thereafter it started increasing which have increased to 101,297 in 2011-2012, in 2012-2013 it further decreased to 90,958 and again rise to 93,042.

Although the share of institutional sources in total cash credit was broadly the same for rural and urban households, differences in the pattern of institutional credit note are for two sectors. Ruler areas, Commercial banks and cooperatives together form about 57% of the total cash debit whereas the share of cash relatively was low at 40% in respect to urban households.

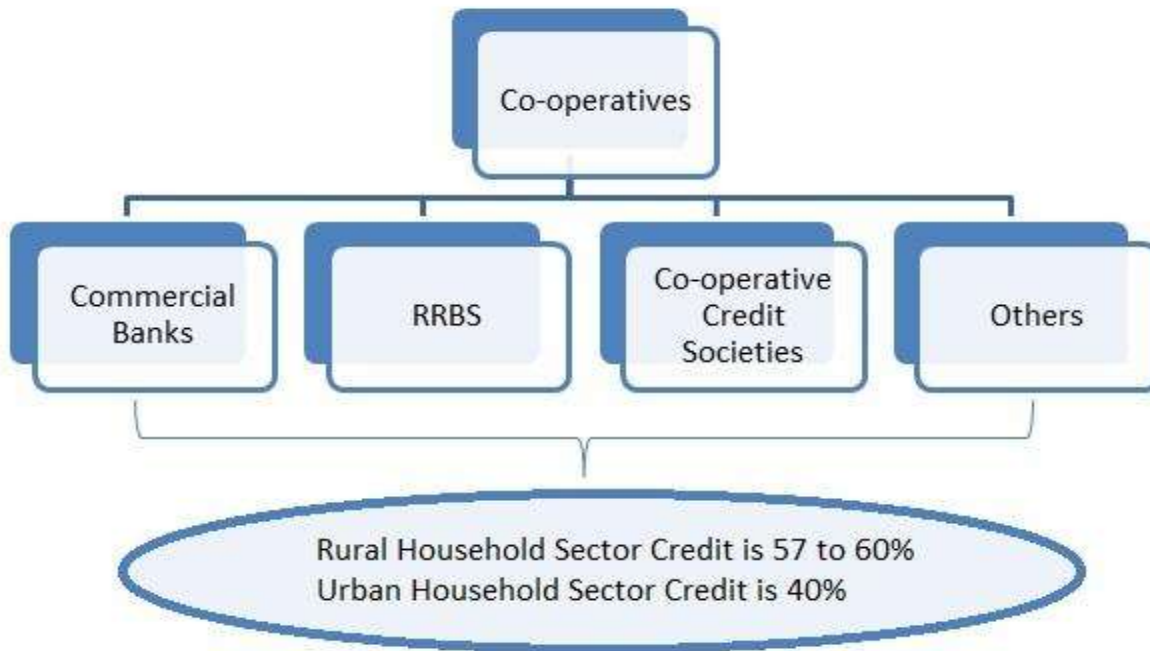


Figure 4: Co-operative banks and societies in India

11. MICROFINANCE

Microfinance in the India, has seen tremendous success from past twenty years. The Self-Help Groups which is also called as SHG have found an important place in new micro-financial management activities. Microfinance institutions (MFIs) are financial companies which gives a small loans for those people that didn't have access to bank facilities. The definition of "small loans" differ from country to country. All loan with less than amount Rs 1,00,000/- is classified in the microloans in India. Various institutions offering the microfinance are:

- Credit unions
- Non-governmental organisations
- Commercial banks
- Some government banks also offer microfinance to the eligible categories of borrowers.

The primary aim of the microfinance institutions is a reduction and eradication of the poverty. Various new microfinance institutions focus on selling of more products to the consumer.

Around 50 percent of the Indian population do not have even bank account. There is need of the financial services for asset building and protection against risk can be fulfilled.

Those who are financially underserved, for them microfinance gives access of the capital. If this microfinance situation will not provide loan to this segment of the country then they will borrow the money from other sources such as family or friends and that can limit to little with high interest rate. The microfinance institutions is helpful for this group for investing wisely in the business, and hence, is in alignment with the government's vision of financial inclusion in the country.

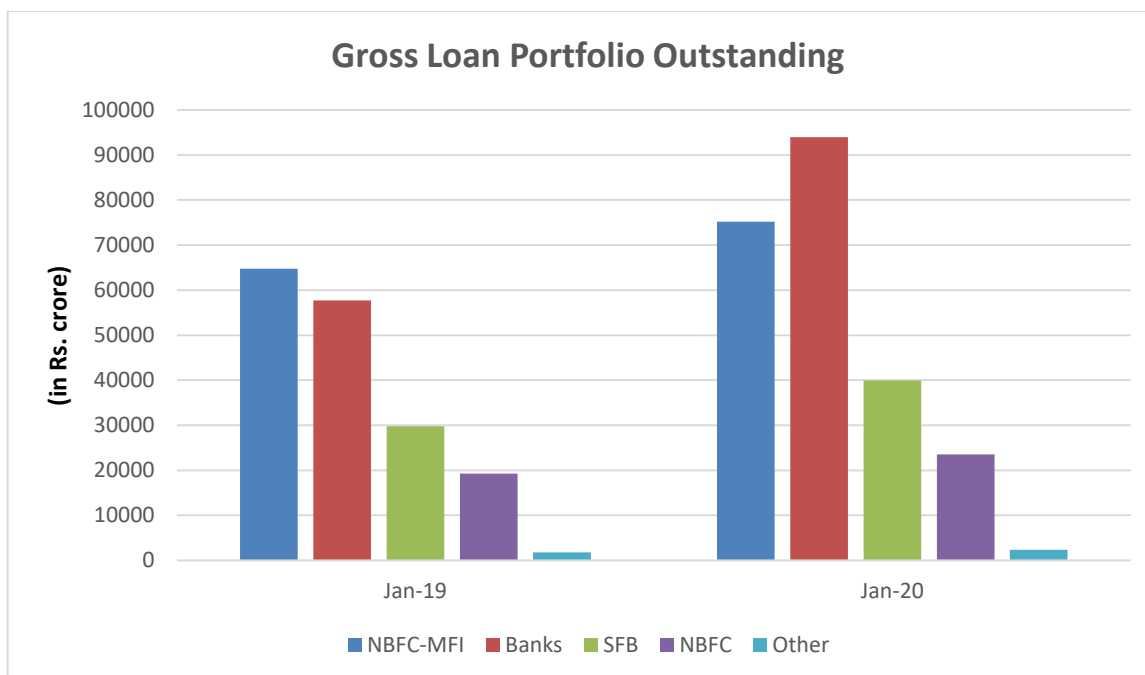


Figure 4: Gross Loan Portfolio Outstanding

NBFC-MFIs and Scheduled Commercial Banks (SCBs) hold a major majority of the microfinance portfolio, both shares around 72% till 31/3/2020. The other 28% is of Small Finance Banks (SFBs), NBFCs and others NPO. The NBFC-MFIs takes an important position in GLP till 31/3/2019, they ceded market share to SCBs during 2019-20, that is majority attributed to the merger of NBFC-MFI with a SCB. Apart from the MFI led model, NABARD has pioneered the Self Help Group-Bank Linkage Programme (SHG-BLP), that contributes to overall microfinance universe. Till 31/3/2020 there were around 56,77,000 SHGs. The outstanding loans is around Rs 1.08 lakh crore under SHG-BLP.

Table 1: Debt Funds Raised and Securitization Volumes during the Financial Year

	(Rs in Crore)					
	2017-18		2018-19		2019-20	
NBFC-MFI (Grouping by Gross Loan Portfolio (GLP))	Debt funds	Securitisation	Debt funds	Securitisation	Debt funds	Securitisation
Small (GLP < 100 crore)	461 (2.7)	24 (0.6)	313 (1)	44 (0.4)	357 (0.8)	20 (0.1)
Medium (100 crore)	2380 (13.8)	182 (4.6)	2720 (8.6)	313 (2.6)	2991 (7.1)	649 (1.9)
Large (GLP > 500 crore)	14389 (83.5)	3718 (93.8)	28656 (90.4)	11665 (97)	38803 (92.1)	32808 (98)
Total	17230	3924	31689	12022	42151	33477

Note: Figures in parenthesis represent percentage share in total volumes.
Source: MFIN micrometer (Issue 33).

11.1 Importance of microfinance in rural, agricultural development

Sources of Agricultural credit are clubbed in two categories.

11.1.1 Institutional sources

11.1.2 Non institutional sources

11.2 Institutional sources includes the following

- 11.2.1 Cooperative societies
- 11.2.2 Commercial banks
- 11.2.3 RRBS
- 11.2.4 Other governmental agencies
- 11.2.5 Microfinance credit agencies

11.3 Non institutional sources includes following

- 11.3.1 Money lenders
- 11.3.2 Mahajans
- 11.3.3 Saraf
- 11.3.4 Landlords
- 11.3.5 Relatives
- 11.3.6 Non-banking financial institutions

Microfinance is one part of institutional sources of credit for common man who lives in rural areas. This is important for people who work in the agricultural sector. Service for the poor people is giving them access to the overall development.

Microfinance means an agency which has emerged to provide financial services to poor people. It includes self-help groups. The programme group of the rural people with the banking system was launched as a pilot survey in 1992. Over the years self-help group banks were linked with micro finance. Overall 16 banks, 48 commercial banks, 196 RRBS, and 316 cooperative banks were established.

11.4 Importance of institutional microfinance for poor people

- 11.4.1 Important for credit
- 11.4.2 Important for savings
- 11.4.3 Increases self-confidence of poor people
- 11.4.4 Financial intermediation over a large area

11.5 Features of microfinance

- 11.5.1 Do not restrict loan use
- 11.5.2 provide access to financial services
- 11.5.3 financial services contribute to women empowerment
- 11.5.4 support institutions and not projects
- 11.5.5 important to create large number of clients and become financially self sufficient
- 11.5.6 decrease poverty line
- 11.5.7 increase saving immobilization
- 11.5.8 appropriate policy environment
- 11.5.9 understand clients need and design appropriate products

11.6 Positive aspects of microfinance

- 11.6.1 The number of Cooperative computing state cooperative banks.
- 11.6.2 Good working of microfinance for rural poor and Agriculture.
- 11.6.3 Membership has also increased.
- 11.6.4 Leads to growth and rural development
- 11.6.5 Positive investment Trend
- 11.6.6 Reduce poverty

11.7 Negative aspects of microfinance

- 11.7.1 Strong only in rural areas and not in urban areas
- 11.7.2 Create only small investments and not large advance
- 11.7.3 Neglect big infrastructure investments
- 11.7.4 Low level of administration status
- 11.7.5 Absence of quality work
- 11.7.6 No scope of modern technology

11.8 Suggestions

- 11.8.1 To reduce corruption between cooperative and microfinance
- 11.8.2 To reduce mismanagement

- 11.8.3 To increase investment in infrastructure
- 11.8.4 To reduce monopoly in cooperative financial institutions
- 11.8.5 To encourage poor people, marginal farmers and landlords to participate in microfinance activities
- 11.8.6 To maintain social economic development and to promote human development

12. OBSERVATION AND DISCUSSIONS

From the above data it is clear that cooperative banks are serving in the field of agricultural credit and rural development. Maximum numbers of respondents are satisfied with functioning of cooperative bank. The level of service of cooperative banks is very high. Cooperative banks are playing extraordinary role for agriculture credit and rural development. In short we can say that Cooperative Banks are providing rural Chhattisgarh all round assistance and proved to be an institution where "Growth with Social Justice" exists.

Efforts to migrate loan collections to digital platforms may greatly improve operational efficiency and help in minimising event-based disruptions. Further, data analytics may be leveraged for predicting portfolio behaviour, building risk models and designing customer centric products. At this juncture, when the risk of spread of misinformation is high, it is important that credit discipline be maintained. Increasing engagement with borrowers through virtual/telephonic means and sensitising staff on fair practices code would go a long way in restoring confidence in borrowers and rebooting the credit cycle. Further, responsible lending practices need to be adopted to ensure that loan amounts are commensurate with borrower's ability to repay and that there are no instances of multiple/over-lending. As past events have demonstrated, portfolio diversification across geographies is essential due to recurring localised disruptions, which impact MFI operations.

Micro-credit finance is a life wire for small scale farmers, the impact of micro credit financing through cooperative societies as Non-governmental micro credit finance institution cannot be over emphasized. Farmers in rural area do enjoy this micro finance, but effect on farming operations it not encouraging as expected. The farmers do not have access to other micro credit finance institution other than cooperative societies, because there is no asset like machine collateral security that will serve as guarantee for the commercial financial institutions. High interest rate is another vital thing that put farmers into limitation in obtaining micro credit from commercial institutions. Micro credit finance institutions are important in achieving farmer's objectives and are being promoted to be commercially viable through an appropriate policy and regulatory framework. Having realized the impact of micro-credit finance to farm production, it is highly incumbent for all the farmers to join cooperative societies in order to get credit facilities to finance their farming operations.

13. CONCLUSION

The paper concludes that though the role of cooperative institutions area significant for the development of the nation, there lays some lacunas which needs to be tackled effectively in order to make the cooperatives still efficient. The author recommends cooperatives need to be managed with legal framework and documentation process till can be strengthened. This will try to curb down on malpractices from both the ends. At the same time, the efficiency of the cooperatives can be improved if the credit facilities are reaching the beneficiaries in the stipulated time. Such type of institutions help a lot in agricultural development as also banking framework. The responsibility of the Government in providing easy access to the needy will help boost the purpose for which the cooperative institutions are standing.

References

- Sixty Years of Indian Agriculture 1947 to 2007, Edited by: C.S. Prasad, New Century Publications New Delhi, India
- Indian Economy (Problems of Development and Planning), A.N. Agarwal, New Age Informational Publishers
- The economy of Maharashtra (Changing Structure and emerging Issues), Editor – Bhalchandra Mungekar (Dr. Ambedkar Institute of Social And Economic Change) Mumbai
- Commercialization of Agriculture in Maharashtra, Dr. Ram Sabale, Vishwakarma Publications
- Growth and Development, Mascarehns, Johnson & Mody, Manan Publication
- Economic Development: Michael P. Todaro and Etephen C. Smith, Pearson Education.
- Dr. B. R. Ambedkar's writings and speeches, Volume No. 6, published by Government of Maharashtra
- Dr. B. R. Ambedkars an essay on "Problem of Land Holding and their Remedial Measures (Indian Agricultural Problem)" Online Review.
- <https://www.wikipedia.org>
- <https://www.slowmoment.com>
- <https://www.livemint.com>politics>Gr>