

Cooperative Societies for Sustaining Rural Livelihood : A Case Study

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ABSTRACT

Cooperative societies in India played an important role in development of agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing sectors. Cooperatives role in poverty alleviation, food security and employment generation is well established. It is observed that cooperatives may deliver goods and services in areas where both public and private sectors have failed. Several cooperatives were formed in urban and rural areas but the cooperative in village Mulkanoor, demonstrated the possibility of cooperation. As a result of continuous efforts of potential members, Mulkanoor Cooperative Rural Bank was established with 375 members from 14 villages within a radius of 10 km in 1956. Shri A. K. Vishwanath Reddy, the founder, at the age of 30 years collected a total share capital of Rs. 2300. The main objective of society was to provide loans with low interest rate to farmers to increase crop production and to stop male out migration as well as exploitation from money lenders. Today the Mulkanoor cooperative society has 6251 members, 106 employees with 6,968.23 lakhs working capital. Thus, Mulkanoor cooperative society is a successful model in the country and there is a need to strengthen the cooperative societies in the country on the same line to meet the demand of food, fodder, shelter and employment for our increasing human and live-stock population in days to come.

Key words : *Cooperative societies; Cooperative structure; Employment generation*

Cooperative society is an organization of group of people with collective responsibilities and thoughts for the development of needy, especially under privileged. Cooperatives helped in the development of agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing and its network covers 85 per cent of rural households. It occupies a key position in agricultural development with support in resource and input use, harvesting of water resources, marketing channels, storage facilities, distribution channels, value addition, market information and a regular monitoring network system. Cooperatives are also engaged in economic activities like disbursement of credit, distribution of agricultural inputs (seeds, fertilizers, and agro-chemicals), etc.

Cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation. It is considered to have immense potential to deliver goods and services in areas where both the public and the private sector have failed (Verma, 2004). By and large, cooperatives (except a few large ones) are “local institutions”, addressing “local needs”,

employing “local talent”, and led by “local leaders”. A situation is emerging wherein there is a possibility of people migrating back to rural areas, as the cooperatives exhibit vast potential for generating self-employment opportunities at grassroots.

Table 1. Outreach of cooperatives

| S. No. | Outreach of Cooperatives | % coverage/ contribution |
|--------|--|--------------------------|
| 1 | Rural network (villages covered) | 100.0 |
| 2 | Coverage of rural households | 71.0 |
| 3 | Agricultural credit disbursed | 42.8 |
| 4 | Fertiliser distributed (6.049 mt) | 36.2 |
| 5 | Fertiliser production (3.509 mt – N&P) | 25.0 |
| 6 | Sugar produced (10.164 mt) | 50.5 |
| 7 | Wheat procurement (6.926 mt) | 33.5 |
| 8 | Animal feed production/supply | 50.0 |
| 9 | Retail fair price shops | 20.3 |
| 10 | Handlooms | 54.0 |
| 11 | Fishermen cooperatives | 21.0 |
| 12 | Storage facility (village level PACS) | 64.5 |
| 13 | Direct employment generated | 1.15 Million |

Source: Indian Cooperative Movement – A Profile, 2004: Developed by National Resource Centre, National Cooperative Union of India

Activities of Cooperative Societies : The Primary Agriculture Cooperative Societies (PACS), which are about 1,00,000 in number, are the major players at the grassroots level, helping farmers with credit, inputs, marketing, advisories etc. Credit is a very powerful instrument for the empowerment of the resource-poor people. It can generate “accelerated economic growth,” when loans are easily available, properly utilized and repaid in time. A cumulative upward movement of “capital supply – increased productivity – higher real income – higher capital supply” is necessary for sustainable rural development (Chakraborti, 2004). These PACS can play a major role in revitalization of cooperative credit structure, provided they are networked using ICTs so as to facilitate “streamlining the cooperative credit structure for hassle free flow of credit”. Urgent steps to revitalize cooperative credit institutions are required.

Mulkanoor Cooperative Society: A case study : With noble thoughts of noble members, it was felt that only with mutual cooperation, the miserable condition of villages/villagers can be changed to a state, where people could live and work with dignity. In the village of Mulkanoor too people began to speak of the possibility of cooperation. While there was much skepticism initially, after a series of meetings amongst potential members, 375 individuals from 14 villages within a 10 km radius of Mulkanoor joined together to form the Mulkanoor Cooperative rural Bank. The founder Shri AK Vishwanath Reddy, then a young man of 30 years collected a total share capital of Rs.2300. in the year 1956 with aim to; members of the cooperative became optimal agricultural producers receiving fair financial returns for their production and ensure that others dependent on agriculture would find enough work within the villages, to leave the area, only by choice and not in distress.

Financial service : Cooperative members have access to loans for raising crops, poultry, dairy, sericulture, orchards, deepening wells, installation of pump sets, laying of pipe lines, purchase of cranes, trailers, power tillers, sprinklers, drip irrigation, solar lamps, tractors and other agricultural activities. Whenever possible and necessary, loans are given in kind and in cash. The cooperative keeps essential/needed materials ready in stock to meet the supply required by the members when loan is sanctioned to purchase the items.

Input supply services : Cooperative supplies seeds, fertilizers, pesticides, sprayers, dusters, pump sets, accessories, pipelines, electric motors, seedlings, poultry

feed, medicines, poultry shed building materials, diesel and any other quality input that a large enough number of members may need to under take production. Few supplies are purchase from manufacturers and few are made by cooperatives. Cooperatives produce quality seed. In addition to above supplies, the cooperatives also hire seasonally used agricultural machinery for the use of members, if they are expensive. The cooperative owns silt removing cranes, threshers, chaff cutters, tractors, and rigs, all available to members on a first come first served basis.

Marketing services : The significant increase in financial returns can be expected by members only by value addition, processing and significant marketing of produce. The cooperative rural bank purchases the paddy produced by members, stores, processes and sells it in the market. Members make significant savings in time, weighing, grading and transport. The members are paid a bonus on the prevailing market price for their produce. The cooperative owns a 2 ton raw rice mill plant and a 2 ton modernized par boiling rice mill plant, equipped with imported (SATAKE) machines and has more than 32,000 m t of storage space. Cooperatives have a fleet of 5 trucks and 1 oil tanker, one tractor, which transports the produce from 14 villages to the mills for sale of the processed goods within and outside the state. They started hiring tractors from the farmers with increasing demands.

Society has also got four ton capacity modernized seed processing plants at Kothapally and Bheemadevarapall. It has added a cotton gaining plant with 21 gins to provide more services to its members. Value adding activities of both input supply and marketing divisions are mainstay of our cooperative and members. Apart from the direct financial benefit to members, these activities have also helped create significant reserves for the cooperative. But for these reserves, coop could not have provided such a wide variety of services and neither cooperative nor members could have survived the years of poor harvest. If members of the cooperative have progressed so much over the years, one main reason is the assured good return for their produce.

Consumer services : Cooperative also runs consumer stores for the benefit of members and non members. Cooperative sells cloth, toilets articles, food grains and other edible and non edible items. It has taken the responsibility of managing the fair price shops which cover 14 villages. Although these consumer shops do not bring in profit, in fact they are subsidized by the value

adding services. The cooperative has found it necessary to run them – partly because they help in controlling local market and partly because this is a service to both. The women and village youth under self employment scheme are helped by establishing Fair Price Shops. Cooperative is running petrol & diesel pump and supplying cooking gas.

Welfare Services : Cooperative has contributed a lot to the welfare of the people of 14 villages in general and cooperative members in particular. It helped in organizing the family planning camps, eye camps and veterinary camps in all 14 villages and welfare measures are taking using own fund. It gives funeral expenses to the deceased members @ Rs. 1500 and it has also have Janatha accidental policy and members group insurance policy to which each deceased member's family have to receive Rs. 50,000 and Rs. 5,000 respectively. Cooperative has crop loan insurance policy covering all the members and each deceased member's family receives the sum equal to the crop loan obtained by the deceased. The cooperative is undertaking welfare scheme with a minimum collection of Rs. 500 and maximum of Rs. 1250 as welfare fund deposited from each member, depending up on the lands held by them. The family of deceased member is getting 20 times of the deposit held i.e. minimum of Rs. 10,000 and maximum of Rs. 25,000. Cooperative is the Agent of Life Insurance Corporation and National Insurance Co. Ltd and extending insurance services to the people of 14 villages. Under loaning program, every asset is compulsorily insured.

Extension services : It is a farmers' cooperative, depends upon agriculture and allied activities besides animals. Three Agriculture Officers are working in the society. Two officers are always available to farmers/members to guide and help in agricultural activities including quality seed production. It is having farmer's information centre, to train and equip the farmers with latest information and scientific technology on regular basis. One Veterinary Officer is working with society for animal health care and conducting animal health camps in the villages.

Training centre : With a large number of cooperators becoming interested in studying the cooperative and in replicating this success story in the own areas, cooperative has developed a small training orientation centre for the use of cooperators.

Scholarships : For search of excellence, Cooperative has organized special scholarship fund to support top ranking children studying in local high schools each year. It helps

in grooming excellence in village children. Apart from these direct services, cooperative has contributed very significantly to the provisions of work opportunity to all.

Cooperative structure : Cooperative has faith in the desires of its members. Experience has shown that during last 50 years, the decisions of the members have been wise and reasonable. The cooperative originally registered under Andhra Pradesh Cooperative Societies Act 1964, have been converted to Andhra Pradesh Mutually Aided Cooperative Societies Act 1995 on 5 June 1995 a liberal Parallel Cooperative Act after its enactment. Cooperative General Body consists of all cooperative user members. Cooperative has 6251 members, belonging to 14 villages and involved in agriculture.

Cooperative elects 15 members as Board of Directors including a President with a term of 5 years. Once in every 20 months there will be election for 5 seats in staggered term. Cooperative believes that the owners of any enterprise must understand that enterprise is to be sensitive to them and be viable. Cooperative Board of Directors makes the policy decisions. While the posts of President and Directors are honorary, the President devotes several hours each week cooperative works and directors are available for consultations in their villages.

Board of Directors meet at least once in a month and general body meets at least once a year. These meetings are strictly business meetings and take as long as members desires for the cause of farmers. Cooperative has over 106 employees, belonging to 14 villages. The success of the cooperative is due to selection of employees with the cooperative's mission. The staff is led by a General Manager with the thought that all the employees are fully accountable to the cooperative.

Cooperative finances : Cooperative finances come mainly from following sources.

- Cooperative members,
- State Bank of Hyderabad (SBH),
- The National Cooperative Development Corporation and
- Government of Andhra Pradesh.

The cooperative believes that investment by members in the cooperative is one of the major reasons to remain cooperative sensitive to their needs and highly accountable to them. It has taken care to ensure that every member makes his savings in the cooperative. Therefore, cooperative financial base is wide and strong. Quite apart from individual and institutional savings, in the early days,

every member contributed towards a building fund, in proportion to his need for inputs. Cooperative has taken care to ensure that it has created surpluses each year and add a limited dividend to its members share capital to protect its members' capital against inflation.

The financial statements of cooperative have been presented separately with updated information every year. These statements aren't as dry as they may at first appear. They inform the members about the steps taken for the benefit of members and cooperative and also about its growth.

INFRASTRUCTURE AS ON 31-03-2007

| | |
|---|----|
| 1. Paraboiled Rice Mill (Two Tonnes Capacity) | 1 |
| 2. Modern Rice Mill (Two Tonnes Capacity) | 1 |
| 3. Seed Processing Plants (Two Tonnes Capacity) | 3 |
| 4. Cotton Ginning Plant (with 14 Gins) | 1 |
| 5. Diesel & Petrol Pump | 1 |
| 6. Lorries | 7 |
| 7. Oil Tanker | 1 |
| 8. Van | 1 |
| 9. Tractor | 1 |
| 10. Car | 2 |
| 11. Jeep | 1 |
| 12. Motor Cycles | 5 |
| 13. Way Bridge | 1 |
| 14. Generators | 6 |
| 15. Godowns (36,500 Metric Tonnes Capacity) | 55 |
| 16. Paddy Purchase Centers | 14 |
| 17. Fertilisers & Pesticides Sale Centers | 14 |
| 18. Cloth Sale Counter | 1 |
| 19. Electrical Items Counter | 1 |
| 20. Iron Goods & Pipes Counter | 1 |
| 21. Bharat Gas Storage Godown | 1 |

FINANCIAL POSITION AS ON 31.03.2007

| | |
|-----------------------------------|----------|
| Members | 6,215 |
| Employees | 106 |
| <i>Source of Funds (In Lakhs)</i> | |
| Share Capital | 280.01 |
| Members Deposits | 786.45 |
| Non Members Deposits | 821.91 |
| Reserves | 2,741.02 |
| Borrowings | 1,989.68 |
| Payables | 222.78 |

| | |
|--------------------------------------|----------|
| Surplus | 126.38 |
| Total : | 6,968.23 |
| <i>Use of Funds (In Lakhs)</i> | |
| Loans out standing | 2,384.35 |
| Investments | 2,491.31 |
| Properties | 981.53 |
| Stock on Hand (Closing Stock Value) | 691.04 |
| Cash on Hand | 15.57 |
| Receivable | 404.43 |
| Total: | 6,968.23 |
| <i>Service to Members (In Lakhs)</i> | |
| Loans Advances | 3,061.67 |
| Sales of inputs | 1,208.69 |
| Sales of Produce | 4,166.90 |
| Sale of Consumer Goods | 212.96 |
| Customs hire Charges | 33.36 |
| Total Turnover | 8,683.58 |
| <i>Miscellaneous</i> | |
| Salaries (In Lakhs) | 108.16 |
| Dividend % | 15% |
| Turnover (In Lakhs) | 8,686.58 |
| Storage Capacity (In Metric Tonnes) | 36,500 |
| Audit Classification | "A" |

Reason for Success :

- No out side interference
- Dedicated & honest management
- Credit in time
- Active Members
- Linking of credit with marketing
- Provide package of practices
- Lending to agri business activities
- Constant built of strong internal resources
- Work and service culture of employees
- Efficient marketing management

CONCLUSION

Today the Mulkanoor cooperative society is having 6251 members, 106 employees with Rs. 6,968.23 lakhs of working capital. Thus, Mulkanoor cooperative society is the role model in the country and there is need of sincere efforts to strengthen the cooperative societies in India on the same line, if we are concern to meet the demand of food, fodder, shelter and employment to our increasing population.

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