



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

CONTENTS

| Sr. No. | TITLE & NAME OF THE AUTHOR (S) | Page No. |
|---------|--|----------|
| 1. | IMPACT OF GOVERNMENT INTERVENTION ON THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN IMO STATE <i>VIVIAN CHIZOMA ONWUKWE & MARTIN IKECHUKWU IFEANACHO</i> | 1 |
| 2. | A STUDY OF FACULTY MOTIVATIONAL AND ROLE DYNAMICS IN HIGHER EDUCATION <i>DR. DEEPANJANA VARSHNEY (SENGUPTA)</i> | 6 |
| 3. | THE ROLE OF SMALL URBAN TOWNS IN IMPROVING RURAL LIVELIHOOD - CASE STUDY: FERESMAY, RAMA AND MAYKINETAL CENTRAL ZONE, TIGRAY, NORTHERN ETHIOPIA <i>BIHON KASSA ABRHA & GEBREMEDHIN YIHDEGOTEKLU</i> | 10 |
| 4. | FACULTY DEVELOPMENT IN DEVELOPING COUNTRIES: A CASE STUDY OF PAKISTAN <i>MUHAMMAD ZAHEER</i> | 16 |
| 5. | HUMAN CAPITAL DEVELOPMENT IN INSTRUCTIONAL SUPERVISION: WINDOW OF HOPE OR WOE? <i>MIGHT KOJO ABREH</i> | 21 |
| 6. | THE SUSTAINABILITY OF ICT ECONOMY DEVELOPMENT <i>KEVIN LOCK-TENG, LOW</i> | 25 |
| 7. | EFFECT OF BOARD SIZE ON COMPANY PERFORMANCE IN THE LISTED FINANCIAL INSTITUTIONS IN SRI LANKA <i>LINGESIYA YASOTHARALINGAM</i> | 32 |
| 8. | FUNDAMENTALS OF ENTREPRENEURIAL COMPETENCY: TIME ELEMENT AND DISCIPLINE IN SHG MODEL - AN EMPIRICAL ANALYSIS <i>NIRANJAN SHETTY</i> | 37 |
| 9. | BASKET PEG OR FLEX: A TEMPLATE FOR ASSESSING THE COMPETITIVENESS OF PAKISTAN'S TRADE SECTOR <i>SEEMAB RANA</i> | 43 |
| 10. | WOMEN ENTREPRENEURS IN INDIA: OPPORTUNITIES AND CHALLENGES <i>ANIL KUMAR .S. HAGARGI & DR. RAJNALKAR LAXMAN</i> | 50 |
| 11. | ENTREPRENEURSHIP DEVELOPMENT – A CASE STUDY OF A VILLAGE IN YSR DISTRICT <i>DR. G. VIJAYA BHARATHI, C. SIVARAMI REDDY, DR. P. MOHAN REDDY & P. HARINATHA REDDY</i> | 54 |
| 12. | LEADERSHIP AND ORGANISATIONAL EFFECTIVENESS - A CONCEPTUAL FRAMEWORK <i>DR. ASHOK AIMA & NAVEEDA SEHER</i> | 58 |
| 13. | SHAREHOLDER WEALTH EFFECTS TO MERGER ANNOUNCEMENTS IN INDIAN IT INDUSTRY <i>DR. MALABIKA DEO & MOHAMMAD AASIF SHAH</i> | 61 |
| 14. | ANALYZING BANK COMPETITIVENESS USING CUSTOMER VALUE: AN EMPIRICAL ANALYSIS <i>PRIYA PONRAJ & DR. G. RAJENDRAN</i> | 67 |
| 15. | MERGER AND ACQUISITION ACTIVITY IN THE INDIAN MANUFACTURING SECTOR AND SHAREHOLDER VALUE ADDITION IN THE MERGED ENTITIES <i>DR. V. K. SHOBHANA & DR. K. MANJULA</i> | 74 |
| 16. | FACTOR INFLUENCES AND INDIVIDUAL INVESTOR BEHAVIOUR: THE STUDY OF INDIAN STOCK MARKET <i>B. G. SRINIVASA & DR. K. A. RASURE</i> | 79 |
| 17. | STUDY THE PERFORMANCE OF STATE BANK OF INDIA IN COMPARISON TO ICICI FOR THE PERIOD 2001-09: AN EMPIRICAL STUDY <i>ANOOP MOHANTY, SUMEET BAJWA & ANUJ MOHANTY</i> | 84 |
| 18. | LIFE SATISFACTION AMONG ASHA WORKERS <i>VIJAYA U. PATIL & RUKMINI S.</i> | 97 |
| 19. | MICROFINANCE THROUGH COOPERATIVES: PERFORMANCE AND PROSPECTS <i>DR. SUBRATA MUKHERJEE</i> | 102 |
| 20. | A STUDY ON CUSTOMER SATISFACTION TOWARDS CROSS SELLING OF INSURANCE PRODUCT AND SUPPLEMENTARY SERVICES- WITH REFERENCE TO PRIVATE SECTOR BANKS IN COIMBATORE DISTRICT <i>DR. C. MEERA & DR. M. ESWARI</i> | 107 |
| 21. | FINANCIAL DISTRESS: BANKRUPTCY MEASURES IN ALEMBC PHARMA: Z-SCORE MODEL <i>D. SASIKALA</i> | 112 |
| 22. | ESTIMATING THE CONTRIBUTION OF FOREST TO ECONOMIC DEVELOPMENT: A CASE STUDY OF NTFPS IN KARNATAKA <i>A. R. KULKARNI & D. R. REVANKAR</i> | 117 |
| 23. | SUSTAINABILITY ISSUES IN EMERGING ECONOMIES - A STUDY WITH SPECIAL REFERENCE TO INDIAN ECONOMY <i>ANIRUDH SRIRAAM, VIVEK PRATAP SINGH & DR. AJAY SHARMA</i> | 122 |
| 24. | STUDY OF CUSTOMER RELATIONSHIP MANAGEMENT IN RURAL GROCERY SHOPS <i>DR. P. B. DESAI</i> | 128 |
| 25. | HEALTH AND DEVELOPMENT OF HEALTH CARE IN INDIA <i>ZIBA ASL GHORBANI (PATANGIA)</i> | 131 |
| | REQUEST FOR FEEDBACK | 136 |

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MICROFINANCE THROUGH COOPERATIVES: PERFORMANCE AND PROSPECTS

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ABSTRACT

Credit Cooperative is the panacea and alchemy for poverty. Access to finance and to financial services is the means to ameliorate the problems of poverty through financial inclusion of the marginalized sections of the society. Cooperative form of enterprise can aptly be applied in all the stages of economic cycle namely production and the consumption stages. Primary Agricultural Credit Societies are the lowest tier in the three tier structure of the cooperative credit and with its presence throughout the country the credit requirement of the small and marginal farmers is taken care off. There is an increasing growth rates in the deposits and loan disbursement. But the increasing overdue of the loan is alarming which has aggravated after the waiver of loan scheme in 2008. The United Nations estimated in 1994 that the livelihood of nearly three billion people, or half of the world's population, was made secure by cooperative enterprise. This shows the growing importance of cooperative and perhaps for this reason UN has proclaimed year 2012 as International Year of Cooperative. Cooperatives provide over 100 million jobs around the world, 20% more than multinational enterprises. Cooperative credit which were sprouted out of the needs of the poor and marginalized farmers are working to alleviate the credit requirement and are functioning before the birth of the commercial banks. The Government has to be kind enough to assist the cooperative sector to surmount the problems rather to use this sector for political mileage.

KEYWORDS

Microfinance, Co-operatives, Poverty.

INTRODUCTION

Microfinance is our business – Cooperating out of poverty” is the message given by International Cooperative Alliance during the United Nation’s Year of Micro credit in 2005. Accesses to finance and to financial services are the means to ameliorate the problems of poverty. Financial inclusion of the proletariat and the marginalized sections of the society through micro credit provided by the cooperative institutions can only surmount the evils of poverty. Micro credit or more broadly micro finance helps in the socio-economic development of poor and low-income communities of women and men throughout the world. Cooperatives are amongst the most successful micro credit institutions. In particular, savings and credit cooperatives, insurance cooperative and mutuals and cooperative banks have assisted many millions of people to help themselves and build a more secure and sustainable future. Micro credit is not something that cooperatives ventured doing in the last few decades as started by commercial banks but it has its presence for over 150 years pioneered by Friedrich Raiffeisen of Germany. Credit Cooperatives have demonstrated that they can provide micro credit services to poor and low income communities in a sustainable way. Being rooted in local communities and managed by local people, such cooperatives can take advantages of social capital in situations where financial capital is scarce. The role of credit unions in providing micro credit to women is especially noteworthy. Access to financial services has enabled women around the world to start small enterprises which in turn have improved the livelihoods of their families allowing them to send their children to school, access health care and decent housing. Cooperatively managed micro credit institutions enable the poor to pool their resources so that they can be used for productive investments and job creation within a sustainable future. The social control and democratic management style that is proper to cooperatives secure savings even at low levels and ensures repayment of loans. Cooperative has a great role in the formation of seed capital and help in the socio-economic upliftment. Financial inclusion of the marginalized sections of the society is very essential for economic upliftment which is possible with the help of Primary Agricultural Credit Societies (PACS) through formation of Self Help Groups (SHGs) and Joint Liability Group (JLGs). Cooperative is the panacea and alchemy for poverty. The concept of “networking” is initiated from the concept of “Cooperation” the basic principle of which honesty, democracy and trust. Every group of individual, associated to secure a common end by joint effort may be said to cooperate. The basis of association is voluntary and democratic. The concept of cooperation started among the poorest of the poor in the Western Countries like Germany, Italy and England around 1830 – 40s. The basic problem at that time was non-availability of seed capital.

ROLE OF COOPERATIVES

For practical purposes the economic cycle falls into two main divisions: i) Supply and Consumption and ii) Production and Sale.

Supply of Raw Material

Production & Sale

Consume



There is no point in the cycle to which the cooperative theory and method may not be applied. Individuals of modest means, who need to purchase goods for either professional or domestic consumption, form a cooperative supply society in order to obtain the advantages enjoyed by men of large means; clubbing together their little contributions in a common fund, the members are able (i) to avoid the middlemen and buy wholesale from the producer (and best of all from the cooperative producer) who finds it convenient to sell his product in bulk. (ii) to secure good quality and employing a skilled buyer. (iii) to buy in the right market at the right time and hold the goods in stock until required by the members. They thus escape from the evils of dear goods, bad quality and misadjudgement of the market.

Let us now discuss about the various forms / types of cooperatives and how they can help in the socio-economic upliftment of the poor and marginalized sections of the society.

PRODUCERS' COOPERATIVES – Producers' Cooperative enables the producers of similar or like products to pool their resources and make them efficient, cost competitive and effective in production. It helps to take advantages of economies of scale and reduce the input cost. In this age of competition there are many producers of branded goods who procure the components, ensure quality control, get these components assembled, and emboss their brand name and sale the products. It has become a strategy to take the advantage of leverage i.e. with least capital investment; through outside procurement; ensuring quality get the maximum profit without involving in the complexity of production and labour management. A single person can never get the expertise of the manufacturing as well as the function of selling. Many persons are engaged in small scale industries, animal husbandry and allied agricultural activities in rural area like Bakery, Coke Briquette, Embroidery and Zari work, Human Hair Processing (Wig), Handlooms, Incensed (Agarbatti) stick making, molasses of Date Palm (Khejur Gur) and Fan Palm (Taal Gur), Betel Leaf, Poultry, Prawn Cultivation and many others who are struggling to get themselves vibrant due to lack of marketing skills. If government takes initiatives through the Industrial Development Officers working at block levels to form Cooperative among the producers or manufacturers and the marketing is taken care off by the consumers or marketing cooperatives then it may definitely improve the socio-economic conditions of these people.

We have conducted a project on small scale industries of Purba Medinipur district of West Bengal and from our empirical study on twenty four small scale and tiny industries operating in the district we have found that many of the firms are not registered. So, these firms are not able to have access to better credit and

other facilities. The average age of the persons engaged in these industries mainly belong to the age group of forties and fifties. Most of the firms are operating as a family run business. The people who are engaged in the work have learnt through their experience and have no formal training in the trade. There are only few firms which are run on cooperative basis and that too mainly in handloom and fishing. So, through better use of producers' cooperatives the dissemination of the knowledge of production and proper training can be taken care off.

CONSUMERS' OR MARKETING COOPERATIVES – Today ITC, Reliance, Goenka are getting into the retail activities of the agricultural sector. With the formation of producers' cooperative they can develop their skills in the area of production and through formation of consumers or marketing cooperatives, the marketing or selling of the products will become effective at the same time the small and tiny producers will get right price for their produce and ultimately the final consumers will also be benefited with lesser cost of products due to the absence of middlemen. The middlemen are the maximum gainers of the economy where they can compel the small producers to deprive from the right price as well as the final consumers who are also charged high.

CREDIT COOPERATIVES – Short term Cooperative Credit structure has three tier with State Cooperative Banks having 31 in numbers are at the top of the structure with District Central Cooperative Banks are 373 in numbers operating in the middle and 95,633 Primary Agricultural Credit Societies operating at the lowest tier. Credit Cooperatives provides a full range of financial and insurance services to their members.

MICROFINANCE THROUGH COOPERATIVES

Primary Agricultural Credit Societies (PACS) being the lowest tier of the three tier structure of the cooperative credit. PACS operate under the District Central Cooperative Banks. From the "Performance of Primary Agricultural Credit Societies" ending 31.03.2009 published by National Federation of State Cooperative Banks Ltd reveals that as on 31.03.2009 there were 95,633 PACS operating in India with total membership of 13.235 crores covering 6,05,922 villages. No other credit institution can be compared with the huge existing infrastructure, network and potential in catering rural credit in India. The numbers of borrowers from the PACS were 4.29 crores in the year 1999-00 which was increased to 7.94 crores in the year 2007-08. The paid up capital of the total number of PACS operating in India was Rs 7,005 crores as on 31.03.2009. In the Budget of the year 2008 Mr. P. Chidambaram waived the agricultural loan to a tune of Rs 60,000 crores of which Rs 48,000 crores were from cooperative banks. Had Mr. P. Chidambaram provided the same amount of money in the budget to the cooperative sector then it would not be exaggerated to say that the infrastructure of the PACS would have improved to a class of multinational banks and yet they be operating in the rural area and be able to cater the credit requirement of the rural and marginalized farmers in its entirety. The cooperative sector have always been used by the politicians to gain cheap popularity and to gain political mileage rather than to improve the ailing and frail condition of the PACS and make the cooperative sector more vibrant. The nominal growth rate of deposits of the PACS was 8.20% during 1999-00 to 2008-09. In terms of volume of the total deposits increased from Rs 12,459 crores to Rs 26,243 crores during the same period. The nominal growth rate of borrowing of the PACS was 8.70% during 1999-00 to 2008-09. In terms of volume the borrowings was increased from Rs 22,350 crores to Rs 48,919 crores during the same period. The working capital of the PACS increased from Rs 42,710 crores in the year 1999-00 to Rs 94,579 crores in the year 2008-09. The nominal rate of growth of the loan issued was 10.30% during 1999-00 to 2008-09. In terms of volume the loan amount increased from Rs 23,662 crores in the year 1999-00 to Rs 58,686 crores in 2008-09. The nominal rate of growth of loans outstanding was 8.70% during 1999-00 to 2008-09.

From Table 1 it is quite clear that the rate of collection of total loans to total demand increased from 64.60% in 1999-00 to 70.88% in 2006-07. But after the loan waiver scheme the percentage of collection of loan to total demand decreased to 64.33% in 2007-08 which further decreased to 55.15% in 2008-09. The simple theory of loan waiver leads to the decrease in the collection rate of loan is known to a lay man but great economist like Dr. Manmohan Singh, Mr. Pranab Mukherjee, Mr. P. Chidambaram, Mr. Montek Singh Ahluwalia are unaware of the basic fundamental of the economy. Is it irony or mere mockery of the cooperative credit sector which is the backbone of the rural credit?

Total number of godowns managed by PACS are 65,289 with total capacity of 2,41,13,026 tonnes. Out of 95,633 PACS 64,872 PACS are viable and 23,046 are potentially viable. If the government becomes serious with atleast these PACS which are viable or potentially viable then also the number would be far more than the total number of banks comprising Commercial, Private and Foreign banks. From the experience we are having a feeling that the policies of the government intends to remove Garib (i.e. poor and marginalized section of the society) rather to remove Gariby (i.e. poverty).

TABLE 1

| Year | Total Demand Rs Crores | Total Collection Rs Crores | Percentage of Total Collection to Total Demand | Loans Overdue Rs Crores | Percentage of Overdue to Total Demand |
|---------|---------------------------|-------------------------------|--|----------------------------|---------------------------------------|
| 1999-00 | 26,798 | 17,313 | 64.60 | 9,484 | 35.39 |
| 2000-01 | 28,764 | 18,726 | 65.10 | 10,038 | 34.90 |
| 2001-02 | 34,077 | 23,010 | 67.52 | 11,067 | 32.47 |
| 2002-03 | 40,341 | 25,051 | 62.10 | 15,289 | 37.90 |
| 2003-04 | 44,237 | 27,942 | 63.16 | 16,295 | 36.87 |
| 2004-05 | 47,785 | 31,733 | 66.41 | 16,052 | 33.59 |
| 2005-06 | 50,979 | 35,503 | 69.64 | 15,476 | 30.36 |
| 2006-07 | 54,112 | 38,359 | 70.88 | 15,753 | 29.12 |
| 2007-08 | 67,293 | 43,289 | 64.33 | 24,003 | 35.67 |
| 2008-09 | 84,549 | 46,626 | 55.15 | 37,924 | 44.85 |

The Government should make use of the manpower working in the PACS. The service condition of the people working is not at all satisfactory. The difference between the working method between the commercial banks and cooperative banks is that once the loan is sanctioned for micro credit no follow up action is initiated to supervise the purpose for utilization of loan and the ability to service the loan may be attributed to the shortages of manpower. The follow up action of the cooperative credit is far better which can be verified from the collection and repayment of the loan. The Government should take initiative for the development of the manpower working in the various tiers of the cooperative credit institutions through proper training, improved salary structure even if some subsidy is provided by the finance ministry.

Gresham's law is an economic principle stated in 1558 which states "... that when Government compulsorily overvalues one money and undervalues another, the undervalued money will leave the country or disappear into hoards, while the over valued money will flood into circulation". It is commonly stated as: "Bad money drives out good", but is more accurately stated: "Bad money drives out good if their exchange rate is set by law". We have to remember the old Gresham's law in the formulation of policy for economic development. Today in the developing world the poor and the financially sound people should not be brought within the same scheme otherwise the financially sound people will always deprive the marginalized and poor people. So care should be taken during the formulation of the policy that financially sound people should be separate out from the marginalized sections of the society otherwise the objective for the development of the poor will not be achieved. Under capitalism bad quality can never be eliminated. The consumer and the producer are helpless, the legislator ineffective and the shareholder indifferent.

The benefits of micro credit not only empower a man to develop economically but also it empowers a man to develop his rationality and do away with the orthodox mentality. Rational behaviour makes matured human beings and helps in political movements. Social evils are the results of poverty. Poverty not only deprives personal development but also creates social evils and hinders the overall development of the society. Increase in population and poverty are positively correlated. The interpersonal relationship among the siblings deteriorate with age and the poverty which at one time gives perception that increase in the number of siblings will create hands for earnings; the same able and earning sibling does not looks after the old parents and other members of the family out of poverty, scanty and meager source of earnings. The child of an educated mother will not turn out to be uneducated. Through providing micro credit and development in socio-economic condition the literacy rate among the girl child will increase and then only the society can become educated and vibrant to fight

against the orthodox and social evils. Proletariat women are more matured than their counterpart men. When they form SHGs and money is provided to them, then they can manage it better. Empirical study shows that the inclination for repayment of the loan is high in case of these women in order to get further loan. They try to nourish their child and make them educated. Poverty is a long term disease. Problem of poverty cannot be surmounted through adoption of any temporary and myopic schemes or policies. A long term prescription has to be adopted and a conducive climate have to be made for building up better and greater interpersonal relationship through political and social means. When a person stands alone he feels himself insecure and unsafe but when he belongs to a group he feels secured and safe. The leadership of the group provide to lead a disciplined life and make him mature. The socio-economic condition of the people belonging to the group and the mentality should be same for proper functioning of the group.

Gandhiji stressed on self-employment. The idea of Charkha provides a person to earn his own livelihood. A proletariat not able to provide a square meal can never build a vibrant society. Every individual has a capacity to earn his livelihood. Cooperative credit can only unearth the potential hidden in the human. Micro credit is the key to enlighten the unknown potential inside the men. As Swami Vivekanand said "Education is the manifestation of knowledge which is inside him". Micro credit helps in the development of self employment. I would put it in the other way cooperative helps a human through providing money for the manifestation of the potential which is within him. Empirical studies have shown that proletariat never cares about the exorbitant interest charged by the usurers. They make loan from those usurers with an objective of improving their economic condition but fell within the debt trap and in the clutches of the usurers. The credit cooperatives have been able to free the downtrodden and marginalized people from the clutches of the usurers through closer relation and easier terms of loans. Cooperative not only helps in the economic development but also provides in the social progress of the women through SHGs. Cooperative helps in building up self confidence, self respect and dignity. When the loan is waived in the adverse conditions then it affects the members in an adverse manner. The confidence, respect and dignity which have been acquired gets hurt and force them to lose their nerve and forces them to previous condition from where they have developed themselves.

International Cooperative Alliance reports that the Cooperative Movement brings together over one billion people around the world. The United Nations estimated in 1994 that the livelihood of nearly three billion people, or half of the world's population, was made secure by cooperative enterprise. These enterprises continue to play significant economic and social roles in their communities. Some facts about the movement that demonstrate their relevance and contribution to economic and social development which clearly shows that even developed capitalist countries are also dependent on the cooperative form of enterprise and cooperative play a significant role in the socio-economic development of these countries. Cooperatives provide over 100 million jobs around the world, 20% more than multinational enterprises. In Asia 45.3 million people are members of a credit union. In Canada, four out of every ten Canadians are members of at least one cooperative. Canadian maple sugar cooperatives produce 35% of the world's maple sugar production. In France, 23 million people are members of one or more cooperatives or approximately 38% of the population. 75% of all agricultural producers are members of at least one cooperative and 1 in every 3 persons is a member of cooperative bank. In France, the cooperative movement has a turnover of 181 billion Euros. Cooperatives handle 60% of retail banking, 40% of food and agricultural production and 25% of retail sales. In Germany, there are 20 million people i.e. 1 out of 4 people are members of cooperative. In Japan, 1 out of every 3 families is a member of a cooperative. In Japan, the agricultural cooperatives report outputs of USD 90 billion with 91% of all Japanese farmers in membership. In 2007 consumer cooperatives reported a total turnover of USD 34.048 billion with 5.9% of the food market share. In Singapore, 50% of the populations are members of a cooperative. In United States, 4 out of 10 individuals is a member of a cooperative. In Korea, agricultural cooperatives have a membership of over 2 million farmers (90% of all farmers), and an output of USD 11 billion. The Korean fishery cooperatives also report a market share of 71%.

PROBLEMS FACED BY COOPERATIVE CREDIT INSTITUTIONS

The Finance Minister Mr. Pranab Mukherjee said in his budget speech on 28.02.2011 about the financial inclusion and to improve the supply response of the agriculture to the expanding domestic demand. Further he told about identifying about 73,000 habitations for providing banking facilities using appropriate technologies. A multi-media campaign, "Swabhimaan" has been launched to inform, educate and motivate people to open bank accounts. During the year, banks will cover 20,000 villages and remaining villages will be covered during 2011-12. I would like to bring to the notice of the Finance Minister about the existing 95,633 Primary Agricultural Credit Societies (PACS) as mentioned in the publication of Reserve Bank of India in Trends and Progress of Banking in India in 2009-10. There exists one PACS for less than three Panchayats in India (total number of Panchayats being 2,50,000 as mentioned in the budget speech). These PACS have manpower, existing infrastructure and knowledge of banking. I wonder how Finance Minister can talk of financial inclusion without a single word in his budget speech about PACS. PACS being the lowest tier in the three tier system of Cooperative Banking. A sum of Rs 20,157 crores have been provided to Commercial Banks in 2010-11 and during this fiscal year a further Rs 6,000 crores is being provided. Earlier in the year 2008 then Finance Minister Mr. P. Chidambaram have waived agricultural loan for Rs 60,000 crores out of which Rs 48,000 crores was provided from Cooperative Banks. This year also Rs 3,000 crores have been waived for Handloom weavers and perhaps the entire amount will be from Cooperative Banks. Nobel laureate Md Younus have reiterated the fact that waiver of loan creates financial impediments in the working of the rural banks (in India Cooperative Banks are the only rural banks which operates in villages). The repayment of the loan can be rescheduled for longer time horizon instead of waiving it off. The Commercial Banks operates in Sub-Divisional towns or utmost in Block area or in villages surrounding the block but not in the interior rural areas. The Commercial Banks fulfill their lending to priority sectors not by giving loans to small and marginal farmers. This can be verified and compared from the size of the loan given by the Commercial Banks and that of the Cooperative Banks. The size of the loan of commercial banks is 6 to 7 times higher than the size of the loan given by the cooperative banks. Further these PACS can also help in marketing of the agricultural produce which can reduce the supply chain. Swasthya Bima Yojana has been provided to MGNREGA beneficiaries; I would urge Finance Minister to include SHG women which PACS can aptly provide. I would like to request Finance Minister to look into the situation of PACS and free from the clutches of the local politicians (PACS have been able to free many small and marginal farmers from the clutches of the usurers but have fallen in the clutches of the local politicians) and improve the conditions of the PACS and help in fulfilling the dream of financial inclusion and improving agricultural supply in response to the expanding domestic demand. In reacting to the budget speech Sunil Mittal, Mukesh Ambani, C Rangarajan, Kumar Birla, Lakshmi Narayan have talked about less than top 5% of the Indians but no one dare to talk about the PACS looking after more than 30% of the population of India in providing agricultural and other credits.

SUGGESTIONS

- Cooperative can provide an alternative economic model if it is perceived as an economic model rather a means to gain political mileage and cheap popularity. When the livelihood of nearly three billion people, or half of the world's population, was made secured by cooperative enterprise as estimated in 1994 by the United Nations there is no utterance of a single word in the Budget of the Central Government on development of cooperative enterprises.
- Concerted policies have to be developed where cooperative principles can be applied in the economic cycle of production and consumption together rather giving emphasis on cooperative model in production and consumption separately. Proper training for production and marketing of the produce of the cooperative have to be taken care off.
- As Lenin admitted that world is not ready to work without individual gain, the cooperation may claim to offer a means of removing the evils of capitalism without exciting the passions of the syndicalist or accepting the clumsy yoke of the State.
- The cooperative societies which mostly operate as the outlet of the Public Distribution System (PDS) have to be restructured and developed. The infrastructure of these cooperative societies like building and the manpower can be developed and need not have to start from scratch. Only the orthodox modes of functioning have to be changed and modern outlook have to be adopted. These outlets can be changed into Departmental Stores with better packaging of the products and developing the existing infrastructure.
- Steps have to be taken to recover the loans which are overdue to PACS amounting to Rs 37,924 crores as on 31.03.09. Success that cooperatives have achieved both in developing and developed countries are not properly highlighted and disseminated. Capitalists who advocate for free market economy

take recourse of tax exemptions and tax holidays from the government in order to work in rural areas at the interest of the cooperatives which existed and are working in the rural areas and also without the commensurate attention of the government as given to the Capitalists.

- Government should take initiatives to make the underprivileged people vibrant and financially sound rather breaking the backbone of the rural credit through waiver of loan. From the "Performance of Primary Agricultural Credit Societies" ending 31.03.09 published by National Federation of State Cooperative Banks Ltd reveals that the rate of collection of total loans to total demand increased from 64.60% in 1999-00 to 70.88% in 2006-07. But after the loan waiver scheme the percentage of collection of loan to total demand decreased to 64.33% in 2007-08 which further decreased to 55.15% in 2008-09.
- The service conditions of the employees of the PACS are not satisfactory and are ill paid. This also forces them to engage in unfair practices. In order to motivate the people engage in the cooperative societies the business diversification is very essential, simultaneously the salary of the employees can be linked with the performance of the business i.e. the salary should comprised of two parts – one fixed and other variable which can be a certain percentage on the disbursement and collection of loans. This can help to act as surveillance on the utilization of the loan and timely collection. "Follow up" action is very essential for the collection of the loan and interest there upon, this can be effectively done by the employees of the societies who disburse the loan. Lack of follow up action is a major reason for non collection of principal and interest on loan.
- It is seen that all financial institutions – cooperative banks and commercial banks operating in a locality are engaged in the formation of Self Help Groups separately. Government should take initiatives to coordinate among these financial institutions and more joint effort should be made to make these Self Help Groups vibrant. Rule and terms of loans should be flexible and more authority should be given at branch level. Reschedule for repayment of loan and provision for providing further loans should be decided at the branch level in the joint meeting of the representative of government and financial institutions.
- Women of the SHGs are engaged in various activities where they lack proper training. Better training of the women engaged in SHGs should be given.
- Government is forcing financial institutions to form SHGs but no specific initiatives are taken to market the produce of the SHG. So these self help groups are not motivated to carry on their activities for a longer period. Government should take initiative to take the products of the SHGs for the consumption of the Integrated Child Development Schemes (ICDS), MGNREGA programme, Mid Day Meals provided at schools and various other programmes run by the State and the Central Government. No such initiatives are being taken. Many programmes are working separately but there is no one to coordinate the programmes which should be taken at Block level as well as Sub-Divisional level.
- Health, Education and job are the three things which have to be addressed simultaneously to improve the socio-economic conditions of the people. To provide better medical the unorganized labourers should be brought within the purview of both the Life and General Insurance which can be made possible only with the help of these PACS.
- The reach of commercial banks and regional rural banks in the countryside both in terms of the number of clients and accessibility to the small and marginal farmers and other poorer segments is far less than that of cooperatives. This is a compelling need to find ways for strengthening the cooperative movement and making it a well managed and vibrant medium to serve the credit needs of rural India, especially the small and marginal farmers.
- Diversification of the business products with improved service is essential for sustainability of banks through greater business volumes and improved productivity. Diversification of business from banking to non banking activities like taking the corporate agency of Life Insurance Corporation of India and one of the subsidiaries of the General Insurance Corporation of India or any other leading insurance company.
- Duration of credit cycle depends on the past experiences of the regions which are generally prone to natural calamities. A credit scheme should be developed to break the vicious cycle of low productivity, low income, low surplus and low investment.
- Cooperative banks are doing their business in rural sectors and most of the customers in rural sector are either illiterate or semi-literate. Therefore, to attract more and more customers better customers services like quick disbursement of loans, explanation of the terms and conditions of the deposits and loans, filling up the documents etc are to be given.
- In order to provide insurance coverage to the unorganized sector Gramin Accidental Policy (GAP) is introduced where premium for GAP is deducted from the amount of loan provided to the farmers. For unnatural death, partial and total disability, compensation is provided to the family members of the farmers through PACs but the major drawback is due to the ignorance of the farmers resulting non reporting to the PACs and non-submission of the requisite documents in due time. Steps should be taken for timely reporting and disbursement of the claim.
- Premium for crop insurance is also deducted from the loan given to the farmers. When disaster takes place mainly due to heavy rain, the loss to farmers are compensated from crop insurance. The main drawback of this scheme is that due to large number of farmers the compensation is not received by all of them. Steps should be taken for commensurate compensation of loss incurred by the farmers.
- The PACS are mainly engaged in disbursement of agricultural loan. Since, the area of operation are limited they can go in for diversification of business like opening of consumer cooperative (including opening of retail outlets for public distribution system), wholesale distribution of fertilizers and feed for fishes etc. The concept of PURA that is providing urban facilities to rural areas as advocated by our ex-president A.P.J.Kalam on India 2020 – A vision for the New Millennium can be achieved through the ground level credit societies. Many PACS serve as retail outlet for public distribution system in traditional methods. Modern marketing concept must be used in upgrading and developing this system. The modern concept of packaging like selling the same quality of product in small quantity has enable to expand the customer base. These societies can serve as retail outlet for various consumer goods. The present situation is that the secretary is the honorary member, the service condition of the employees are not at all satisfactory with the current economic situation of increase in price level. The greatest advantages of these societies are the existence of the infrastructure including land and building. The only requirement is the adoption of suitable policy and its proper implementation.
- In order to motivate the loanees in timely payment of interest and principal amount of loan interest subsidy can be given to those loanees who pay the interest and repay the loan timely. The interest subsidy can be a certain percentage of the profit of the PACS which can be given after discussion in the general meeting. It may be argued that the giving of interest subsidy will lead to the decrease in the profitability of the PACS. The working capital cycle which varies from six month to one year can be reduced. This can help these credit societies in reducing the working capital cycle and blocking of funds.
- The documentation of the annual reports should be more transparent and be framed in tune with the commercial banks. It should cover the steps being taken for better implementation of the corporate governance. The maintenance of accounts should be more detailed. The PACS and the Central Cooperative Banks are not maintaining the accounts using the same principle. The actual loan overdue in the societies is different from the actual loan overdue for the same society in the books of the Central Cooperative Bank. So, the maintenance of accounts of the Central Cooperative Banks and its constituent PACS should follow same principle and the difference in accounting policy is not desirable.

CONCLUSION

"Vina Sahakara, Nahim Uddhar" – Without Cooperation, No Development. Society cannot allow its weaklings to perish, just as a parent cannot permit his crippled offspring to perish. Protection of the weak and not the survival of the fittest is the motto of cooperative. It is cooperation that tries to achieve this end – the protection of the weak – not indeed by allowing them to remain weak, but by enabling them to get the necessary strength. The growing importance of the cooperative cannot be underestimated. UN has proclaimed year 2012 as International Year of Cooperative. It is essential that the cooperatives should communicate in a better way with the members and outside world so that it can be differentiated itself with other economic models. Better communication will help to know the spirit and objectives, activities undertaken by the cooperatives and to create an intimate relation through continued loyalty and commitment. Government should not only use the cooperatives as a means of political mileage but proper missions and visions have to be adopted in order to develop the frail conditions of the cooperatives in general.

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