



Rural Management Cooperation and Collective Action

First Edition



MoE

Government of India
Ministry of Education

Editorial Board

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About the Book

The cooperation and collective action has been considered a panacea for empowering rural population. There are many successful examples in our country as well as in other nations wherein cooperation and resultant collective action has bolstered decision making capabilities among haves-nots and masses. In our nation we have plenty of examples of cooperation resulting into good social and economic outcomes for both individuals as well as for society. The importance of cooperation is manifested by the fact that the Government of India has setup a 'Ministry of Cooperation' to harness its benefits and implement various programmes in spirit and principle by following cooperation and collective action for rural development. Despite success of many cooperatives in various economic activities, the role of cooperatives in rural area management is yet not complete. In particular in rural areas, it is apparent that through promoting cooperation and its institutionalization development among rural and tribal population can be faster. Hence, cooperation form of organizing institutions and implementation of development initiatives is considered a preferred mode of empowering rural people and undertaking rural development. The development till now and digital technology revolution has now provided a strong platform and possibilities of an all encompassing development in rural areas as well. This book delves on various aspects of cooperation and collective action in existing areas of economic activities and new imperatives and challenges faced by present rural area management. The book touches upon a few successful interventions in various activities in different regions of our country and brings to the fore, the possibilities of adopting cooperation and collective action to achieve desired goals of national development during 'Amrut Kaal' of independence for each and every person on our mother land.

This book consists of five chapters which are grouped into five units explaining the concepts and connotations of cooperative and collective action in theory and practice. The book introduces readers with introduction to cooperation and cooperatives, describing cooperative legislation and agribusiness cooperatives. Further types of cooperatives e. g. in important areas of credit, production and processing based cooperatives have been discussed. Cooperatives in dairy and for tribal are dealt with in chapter 3 of the book. New development like insurance in rural areas have also been assigned important space in the book for learners in academicians and practitioners. An attempt has been made to include insights from traditional successful examples as well as new realities of emerging e-technology and e-markets and imperatives in cooperation and collective action for efficient rural management.

Due care has been taken in each chapter to enhance understating of concepts and principles and reflect on success of cooperation and collective action in the economy, in particular rural areas and emphasis its role and possibilities in future development of rural economy and people. All through the book examples from latest developments and personal research experience of the author has been incorporated to enrich the content to establish connect with present realities of rural economy and transformation management. It is clear that the challenges of rural realities can be better managed through cooperation and collective action in our pursuit of better life for everyone.

I thank Dr. Yogesh C. Joshi, Professor, former Dean, Faculty of Management and Director, Postgraduate Department of Business Management and former Officiating Vice Chancellor, Sardar Patel University, Vallabh Vidyanagar, Anand, Gujarat for his insights and contribution as an author. Also, I would like to thank MGNCRE Team members for extending their extreme support in completing this textbook.

Dr. W G Prasanna Kumar
Chairman, MGNCRE

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Chapter 1 Introduction to Cooperation

Introduction

Human beings, since ages, have evolved to understand their surroundings a great deal and attempt to maximize their benefits and wellbeing. Today, the global community is focusing on Sustainable Development Goals (SDGs), after fulfilling Millennium Development Goals (MDGs) as decided by all nations through the United Nations (UN). It has been realized that Cooperation among people in a community leads to their increased wellbeing.

The basic principle of Cooperation is mutual help and collective empowerment. Mutual Cooperation and help is a boon for the poor and marginal population, those who live in isolation and in remote areas, those who are deprived of resources and also those who depend on agriculture and lack capital and knowledge, all can benefit a great deal through cooperation and collective action.

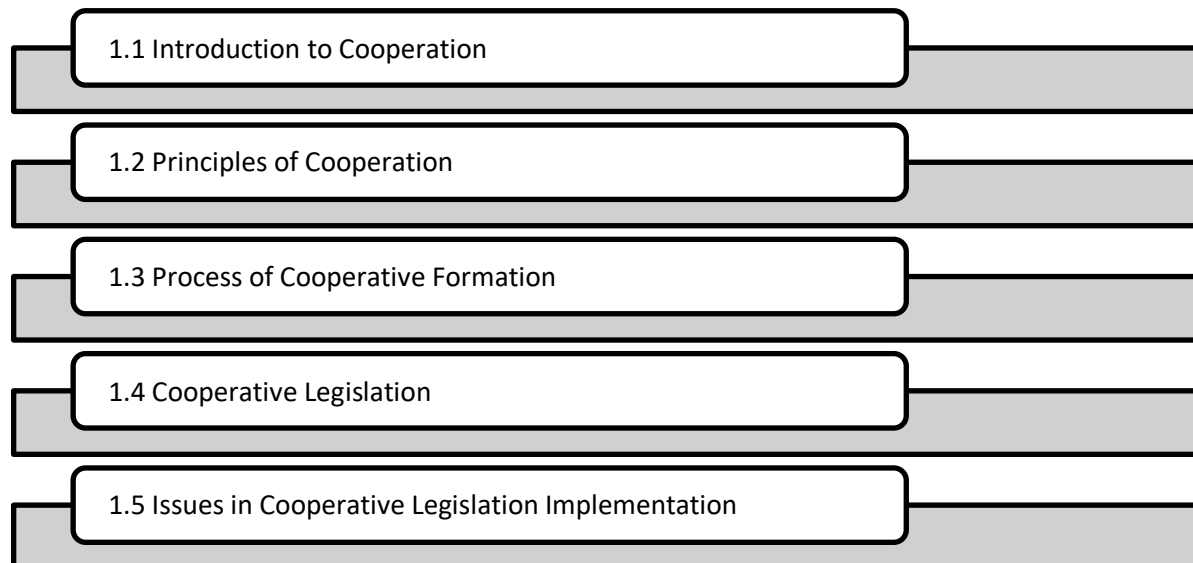
The cooperatives have in particular benefitted dairy farmers and agricultural farmers. The small farmers through cooperatives and agribusiness have tremendous opportunities. The effort to strengthen cooperatives in diversified rural areas, including fisheries and livestock is capable of further rural development. The focus of developing rural credit, insurance, marketing of rural products and financial inclusion along with strengthening cooperatives will ensure achieving inclusive development in India. The book attempts to focus on these important aspects of rural development in India.

Objectives of the Chapter

The objectives are

1. To introduce the concept of cooperation,
2. To familiarize principle of cooperation,
3. To recognize the process of cooperative formation,
4. To provide insights on cooperative legislation, and
5. To create awareness on issues in implementation of cooperative legislation.

Chapter Structure



1.1 Introduction to Cooperation

All living beings including human beings have a natural instinct to cooperate with one another. The tendency and feeling of cooperation emerge from the fact that all living beings share the mother earth and its ecosystem. In the real world though we do observe people and nations are fighting as well. This fighting is owing to the fact that everyone wishes to maximize individual's gain and wellbeing. The cooperation leads to establish mutual coexistence with peace and prosperity for all. The word 'cooperation' connotes the need expressed by the statement of 'sabkasathsabkavikas' i.e. to say that all should join hands for the development of everyone. The ideal cooperation will entail the wellbeing of all living beings as envisaged in the concept of 'sustainable development'. The thought of 'VasudevKutumbkam' i.e. earth as one family was first mentioned in the 'MahaUpnishad' (VI.72) and other Indian literature. वसुधैवकुटुम्बकमवाक्यांश संस्कृतकेतीनशब्दों, वसुधा (पृथ्वी/संसार), इव (जैसे) औरकुटुम्बकम (बड़ा/विस्तारितपरिवार) सेबनाहै। This highlights earth as one larger family, which embodies living together and taking care of each other on this earth.

"Sir Frederic Nicholson, the Father of Cooperation is considered as the pioneer of the cooperative movement in India." However, in India the beginning of cooperative movement can be traced back to Mr. SripadSubbaraoTalmaki, who started a cooperative bank in the year 1906 in Mumbai. He is considered to be the father of the Cooperative movement in India. The first cooperative housing society was established in the year 1915 also at Mumbai.

Although, The Rig Veda mentions in one of its 'sutra' that;

**May you all have a common purpose,
May your hearts be in unison,
May you all be the same mind,
So that you can do work, efficiently well.**

Thus, the concept of Cooperation is as old as human society. It is the basis of domestic and social life since the existence of earth. Science may point out the way to survival and happiness of all mankind through love and co-operation but it is possible only through cooperation.

The co-operation means 'Working Together, with others for a purpose, with an aim of increasing the common good. Aristotle, a Philosopher of Ancient Greece, recognized the social nature of man when he said, "Man is a Social Animal". Man needs others to lead a happy and fulfilling life, which requires living together and not in isolation. Moreover, the need for Cooperation arises due to realizing that helping one another increases benefit for each one of the individuals, which is also a basic principle underlying human life. The word Cooperation means Working Together or Act Together. Through working together well being all can be improved.

The Indian ancient scriptures and moral stories do emphasis the importance of the principle of strength in unity and by association with others gain to develop oneself to the fullest extent of one's abilities and capabilities. By the union of individual resources, material advancement is secured and through by united action self-reliance is fostered and it is from the interaction of the influences that it is hoped to attain the effective realization of the higher and more prosperous standard of life which has been characterized as "better business", "better farming" and "better living".

Photo 1: Huddle in a Game of Kabbadi to Express Cooperation Among Team members of Telugu Titans



Source: Dreamstime (2014).

“Co-operative Societies can help the transformation from Capitalism to Socialism and finally to Communism”. – Lenin. The result of cooperation is maximization of the wellbeing of the poor and those who are on the margin of society. In team sports also cooperation and synergy defines the collective strength of individuals. Through the spirit of cooperation common people garner the strength to stand together and benefit by multiplying their bargaining and collective negotiation capability. The ‘bundle of sticks, story is a famous fable taught to children that showed them the importance of being united and not stand divided to show the power of unity, as depicted in photo 2.

Photo 2: Power of Unity and Bundle of Sticks



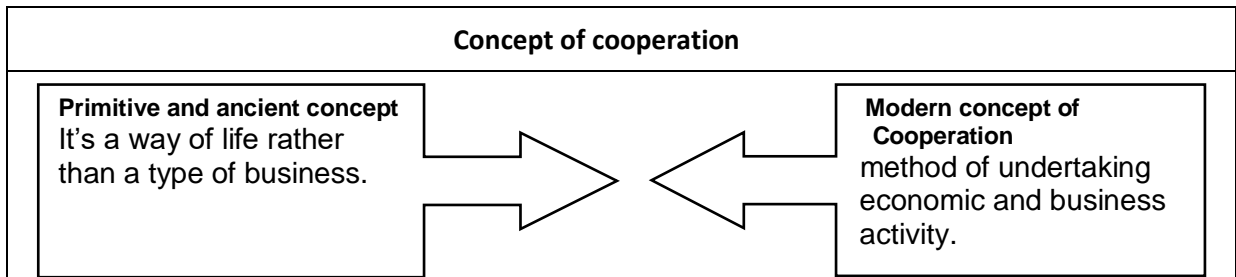
Source: Anonymous. (2023, March 3)

Cooperation has been encouraged by society and governments to empower the people and promote cooperation in economic activity and its organization wherein people voluntarily function together in an equal basis for the promotion of their common economic interests”. A Co-operative Society is an enterprise formed and directed by an association of users, applying within itself, the rules of democracy, and directly intended to serve both its own members and the community as a whole - Lambert.

The basic idea behind Cooperation is “Self Help and Mutual Help” and “Mutual Aid” and “Each for all and all for each”.

Concept of Cooperation

The ancient and primitive concept of Co-operation pertains to human needs to fulfill its cultural, religious and social aspects. Cooperation has been a way of life and is inherent among living beings and in the society itself. When this is used to undertake economic and business activities the modern concept of Cooperation is different from the concept of ancient and primitive one. “It denotes a special method of doing business” as stated by T.N. Hajeela.

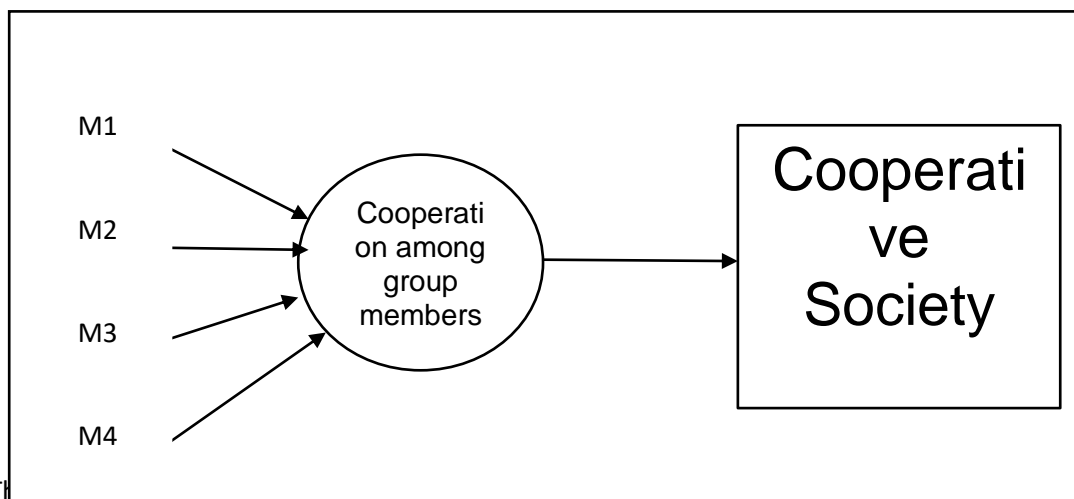


Source: Created by Author

1.2 Principles of Cooperation

It is hence obvious that cooperation is an inherent characteristic and habit among living beings and more so among human beings in every society. Individuals derive strength through cooperation in a variety of ways. It is not that they do not compete among themselves but they prefer cooperation as collectively they compete amongst one another. Individuals as a team, cooperating with other individuals as a team and compete with one and each other to gain efficiency and spirit. Group of individual members are engaged in discussion, learn from each other and help one another to cooperate, improve and excel in any business and economic activity or any task for. As the cooperation is among the individuals, they become members of the society, hence such group of individuals is called a Co-operative society.

Chart 1: Individuals Forming of Cooperative Society (Source: Created by Author)



The organization are

presented here below in following paragraphs:

i) Open Membership / Universality

The membership of a Co-operative Society can be availed by individuals having a common interest and are prepared to share gains and responsibilities accrue due to such a membership. Accordingly a minimum of ten members are required to form a cooperative society according to the Co-operative Societies Act does not mention any maximum number of members.

ii) Unity or Political and Religious Neutrality

Unity among members is the basic requirement for a co-operative organization to function successfully. Hence, beliefs, faiths and convictions among members is necessary.

iii) Voluntary Association

Members join the co-operative society voluntarily, that is, by choice. A member can join the society as and when he likes, continue for as long as he likes, and leave the society at will.

iv) State Control

To protect the interest of members, co-operative societies are placed under state control through registration. While getting registered, a society has to submit details about the members and the business it is to undertake. It has to maintain books of accounts, which are to be audited by government auditors.

v) Sources of Finance

In a co-operative society, capital is contributed by all the members. However, it can easily raise loans and secure grants from government after its registration.

vi) Democratic Management

Co-operative societies are managed on principle of democracy. It is managed by a group known as “Board of Directors” who is the elected representatives. Each member has a single vote, irrespective of the number of shares held. A small farmer as well as big landlord have one vote only.

vii) Service Motive / Limited Interest on Capital

The aim of the society is to enable its members to improve economic wellbeing. If there is any excess income of the society, it will be used to meet unforeseen losses or strengthening the funds for making available cheaper services to its members.

viii) Separate Legal Entity

A Co-operative Society is registered under the Co-operative Societies Act. After registration a society becomes a separate legal entity, with limited liability of its members. It can enter into agreements with others and can purchase or sell properties in its own name.

ix) Distribution of Surplus

Every co-operative society, besides providing services to its members, also generates some profit while conducting economic activity. Profit generated is distributed to its members not in proportion of the shares held by the members, but according to participation of members in activities of the society.

x) Self-help through Mutual Cooperation

In co-operative Societies the principle of mutual help is the key ingredient. They work for financially weaker sections which can be said to be on the margin and are economically poor. This weakness is transformed into strength through collective approach and mutual help by co-operative societies. By working jointly by following “Each for all and all for each” allow members to fight exploitation and secure a place in society.

xi) Principles of Publicity

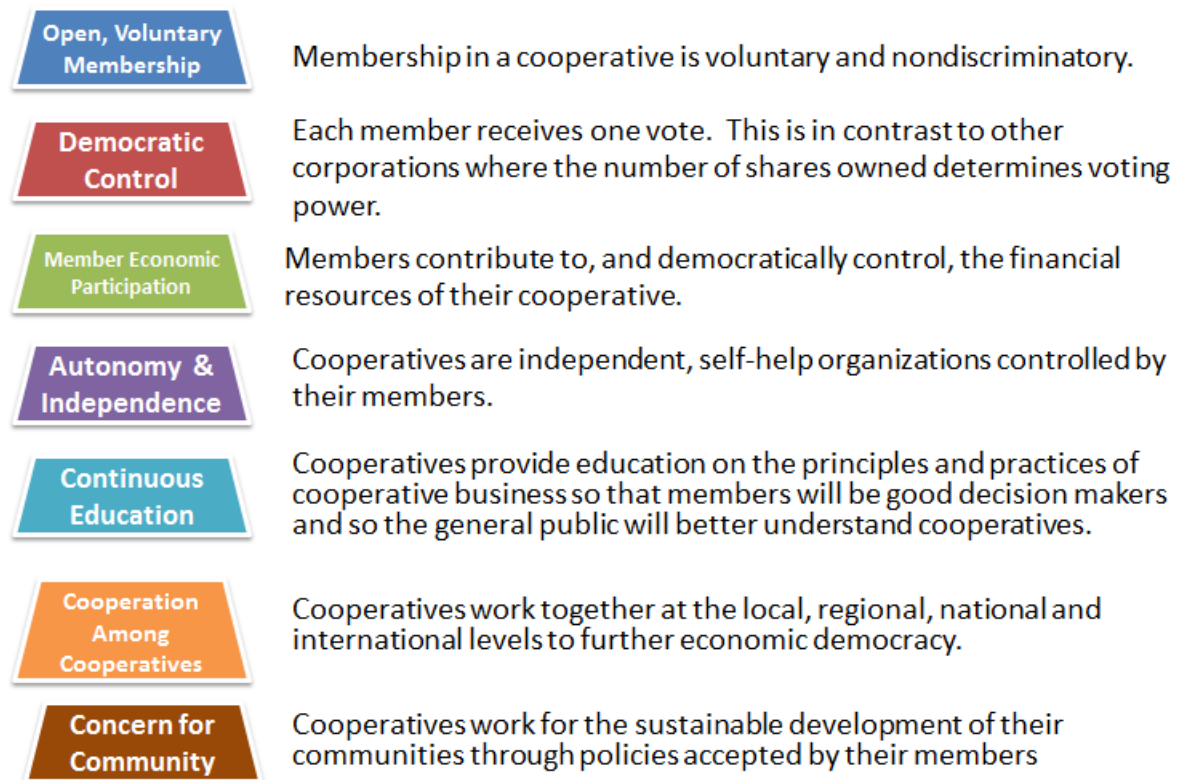
The co-operative organizations practice transparency about its working and progress is not having any secrecy.

xii) Spirit of Dedication and Service

Members have the spirit of dedication and service in their functioning and also for each other. Hence, co-operation is the movement of the people, for the people and by the people.

Cooperative Principles

Adopted in 1996 by the International Cooperative Alliance



Source: Equal Care Co-op. (12/02/2023).

Figure 1.1 Principles of Cooperation

Process of Cooperative Formation

The cooperative form of organisation has been recognised in the Indian Constitution itself. The Part III of the Constitution of India containing the Fundamental Rights. One of the fundamental rights is the Right to Freedom which is given in Article 19(1) C. This fundamental right state that 'all citizens shall have the right to form associations or unions' [or co-operative societies]. Besides this fundamental right indication right of people to form association or union, The Constitution of India, Part IV provides for Directive Principles of State Policy, whose article 43B mentions 'Promotion of co-operative societies'. This Directive Principle states that 'the State shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of co-operative societies'.

In commensurate with provision of Fundamental Rights and of Directive Principles of state policy the article 243 ZI of Part IXB mentions the provision of 'Incorporation of cooperative societies'. In accordance to the provisions of this Part, the Legislature of a State may, by law, make provisions with respect to the incorporation, regulation and winding up of co-operative societies based on the principles of voluntary formation, democratic member-control, member-economic participation and autonomous functioning.

To form or start a co-operative society certain set of rules and guidelines are to be followed as prescribed by the law. Before its formation the cooperative society members are required to decide the nature, importance and advantages of coming together to form a society along with its objectives for common good of the society members.

The co-operative movement has been initiated to protect the interests of bottom of the pyramid population which belongs to weaker and poor sections of society. The objective is 'how to protect economically weaker sections of society' from the middlemen and intermediaries who gain at the cost of deserving section of population who actually do the hard work and remain suffering and struggle economically, as they do not receive due benefits and economic rewards of their hard work. The formation of such cooperative society allow a much larger share of profits accruing to the society members and help them gain owing to their own efforts. It ultimately helps in creating a more just and equitable social community in the nation, as desired in the 'Constitution of India' as well i.e. in accordance of the Directive principles of State policy.

The laws governing the societies came into being as early as in the year 1912 through enactment of "THE co-operative societies act, 1912". This was a central government Act formed with provision to allow states to form their State Act governing the societies to suit their local conditions with a condition that it should not be in derogation and in contradiction to the central government Act. Almost all states have enacted their own co-operative society Act with almost similar requirements to be met by group of persons who wish to form the society.

For a Co-operative society promotion of its objectives of self-help and mutual help are the foundation stones and basic principles of co-operation. This is as against a commercial organization, wherein earning and maximizing the profits is the sole motive which cannot be the sole motive for a Co-operative society.

Laws Applicable to Co-Operative Society

The first Cooperative Act in India was passed in the year 1904 and the amendment in 1912 expanded the sphere of cooperation between its members and provided for supervision by central organization. A cooperative society, working to promote economic interests of its members can be registered with limited or unlimited liability by filing application to the registering authority with requisite documents to be submitted by them

A Co-operative Society will operate according to:

1. Co-operative Societies Act through which it is registered, it can be under state Act or Central Act.
2. Co-operative Societies rules made by central or state governments.
3. Bye-laws approved by the registrar at the time of registration and amendments made from time to time.
4. Notification and Orders by the concerned state or central Government

Hence, Forming a Co-operative society requires following steps to be followed, they are

Step 1: Ten Individuals coming together and desirous of forming a Society

To form a society, law requires that a minimum of 10 members are required, these are having same aim and objectives to be a part of the society to derive mutual benefits to be part of it.

Step 2: To select a Chief Promoter and A Provisional Committee

The second step requires formation of a provisional committee of which everyone is part of and they must choose a person to be a chief promoter of the society being formed.

Step 3: To select A Name for the Society

The third step is to choose the name of the Co-operative which they wish to form.

Step 4: Application to the Registration Authority

The fourth step is to submit an application to the registration authority stating that they have an intention to form a society and submit the name of the society to the registration authority. This is for seeking required approval of name of society and approvals from registering authority.

Step 5: Payment of Entrance fees and share capital

The fifth step is to pay the entrance fee to the authority and the share capital must be collected from the concerned prospective members according to as specified in law and as is the statutory requirements.

Step 6: To open a Bank Account

The sixth step is to open a bank account in the name of the society and deposit the said fees and share capital in that account. As the bank account is opened and deposits are made, a certificate to this effect is to be obtained from the regulatory authorities.

Step 7: Application for registration

The seventh step is to apply for the society formation to the registration authority. All the required documents are to be appended with the application to the authorities. This involves submission of -

The form number A is to be submitted in four copies / quadruplicate, signed by 90 per cent of the promoter members, and including documents like i. list of promoter members, ii. Bank Certificate, iii. A detailed working of the society, iv. four copies of proposed bye-laws of the society, v. proof of payment of registration charges, and vi. other documents like affidavits, indemnity bonds, and any documents proofs required and specified by the Registrar is also to be submitted to the registering authority for permission to start a cooperative society, if the authority is satisfied with the application and intent of the society members and their intent as indicated by objectives mentioned of the said society.

Step 8: Registrar has to acknowledge

After the completion of step seven, the registrar of the municipal ward has to enter the particulars in the book called the "register of Application" which is mentioned in form B and give it a serial number and issues an acknowledgement in the form of a receipt for receiving the application. The registrar, peruse the application, to verify the records/documents submitted with application and decide whether to issue a certificate of registration or not. In case any deficiency / discrepancies are found in application the Registrar inform the same and get it rectified for needful.

Step 9: Registration

The ninth and last step is notification of registration of the society, once the authority is satisfied with the documents meeting the legal requirements, in the official gazette mentioned by the state or central government. In the end the registration certificate is issued to the society and given to the members of the society.

In India, wherein poverty and illiteracy exist among large regions, which are located in inaccessible regions of the vast geographical area, and due to less developed market, Co-operative Societies are still regarded as ideal instruments to empower people and help themselves in the process of their development. The cooperative societies are capable of successfully eliminating the unscrupulous middlemen resulting in economic and social benefits accruing to the members of society. The principal guiding factor to form a society is whether all members have common goal to achieve or not, hence it is crucial to share common desire and intention by members, otherwise the purpose of forming a society will be defeated.



Source: Created by Author

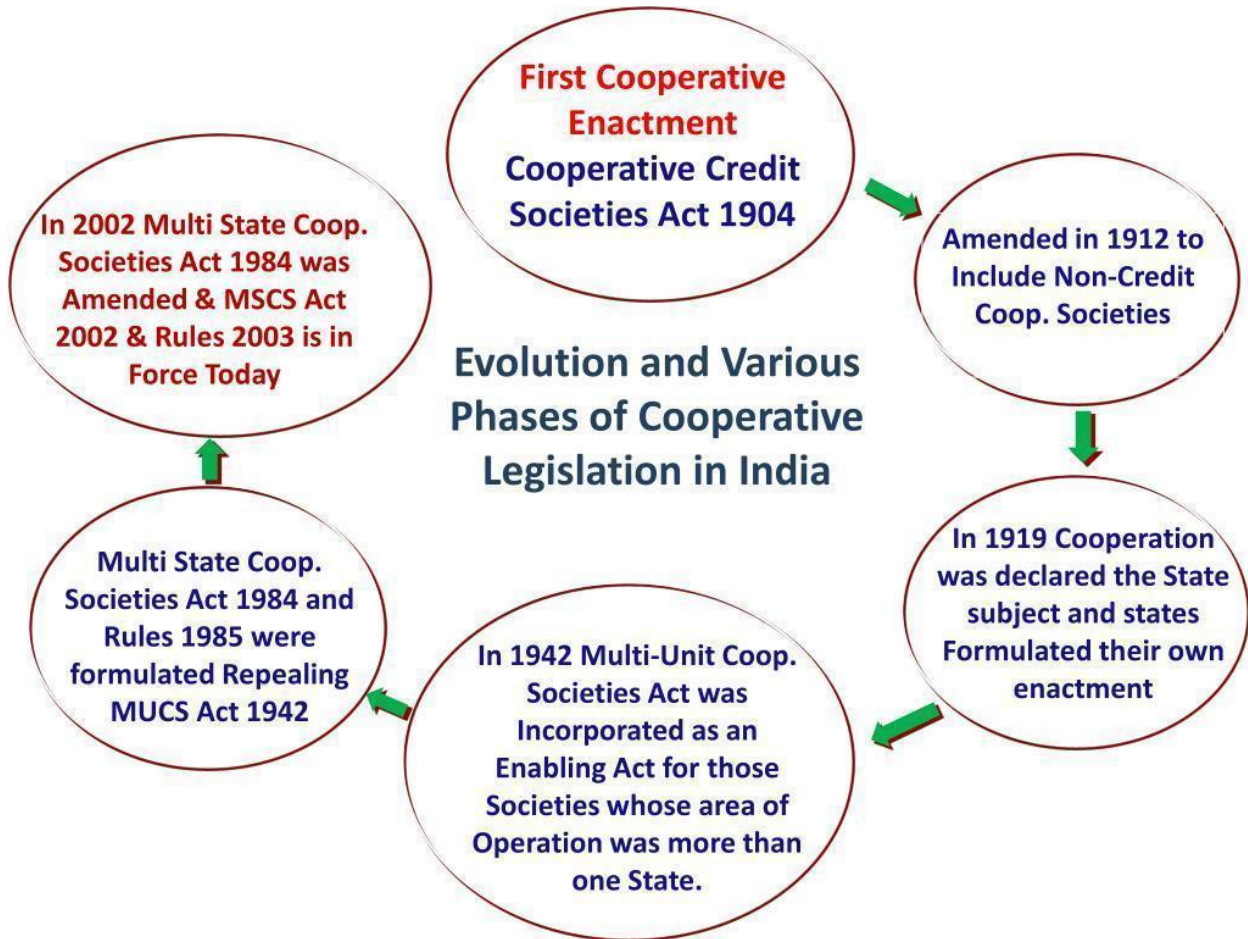
Figure 1.2: Formulation of Cooperative

1.3 Cooperative Legislation

Organization and registration of a cooperative society is one of the primary functions of Cooperative law. It provides for the appointment of Registrar and subordinate officers and entrusts the powers and functions to them in accordance with the statute.

The following are the basic functions of the Cooperative law:

- Provision for organization and registration of cooperatives.
- To allow certain privileges, concessions and financial and other assistance.
- To preserve cooperative character by ensuring that the cooperatives function according to principles and practices of cooperation, and
- To exempt cooperatives from provisions of certain other laws.



Source:Dinesh, (2013).

Figure 1.3: Evolution and Various Phases of Cooperative Legislation

Historical View Point of Cooperative Legislation

- In India the cooperation in agriculture originated in the last quarter of 19th Century, as it attempted to improve condition of farmers and free them from the money lenders.
- The cooperative movement was introduced in India as a State policy through the enactment of the Cooperative Societies Act, 1904.
- After India became an Independent nation in 1947 the planned economic development was pursued and cooperatives were also given importance for helping farmers and bringing the

development to rural areas. Cooperation was considered a tool of planned economic development for rural India.

- At present the Indian Cooperative system is one of the biggest in the whole world. It is contributing to strengthening the agriculture and allied sector in India. Realising its great importance the government of India has setup a full fledged Ministry of Cooperation to cater to their development.

- In India there are a variety of cooperatives, engaged in various activities. The number of cooperatives as on 29th March, 2023 according to the Ministry of Cooperation, Government of India is given in **table**. The cooperatives have membership covering almost 100 per cent of villages and a large proportion of national population.

Table 1.1: Cooperative Societies in India (As on 29th March, 2023) in Various Activity/Industry (in Numbers)

Agro-Allied	29901
Industrial	17313
Dairy	151956
Multi State	1525
Sugar	656
Fishery	23670
Woman	21493
Marketing	7399
Multi-Purpose	14932
Consumer	26355
Housing	152351
Labour	46953
Textile	17507
Live Stock Poultry	8383

Source: <https://cooperation.gov.in/>

- The government aims establishing a Primary Agricultural Societies (PACS) in each of the uncovered panchayat in the country as announced on 15th February 2023 to strengthen cooperative movement in India at the grassroot level indicating the encouragement and guidance the cabinet and government provides for development of cooperatives and leading and guiding the cooperative movement of the country. There is a target to set up 2 lakh multipurpose PACS/Dairy/Fishery cooperatives in the coming five years.

- Plan to be implemented with the support of NABARD, National Dairy Development Board (NDDB) and National Fisheries Development Board (NFDB) through convergence of various schemes of the Ministry of Fisheries, Animal Husbandry & Dairying by leveraging the 'whole-of-Government' approach.

<https://pib.gov.in/PressReleasePage.aspx?PRID=1899444>

Cooperative Credit Societies Act, 1904

The Cooperative Credit Societies Act was formulated in the year 1904. It followed Nicholson's recommendation of creating village level banks. Accordingly the operation of the Act was restricted to credit only. The following were the important provisions of this Act:

- 1) Ten persons living in the same village or town or belonging to the same class or caste can register as a cooperative society for encouraging saving habits and self-help among the members.
- 2) The main objectives of a society is to raise small sums of money and funds by deposits from members and even loan from non-members, government and other cooperative societies. Through this money members can borrow for their need and with permission of the Registrar of Cooperative Societies, they can lend to other cooperative credit societies also.
- 3) The Registrar Cooperative Societies is responsible for organisation and control of cooperative credit societies.
- 4) The account of every society is to be audited by the Registrar or by a member of his staff free of charge.
- 5) Rural societies were to have fourth-fifth of their members agriculturists while urban societies should have four-fifth of their members non-agriculturists.
- 6) In a rural society liability of members will be unlimited on the other hand in the case of urban society it would be either limited or unlimited.
- 7) No dividend is to be paid from the profit in a rural society and it will be credited to the Reserve Fund.
- 8) In urban society one-fourth of the profit will be credited to the Reserve Fund.
- 9) Loans is to be provided to the members on a personal guarantee or on security.
- 10) The interest (share capital) of any one member in the society was strictly limited.
- 11) Societies formed under the Act were exempt from fee payable under Stamp, Registration and Income Tax Acts. Under the provisions of this Act societies were classified into Rural and Urban. The urban societies were given better facilities while the rural societies were with unlimited liability and restricted area of operation. The Act only pertained to the credit societies and did not mention either non-credit societies or federal societies.

It was evident that the credit societies were successful and useful which encouraged people to create such cooperative societies in other areas.

The second Cooperative Societies Act was passed in 1912 and is considered an improvement on the previous act.

Cooperative Societies Act, 1912

The 1912 Act recognised the necessity of organising large societies for proper supervision of credit and also allowed for creation of central and non-credit societies and included 29 sections. The following were the important features of All India Cooperative Societies Act, 1912:

- 1) The Registrar of Cooperative Societies will be appointed by the respective State Government. He will, however, appoint his own staff/ officers to assist him.
- 2) A cooperative society may be established and registered:
 1. for the promotion of interest of members,
 2. according to the cooperative principles, and
 3. with unlimited and limited liability – the member's liability was limited while society's liability was unlimited.
- 3) A minimum of / at least 10 members are required for registering a cooperative society.
- 4) The Amendment and changes of the bye-laws of the society will not be valid unless registered with the Registrar, who satisfies himself that proposed amendment are in accordance to the act or the rules.
- 5) In an unlimited society one member will have only one vote while in a limited society he may have as many votes as laid down in the bye-laws.
- 6) No member can acquire more than one-fifth of the total shares or not exceeding Rs.1,000/- in a limited liability society.
- 7) The societies were granted exemption from compulsory registration of instruments relating to shares, debentures and other documents.
- 8) The society can be given exemption by the central or the state government in payment of income tax, stamp duty, registration fee, etc.
- 9) The society can receive deposits and loans from non-members, as may be prescribed by the rules.
- 10) There is provision that the society may invest or deposit its funds in a government saving bank, in trustees securities, in shares of other cooperative societies or in any bank approved by the Registrar.
- 11) One fourth of the net profit of the society is required to be carried to the reserve funds.
- 12) The registrar on his own motion or on the application of one-third members can undertake an enquiry into the constitution and working of the society.
- 13) On the application of a creditor, the Registrar can undertake an inspection of a cooperative society.
- 14) The registration of the society can be cancelled on enquiry/inspection or on the application of three fourth members, the Registrar can cancel the registration of the society.
- 15) The State government can exempt any society or any class of societies from any of the provisions of the Act.

Cooperation as a State Subject

As a result of the implementation of Montegu-Chelmsford reforms in 1919 cooperation was transferred to the Provincial (State) governments. The Bombay Provincial Government was the first to pass its own act, "Bombay Provincial Cooperative Societies Act, in 1925. With exhaustive provisions for registration, membership, funds, management, settlement of disputes, recovery of dues, liquidation, etc. this Act served as a model for many other provinces / States for a fairly long time. The government of United Province (now Uttar Pradesh) passed its Act in 1931. If any provincial government had neither passed its own Act nor adopted Bombay Act, the All India Cooperative Societies Act 1912 was applicable to it.

After independence the Central Government formed a committee in 1955 on Cooperative Law to draft model guidelines applicable to all State Governments and Union Territories. Following this, a new act was passed by each state or modified its existing act accordingly. The Cooperative Societies Acts of different states, therefore, differ from state to state. Despite these differences, there are many common features in all the state acts. These are given as below:

- 1) Conditions and procedure of registration of a cooperative society and powers of the Registrar,

who also has the supervision and control on cooperative society.

- 2) Conditions and procedure of amendment of bylaws, voluntarily or under compulsion from the Registrar.
- 3) Condition and procedure of amalgamation, division and reorganization/conversion voluntarily or compulsorily by the Registrar.
- 4) Types of membership rights and liabilities of members and provision relating to compulsory membership and dismissal of membership.
- 5) Rules relating to management of funds, i.e. reserve and other funds and borrowing and lending by cooperative.
- 6) Provisions relating to privileges provided to a cooperative under the cooperative societies act and under other acts like Acts such as Stamp Act, Registration Act, Income Tax Act, etc.
- 7) similarity exist with regard to provisions relating to: (i) holding of Annual General Meeting, (ii) holding of special General Meeting, (iii) Powers and functions of Board of Directors, (iv) removal of Board of Directors, (v) appointment of Administrator in place of Board of Directors, and (vi) giving directions to a society.
- 8) Provision regarding annual audit of accounts and follow up action on the audit report.
- 9) Powers relating to ordering an inquiry/inspection, instituting surcharge and proceedings against promoters and office bearers of a society who are found responsible for misutilisation or misappropriation of funds causing loss to the society.
- 10) Provision for settlement of disputes in a cooperative, execution of awards, recovery of dues, and others are similar among states.
- 11) Provisions for summary recovery of dues of cooperatives in the interest of cooperative movement.
- 12) Pattern of state assistance and related rules.
- 13) Provisions relating to closing of a society, powers of a liquidator, and disposal of surplus assets, termination of liquidation proceedings.
- 14) Provisions and nature of offenses in a cooperative and quantum of punishment thereto.

Multi-Unit Cooperative Societies Act,1942

With time the cooperative movement became popular and some cooperative societies started their operations in other states also. These developments led to efforts to remove duplicity of provisions of various acts, and central Government passed Multi-Unit Cooperative Societies Act in 1942. Hence, the location of principal business of the society was considered for applicability of the act. Thus, the power of State Registrar of Cooperative Societies derived the power of the Central Registrar through the Multi-Unit Cooperative Societies Act.

Setting up of a large number of Multi-Unit Cooperative Societies being governed by different cooperative laws created a difficult position. Besides, the organizational structure and the size of the multi-unit cooperative societies also changed. Also, a large number of national level cooperative societies also got established in different sectors in different states. This resulted in need for comprehensive central legislation. Accordingly, the “Multi-State Cooperative Societies Act 1984” was formulated by the Central Government.

International partnership also developed during these years, in particular with the European nations and with European community. The progress of this relationship is presented in figure 1.4 below.



Source: Insights on India. (2023, February 14).

Figure 1.4: Partnership of Cooperative Legislation

Multi State Cooperative Societies Act, 1984

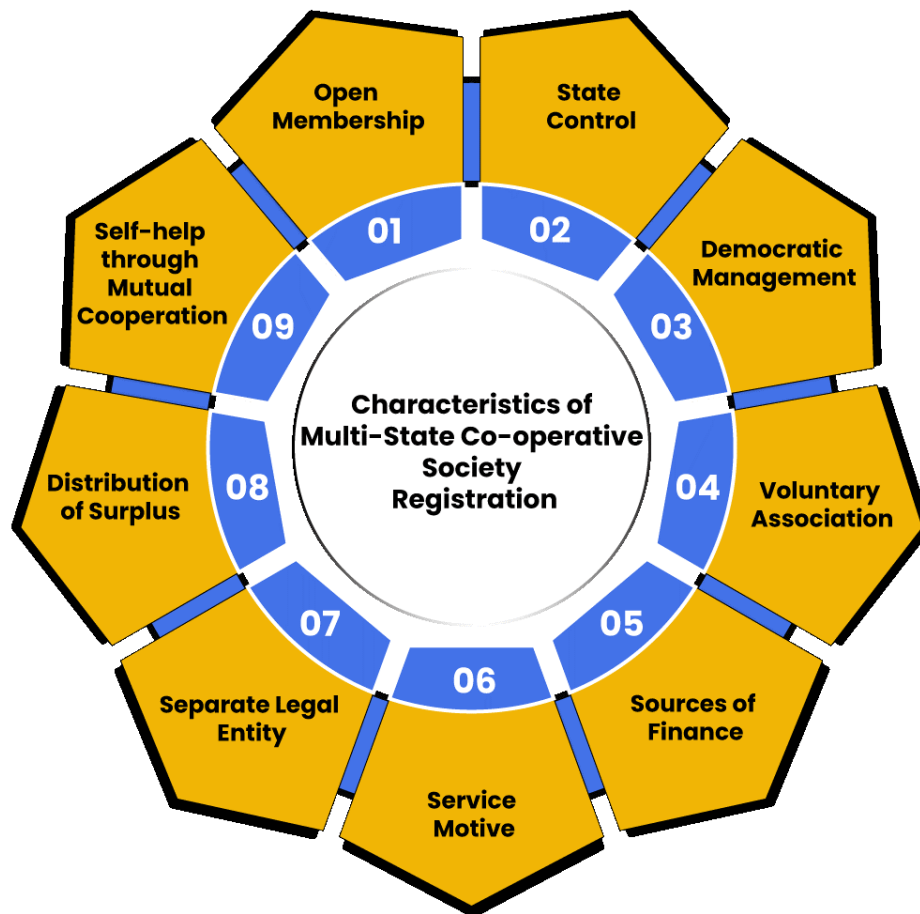
The Multi-State Cooperative Societies Act, 1984 replaced the Multi-Unit Cooperative Societies Act, 1942. Its objectives are as given below:

- i. To ensure different multi-unit cooperatives are not governed by different state cooperative laws in India.
- ii. To have a common comprehensive central legislation for national cooperative societies and federations, which have increased in large numbers.
- iii. To have a central authority responsible for promotion, registration and supervision of such cooperatives.

Schemes of the Act

The provisions of the Act were similar to that of the other cooperative law. It provides for:

- a. To appoint a Central Registrar
- b. Registration of multi-state cooperative societies
- c. Rights of members and their responsibilities
- d. Management of cooperative societies and their properties and funds
- e. Privileges of multi-state cooperative societies
- f. Audit, enquiry and inspection
- g. Settlement of disputes
- h. Winding up of multi state cooperative societies and their cancellation of registration.



Source: Swarit Advisors. (2023, February 14).

Figure 1.5: Characteristics of Multi-Sate Cooperative Society Registration

Salient Features of the Act

- 1) Appointment of Central Registrar
Under the Act a Central Registrar is appointed by the Central Government to exercise various powers under the act. The central government can entrust these powers to someone from state government to exercise powers of the central registrar in respect of the multi-state cooperative society whose registered office in this state. Such powers will only be exercised by the Central Registrar in case of national cooperative societies/ federations.
- 2) Definition of Cooperative Principles
It is for the first time that cooperative principles have been precisely and clearly defined in the Act. The Act mentions that, “multi-state cooperative society, with the aim of the provision of the economic and social betterment of its members through mutual aid in accordance with the cooperative principles, can only be registered under this Act.” Thus through this it is intended to promote registration of genuine cooperative societies.
- 3) Deletion of powers of compulsory Amendment of Bye-laws, Amendment or Division
Under the provisions of this act the bye-laws of a multi-state cooperative society can be amended,

or the society may be amalgamated with other multi-State Cooperative Societies or can be divided into more than one societies when the society itself voluntarily opts for such amendments/ amalgamations/ division. The important aspect is that the Central Registrar do not have the powers to force such amendments / amalgamation or division to unwilling societies.

4) Conversion of Cooperative Society into Multi-State Cooperative Society

The Act allows for the conversion of a cooperative society into a Multi-State Cooperative Society. The amendment of bye-laws to expand the frontiers from one state has to be approved by the Central Registrar, who has to consult the Registrars of the States concerned before registering the amendment.

5) Persons who become Members of Multi-State Cooperative Societies

Section 19 of the Act contains relevant provisions in accordance with the state cooperative laws, it has specifically provided that except in the case of National Cooperative Union of India no individual shall be eligible for admission as a member of a national cooperative society which is defined as a Multi-State cooperative society and specified in the second schedule of the Act.

6) Tenure of the elected member of the Board of Directors

Sub-section 3 of Section-35 of the Act states that the tenure of the elected member on the Board of Directors of a Multi-State Cooperative Society shall be such, not exceeding 3 years, as may be laid down in the bye-laws of the society.

7) Holding of Office in a Cooperative Society

Section 36 of the Act provides that no person shall be eligible to hold at the same time office of a President or Chairman or Vice-Chairman or Vice-President on the Board of more than one Multi-State Cooperative Society. Further, Section-37 of the Act stipulates that no person shall be eligible to hold the office of a President, Chairman, Vice-President, Vice-Chairman of a Multi-State Cooperative Society, after he has held the office for two consecutive terms whether full or part. These provisions are intended to curb growth of vested interests in cooperatives.

8) Removal of Elected Member by General Body

Section-39 of the Act empowers the general body of a Multi-State Cooperative Society to remove from the Board of Directors, an elected member who has acted adversely to the interests of the society.

A resolution to this effect has to be passed by a majority of two-third of the members present and voting at the general body meeting. However, the member concerned should be heard in the matter. This is owing to the concept of sovereign power of the general body of the society.

9) Chief Executive

Section-44 of the Act requires that every Multi-State Cooperative Society shall have a chief executive duly appointed by its Board, and the member shall be a member of the Board. In the case of a National Cooperative Society in which the Central Government has subscribed more than half of the share capital, the appointment of chief executive and other functional directors shall be only with the prior approval of the Central Government.

Section 45 of the Act mentions powers of Chief Executive which are indicated below

- a) Day to day management,
- b) Arrangement for safe custody of cash,
- c) Arrangement for proper maintenance of books and records and for correct preparation and timely submission of periodical statements and returns in accordance with the provisions of law.
- d) Convening meetings of the general body of the Board of Directors and other committees or sub-committees and maintaining proper record of such meetings.
- e) Making appointments to posts other than those in respect of which powers are specifically reserved to the Board.
- f) Assisting the Board in the formulation of policies.

10) Central Government's Powers to give Direction in Public Interest

Section-47 of the Act gives necessary powers to the Central Government in this respect. The power has to be exercised in the public interest or for securing proper implementation of projects and other developmental programmes approved or undertaken by the Central Government. It is compulsory for the Multi-state Cooperative Society to follow with the directions issued by the Central Government.

11) Constitution of Panel Authority for preparation of a list of persons to be appointed as Chief Executive or other senior executives in National Cooperative Societies

Section-50 of the Act requires to create a panel authority for preparation of list of persons to be appointed as Chief Executives and other senior executives in National Cooperative Societies. The provision is intended to promote professional management by adopting scientific and objective methods of recruitment which are free from nepotism, corruption and other malpractices.

12) Miscellaneous

Section-41 of the Act relates to the power of the Central or the State Governments to appoint their nominees (not exceeding one-third of the total number of Directors or 3 which ever is less) on the Board of Directors of a Multi-State Cooperative Society which has received financial assistance (in the shape of share capital, or loans or guarantee for payment of such loan or interest thereon or grant) from the central or the state government. The nominee director will have the veto power.

1.4 Issues in Cooperative Legislation Implementation

Cooperatives are facing challenges, in particular from globalization, market competition and pressure and international rules emanating from World Trade Organisation, World Intellectual Property Organisation and other such organisations.

The organisation form of cooperatives is also changing in the direction of increasingly hybrid structures. In order to be more competitive and international, many cooperatives are introducing managerial entrepreneurship. They are transforming to become more product-based and less region based. They are also changing their ownership structures to attract more equity capital. In the agricultural sector, e. g. federated cooperatives are becoming farmer-owned as opposed to user owned.

Cooperatives and producer organizations are also experiencing legal challenges and uncertainty due to competition law. In India as well like in many other countries, more exemptions for cooperatives in competition law should be provided considering their objectives of social development and focusing on rural population.

There exist a variety of national legislation which complicates functioning of cooperatives. Therefore, an additional challenge in terms of operating across states and competing in national and global market. There is need to further boost cooperatives in India to impact social development in particular in rural areas.



Source: Created by Author

Figure 1.6 Hurdles in Establish Cooperatives

Case – 1: New Developments: National Cooperative Dairy Federation of India Limited (NCDFI): Engineering an innovation through eMarket.

Even after 75 years of independence a large majority of Indian population is engaged in agriculture and allied sector activities for their livelihood and depend on dairying for living. Bringing efficiencies in the marketing of dairy and agricultural commodities ensures maximum and measurable benefits for the rural economy and hence benefits agriculture and allied ecosystem to benefit entire country. Utilizing technology to create robust value chains is the way forward in achieving this goal. The NCDFI acts to facilitate coordination, networking and advocacy for the working of dairy cooperatives.

With this objective, NCDFI, with the technical support of NCDEX e-Markets Limited (NeML) has launched NCDFI eMarket on June 10, 2015. Such initiatives have been made possible due to advancement of information technology and its increasing penetration in India. Thus, NeML is an electronic marketplace for efficient buying and selling of bulk commodities across the Country. The commodities being traded on NCDFI eMarket platform are Dairy Products, Cattle Feed Ingredients, Edible Oils, Packaging Materials, Sugar, Chemicals, Scrap, etc. apart from Transport Services.

NCDFI eMarket offers:

1. Efficient Price Discovery Mechanism
2. Assured Quality Produce
3. Fast and User-friendly Platform
4. Reduced Transaction Costs
5. Increased Transparency & Auditability

Such initiatives are likely to facilitate healthy development for cooperatives in India and will benefit each of cooperative members and contribute to increasing empowerment of rural population besides, overall economic development of rural areas and national economy.

Summary of the Chapter

Cooperative societies are a sure means for empowerment of individuals, who lack means and resources. Realising the need for empowering individuals and its benefits in terms of increasing inclusive development a great deal of conscious efforts have been made by the government even after independence. The legislative evolution has been taking place to promote cooperatives and keep pace changing market scenario in India. The Cooperation act, beginning 1904 and more so after independence, has been amended from time to time to allow cooperatives to fulfill their objectives of rural development and wellbeing of its members. Besides, a dedicated ministry of the central government and in many of the states, the nodal institutions in the country are contributing a great deal in development of cooperative societies leading to development of rural areas in India.

Model Questions

Who started the Cooperative Movement in India?

Which are the most important principles of cooperation?

Explain the evolution of Cooperation Acts and legislation in India.

Explain the role of Cooperative societies in empowering individual members.

Study any one cooperative society near your place of living and study its functioning and its activities.

Study the challenges faced by cooperative societies in present times.

Study the role and functioning of National Cooperative Federation of India Limited.

Study the functioning of Ministry of Cooperation.

To Do Activities

1. Identify two activities first among women and second among old people living in your village or your neighbourhood in which they practise cooperation. List five benefits and importance for cooperation they derive.
2. Based on 1 above, identify the principles of cooperation applicable and followed by a group of women and old people.
3. Meet any one of the leaders (Board Members) and list out what are the challenges faced by them for running the group.

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Chapter 2 Introduction to Cooperatives

Introduction

India needs to ensure that rural areas and population also get the benefit of economic development similar to that of urban population by ensuring that incomes in rural areas and agriculture do not stagnate and keep pace of growth like in other sectors. The present unit two gives a brief introduction of cooperatives in the first part of the chapter. It explains how the cooperative form of organisation is more appropriate for governance of agribusiness activities. It emphasises that promotion of cooperatives to organise agribusiness will lead to their success and will benefit farmers in rural areas to contribute to their wellbeing and rural area development. The chapter discusses in detail regarding principles of cooperatives as can be applied to promote agribusiness activities in rural areas of India. It attempts to give a brief overview of agribusiness cooperatives.

The word cooperative is derived from the word cooperation i.e. working together. Cooperation is being helpful with one another. An individual being cooperative means someone who is in the habit of helping others. Thus, a group of such individuals who accept and agree to help one another and work together for achieving commonly accepted objectives in the interest of all the individual members of the group. This group is required to register itself in a name for the group made of the individuals resulting in formation of a 'cooperative society'. This form of an organisation of a 'cooperative society' which is defined in the statement of the cooperative identity as an autonomous association of persons, who have united voluntarily to meet their common economic, social and cultural needs and desire, through a jointly owned and democratically controlled enterprise (cooperative society).

A cooperative form of an organisation focuses on people i.e. its members, who themselves own, control and run it to achieve their common economic, social, and cultural needs and desires / aspirations. Cooperatives function on the principle of bringing people together in a democratic and equal way. The members of a cooperative society can be customers, employees, users or residents, but it is important that cooperatives are democratically managed based on the rule of 'one member, one vote'. Thus, all members share equal voting rights irrespective of the amount of capital they invest in the enterprise of cooperative society.

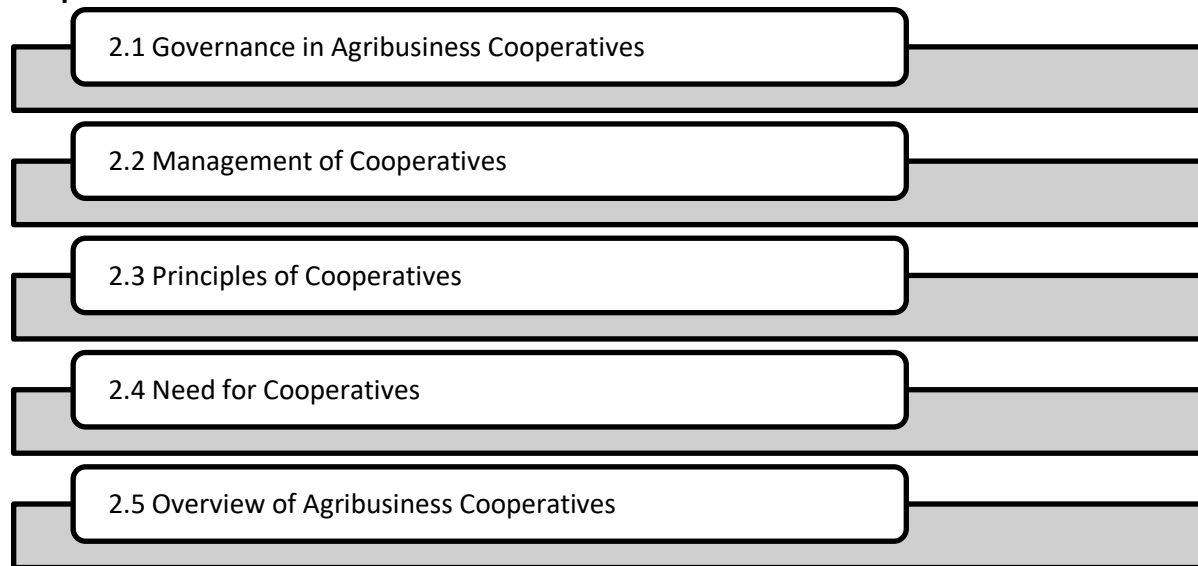
The cooperatives are driven first, by values and mutual trust, common beliefs and benefits for its members and not just profit but cooperatives through its members, act to build a better world through cooperation. Putting fairness, equality, mutual trust and social justice for promoting common good among members are at the heart of the cooperative societies as an enterprise. Cooperatives in all nations around the world allow its members to work together to sustain the enterprise and generate benefits for people in the long-term through creating jobs and prosperity for those who live on meagre income and minimum or no resource ownership, with poor literacy and live in areas which may lack even basic, economic and social amenities required for a decent living. The success of a cooperative allows people to take decisions and control of their economic future due to their skill development coupled with economic and financial knowledge and empowerment. It is crucial that the functioning of cooperatives lead to the economic and social benefits for communities where they are established. The profits generated are either reinvested in the enterprise by the society or are returned to the members for their individual spending needs in the family. Agribusiness has been a proven way of improving income levels of farmers. Hence in India as well, agribusiness is being encouraged and promoted to give farmers, increasing source and improve their living. It is hence appropriate to set up agribusiness cooperatives in rural areas to increase income and wellbeing of the population in rural areas.

Objectives of the Chapter

The objectives are as follows,

1. To understand need of cooperatives in organising agribusiness activities,
2. To learn governance of cooperatives in agribusiness,
3. To know about role and need of cooperatives,
4. To gain insights on principles and management of cooperatives
5. To learn an overview of agribusiness cooperatives.

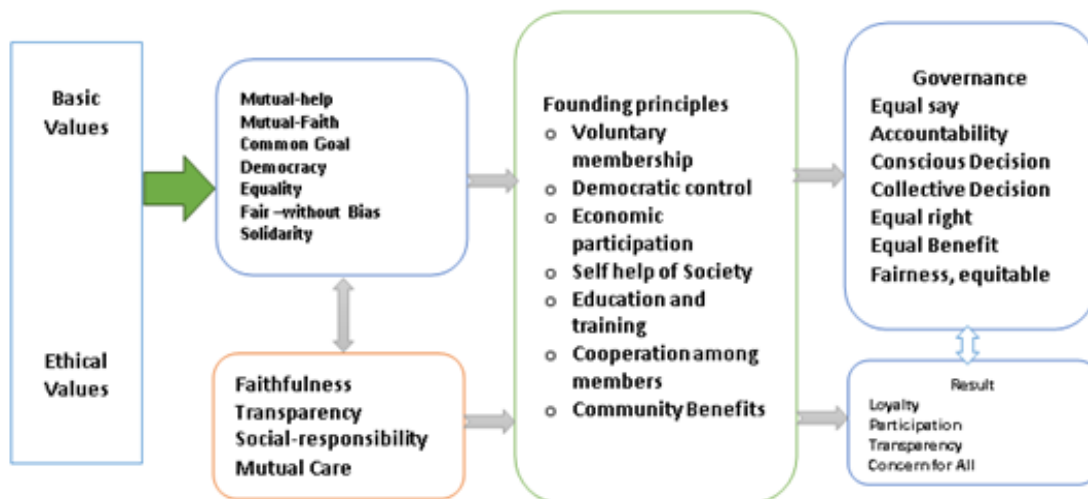
Chapter Structure



2.1 Governance in Agribusiness Cooperatives

Our nation is still predominantly an agrarian society due to the fact that a large proportion of people inhabit rural areas and majority of them still derive their livelihood through indulging in agriculture and other primary activities. In order to improve income levels of rural population agribusiness is being promoted to add value to agriculture produce in rural areas itself. In India typically the average landholding size is small and the majority of farmers have low per capita income and hence are exploited by intermediaries. Under such circumstances encouraging farmers to adopt agriculture related business through value addition activities to their produce has the potential to help rural households to increase their incomes. It is important to note that any increase in income of rural households will have significant positive impact on development of the industrial and service sector economy as well leading to increasing national income of the nation. Promoting agribusiness through involving rural population is an excellent choice for faster rural development in India.

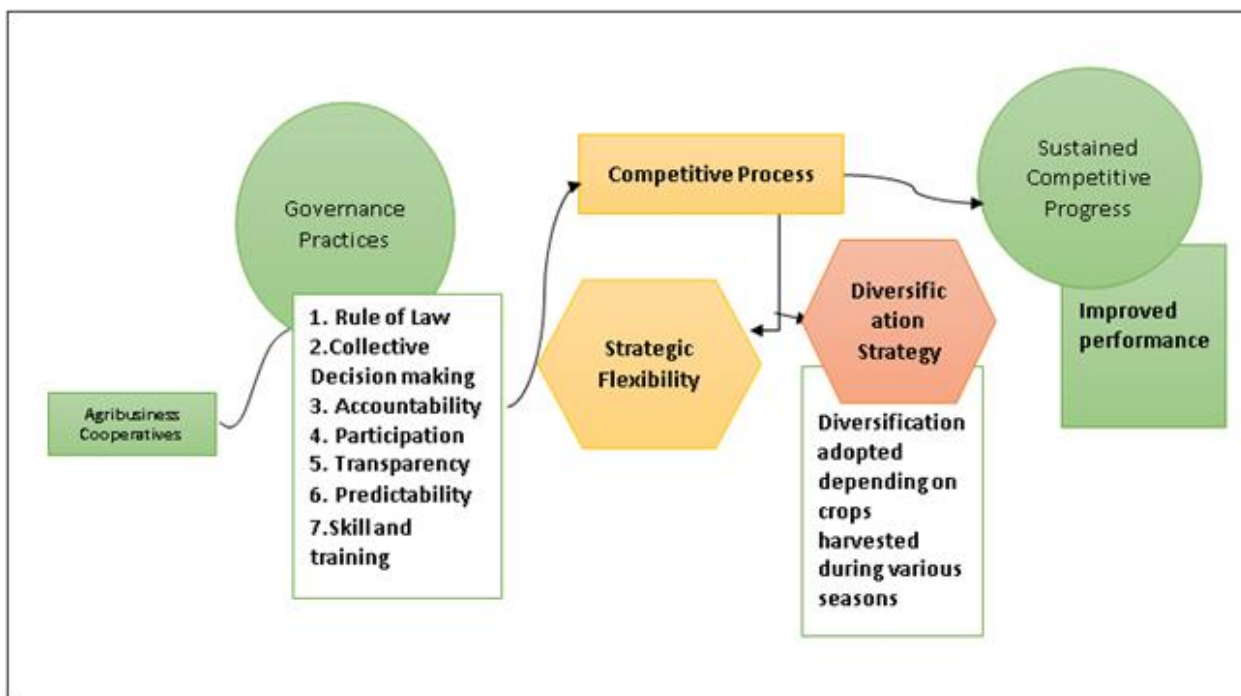
As the majority of farmers are having small landholding, besides a large landless population living in villages, organising agribusiness in the form of a cooperative form of organisation is appropriate for benefiting the rural population. Owing to following desirable characteristics associated with cooperative form of organisation, it is advocated that agribusiness activities in rural areas are also undertaken through formation of agribusiness cooperatives. The characteristics suitable for agribusiness cooperatives are presented in figure 2.1 below, which include basic and ethical cooperative values, along with cooperative principles and governance of application of agribusiness cooperatives.



Source: Temesgen, A. (2017).

Figure 2.1: Agribusiness Cooperative Values, Ethics and Good Governance Framework

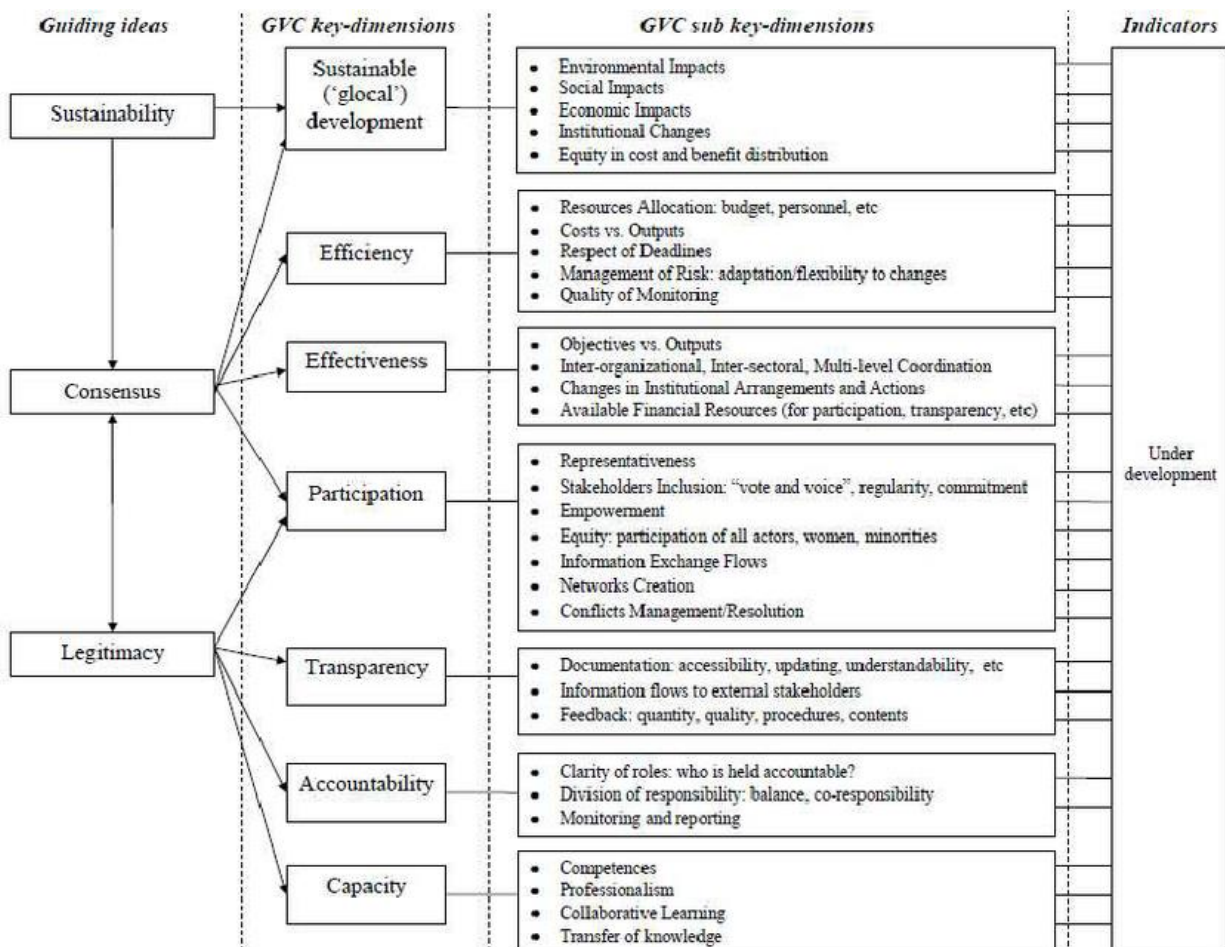
The adoption of a cooperative form of organising agribusiness will aid in improving competitiveness among producers, who are either small farmers or people with rural areas who have come together to form agribusiness cooperatives. The agribusiness producers become competitive due to strategic flexibility, diversification strategy advantage and competitive progress. This is owing to the fact that they are producers of agriculture products which are used as inputs in agribusiness activities. The figure 2.2 depicts the factors contributing to competitiveness of agribusiness cooperatives.



Source: Tripathy, K. K., Paliwal, M., & Nistala, N. (2021).

Figure 2.2 Flowchart of Strategic Competitiveness of Agribusiness Cooperatives

The figure 2.3 presents the essential ingredients of good governance which are used in the context of agribusiness cooperatives in rural areas, to emphasise the efficacy i. e. ability to result in desired results. The result desired obviously is to improve economic and social well being of rural population including that of small farmers. Agribusiness mainly depends on agriculture produced in rural areas wherein further processing and value addition is done in villages are sustainable, cooperatives in agribusiness takes decision on consensus and decisions are legitimate due to its effectiveness to achieve objectives, transparency in decision making and it will improve and build capacity of rural population including that of farmers. As good governance is inbuilt in functioning and decision making of cooperatives in agribusiness leading to development of rural areas. The nature of governance of agribusiness cooperatives is just suitable for adhering to the sub key dimensions of good governance model as presented in figure 2.3 below. All these sub key dimensions will result in sustainable performance of agribusiness cooperatives leading to development.



Source: Secco, L., Da Re, R., Gatto, P., Pettenella, D., & Cesaro, L. (2011).

Figure 2.3: Framework for Assessing Good Governance as Adapted For Agribusiness Cooperatives

2.2 Management of Cooperatives

Cooperative management is an effective way to work for fulfilling its objectives. Management of cooperatives involve keeping members informed about objectives, policies, practices and financial needs. Management of cooperatives also involves deciding responsibilities of members to make cooperatives a successful entity. Management allows to achieve objectives of cooperatives and benefit each and every member of the society and aims to increase their competitiveness.

In other words, cooperative management, attempts to achieve more effective and equitable systems of resource management. Representatives of user groups, the scientific community, and government agencies should share knowledge, power, and responsibility and provide support in cooperative management, to facilitate achievement of its aims and objectives. This is owing to the fact that cooperatives, including agribusiness cooperatives aim to improve the condition of all its members who have joined as they were weak individually and whose aim is to improve economic condition and bargaining power due to collective effort of forming a group for acting together. It is to be noted that the good management of cooperatives will ensure greater benefits for its members who have poor economic condition and have joined together in the form of a cooperative to gain collectively and thereby benefiting all its members.

In order to understand unique aspects of management of cooperatives it is required to understand the nature of cooperative form of organisation. Definition apart, which has been already discussed previously in this book, a cooperative constitutes of “autonomous association of members (persons or individuals), who got united by their choice and voluntarily to meet their common objectives (individuals having similar needs and aims) economic, social, and/or cultural needs and desires or aspirations through a jointly-owned and democratically managed entity or organisation”.

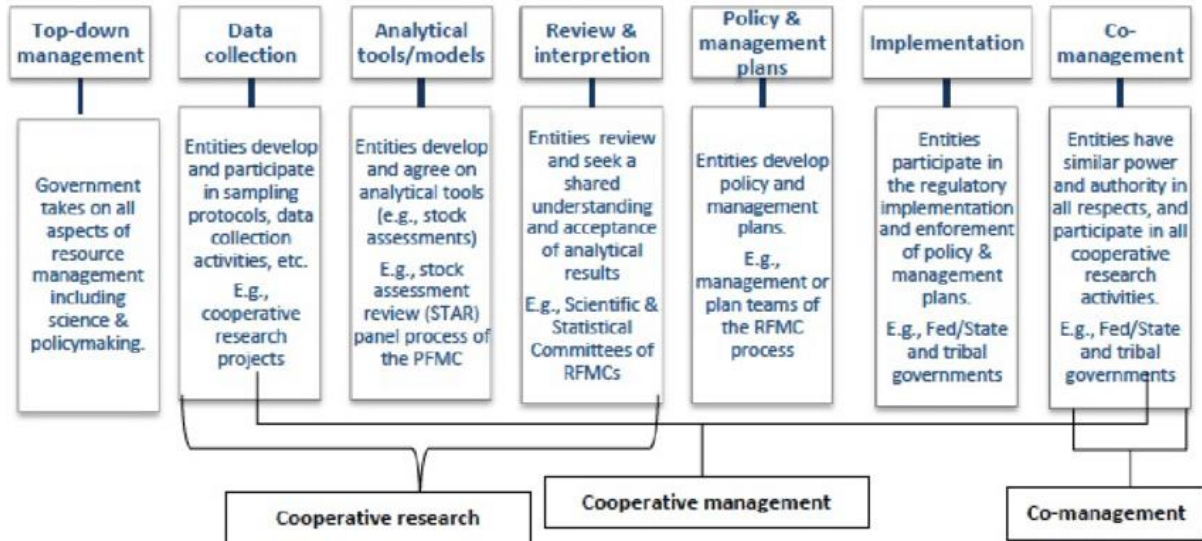
Voluntary and open membership: One of the main pillars and principles of co-operative is that its membership is voluntary and open i.e. it is voluntary and equitable participation of every member in its decision making and its overall management. Hence, it can be said that the voluntary membership means that the members of a co-operative society must join it voluntarily without being forced or coerced to join the membership. Voluntary membership translates into individual responsibilities for benefit of the self as well all other cooperative members. This is true for agribusiness cooperatives also, which will benefit all its members and improve the income levels for all. The figure 2.4 below provides a snapshot of management of cooperatives and its inherent benefits as they accrue to its members.



Source: Coglan, L., & Pascoe, S. (2015).

Figure 2.4: Management of Cooperatives

Democratic member control: Paul Lambert remarked, “Democracy is the driving principle. It distinguishes co-operative business most sharply from capitalist business and it can be applied uniformly to any type of co-operative.” It is clear that members of a cooperative select their own leaders in the cooperative whom they can change or remove as well. The democracy is further inbuilt in cooperatives through the principle, ‘one member, one vote’ for electing their office bearers and for taking any such decision which require voting among members. This principle rules out any possibility of capturing control by a few members who may have larger shareholdings, i.e. control is therefore justified on the basis of treating each of the members as an individual human being and not the individual one who subscribes to capital.



Source: Cooperative research and cooperative management working group. 2015

Figure 2.5: Cooperative Research and Management

Source: Cooperative research and cooperative management working group. 2015. Cooperative research and cooperative management: A review with recommendations. U.S. Dept. of Commerce., NOAA. NOAA Technical Memorandum NMFS-F/SPO-156 78pp. Adapted from Pomeroy, R. and F. Berkes. 1997. Two to tango: the role of government in fisheries co-management. Marine Policy, 21(5): 465-480.

Members economic participation: The income of the cooperative over expenditure for a financial year is the surplus of that year. If a cooperative society member decides to distribute the surplus, the distribution is done based on the members’ dealing with the society and not based on number of shares held, like it is done in a capitalist organization. It is emphasised that capital is essential for cooperatives and their management, capital should not become a master and dictate decision making. Management in cooperatives views that capital must receive a fair interest, but it refuses to allow owners of capital any other right or claim by its owner, in particular a controlling voice in the enterprise.

In fact the International Cooperative Alliance (ICA) commission noted that “Share capital will receive a strictly limited rate of interest if any. There is no co-operative principle which obliges interest to be paid. The principle is that if interest is paid on share capital, the rate should be limited and fixed on the ground that the supplier of capital is not equitably entitled to share in savings, surplus or profit of cooperative society.” It belongs strictly to the members of the cooperative and its use and deployment will be decided

solely by the cooperative members. This is also true for cooperative societies operating in the agribusiness activities.

Autonomy and independence: Cooperatives are autonomous, self-help organisations controlled by only cooperative members. If these cooperative engage in any agreements with any other organisations, including state or central governments, external agencies to raise capital or for any other purpose, they ensure democratic control of its members is maintained along with their cooperative autonomy.

Cooperate among cooperatives: The adherence, respecting and upholding the principles of cooperation is of utmost importance for the growth and maintenance of the cooperatives. ICA Commission, 1966, stated that all cooperative organizations will cooperate in every possible manner with other cooperatives at local, national and international levels to serve interest of its members and betterment of society at large.”

Cooperative education: The ICA rules provide that “all cooperative societies are required to provide for the education and training of their members, officers and employees as well as the general public, in the principles and techniques of cooperation to make all partners aware of economic and democratic functioning and contribution of cooperatives to society.”

Concern for community: Cooperatives by their inherent principles work for individuals members and the on principles of sustainable development of society and its members. It is imbibed in the cooperative principle that sustainable development will bring lasting benefits for members of their communities and their members.

Case – 2: Naman Credit Cooperative Limited Samiti, Suktava, Hoshangabad, Madhya Pradesh / Kesla Forest Producer Company Limited, Suktava, Hoshangabad, Madhya Pradesh: Building Socially Inclusive Society

NamanSevaSamiti was formed in the year 1999 in Hoshangabad (Narmdapuram) and Betul, under the 1973 act of Madhya Pradesh State Society Registration. This samiti is engaged in transforming marginalised communities in the area round Betul and Narmdapuram region of Madhya Pradesh. The NamanSevaSamiti focuses on inclusion of poor and marginalised communities in development of region. The samiti has setup a cooperative credit and saving bank, a spice processing and packaging unit and promoting organic farms, it takes pride in bringing smile on faces and dignity to life of a number of poorest of the poor living in the region. Their efforts have resulted in mobilising more than 10000 women who are from marginalised communities to setup institutions which are women centric.

Upto the year 2007 Naman started 100 SHGs , which increase to around 300 SHGs by the year 2013 and has increased to 1700 in number by the end of year 2022. Inclusive SHG formation, capacity building, saving and credit activities through Naman Cooperative society are taken into account for compilation of business plan for each SHG. Members of SHGs interested in agro based livelihood (production of vegetable, poly house, aromatic and medicinal plantation, orchid management, and the likes) are trained in organic farming, horticulture, animal husbandry, dairy apiculture, etc. and significant impact to lives is made. Organic farmers are registered under the group organic certification and are also registered under APEDA.

Farmer’s federation has been formed for Farmer’s Interest Group (FIG) formation. One member from each village constitute ‘Haldhar Farmer’s Federation having 58 active members. Eleven members constitute Board of Directors of producer company. A total of 50 metric ton of organic wheat and gram is procured by the federation. A centralised spice processing unit supported by Government of Japan in the year 2010 was formed. Around 250 women and persons with special abilities are part of processing and marketing value chain in Spice processing unit. The spices are packaged under the brand name of “SKC”. Around 10 to 15 tons of spices are produced annually. Four new organic products i.e. wheat flour, organic broken wheat, organic multi grain atta and organic gram flour were introduced. This processing unit has been registered as Kutir Agro Producer Company Limited.

Source: Field work NTFP supply chain Study - Extraction of oil from Gulli (Seed of Mahuva), Suktava



Source: Field work NTFP supply chain Study – Mahuva Flowers, Seed and Achhar, Athner



The region of Narmdapuram and Betul districts are inhabited by tribal population. Many of these tribal collect non timber forest produce (NTFP) and undertake primary processing for self use and selling it. Much of the produce collected from forests by them is used further for various purposes including for the medicinal purpose without processing or after processing. The tribal who collect the forest produce individually sell to trader who visits their village during the season. The trader usually determines the price to buy the forest produce from the tribals, resulting in tribals not able to receive good price. Efforts are made to bring together the tribals collecting NTFP from various villages to come together to form a group of tribal people to enable them to derive better price due to collective action of selling directly to market or bargaining collectively with the trader. It is observed that the price of these NTFPs increases after the harvesting months. Thus, organising tribals in the form of cooperative societies will help tribals get remunerative price for their produce. The NamanSevaSamiti is making efforts to bring the people together, who collect NTFP in various villages of the region, in the form of a society for benefitting collectively.

Source:<https://ngonaman.org/>

Types of Cooperatives

The cooperative form of organisation has been one of the most useful forms of organisation, in particular for farming community and rural area economic activities in many countries of the world. The population in rural areas lives mostly away from the seat of the government and province and district administration. Generally, the rural areas lack basic economic and social amenities which are available to their urban counterparts. This divide between rural and urban areas is true even in most of the developed nations as well. The poor amenities and facilities for rural populations are more accentuated in underdeveloped and poor countries of the world. India is one such example of nations where also this situation holds good and rural population faces a lot of hardships and disadvantages vis-a-vis urban inhabitants. Owing to such disparities in rural and urban areas, it becomes difficult for rural population to undertake any economic activity and get rewarded appropriately for their time and efforts.

In such a scenario the cooperative form of organisation for undertaking an activity, enterprise or venture presents rural population with an opportunity to negate some of the disadvantages faced experienced by rural area inhabitants. Cooperative form of organisation allows its members to experience the advantage of forming a group of individuals i.e. a cooperative society and acting collectively for common goals and objectives in common interest for common benefits.

There are various types of cooperatives which commonly exist in India which are described here below. However, with emerging new, modern and digital economic activities and economy, cooperative form of organisation will have greater and diversified role in development of rural areas and population in future as well. A brief of various types of cooperatives which exist in India is presented in the following paragraphs.

- 1) **Consumer Cooperative:** These cooperatives are owned and managed by consumers who are its members and undertake business for their mutual benefit. It may be formed to provide daily necessary consumer goods at an optimum price. Rather than earning a pecuniary or money profit, their aim is towards providing service to the consumers so that such goods are available to members (and may be to others) at a fair and reasonable price, thereby benefiting all.
- 2) **Credit Cooperative:** A group of individuals may form credit cooperatives to help them have an access to availability of credit for their normal economic activity they are engaged for livelihood. They may also use this credit for any other personal economic or social expenditure needs. The group members individually may not be able to access formal banking system and credit due to lack of acceptable collateral. Hence credit cooperatives provide a window of opportunity to members to access small credit facilities. These credit societies are member owned and provide credit and other financial services at good prices to members.
- 3) **Farmer Cooperative:** A cooperative in agriculture sector also known as a farmers' cooperative, is a cooperative wherein farmers are its members. The members pool resources and individual capabilities in certain areas of activity which benefit all. The activities relating to agricultural operations and their day to day need like supply of inputs for agricultural production e.g. seeds, fertilizers, fuel, machinery, harvesting services, selling of produce in 'mandis' are taken care of by farmers' cooperatives..
- 4) **Marketing Cooperative:** Marketing cooperatives are set up by a group of individuals, mostly by farmer to facilitate marketing of their own produce. A group of individuals can form a marketing cooperative to help small producers in selling their products. These are mostly producers from rural areas and these producers may be members of cooperative society or may not be its members. The objective is to avoid middlemen to get a good price for producers themselves. They collect the produce and markets the produce directly. The cooperative society will be required to do manage transportation, packaging, manage godown and warehouse and other such functions so get the best price after selling the product at the best possible price.
- 5) **Housing Cooperative:** A housing cooperative helps relatively poor people with less income to possess a house at reasonable costs. The aim is to provide for a necessity of a house to its members. In collaborating by forming a group it becomes feasible to procure a house at a relatively lower cost.
- 6) **Producer Cooperative:** The most popular and known producer cooperative is milk producer cooperative e.g. Amul and other state milk producer cooperatives in India. In a producer cooperative individuals small producer form a group and set up a society. The society members may be farmers, landowners, agribusiness producer, fisherman, or owners of the fishing operations. To enhance production and marketing efficiency, producers to work together or as separate entities but may derive economies of scale in marketing and bargain collectively to fetch better price for their produce. These cooperatives perform activities like processing, marketing and distribution for mutual benefit of each member producer.
- 7) **Healthcare Cooperative:** A healthcare cooperative provides health insurance to more than 25,000 individuals and family members. Like many insurance companies, common ground healthcare cooperative offers preferred provider organisation (PPO plan) i.e. plan in which medical services like consultations, hospitals, medicines and treatment are provided at a cost lesser than under this plan. This helps members save on money spent on medical services.
- 8) **Agribusiness Cooperative:** The cooperative is formed by small producers engaged in adding value

to agriculture produce. Typically, the members are farmers themselves who are engaged in value addition to their own produce and form a cooperative society with an objective to earn more value for their own agricultural produce by its processing and marketing. The activities of agribusiness cooperative allow members to increase their individual incomes through cooperation among members of the society.

- 9) Tribal Cooperative: A tribal cooperative is established in tribal areas for benefit of tribal members of the cooperative. Such cooperatives are set up in tribal regions and tribal members form this cooperative. The activities of tribal cooperative societies involve activities related to engagement of tribal population. This may include promoting credit societies, forest produce collection and processing by society members. Efforts may be to eliminate or reduce the role of middleman and allow tribal members to benefit from collective power of society formed by individual group members.

It is clear that cooperative societies exist in a variety of economic activities, and are largely focused on addressing activities which are voluntarily chosen by cooperative members. Further, the individual members who come forward and form cooperative society wish to derive collective benefits for members of cooperative society.

Case – 3: HOPCOMS : Farmer’s to Consumers

Horticultural Producers' Cooperative Marketing and Processing Society, (HOPCOMS) is founded in 1965 for marketing of farm produce with headquarter in Lalbagh, Bengaluru. It operates in the districts of Bangalore Urban, Bangalore Rural, Kolar, Ramanagar, Mandya, Mysuru, Chikkaballapura etc. HOPCOMS, supplies fresh vegetables to households over more than five decades.

The origin of HOPCOMS was in 1959 when Mari Gowda, the then director of the Department of horticulture, founded the Bangalore Grape Growers' Marketing and Processing Co-operative Society. The society later, started dealing in other farm produces as well and become HOPCOMS, while registering itself as a cooperative society. The society aims of a marketing system so that farmers are ensured a good price for their produces and the consumers get quality goods at affordable prices. The society has eliminated the middle men and acts as the only link between the farmers and the consumers. The organization is managed on cooperative principles by a board of directors, reporting to the department of horticulture of the Government of Karnataka. Eleven of the 15 member board are elected from the farmers.

Activities of HOPCOMS: It has opened four procurement centres in Sarjapura, Channapatna, Hoskote and Kanakapura where facilities have been arranged for acceptance, weightment and grading of produces. The payments to the farmers are distributed immediately on acceptance of goods. The goods are then transferred to central go-down, processing units or retail outlets as per requirement. The society runs 276 retail outlets of which 238 retail outlets in the urban and rural areas of Bengaluru and 19 outlets in Kolar district. HOPCOMS has fruit processing units which processes Grape, Mango and Orange juice s for the retail market, besides an efficient distribution system. It also supplies equipment, manure and consumables to the member farmers at reduced rates. The HOPCOMS also organizes periodic fruit and vegetable festivals in various places in Karnataka where special stalls are set up for direct selling of produces. It is associated with NAFED, Himachal Pradesh Horticultural Produce Marketing and Processing Corporation (HPMC), GROWREP, VEFCO and NDDB.

The HOPCOMS has opened its first organic produce outlet on February 13, 2023 in Mysuru, Karnataka, before this in May 2021 it also started online delivery of its produce.

(Source: <http://hopcoms.karnataka.gov.in/>)

2.3 Principles of Cooperatives

The cooperative form of organisation is considered more appropriate for bringing individuals with limited means together, to empower them and bring sustainable improvement to their livelihood and wellbeing. As given above, the cooperatives have been formed in various sectors in rural areas for benefitting small group of individuals, who come together for fulfilling common objectives. It is observed that the application of cooperative principles encompasses slight differences in terminology used by different authors and in different activities, however, a few principles are widely recognized and practised.

These principles involve not only just good practices, policies or common sense but they also distinguish a cooperative from other kinds of business. They can also be used as a criterion for a business to qualify as a cooperative. These principles are

1. Open and Voluntary Membership

The membership in a cooperative is open to all individuals who can use its services or can contribute to its objectives i.e. individuals who are willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

2. Democratic Member Control

The members of cooperative societies manage cooperatives in a democratic manner. The members are responsible for framing policies and making decisions. Representatives of the society like directors and trustees are elected from among the members.

3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. Members of the cooperative democratically decide the use of surpluses for expanding operations of the cooperative, accumulating reserves, benefiting members in proportion to their transactions with the cooperative and supporting any of the other activities as decided by the members of the cooperative.

4. Autonomy and Independence

Cooperatives are autonomous and managed by members through self help. The cooperative takes decisions according to its need in an autonomous manner and independently as decided by the members ensuring democratic control and their unique identity. The decisions can be relating to entering into agreements with other organizations like governments, raise capital from external sources, etc.

5. Education, Training, and Information

Education and training for members, elected representatives, and employees allow development of cooperatives. Such practices and interaction with the general public and opinion leaders leads to improvement in developing understanding regarding activities of the cooperative.

6. Cooperation Among Cooperatives

By working together through local, national, regional and international structures, cooperatives improve services to help its members, local community and address more effectively with community needs.

7. Concern for Community

Cooperatives work for the benefit of individual members and their sustainable development through their economic and social empowerment leading to strengthening their decision making capabilities. Cooperative and its members through individual benefit empowers the society and community in particular in rural areas.

The nature and principles of cooperative as detailed above, makes it more appropriate for organising a variety of economic activities. The cooperative form of organisation of firms has been used in various

countries for development of marginalised, poor population, in particular those who are inhabiting rural areas. The need for cooperatives and the purpose it fulfills is discussed in following paragraphs.

2.4 Need for Cooperatives

It is known that individuals are exploited due to lack of knowledge and lack of resource ownership. This results in a poor section of the population getting left behind compared to their urban counterparts and are not able to keep pace with those who live in urban areas, engaging themselves in economic activities in rural areas. These include farmers and rural artisans who find themselves in disadvantaged positions and they do not receive good prices for their produce. The cooperatives began to be formed due to the tendency of individuals to come together to help one another in their pursuits. The tendency of individuals to help and support one another culminated in formal setting up of cooperatives. Initially cooperatives were of small size, but now with overall increase in size of economic activity, size of cooperatives are also expanding rapidly leading to increase their operations. Hence, in cooperatives if professional and skilled management is used their efficiency can be improved allowing them to fulfill their objectives more efficiently. Beginning from the first two decades of the twentieth century the cooperatives have proved the virtues of their existence. In India the cooperatives like Uralungal Labour Contract cooperative society (ULCCS) at Calicut, in the state of Kerala, Amul Milk Cooperative society (AMUL), at Anand, in the state of Gujarat, and Indian Farmers Fertiliser Cooperative Company (IFFCO), New Delhi are a select example of many successful cooperatives functioning from long years and decades which have proved their worth in improving economic and living conditions of millions of individuals workers and farmers in India. It was very correctly stated by Peter Davis that, “today effective cooperative management development must combine cooperative values and purpose with the commercial context if we are to succeed in turning around and growing cooperative management development and continued board member development.” The philosophy of Amul as advocated by its founder Chairman Dr. VergheseKurien, is taking care of interest of farmer members only. Every action at Amul is taken keeping the interest of members farmers of dairy cooperative societies at village level, at the centre and their welfare being served.

Cooperatives in every country have to face competition, from private and public sector organisations as well as multinational corporations in globalised economy of today. This requires cooperatives to improve their efficiency to survive and compete in the market. The cooperatives adhere to the values and principles according to which they have been incorporated. Thus, cooperatives function by keeping intact its values and principles, keeping interest of its members uppermost, being socially responsible and at remaining efficient to compete in the market. Hence the need for efficient cooperative management. In our country India where the government not only keeps an eye on growth and development of cooperatives but also participates in the promotion and control of cooperative societies, as it understands that successful cooperatives are a tool of overcoming poverty and underdevelopment, in particular in vast rural areas of the country.

Given the successful examples of many cooperatives in diversified activities in India, located across various districts in all the states, it is logical that governments in India, both at the centre and in states, assign them a great importance and promote them. Accordingly, the government in India are continuously

striving to create a conducive policy and regulatory environment in times of globalisation and changing environment. It is reported that more 90.90 crores of people live in rural areas in the year 2021 (<https://www.macrotrends.net/>). Hence even after 75 years of independence the Indian economy is predominantly an agricultural one with almost 70 percent of population living in rural areas. It is known that per capita net value added income in rural areas is less than 50 per cent compared to urban areas. As individuals, therefore, rural population are weak economically, having small and fragmented landholdings. With relatively poor education levels and poor infrastructure in rural areas the population suffers from considerable disadvantages in any economic activity they decide to pursue. Such economic conditions and lack of resources make rural population passive and aloof to urban development. The private sector is not keen on investing in "social capital" in particular in rural areas because it does not earn them immediate profits. Thus, in rural India, owing to weak financial condition of small farmers and artisans the government is doing its best to ignite efforts for development. The cooperative form of management of activities by society members provide a key to accelerate the pace of rural development by empowering people. The government provides with guidance and conducive and enabling environment for functioning of cooperatives. This approach is in consonance with the basic principles of cooperation and also confronts problems of country like India.

Promoting cooperatives is a proven way of bringing a desirable change in the rural areas given present socio - economic structure in India. The cooperatives have shown that they can not only improve the material lot of the rural people but it can be a source of education and training for the members. The cooperatives allow democratic decision making, training and development, maintain social harmony, initiate rural development, along with possibility of bringing about cultural and spiritual betterment of rural population.

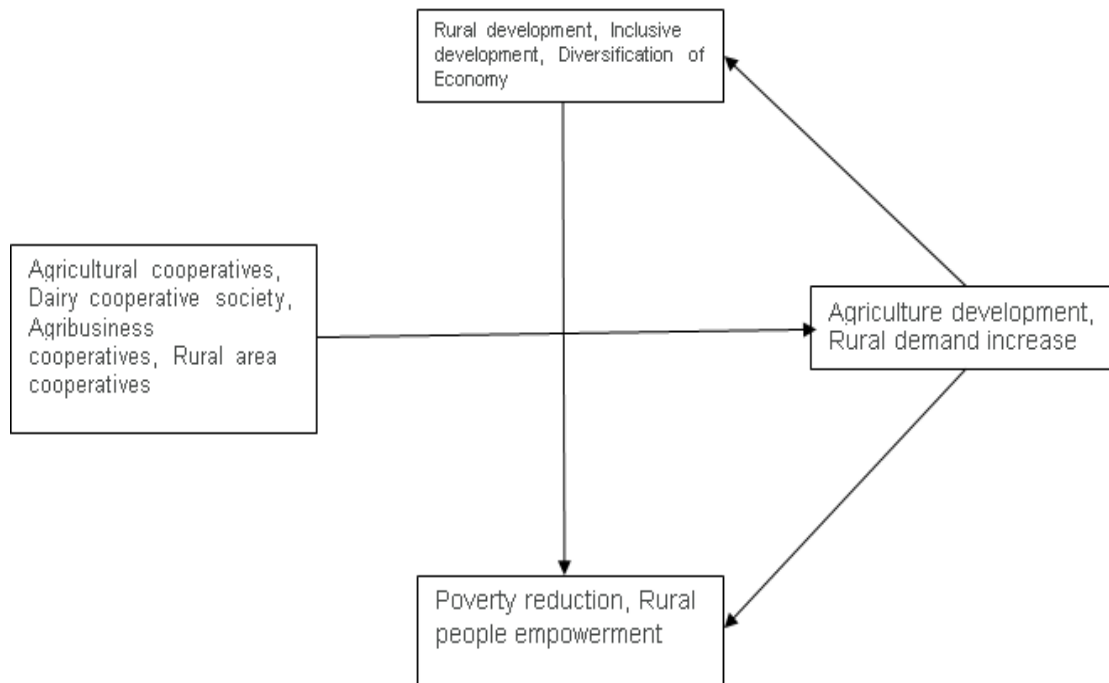
A variety of cooperative societies exist, many provide for the provision of debt, many cooperative belong to different sects of people as members, many provide loans and funds to their members at reasonable interest, many others sell produce of members in Mandis at reasonable prices, thereby avoiding exploitation by middlemen, cooperative milk societies collect milk from the villages and sell it in cities and provide right price for their milk, many provide required agriculture inputs to its members, housing societies provide cheap houses to its members and others. There exist cooperative stores which save people's money by providing them with right kind of goods at a reasonable price and curb unreasonable price collection and exploitation by middlemen and traders. Thus, the cooperatives exist in almost every sphere of life, and they are engaged in the welfare of their society members.

The concept of the cooperative can be better implemented in accordance with its specific objectives focusing on development of rural population. The cooperative societies can be used to fulfil the following:

1. to provide goods and services (inputs or output).
2. to eliminate the unnecessary profits of middlemen in trade and commerce.
3. to prevent the exploitation of the weaker members of society.
4. to protect the rights of people both as producers and consumers, and
5. to promote mutual understanding and education among their members and people in general.

Thus, clearly the cooperatives are very much needed in India even after 75 years of independence,

to help rural areas to step up their contribution to rural population development and nation development.



Source: Created by Author

Figure 2.7: Need for Cooperative

2.5 Overview of Agribusiness Cooperatives

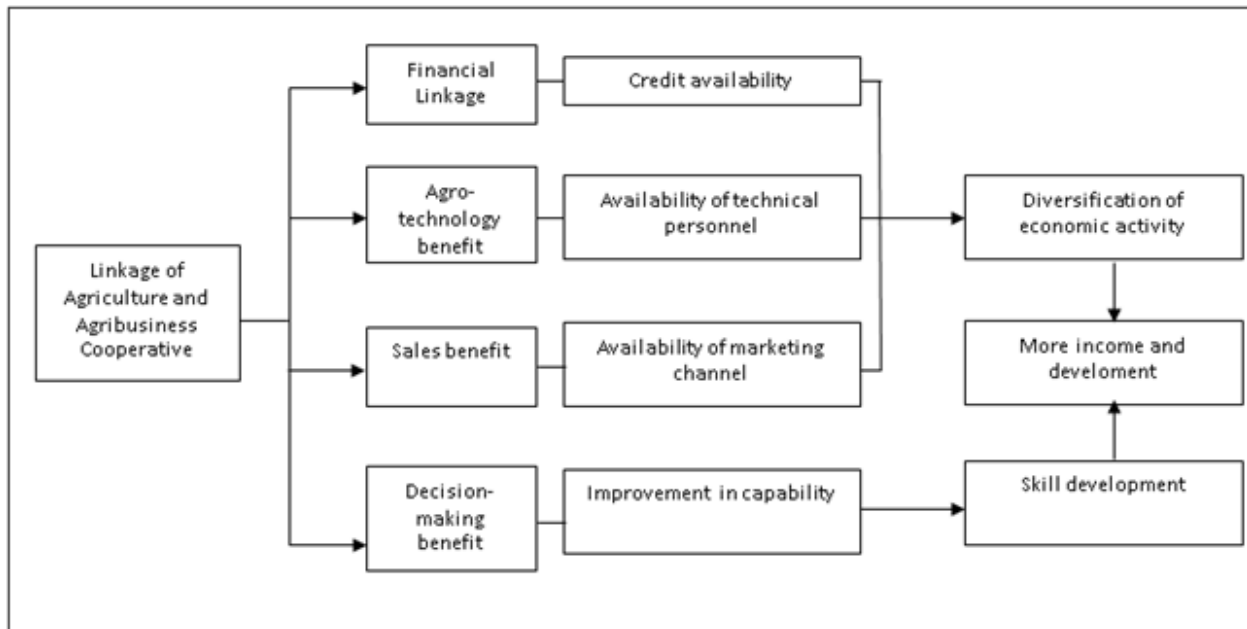
India is an agricultural country where more than 60 per cent of the population is dependent on agriculture directly or indirectly. Although the primary sector contributes to almost 17 per cent of GDP in the year 2022 there are many states like Bihar, Punjab, Haryana, West Bengal, Assam, and others where primary areas where the farming and agricultural industry has flourished due to expansion of irrigation and advent of green revolution. Gujarat and some other states predominantly boast of cash crops, while dairy has been promoted as a predominantly supplementary activity since independence. Since 1947 agriculture sector income is growing at an average growth rate of around 3 per cent per annum as India introduced many reforms in laws and regulations to protect the interests of farmers and give them more concessions, facilities and advantages through use of advancement of science and technology and promoting research through institutions like Indian Council of Agriculture Research (ICAR) and other scientific research institutions to support agricultural development. One such reform which changed Indian farming is the agricultural cooperatives.

When the majority of family members only depend on land and farming is the principal source of their livelihood, many problems may arise, e.g. in terms of territory, income and growth. The land gets further fragmented and farming becomes less scientific. Besides, since all the members farm on the same plot, it's hard to prosper and take their agricultural businesses to a new, improved level. Various governments have focused on restoring the economy and social norms and made efforts to improve the rural economy and condition of rural population. Despite many efforts on a continuous basis, the rural population lags behind urban development and opportunities. It is hoped that setting up agribusiness cooperatives will help the rural population in improving their development. It defines a model where farmers grow their

crops, harvest them, and add value to the farm produce through its processing, either in part or to a substantial extent. The profits are divided between all the cooperative society members. The cooperatives allow the farming members to increase and scale up the agricultural operations through value addition and its process and add value to their produce and offer the best prices for their produce to the farmers. In other words, the cooperative farming system and agribusiness embodies that

1. Each farmer member will own a part of the land individually.
2. Farming being undertaken on a collaborative manner where all the members will work on the same land but on their individual plots.
3. The wages are paid to the members based on the total number of working days.
4. All the profits will be distributed amongst the members based on the ownership ratio on the total land.

The figure 2.8 below shows that benefits to members of cooperatives like darying, agriculture and agribusiness and in rural areas leading to faster rural development.



Source: Shen, Y., Wang, J., Wang, L., Wu, B., Ye, X., Han, Y., ... & Chandio, A. A. (2022)

Figure 2.8: Benefit Coupling of Agriculture and Agribusiness Cooperative

Right of Ownership

With the cooperative farming (darying, agriculture and agribusiness) system, every farmer turned member will have a right to ownership of a particular portion of the land in case of farming cooperative.

Voluntary Member Contribution

All the members have the right to offer voluntary contributions for farming. If someone is not eager to continue farming, he can give up the land to someone else or buy it out in return for money. Hence, it is only purely voluntary basis and here, no one can force any member to participate in cooperative farming and its activities.

Scalable Farming Model

The cooperative farming and activity are scalable in nature as e.g. shares of plots for each member can be increased or decreased on the go, based on the willingness and requirements of each of the members. Besides, if the cooperative society acquires more land or assets, then new members can also join the cooperative.

Proportionate Contributions and Rewards

According to cooperative principles, the system of rewards (revenues and profits) is totally based on individual member contributions. e.g. two members with 30 per cent and 40 per cent ownership, then the yield distributed proportionally. Similarly, two members work for five days and six days in a week then they will receive the wages in proportion according to their working days respectively.

Variants of Indian Cooperative Farming and Agribusiness

All cooperatives perform according to their objectives, which vary depending on their own overall needs and needs of members and the activities undertaken by them. In the context of farming or agribusiness cooperatives four significant variations can be discerned based on how they perform.

The first is known as **Better farming society**, which forms the basis of the cooperative societies. The principal objective is to educate members and convenience and prepare farmer members to accept the cooperative system of farming/agribusiness activities. This is important as this conditions participant members mentally and with all their might and resources to become members and dedicate themselves to objectives of the cooperative society. The second variant is **cooperative joint farming society**. This type of cooperative performs all operations, starting from ploughing the field to selling the harvested crops in case of farming. In case of agribusiness, the cooperative undertakes processing, packaging as well as marketing of the produce. In the **cooperative tenant farming society**, the cooperative organisation will buy or rent land from private or government-owned companies and then lease out the same to different society members for farming activities. The principles of cooperative are adhered and the cooperative functions to fulfil its objective of mutual benefit of members and without causing any harm to society. The **cooperative collective farming society** is the fourth variant of cooperatives. It provides permanent ownership of the land sections in case of a farming cooperative. In this case, a member cannot withdraw from society by selling its land. Instead, the right will get transferred to another member. Similar principle is used in cooperatives engaged in other activities including agribusiness.

Summary of the Chapter

The chapter delves on management and governance of cooperatives in general and governance of cooperative societies in particular with reference to agribusiness. It is evident that agribusiness cooperative societies need to be promoted in a big way, to enable more value being added in rural areas and for initiating rapid increase in rural incomes. The chapter outlines ways of efficient management of cooperatives and decision making for benefitting cooperative members. In an economy like India, which is predominated by rural population and large geographical area, why cooperative form of organisation can be a boon for initiating rural development. By successful operation of cooperatives in agribusiness activities can be utilised for inclusive development in rural areas.

Model Questions

- Why cooperatives can be good for rural development?
- Why agribusiness is important in rural development?
- State principles of cooperatives.
- Write objectives of setting up of agribusiness cooperatives in India.

- What is the role of ICAR in agribusiness promotion?
- What are the variants of cooperative farming and agribusiness in India?

To Do Activities

1. Identify the agribusiness opportunity possible from crops grown in your village/district.
2. Arrange the agribusiness fair to identify the need of local cooperatives in your district.
3. Search and list the supply and demand for one agribusiness product in your village/district.
4. Identify various cooperatives in your state and their notable contributions to rural development.
5. Compare principles of cooperatives vis-a-vis a private firm in operation of agribusiness activity.
6. Identify one ICAR institute working in agribusiness area and write a brief note on its activities.
7. Identify one agriculture produce from area of your residence and find out which agribusiness activity can be carried out from it.

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Chapter 3 Types of Cooperatives

Introduction

Globally cooperative societies are a phenomenon set up to fulfil specific objectives which are unique to such cooperatives. The international cooperative alliance (ICA) was set up in the year 1895. ICA is an independent association which attempts to unite, represents, and serves cooperatives in countries of the world. These cooperatives have varied definitions and diverse structure depending upon their area of operations and activities undertaken in the cooperative. After independence of the country in 1947, and adoption of the Constitution in 1950, the provisions have been made through Fundamental Rights and Directive principles that not only people have right of association but that the government will continuously make efforts to promote formation of cooperative form of association in the country.

Thus, cooperatives and their growth are emerging from constitutional provisions. The cooperatives have been defined in a variety of ways and various definitions have been given by various experts from different nations. The cooperatives also have diverse structures as they exist in various sectors and economic activities and formed by a different social group of population having different needs. Essentially, the cooperatives are an association of individuals engaged in activities as/of producers, consumers, workers, credit, retail or purchase and social service and forming member groups of users or firms, or households in pursuit of economic, social, or cultural objectives. These groups are formed in the form of a society and work to fulfil common objectives in the form of joint ownership and democracy, aiming to serve its members and the community as a whole. They are a voluntary association that helps individuals to fight and compete capitalism and capitalists with cooperation, which follows the noble ideals of individuals united with the objective of self-help and mutual help.

Cooperatives exist in a wide range of economic activities, sectors and regions. In India according to the Ministry of Cooperation, Government of India a number of different cooperatives which exist are agro-allied, industrial, dairy, multi state, sugar, fishery, women, marketing, multi-purpose, consumer, housing, labour, textile, and livestock-poultry. This is as mentioned on the website of the ministry on 30th March, 2023. The literature on cooperatives classify cooperative societies into main six main types, namely consumers' cooperative societies, producers' cooperative societies, cooperative societies for marketing, cooperative societies for housing, cooperative credit societies and cooperative farming societies. In reality in India as in other nations there are also other types of cooperatives, which exist with an aim to benefit mutual cooperative efforts of members who have joined in fulfilling common objectives. Mostly cooperative societies have been formed which cater to the needs of farmers and population living in rural areas. There are a good number of cooperatives in urban areas as well, where people have set up cooperative societies e.g. in housing and banking/credit sectors. The cooperatives in rural areas can be broadly classified in three types namely agricultural cooperatives, financial cooperatives and trading cooperatives. Overall in rural areas cooperatives exist in activities relating to agriculture, banking, retail, marketing, purchasing, manufacturing, employment, tribal and others. Cooperatives also needs to be made popular in new areas of importance for rural areas e.g. agribusiness, handicraft, non-timber forest produce, local artisan skill and training development cooperatives among others, for benefit of the members of cooperative society and achieving development of rural areas. A few of the most renowned

co-operatives in rural India are Indian Farmers Fertiliser Cooperative (IFFCO), Amul, Shree MahilaGruhaUdyog (LijjatPapad), KrishakBharati Cooperative Limited (KRIBHCO).

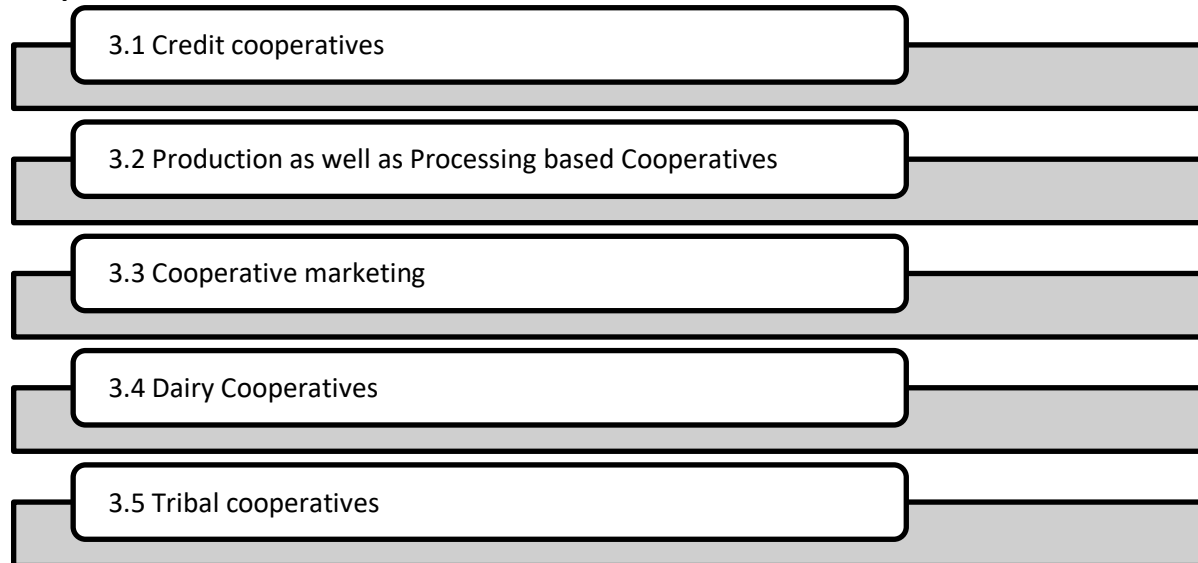
Objectives of the Chapter

The chapter presents types of cooperatives in context of their development and presence in India. The following are the objectives of present chapter,

1. To learn various types of cooperatives and their growth in India,
2. To learn operations of credit cooperatives,
3. To learn about production and processing based cooperative,
4. To learn functioning of dairy cooperatives their contribution, and
5. To learn tribal cooperatives and their functioning.

The structure of the unit composed of various chapters is presented here below.

Chapter Structure



3.1 Credit Cooperatives

One of the most important requirements for undertaking any economic activity is finance. In order to address the issue of finance, mostly small sums of money, requirement groups of individual producers, consumers and others are encouraged to form a cooperative society. A Credit cooperative society is a group of individuals coming together to promote their financial self-sufficiency. In order to form a credit cooperative society, first registration of the society is done. Various forms of processes related to credit cooperative society registration in accordance with State rules and Multi State Cooperative Societies Act, 2002 are to be followed and needful completed.

A credit cooperative union is democratically controlled by its members working to financially help its members. The cooperative credit societies exist in the form of a three-tier structure, in India, namely a primary credit society, a central cooperative bank at district level and at the top is a State cooperative Bank. A cooperative bank is established on the cooperative principles and deals in normal banking activities. Like other banks, the cooperative banks are founded by collecting funds through shares and accepting deposits and indulge in granting loans.

The cooperative banks issue shares of unlimited liability, one shareholder has one vote and are generally concerned with the rural credit and provide financial assistance for agricultural and rural activities. The cooperative banks have a federal structure. The cooperative credit societies are located in the villages and cater to the financial needs of mostly farmers and people living in rural areas.

In the following paragraphs principal types of cooperative societies that exist in context with India are briefly

Consumer Cooperative Society

Many a times consumers live at a distance from main markets or the traders charge more profit than normal profit resulting in consumer exploitation. Such conditions prompt consumers to come together to protect themselves and save on their expenditure. Hence, a consumer cooperative society is formed by consumers who wish to buy household goods and necessities at a reasonable or lower price. Each of the members gains as a consumer and also shares part of the profit. The cooperative society buys goods in bulk amounts directly from the producer at huge concessional price or wholesale prices and sells them to the members without a middleman.

The purchased goods are sold to members and to non-members in cash or digital payments. Capital is raised by issuing low denomination equity shares among the members. The members get dividends on the shares out of profit earned by the cooperative society. Consumer cooperatives operate locally in most of the cases and rely on word-of-mouth publicity rather than other forms of advertisement. Their operation may expand to larger geographical areas as well, if the members are willing and successful in expanding the operations. Depending on scale of operations such consumer cooperatives are required to set up stores or outlets to sell goods and avail huge trade discounts from producers. Some of the best examples of a consumer co-operative society are Super Bazar and Apna Bazar.

Producer Cooperative Society

The producer cooperatives are formed by small producers who are exploited by middlemen and do not get a decent and rightful price for their hard work and efforts. These producers are small producers who come together to form a cooperative. The best and successful example of producer cooperative is Amul, wherein small dairy farmers who mostly own three or four milch animals, have formed a producer cooperative. In many cases farmers who produce small quantity and live in villages, where even road and other infrastructure is poor, find themselves helpless with other family responsibilities and form a cooperative society. Rural artisans and those engaged in village industries are also likely to form producer cooperatives.

Such producer cooperatives will source various inputs for producers as well as engage in marketing of finished products. The objective is to benefit cooperative society members while buying inputs for all members at a fair price as well as secure good price from sale of finished produce as well in the market. These producers could be farmers, fish farmers, milk producers, ayurvedic herbal medicine producers,

non timber forest produce producers, organic produce sellers, handicraft or handloom producers, artisans, etc. In such cooperatives producers pool in their resources to focus on increase of production and minimise risk from the competitive capitalistic markets. These cooperatives are existing in the form of dairy, fish farmers, weavers and artisans and tribal co-operatives.

Cooperative Credit Societies

Availability of credit is of utmost importance for every individual engaged in any vocation, in rural as well as urban areas. Credit cooperative societies operate by collecting small savings from each member at a regular interval of time period to pool money to the cooperative. These societies provide financial loans for economic and/or social needs to members at low rates of interest compared to market rates and at much lower rates of interest which local money lenders charge. This provision of credit protects the members from getting trapped in debt from traditional money lenders. The credit cooperatives fulfil a role of highly personalised banker for cooperative members. The credit cooperatives may have deposit schemes for different time periods like saving accounts, term deposits, recurring deposits, and others. The small savings money collected from members is then given in the form of loans to members as personal loans for any social or other need, agricultural loans, housing or vehicle loan, etc. Such selected credit cooperatives may be regularly supported by state and national government subsidies and agencies and funded. Some notable examples are Teachers cooperative credit society, State electricity board employee cooperative credit society and others.

Marketing Cooperative Society

The small producers are invariably exploited by traders and middlemen due to their lack of knowledge, resources, illiteracy and being located away from the marketplace. This prompts such producers to come together and form cooperative societies. Hence, the society is constituted by small producers, i.e. either by a small farmer or an artisan, who are required to market the produce in the 'mandis' or in market to get a reasonable price. The societies also function to increase the bargaining strength of these small producers by pooling their individual resources and protects them from the shortcomings of individual selling and market exploitation. The profits are distributed on the basis of the contribution of produce made. These societies improve market information of small producers who are society members through educating the farmers on market prices, demand changes, secure loans, and help with grading, processing, procurement of produce and provide safe storage and reliable transportation facilities collectively.

Housing Cooperative Society

People with less income find it difficult to own a house of their own, which is dream of everyone. Housing Cooperative Society pool the resources of such buyers and provides affordable housing to the middle and low-income group of people. An individual becomes a member by purchasing shares in the housing cooperative society. The members own shares in the society rather than a real estate, which provides members a house. Such societies are commonly found in urban and semi-urban cities. Some other society cooperatives only provide the land to the members, who construct their own house.

Cooperative Farming Societies

Due to small landholding and vagaries of weather, small farmers are not able to maximise their agricultural output due to small scale and related difficulties. It applies likewise to dairy farmers as well. Thus, farming cooperatives are formed to allow farmers to retain the right to their land, yet pool together and consolidate land, livestock and equipment while earning a share in the total output as per the contribution made. In better farming cooperatives they cooperate for pre- sowing operations, purchase of seeds, fertilisers and equipment and selling produce in the market, however, each member cultivates the land separately. In joint farming cooperatives, they pool in the land as well. On the other hand, in case of cooperative tenant farming the society leases the land to the farmers and collects the rent from the cultivators. In case of collective farming cooperatives, farmers are life members but can transfer the land rights to another member.

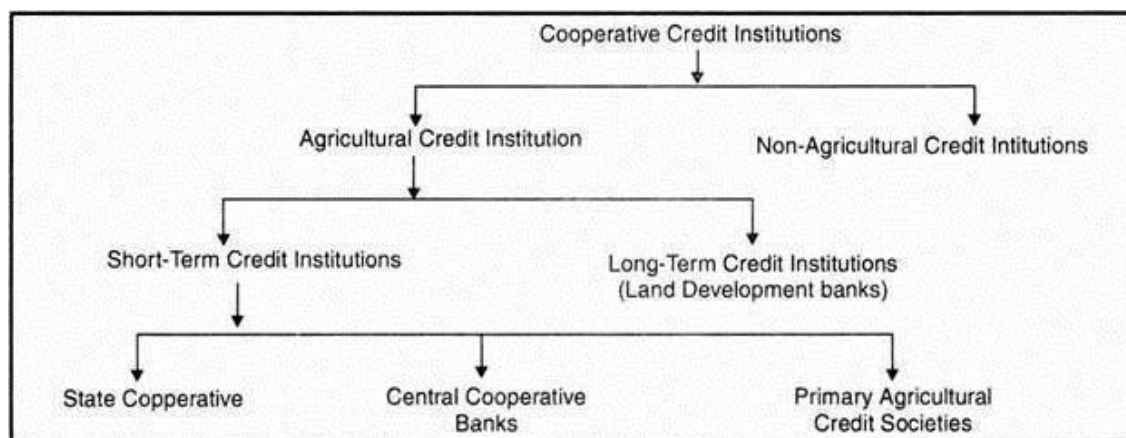
History of Cooperative Banking in India

The cooperative movement in India also started efforts to take care of the financial difficulties faced by rural population and their credit needs. The passing of the Cooperative Societies Act in 1904 also marked the beginning of cooperative banking. One of the objectives of this Act was to establish cooperative credit societies, it stated that “to encourage thrift, self-help and cooperation among agriculturists, artisans and persons of limited means.” is its objective.

Further, the Cooperative Societies Act, 1912 was an improvement over the previous one and recognised the need for establishing new organisations for supervision, auditing and supply of cooperative credit. These organisations were- (a) A union, consisting of primary societies; (b) the central banks; and (c) provincial banks. Till the year 1951-52 the cooperative credit formed only 3.1 per cent of the total rural credit, thus indicating a very slow and tardy growth rate. This indicates that the rural population lacked confidence in accessing any of these credit facilities on offer by credit cooperatives.

Structure of Cooperative Banking

There are two broad categories- agricultural and non-agricultural, of credit cooperative societies. Agricultural credit institutions are divided into short-term agricultural credit institutions and long-term agricultural credit institutions. The short-term agricultural credit societies, catering to the short-term financial needs of members and have three-tier federal structure, first level is a state cooperative bank in each state, second, there is a central cooperative banks at the district level and at the village level, there are primary agricultural credit societies. In the long-term agricultural credit is provided by the land development banks. The following figure 3.1, provides structure of institutions catering to cooperative credit in India.



Source: K, S. (n.d.).

Figure 3.1: Types of Cooperative Credit Institutions

Short-Term Rural Cooperative Credit Structure

In rural areas of India, there exists a cooperative structure, which comprise of 3-tier for short-term rural cooperative structure. Tier-I includes state cooperative banks (SCBs) at the state level; Tier-II includes central cooperative banks (CCBs) at the district level; and Tier- III includes primary agricultural credit societies (PACs).

In 19 states, there exists a 3-tier short-term cooperative credit structure, comprising SCBs, CCBs and PACs. And in 12 states, there exists a 2-tier short-term cooperative structure. In the north-eastern states, including Sikkim, the structure is 2-tier, comprising only SCBs and PACs. During last year only, the Union Minister for Home and Cooperation, Shri Amit Shah laid the foundation stone of 'SahkariShikshanBhawan' of District Central Cooperative Bank Limited in Bharuch, Gujarat. (3rd June 2022): The construction of this Bhawan will go a long way in allowing needy people to access credit in rural areas and gain fundamental knowledge and importance of cooperative sector. It is proposed to be equipped with computer laboratory, cooperative library and general knowledge centre catering to the needs of local population. It will also be augmented with a modern training building for local members of the cooperative.

In June 2022, RBI announced doubled of the individual housing loan limit from Rs 30 lakh to Rs 60 lakh for Tier-I UCBs and from Rs 70 lakh to Rs 1.40 crore for Tier-II UCBs and more than doubled to Rs 20 lakh and Rs 30 lakh for Rural Cooperative Banks (RCB) respectively, and **in case of** Urban Cooperative Banks (UCBs) It has been increased to Rs 50 lakh and Rs 75 lakh.

Secondly, the rural cooperative banks are also allowed to lend to commercial real estate residential housing sector. And thirdly, UCBs are now allowed to provide door-step banking facility to their customers in line of commercial banks. These measures will help in strengthening operations of cooperative credit societies and rural and urban cooperative banks. In order to facilitate this an allocation of Rs.900 crore in the Union Budget for the financial year 2022-23 for implementation of various activities of the Ministry of Cooperation has been done, which is about 2.5 times of the previous year.

1. State Cooperative Banks (SCBs):

Functions and Organisation:

State cooperative banks are at the highest level (apex) in the three layer cooperative credit society structure. The SCBs operate at the state level and every state is having a state cooperative bank. They are important as they perform three key functions:

- a. participate in rural credit finance by providing a link with RBI through which they provide credit to the cooperatives,
- b. Act as a balancing centers for the central cooperative banks by making available the surplus funds of a central cooperative banks. This is because of the fact that central cooperative banks are not permitted to borrow or lend among themselves, and thirdly
- c. They finance, control and supervise the central cooperative banks, and, therefore, the PCs.

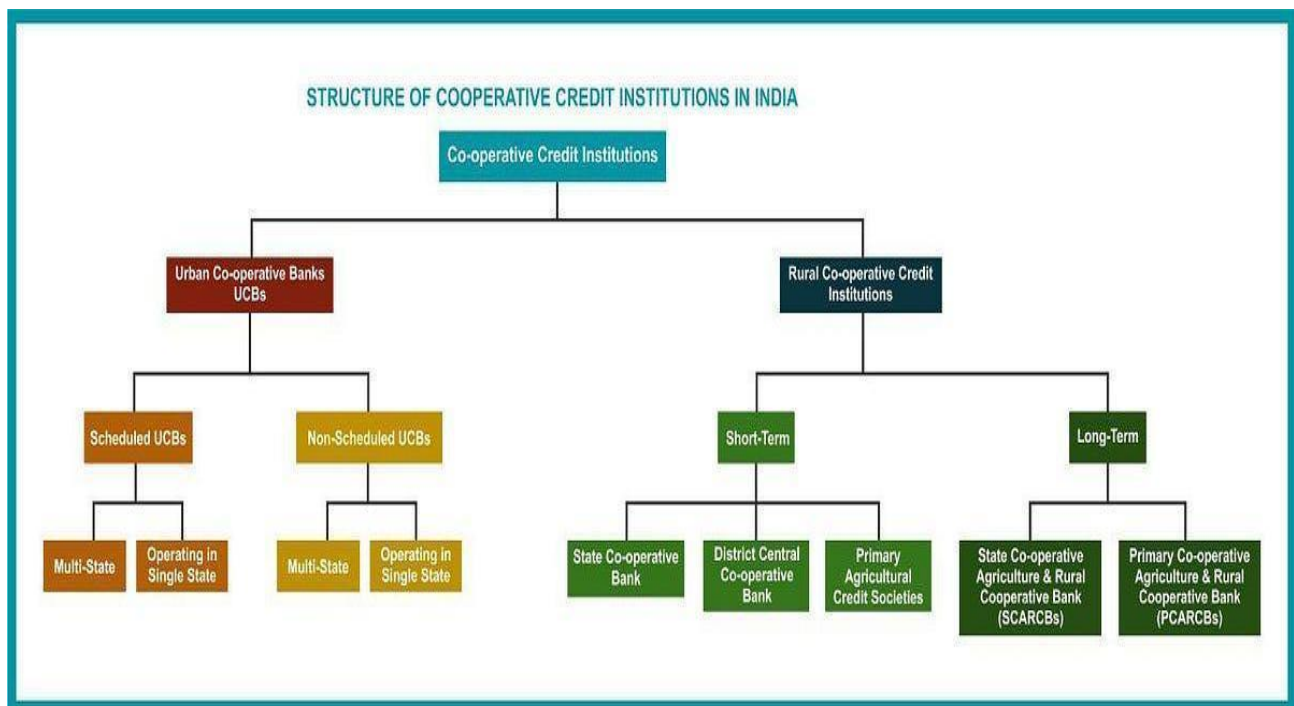
Capital:

The SCBs obtain their working capital from own funds, deposits, borrowings and other sources:

- i. Own funds include share capital and various types of reserves.
- ii. The main source of deposits is the cooperative societies and central cooperative banks. Deposits also come from individuals, local bodies and others.
- iii. Borrowings of the SCBs are from RBI, the state governments and others.

Loans and Advances

The SCBs provide loans and advances to the cooperative societies. During last years about 75 per cent loans granted are for the short time period and are for agricultural purposes.



Source: KredHQ. (2019, July 26).

Figure 3.2: Structure of Cooperative Credit Institutions in India

2. Central Cooperative Banks (CCBs)

Functions and Organisation:

The CCBs are in the middle layer of the three-tier structure of the cooperative credit society institutions.

The CCBs are categorised in two types:

- a. There can be cooperative banking unions whose membership is open only to cooperative societies, these unions exist in states of Haryana, Punjab, Rajasthan, Orissa and Kerala.

- b. There are mixed CCBs whose membership is open to both individuals and cooperative societies.

The central cooperative banks in the remaining states are of this type.

The principal function of the CCBs is to provide loans to the PCSs. The CCBs also provide loans to individuals and others.

Capital

The CCBs raise their working capital from their own funds, deposits, borrowings and other sources. The own fund mainly consists of share capital contributed by cooperative societies and the state government, and the rest consists of reserves. The deposits are formed by individuals and cooperative societies and local bodies. The deposit mobilisation by CCBs varies in different states. Some states have very high deposits e.g. in Gujarat, Punjab, Maharashtra and Himachal Pradesh, while very low in Assam, Bihar, West Bengal and Orissa. Borrowings are undertaken from the Reserve Bank and apex banks.

Loans and Advances

About 98 per cent loans from CCBs are received by the cooperative societies and about 75 per cent loans are short-term. Mostly the loans are given for agricultural purpose, approximately, 80 per cent loans extended to the cooperative societies are not secured while the remaining loans are securitised against merchandise, agricultural produce, immovable property, government and other securities.

Problem of Overdues

The most distressing feature of the functioning of the central cooperative banks is heavy and increasing overdue loans. The overdues are impacted due to seasonal factors which disrupt agricultural activities.

According to an old study by the RBI, the main causes of these overdues are:

- (a) Natural calamities such as floods, draughts, etc., which affects the repaying capacity of the borrowers;
 - (b) Inadequate and inefficient supervision done by the banks;
 - (c) The poor quality and management of societies and banks;
 - (d) the practice of absence of linking of credit with marketing;
 - (e) Reluctance to use coercive measures; and
 - (f) Where coercive measures were taken, the inability of the machinery to promptly execute the decrees.
- These overdues happier the growth of cooperatives.

3. Primary Agricultural Credit Societies (PACs):

Cabinet approves Computerization of Primary Agriculture Credit Societies (PACS) (29th June 2022, cabinet, Gol, New Delhi). Looking at the importance of PACs the government of India, sanctioned a budget of Rs 2516 crore for computerisation of 63,000 functional PACS in India. This is likely to benefit approx. 13 crore farmers mainly small and marginal. The computerisation will bring efficiency and transparency in functioning of PACs at village panchayat level and help them become a nodal delivery service point.

The main components are Cloud based unified software with data storage, Cyber security, Hardware, digitization of existing records, maintenance and training. This software will be in vernacular language. The PACs account for 41 per cent (3.01 Cr. farmers) of the KCC loans in India and 95 per cent of these KCC loans (2.95 Cr. farmers) are through PACs by June 2022 (<https://timesofindia.indiatimes.com/govt-approves>). An attempt is made to computerise all PACs in India to have a common accounting system for their use. This will help financial inclusion through strengthening service delivery to farmers including that of inputs like seeds and fertilizers. This will aid digitalization in rural areas.

Functions and Organisation

PACs are the base in the three-tier structure. It encourages savings, accepts deposits and gives loans to the needy borrowers and collects repayments. It acts as the link between borrowers, i.e., the rural people and the higher agencies, i.e., CCBs, SCBs and RBI. A PACs can be started with 10 or more members persons of a village. The membership fee is very less so that even the poorest can become a member. The members of the society have unlimited liability which means that each member undertakes full responsibility of the entire loss of the society in case of its failure. According to principles of cooperatives the management of the society is done by an elected body.

Capital

The working capital of a PACs their own funds, deposits, borrowings and other sources. Own funds comprise of share capital, membership fee and reserve funds. Deposits are received from both members and non- members. Borrowings are mainly from central cooperative banks.

Land Development Banks (LDBs) or Cooperative Agricultural and Rural Development Banks (CARDBs):

Besides short-term credit, the farmers also need credit for a long time period FOR undertaking capital expenditure. Cooperative banks and commercial banks by their very nature are not in a position to provide long-term loans as their deposits are mainly short term. The LDBs and CARDBs provided for long term loans as well.

Structure

The LDBs are registered as cooperative societies, but with limited liability. The LDBs have two tier structure. At the state level, state or central LDBs i.e. SCARDB, earlier known as central land mortgage banks, and at local level branches of SCARDBs and PLDB now known as PCARDBs. In some states, there are no PLDBs, but the branches of the SLDB exist.

Capital

LDBs generate their funds from share capital, reserves, deposits, loans and advances, and debentures. Debentures form the biggest source of finance, which are issued by the SLDB. They carry fixed interest, have maturity varying from 20 to 25 years, and are guaranteed by the state government. The LDB also float the rural debenture for a period upto seven years. These debentures are subscribed by farmers, panchayats, and the RBI. The RBI substantially contributes to the finance of LDB by extending funds to the state governments for contributing to the share capital of these banks and by subscribing to ordinary and rural debentures.

Growth

In India, the first cooperative land mortgage bank was organised in Jhang in Punjab in 1920. The number of state cooperative agricultural and rural development banks (SCARDBs) which was 5 in 1950-51, rose to 20 in 2013. The number of primary cooperative agricultural and rural development banks (PCARDBs) was 697 in 2013.

Loans and Advances

The land development banks or SCARDBs provide long-term loans to the agriculturists- (a) for repayment of old debt, (b) for improvement of land and methods of cultivation, (c) purchasing costly machinery, and (d) in special cases, for purchasing land. These banks grant loans against the mortgage of land and the period of loan varies from 15 to 30 years.

Shortcomings of Land Development Banks

Although, LDBs have grown over the years, but the progress in providing long-term finance has not been good. The following shortcomings have resulted in poor growth of lending by LDBs,

i. Uneven Regional Growth

The LDBs have grown in an uneven manner, geographically speaking. The states of Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Gujarat have experienced some progress with regard LDBs compared to other states, in contrast to the fact that half of the states have no LDBs.

ii. Problem of Overdues

The LDBs face a problem of overdues of loan repayments. The overdues are attributed to faulty loan sanction policies, lack of supervision, over-utilisation of loans, ineffective recovery measures and willful defaulters, etc. There is a need for time-bound programmes for special recovery drives to reduce overdues.

iii. Lack of Trained Staff

The LDBs not improved in qualitative terms despite experiencing quantitative growth, this is attributed to inadequate technical and supervisory staff. It is felt that changes in the legislation is also required to diversify lending activities.

iv. Other shortcomings

Other shortcomings of the LDBs are as mentioned below:

- a. They charge very high interest rates on the loans,
- b. There is delay and red-tapism in the granting of loans,
- c. Second loan is not advanced unless the first is not repaid,
- d. Repayment is not fixed on the basis of the repaying capacity of the borrowers,
- e. The complicated procedure of receiving a loan,
- f. Weaker sections of the rural society are generally unable to secure loans for lack adequate security to offer against loans, and
- g. Most of the loans are extended for the repayment of old loans and for development purposes.

v. Report of Rural Credit Survey

This report mentioned of unsatisfactory performance of the land mortgage banks (now called the LDBs) e.g.:

- a. They raise inadequate funds compared to demand and usually lend without considering the development aspects,
- b. They act on the basis of prior debts and not future production of borrower, and
- c. They reach only the large producers and not the smaller ones.

5. Setting Up of Funds

The RBI provides financial assistance for meeting short-term, medium-term and long-term rural needs. The RBI has set up two national funds in 1956, i.e., the National Agricultural Credit (Long-Term Operations) Funds, and the National Agricultural Credit (Stabilisation) Fund. These funds (a) to make long-term loans available to state governments, which in turn subscribe the share capital of CC institutions, (b) to provide medium-term loans to SCB for agricultural purposes; (c) to provide long-term loans to the central LDBs and (d) to purchase debentures of central LDB.

6. Strengthening of Cooperative Banking Structure

With a view to strengthen cooperative banking structure and promote cooperative credit, the RBI,

- I. It works for rehabilitation of weaker cooperative societies,
- II. It maintains the flow of cooperative credit through commercial banks finance to PASs,
- III. It improves lending policies and efficiency of CC institutions,
- IV. It provides financial accommodation to CC institutions, and
- V. It conducts special training courses for the personnel of state, central and urban banks.

The Co-operative Credit Institutions in India are classified under a three-tier structure, (i) PCBs at the bottom, (ii) CCBs at the middle, and (iii) SCBs at the top. The PCBs are functioning in the various towns and villages, the CBs at the district and the SCBs operate at the state capitals forming the apex of the system. The RBI assists the co-operative structure and by provision of concessional finance through NABARD for lending to agricultural and allied activities. This facilitates the whole system to get integrated with the Banking structure of the country.

Let us have a discussion about these institutions one by one.

(i) The Primary Agricultural Credit Societies

A PACSs is an association of borrowers and non-borrowers living nearby and taking interest in the economic activity each other. The membership is open to all inhabitants hence, people of different status are brought together into the common organization.

(ii) Central Co-operative Banks

A CCBs is a federation of primary societies in a specified area. Where membership of a CCBs is restricted to primary societies only, it is known as a 'banking union'. Nowadays, individuals are also admitted as members of almost all CCBs.

(iii) State Co-operative Banks

At the top of cooperative banking, there are SCBs, which attract deposits from the rich urban classes. These Banks are also more suitably equipped to serve as a channel between the co-operative movement and the joint stock banks.

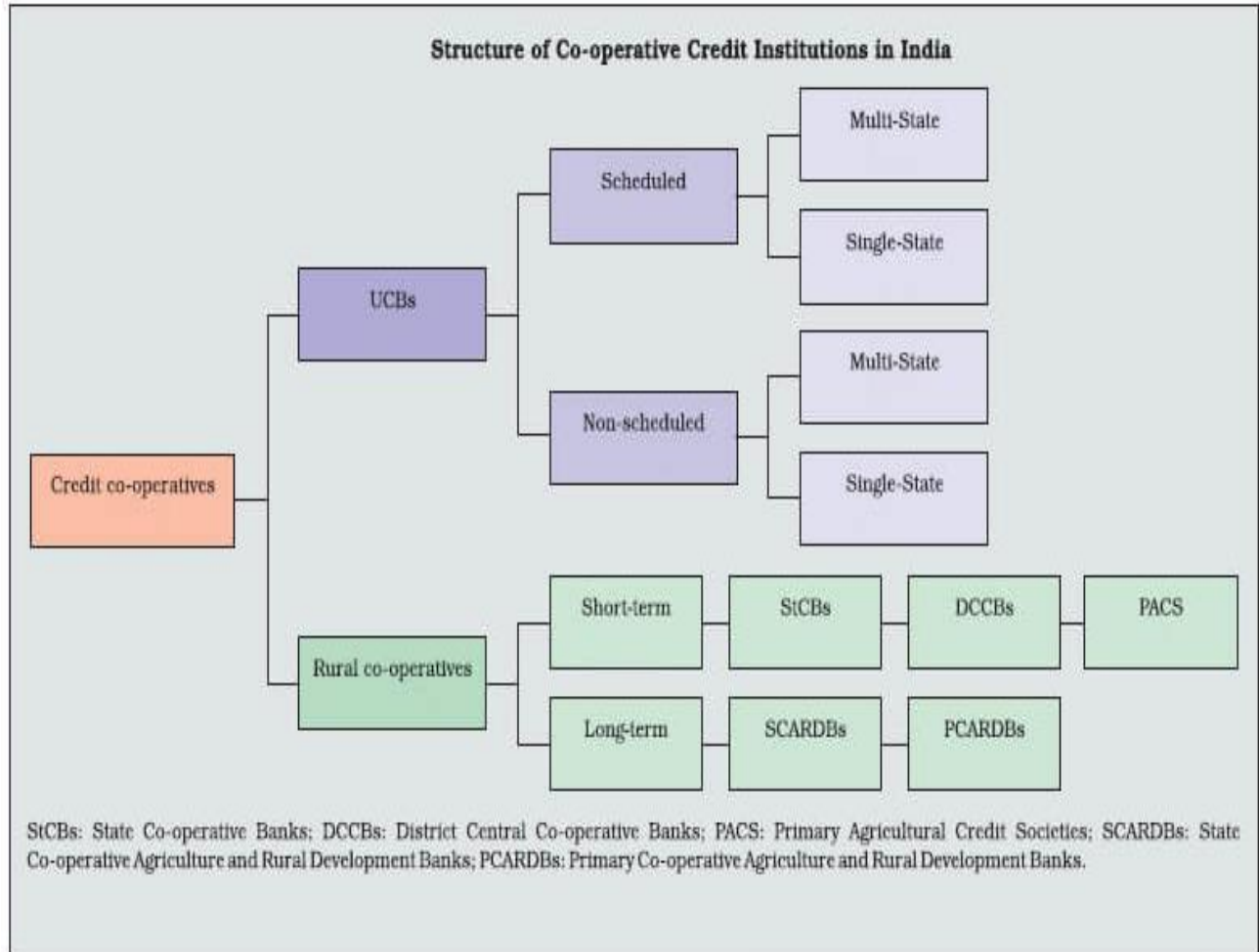
Cooperative Credit: An Evaluation

The major deficiencies in the working of the cooperative societies are as follows, i. many PACSs are at present dependent on CCBs and lacking in mobilising rural savings. Heavy dependence on outside funds leads to greater outside interference and control, which makes cooperatives a "mediocre, inefficient and static system", ii. High level of overdues reduces the flow of credit significantly to reduce granting of loans, iii. There is high NPAs due substantial losses incurred by many rural cooperative credit societies, iv. PACSs are of small size to be economically viable and many remain dormant as well, v. big landowners have been successful in cornering greater benefits from cooperatives due to their overpowering presence in rural areas, vi. considerable regional disparities in the distribution of credit by cooperative societies in six States of Gujarat, Maharashtra, Karnataka, Kerala, Punjab and Tamil Nadu, which account for almost 70 per cent of the short- term loans provided by the PACSs, and vii. The excessive control of governments is acting against the growth of credit cooperatives.

Thus, there is need to overcome the above mentioned challenges for growth of rural cooperatives and

improvement of well being of rural population. The structure of cooperative credit society is presented here below in figure 3.3.

Cooperative Credit Institutions/Societies Structure in India



Source: Cooperative. (2019, December 10).

Figure 3.3: Structure of Co-operative Credit Institutions in India

There are different types of cooperative credit institutions working in India. Based on their geographical area of operations, they can primarily be classified as two main types:

Urban Cooperative Banks (UCBs)

The UCBs are divided into scheduled and non-scheduled, which are also categorised as multi-state and single-state.

Rural Cooperative Societies/Institutions

Rural Cooperatives are divided into short-term and long-term. The short-term cooperative banks are three tiered, i. State Cooperatives Banks, which operate at district levels, ii. District Central Cooperative Banks, which operate at district levels and iii. PACSs which operate at village level.

The long-term rural cooperative structure is divided into i. State Cooperative Agriculture and Rural Development Banks (SCARDS), which operate at state level, and ii. Primary Cooperative Agriculture and Rural Development Banks (PCARDBS) which operate at district/block level.

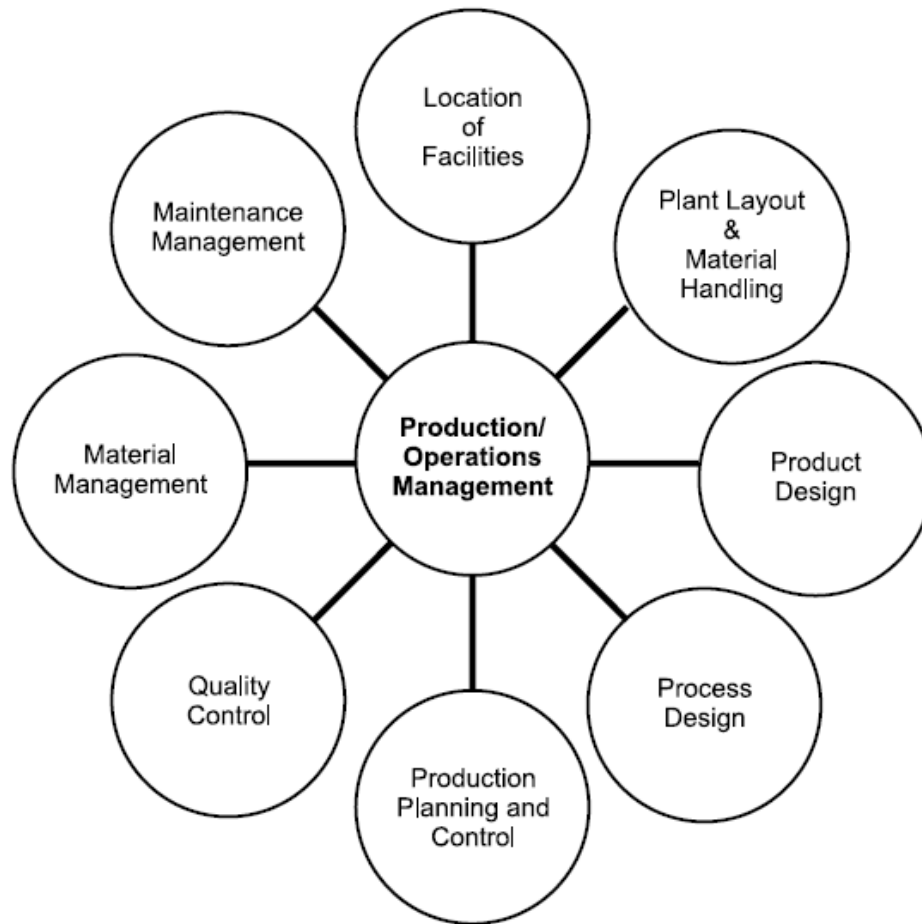
3.2 Production and Processing based Cooperatives

Almost all agricultural commodities have to undergo one or more stages of processing before they reach the consumer. The very basic level of processing is the cleaning and grading process after its harvesting. Most of the processing is undertaken by middle men and traders, while taking away a good proportion of price paid by the consumer. More of this share of price can go to farmers if they are engaging in a greater proportion of processing themselves.

Through processing, the product / produce allows product transformation to make it appropriate for human consumption or final use, e.g., cotton is ginned and pressed, sugarcane has to be processed into gut, food grain is processed before consumption, etc.

The small and marginal farmers face constraints of finance, skills, knowledge and lack of surplus and hence processing is not viable for them. Consequently, formation of a cooperative allows them to save themselves from exploitation by the middle men. The cooperatives can set up processing units and derive advantages for society members. The advantages are i. Processing near source of inputs, ii. Facilitates decentralization of industrial activity, iii. Reaping advantage of low wages of labour, low rent of building and low cost of transportation in rural areas, iv. by-products can be sold in the rural market itself, and v. reducing unemployment among the rural masses.

A part of the processing in rural areas will help increase income of rural population which will further create demand of industrial products from rural area, helping industries to grow as well. The figure 3.4 provides a flow chart to illustrate a production and Operations Management.



Source: Buffa, E. S., & Monk, J. G. (n.d.).

Figure: 3.4 Production and Operations Management in Agriculture

Processing of Agricultural Produce (Promoting Agribusiness)

Every agricultural produce, after its harvesting, requires processing before it is consumed by final consumer. Even while harvesting it is to be separated from straw and soil before it is subjected to further processing. The processing helps in improving shelf life or time it can be stored for safe human consumption for longer period of time. Some of the examples of processing are given below here.

A. Processing of food crops

The processing is done in case of food crops. Foodgrain processing involves transforming the crop to improve its consumption viability. The principal forms of processing of food grains are drying, parboiling, husking, polishing, grinding, separating, cooling, supplementing micronutrients, etc. Food crops like rice, wheat, pulses and millets are processed for further consumption of final consumers. Traditionally, in India prior to final cooking, some form of processing is done, according to the food item being cooked, e.g. preparing sweets from milk, preparing flour from gram or other foodgrains. But with development and growth of urban population such processing is done in the market by industrial firms. Buying batter for idli and dosa from the market is becoming a common practice in urban areas. Getting special flour for cooking 'makka roti, or Dal-Bati' from the market are examples of processing of foodgrains.

1. Rice

After the paddy is harvested, it is dried to reduce for separating the grains from the straw, followed by removal of chaff-dust, lumps of mud, pieces of stone and such impurities are removed. In some cases, paddy is parboiled before it is husked. The milled or hand pounded rice is dressed, coloured and polished to improve its luster. Rice grains are then graded by size. Rice that are three-fourths of a whole grain are called "head" rice and smaller ones are called "broken".

2. Wheat

After harvesting the wheat grains are separated from the ears and winnowed. In India wheat is milled and cleaned before it is ready for consumption by consumers. The local flouring mills are used for grinding to make flour. Practically all the white flour is produced by roller mills. Roller flour milling involves the steps described below. It involves cleaning the wheat of stones, mud and other foreign material, tempering followed by blending in terms of protein fortification, grinding and separating the bran and germ.

3. Pulses

The pulses are processed into different products according to need and food habits of people inhabiting different regions in India e.g. gram is utilised as either food, feed or seed or the farm. In India various pulses and their products are processed in a variety of ways. Cattle feed, 'Dal', grinding flour involves processing to a different extent and is done at home or in mills in the form of agribusiness activities.

4. Millets

The major millets like jowar, bajra, ragi and maize are consumed in the form of either cooking 'roti' or in a variety of other forms e.g. parched and popped, 'payasam' or other traditional forms of recipes cooked in various regions of India. The maize is used as cornflakes and other maize products like starch, glucose, dextrose, dexbine, maize oil, gluten etc.

B. Processing of commercial crops

Most of the agricultural produce is consumed after different levels of processing and in multiple ways in different regions. This is true in India as well. As an illustration of processing of commercial crops, groundnut, sugarcane, tobacco, cotton, jute, tea and coffee are considered for understanding the scope of agribusiness and its possibilities.

1. Groundnut

The pods are dugged out from soil, they are then collected and usually dried in the sun till the nuts make a rattling sound and kernels get loose for peeling off. The pods are sold as groundnut in a shell or after a further process (called decortications) or taking out the kernels by breaking and removing the shell. The process consists of heaping the pods and sprinkling water over them in the evening. The kernels are then separated. Groundnut is used in various products for consumption.

2. Sugarcane

Sugarcane is sold after being processed to sugar or jaggery or gur. About 45% is converted to gur for consumption while the rest is used to manufacture of sugar. Extraction of fresh juice for making 'gur from the cane is also done. Fresh cane juice is also consumed directly in India.

3. Tobacco

The tobacco leaves are plucked, dried, cleaned, sorted, graded and separated at the agriculture farm itself. This is the primary requirement for further processing. The operations involved in the processing of

tobacco are curing, sorting, bulking for fermentation, and reconditioning. This is then passed through the process of bundling and packing. Curing, fermentation and aging are undertaken for different uses of tobacco. The final use of tobacco determines the time and technique of process and resulting quality of final tobacco, e.g. if it is used in cigarettes, cigars or for some preparation of other medicine. The processes the raw tobacco undergoes largely determines its quality, colour, texture and hence price / value of the product. Four types of methods of curing tobacco are used in India (a) flue curing, the heat and smoke are circulated through the curing house in large pipes or flues, (b) rack curing is done for desi/country cigarette, cigar and cheroot tobacco, (c) ground or sun-curing, the leaves are hung by string and fires are made on the floor, it keeps burning for a few days to give tobacco a unique color and taste, and (d) pit-curing is done for tobacco used for hookah and chewing tobacco. The fermentation and reconditioning is done after curing is complete. Lastly they are bundled and packaged in gunny cloth, stitched to form a bale. They are packed in gunny bales, wooden cubes and hogsheads. The bale is pressed close to each other by means of a hydraulic press or by trampling.

4. Cotton

A large proportion of cotton produced is sold by farmers as 'kapas' or cotton seeds in the village itself to the Mahajan or village trader who sends it to a ginning factory. Ginning and pressing of the cotton is done and sent for yarn manufacturing.

5. Jute

Once the jute crop is harvested, it is tied into units called Antis of 6 - 8 plants, and then into bundles called Bojhas of 6 - 8 antis. The Bojhas are left for 2 to 4 days for leaf shedding. The further process consists of i) steeping, i.e. immersion of bundles of jute plants in running water, which softens its tissues, and ii) stripping of the fibre. This is done by the cultivator by engaging labour. The fibre of jute is dried in sun and its bundles are sold.

6. Tea

The tea leaves are plucked for operations of withering, rolling, fermenting and drying. Due to high skills and equipment required some of these processes are confined to factories. After processing the tea leaves are stored, blended and divided into leaf grade and broken grade for commercial purpose for black tea. The left over is also sold for the extraction of caffeine. In case of green tea, withering and fermentation process are not done and the leaves are heated, treated, rolled, dried and polished. A small percent is used for 'green tea'.

7. Coffee

Coffee picking is confined only to ripe berries. These involve two methods i.e. 'dry method' and the 'wet method' for getting rid of the beam of various coverings, the skin, parchment, pulp and outer-skins. Small plantations farmers who cannot afford the equipment for wet process, employ a set up operation called the 'dry method' for this process.

Case – 4: Kodagu Coffee Growers Co-operative Society Ltd.

The Kodagu Coffee Growers Co-operative Society Ltd. Is named after the district of its location. It is a co-operative society located in the district of 'Coorg' in Kannada language known as 'Kodagu' in the state of Karnataka. It is to be noted that the region one of the prominent most for growing coffee. The district is located in the Brahmagiri mountain range in western gaht in south India. The origin of sacred river Cauvery is Thalaikaveri in Coorg. The weather conditions are conducive for growing coffee on the hill slopes.

The cooperative was founded with an aim of promoting and supporting coffee cultivation and trade in the region. The society plays a crucial role in the development and welfare of coffee growers of Kodagu. The cooperative society operates on democratic principles and all members participate in decision making process. The cooperative has a **General Body**, which is composed of all registered members of the society. It meets periodically to discuss various matters concerning interest of members and elects members on board of directors.

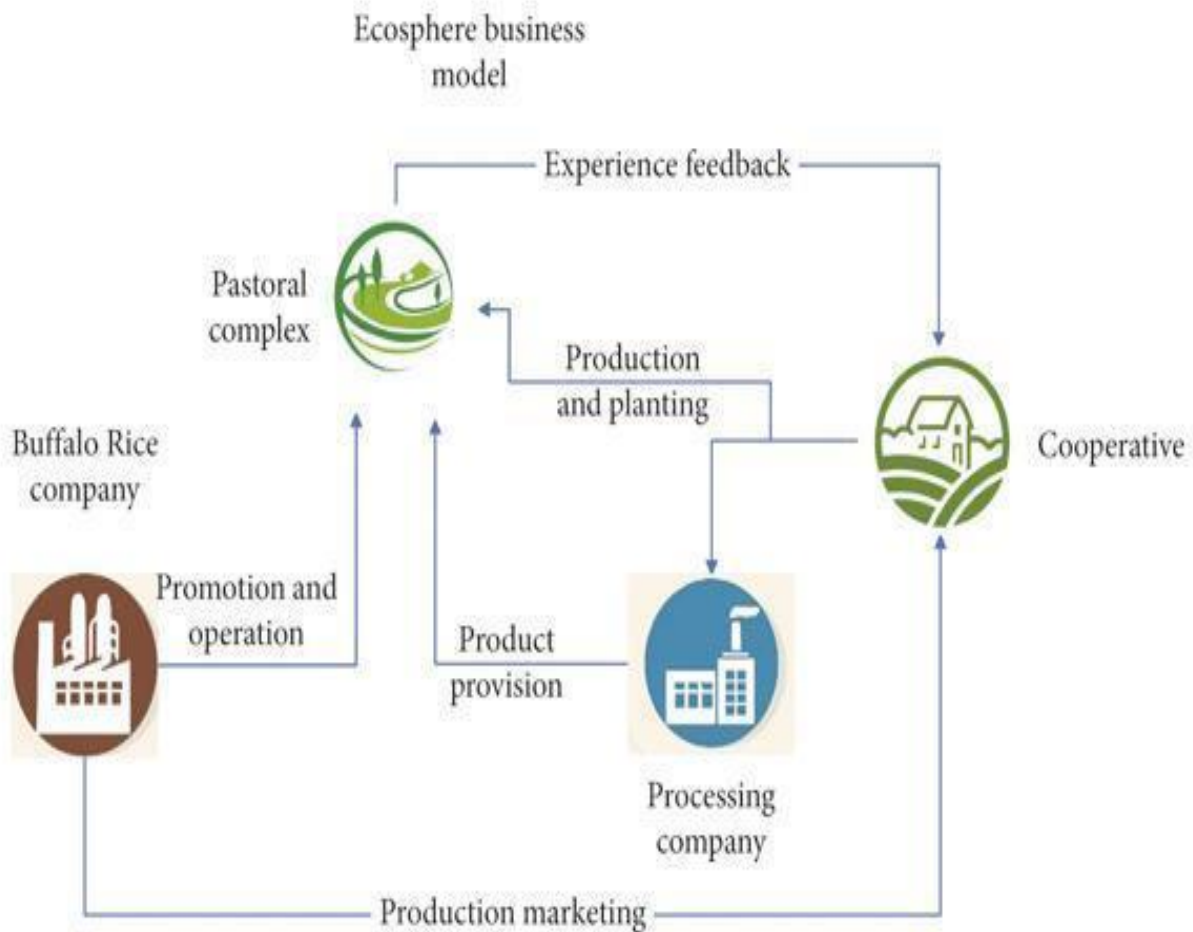
The **Board of Directors** manages day to day functioning and is instrumental in implementing policies for benefit of cooperative members. They are elected by the general body and looks after finance, marketing, procurement and administration of the cooperative. The **Sub Committees** are constituted to delve upon and focus on specific issues concerning the cooperative and its members and may focus on issues regarding quality control, pricing, or welfare programs for members. The **Administrative Staff** of the cooperative society is tasked with management of operations and support members in the form of accountants, field officers, extension workers and other areas of support.

Progressive Farmer



The coffee growers in Kodagu region can become members of this cooperative society, who are eligibility. The specific requirements for becoming member are minimum coffee cultivation area or other criteria, are determined by the society's bylaws and policies. All the members get access to financial assistance, technical guidance, marketing support, procurement facilities and they participation in decision making of cooperative management. The Kodagu coffee growers cooperative is associated with larger cooperative organizations, coffee industry associations and government bodies that associated with the development of coffee sector in the region. This allows it to have a say and influence in policy formulation and takes care of interests of coffee grower's of this region. These affiliations allow reaping additional benefits and information relating to resources and support to the society and its members.

Source: <https://www.coorg.com/tag/kodagu-coffee-growers-co-operative-society/>



Source: Fang, T., Liao, X., & Fang, M. (2022).

Figure 3.5: Ecosystem business model diagram of farmer cooperatives

Figure above shows that the operating model of the ecosystem must focus on the pastoral complex i.e. needs of the farmers. This needs to be adapted for each of the crop which is grown by the farmer. It can be cooperative planting of the crop, processing plant cooperative, or marketing and promotion of cooperative companies, it has to be farmer focused. The efficient ecosystem will provide support to farmers as well as industry, ii. will promote brand product promotion and iii. improve service experience. All these efforts will enhance income of cooperative farmers and members.

Promoting Cooperative processing in Five Year Plans

The importance of forming of cooperatives was very well realised and known in India. Every plan, depending on realities has led to promote interest of farmers. Promoting interests of farmers and small artisans and rural population through cooperatives has been one the objectives since independence and adoption of five year economic plans for development. A brief of the same is presented here below in table 3.1.

Table 3.1: Five Year Plan of Cooperative Processing

Five Year Plan	Cooperative Processing
First Five Year Plan	<p>In 1946, the Suriya Committee on Co-operative Planning -marketing societies for grading and processing of agricultural produce.</p> <p>The Rural Credit Survey Committee - promote cooperative processing societies at the primary, taluka, district, state and national level, with state partnership and provide them with financial, technical and administrative assistance. Provide licence to factories and mills engaged in agricultural produce processing. In case of licence for a new factory, the possibilities for giving it to a co-operative society should be explored.</p> <p>During the First Plan licences were granted to 16 co-operative sugar mills, 13 in Maharashtra and 3 in Punjab. A few cooperative marketing societies took up processing as well like, paddy husking, groundnut decorticating and cotton ginning.</p>
Second Five Year Plan	<p>To set up 166 co-operative processing units including 48 cotton gins. Due to the expanded programme of cooperative development by National Development Council resolution on cooperative policy, 646 units were programmed and assisted.</p>
Third Five Year Plan	<p>A total of 2,130 processing societies (78 co-operative sugar factories, 155 cotton ginning and pressing societies, 329 paddy husking, 12 rice mills, 298 oil crushing, 22 fruit and vegetables and 1106 other societies were set up with largest 940 processing cooperatives in Andhra Pradesh.</p>
Fourth Five Year Plan	<p>By fourth plan end, 1,900 processing cooperatives were existing, including over 225 large and medium agricultural industries like sugar factories, spinning and jute mills, distilleries, solvent extraction plants, vanaspati and cattle feed factories etc. By 1974-75 this number of processing cooperatives increased to 1,962, of which 1,616 were installed.</p>
Fifth Five Year Plan	<p>In fifth plan 650 new processing co-operatives were set up. There were 1611 agricultural processing societies at the end of Fifth Plan with around 80 new cooperatives added during this period.</p>
Sixth & Seventh Five Year Plan and beyond	<p>During the sixth plan (1980-85), co-operative processing indeed progressed. About 2,448 units were added during 1984-85 in the co-operative sector. Since then the cooperatives have grown in various areas of economic activities. India has become largest producer of milk in the world, thanks to the success of white revolution owing to success of cooperatives.</p>
	<p>At the completion of 75 years of independence, with the objective of giving a push to income of rural population, agribusiness cooperatives have assumed added importance, besides growth and modernisation of existing cooperatives.</p>

Source: Five Plans, Government of India, New Delhi.

3.3 Cooperative Marketing

The setting up of co-operative marketing societies has been promoted to overcome problems of marketing faced by small farmers and producers. The efforts of the government at best is partially successful to improve the marketing of agricultural commodities. It is realised that the different regions and markets have progressed to different extent and is not uniform. As the farmers in rural areas face disadvantage in marketing of their produce, the formation of cooperative institutions are expected to provide benefits to farmers vis-a-vis private traders in the market. The marketing cooperatives pool the produce of small farmers to market produce and improve their bargaining power.

Meaning

A cooperative for sales and marketing is set up based on voluntary association of members, to market farm products collectively for their direct benefit. It is governed by all principles of cooperatives. The members of cooperative are the owners, operators and contributors of agricultural produce and are the beneficiaries of the functioning of the these cooperatives. In a co-operative marketing society, the management control of the organization is done by the farmers while each member has one vote in decision making. The profit earned by the society is distributed among the members on the basis of the quantity of the produce marketed by him. Thus, cooperative marketing societies collectively market the products of the member farmers. The marketing cooperatives focus on the importance of commercialization for member farmers of the cooperative.

Functions

The co-operative marketing societies are beneficial for i. To market produce of members at fair price, ii. to protect members from malpractices of traders, iii. To make credit available to members of society, iv. To arrange storage for produce brought for sale, v. to facilitate grading of produce and provide market information, vi. to gain more bargaining power compared to an individual, vii. To procure for government and implement price support policy, viii. To facilitate export, if possible, ix. To arrange for transport of produce to the market, x. To arrange for supply of inputs required by farmers.

History

The Cooperative Marketing Societies Act, 1912 legalised the marketing cooperatives. The first Cooperative Society in Hubli in 1915 focused on cultivation of improved cotton and sell it collectively. In 1918, The South Canara Planters Co-operative Sale Society started its operations. The First Five Year Plan (1951-56) mentioned of setting up of agricultural marketing and processing cooperative societies. In 1958, the National Agricultural Cooperative Marketing Federation (NAFED) was established as the apex body of co-operative marketing. In 1963, the National Co-operative Development Corporation (NCDC) was set up for promoting cooperative societies.

Types

On the basis of the commodities, the co-operative marketing societies may be grouped into the following types:

(i) Single Commodity Co-operative Marketing Societies

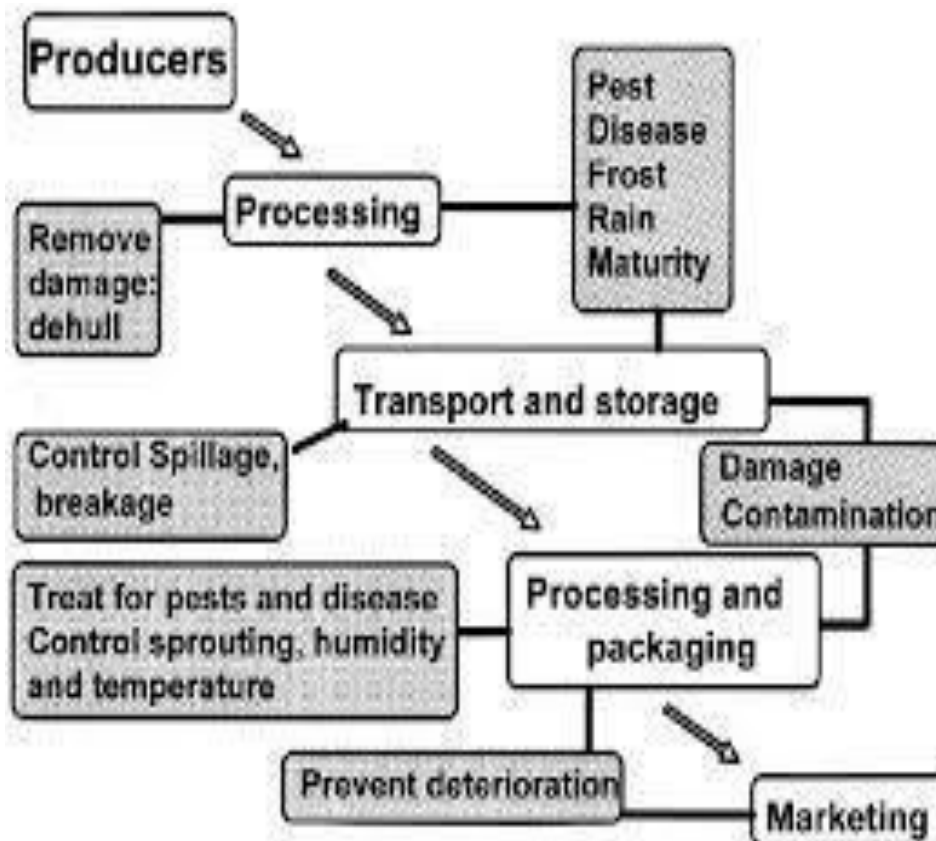
The single commodity cooperative marketing societies deal in the marketing of only one agricultural produce. These societies get sufficient business from the farmers who produce this single produce e.g. The examples are Co-operative Marketing Society for sugarcane, cotton and oilseeds.

(ii) Multi-Commodity Co-operative Marketing Societies

The multi commodity cooperative societies deal in the marketing of a larger number of commodities produced by cooperative members e.g. food grains, oilseeds and cotton. Most of the cooperative marketing societies in India are handling multiple produce and are of this type.

(iii) Multi-purpose, Multi-commodity Co-operative Marketing Societies

As the name suggests the multi-purpose, multi-commodity marketing societies deal in many agricultural commodities. These societies undertake such other functions as well, e.g. providing credit to members, providing and arranging the supply of the inputs required by the society members, and providing for essential domestic consumption goods. This type cooperative also provides for marketing of various produce of farmers who are members of the society to remove middleman and get best price of the produce for members of the cooperative. A basic and simple structure of cooperative engaged in marketing of agricultural produce is given in figure 3.6. This figure further shows that at each stage care is to be taken related to controlling damage to the produce and that its quality is not compromised. It clearly indicates that producer members, who are individual member farmers require to undertake considerable care for processing, transport and storage and finally marketing of the produce. These activities require storage space or godowns, equipment for cleaning and packaging produce, besides market information to undertake various such activities efficiently.



Source: Team Samajho (December, 2020), Burrell, M. M. (2003).

Figure 3.6: Stages of Function of Marketing Cooperatives

Structure

In various states in India the cooperative marketing societies exist in two different forms. There are some states where a two-tier structure is present while there is a three-tier structure of cooperatives in many other states. For example, In the states of Assam, Bihar, Kerala, Madhya Pradesh, Karnataka, Orissa, Rajasthan and West Bengal, there is a two-tier cooperative structure with primary cooperative marketing societies at the taluka level and state cooperative marketing federation as an apex body at the state level. In other states, a three-tier structure exists, which comprises of a district marketing society in between middle in addition to primary cooperative marketing society and the state cooperative society. At the national level, National Agricultural Marketing Federation of India (NAFED) is the apex institution. The pattern of the three-tier structure is as follows:

(i) Base Level

The smallest and at the grass root level i.e. at village level, there exist primary co-operative marketing societies. These societies market the produce of the farmer members of the cooperatives in the area. These cooperatives may be single commodity or multicommodity cooperatives societies, depending on the nature of produce of the member farmers. These primary marketing cooperatives are located in the primary wholesale market and operate in the area covering more than one tehsil, panchayat or development blocks.

(ii) Regional/District Level

At the middle level i.e. at regional or district level, central cooperative marketing unions are present. These middle level cooperative marketing unions are responsible for marketing of produce which is brought for sale by the primary co-operative marketing societies of the area. These cooperatives are located in the secondary wholesale markets. They will be offering a better price of the produce to primary cooperative marketing unions. The primary cooperative marketing societies are members of the central marketing cooperatives alongwith individual farmer members. In a two-tier cooperative structure, the State level societies also perform functions of district level marketing cooperative societies through operating branches throughout the district.

(iii) State Level

At the state level, there exist apex (State) level co-operative marketing societies or federations. They function in whole of the state. Both the primary co-operative marketing societies and the central co-operative unions of the state are members of the state level apex cooperative marketing societies. The principal function of state level cooperative marketing societies is to coordinate various activities of the affiliated societies. It serves its members through conduct inter-state trade, export-import, procurement, distribution of inputs and essential consumer goods, provide market information, providing expert advice on aspects related to issues concerning its members relating to produce and its marketing.

The cooperative marketing network in India constitutes of state level marketing federations, district/regional marketing cooperative societies, and primary cooperative marketing societies besides NAFED at the national level.

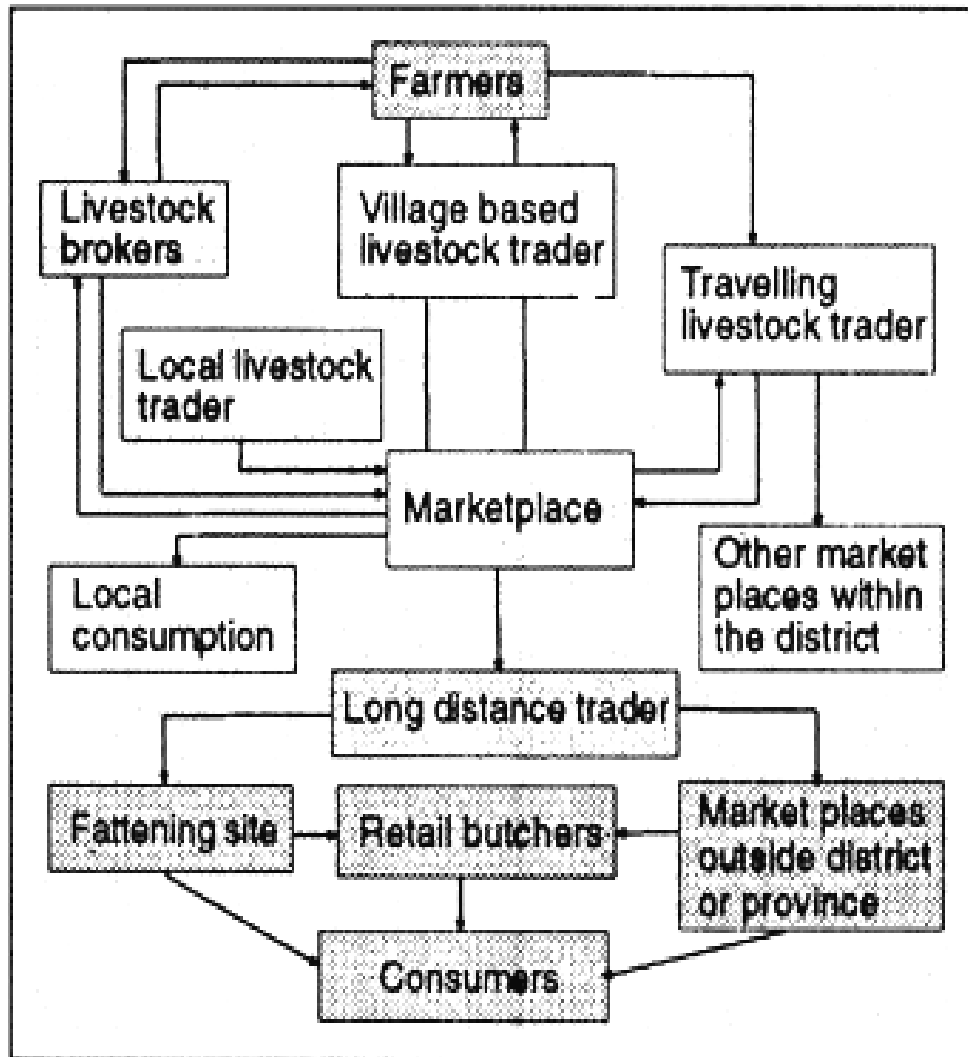
Membership

In co-operative marketing societies there are two types of members:

(i) Ordinary Members of the cooperative marketing society can be individual farmers, cooperative farming societies and service societies located in the area. The members have the right to participate in deliberations and decision making besides sharing profit of the society.

(ii) Nominal Members are traders with whom the society establishes business dealings, these do not have

the right to participate in decision making and sharing profits.



Source: Food and Agriculture Organization of the United Nations. (n.d.).

Figure 3.7: Linkages of Marketplace

Sources of Finance

The cooperative marketing societies require funds for their operations and day to day expenses. The following are the major sources of finance of a co-operative marketing society:

- (i) **Share Capital** is subscribed by farmer members and the state government. Members can purchase shares as many shares of the cooperative marketing society.
- (ii) **Loans** Co-operative marketing societies avail loans from central and state cooperative banks and commercial banks up to 50 per cent of owned capital.
- (iii) **Subsidy** from government is availed by cooperative marketing societies for purchase of equipment

like grading machines and transport vehicles, wherever available if required. Subsidy is available according to provisions of government and specific banks.

Functioning

Various functions are carried out by the co-operative marketing societies which comprise of:

(i) Sale on Commission Basis

The cooperative marketing societies act as commission agents in the market, i.e. the produce brought to market is sold through these cooperative marketing societies and they charge commission for this. The produce is auctioned to get the highest price. By selling produce through cooperatives farmer members get saved from unauthorised agents and their malpractices of all kinds. The farmer producers have more trust in operations of cooperative marketing societies. At times traders form couter and boycott the auction or bid low price and use other tactics to manipulate the market at a disadvantage of cooperatives and their members. This is a challenge for farmers and their primary cooperative societies.

(ii) Purchase of Members' Produce

is carried out by cooperative marketing societies from the market as buyers. A cooperative marketing society also participates in bidding along with other traders to overcome false practices adopted by traders and creates competition. The produce which is purchased by a society is sold later when prices are higher. By doing this the cooperative society faces the risk of price fluctuations in future. In order to avoid such risk taking action of the cooperative, the NCDC, in 1964-65, recommended that the outright purchase system should be adopted only by a society which has i. a trained manager who understands intricacies of the trade, ii. sound financials and adequate borrowing facilities, iii. Good viable affiliation with central level society and iv. Possess processing facilities.

(iii) Advancement of Credit

The cooperative marketing societies advance credit to farmers against their produce and stock of foodgrains in the godowns of the societies. This allows farmers the holding power and prevents distress sales from farmers. Approximately, to the extent of 60 to 75 per cent of the value of the produce stored credit is extended to the farmers by cooperative societies. It increases the business of cooperative marketing societies without additional risk availed by any of them.

(iv) Procurement and Price Support Purchases

The government announces the procurement price of certain agricultural produce. The cooperative marketing societies act as agents of the government in the procurement of foodgrains and other agricultural commodities at the announced procurement or support prices. This in turn helps support prices of commodities to protect farmers in India.

(v) Other Functions

The following other functions are also undertaken by cooperatives if decided by members.

1. They collect the marketable surplus of farmer members and transport this surplus to the society headquarters for disposal,
2. They arrange for grading of the produce so that farmers can avail this practice so enable secure better price,
3. Cooperatives undertake the processing of produce;
4. Cooperatives arrange for the export of agricultural commodities through appropriate government agencies,

5. Cooperatives indulge in inter-state trade of produce procured from farmers, and
6. They distribute various agricultural inputs for farmer members and other essential consumer articles as sugar, kerosene oil and cloth used in households.

(vi) Integrated System of Co-operative Marketing

Involves embracing credit, marketing, processing, warehousing and storage by cooperatives. The important features of the integrated system link credit with marketing, development of agro-processing on cooperative lines and promotion of storage and warehousing for farmers members of society.

3.4 Dairy Cooperatives

Dairy cooperatives have also been most widespread in India. The need of dairy cooperatives was felt even before independence of the nation. It is known that promotion of dairy and livestock is a supplementary economic activity for sustenance of livelihood of farmers as well as landless households. Hence, the government has always been vigilant to promote dairy and other forms of cooperatives to help rural population. Dairy cooperatives have been responsible for success of white revolution in the country.

Relation between DCS, Union and Federation:

The basic unit of the Anand Pattern is the village milk producers' cooperative society. The functions of a dairy cooperative society delves around managerial and operational categories.

Managerial

The milk producer households form a village dairy, in a village with the support of the milk union, and form a village dairy cooperative society. The milk producers buy a minimum of one share of the society and pay an entrance fee as per the bye laws of the society and become members of the society. All these members form the general body of the society and elect a managing committee (MC) including the Chairman from the member producers according to the provisions of the bye-laws.

The provisions of the bye-laws govern the term of the MC and the Chairman of the society. The managing committee decides the policy and guidelines for efficient running of the society. Regular committee meetings discuss issues pertaining to society, members, milk producers, suggestions/guidelines provided by the Milk Union and other relevant matters.

Operational

The major operations of dairy cooperative are milk trading and providing input services. Milk trading involves reception, testing, local and sample milk sale, dispatch of milk to milk union, receiving / payment and maintaining accounts. Input services of various types are also included like veterinary aid, animal health coverage, breeding, supply of cattle feed, fodder development, clean milk production and other extension services to producer members which are part of operational.

Milk Trading

Reception of milk:

Each dairy cooperative society in a village has a milk collection centre either in an owned or hired premise. Each morning and evening, the milk producers bring milk in their own containers (stainless steel). A representative sample of milk is drawn for testing the quality milk. Milk is collected in milk cans or directly to the cooler. All care is taken in drawing sample and maintaining transparency. A semi-automatic system is followed in many societies with use of computer and electronic milko tester placed on line. A printed slip is generated for each member giving details about the date, shift, type of milk, producer identification

number, weight and fat per cent of milk, rate, price etc.

Testing of milk:

Where the Gerber Centrifuge/Electronic Milko tester is used for fat test of milk samples, once sufficient numbers of samples are collected these are tested as per laid down procedure. The test results are recorded against each sample number in the Fat Test Register to maintain confidentiality of the owners of the samples. After the testing is over, the records are compiled; the left over sample milk is disposed off in a manner decided by the management committee. At pourers' request retesting is also carried out before the samples are disposed off and the changes if any, are recorded.

After the milk collection from each pourer is over, a composite sample is drawn from the total quantity of milk collected, commonly known as General Test (GT) of milk collected by the society. In order to maintain hygiene and avoid contamination all the accessories/equipment used in reception and testing of milk, are cleaned thoroughly with warm water and or detergent solution.

Dispatch of milk:

Lids cover all the filled milk cans tightly and the cans are loaded in the milk vehicle/truck as per the time schedule given to each of a particular society. The staff of the truck deliver the fat slip of previous shift from milk union, other materials as indented by the society. This is done quickly to avoid any stoppage of the vehicle more than the schedule. The vehicle also unloads the cleaned empty cans received from the dairy plant for the use of the society for the next shift of milk collection from village milk societies. In some village societies / locations the AMCU/Bulk Cooler is installed and according to schedule the chilled milk from the society is collected.

Payment for the milk:

The price is decided by the milk union based on the quality and quantity of contribution of each pourer of milk. Thus, quality and quantity form the basis of the payment received by each milk pourer. The society decides the payment frequency, while the entries are made in card or pass book of each member and in the register of the society.

Accounting:

In each dairy society there is a set of a standard registers to be completed daily for each member and the transactions done with cooperative society. All the records are to be countersigned by the Secretary/ Chairman as decided by the society. A society appoints a local person as an internal auditor who audits all transactions on a regular basis. The society prepares its monthly accounts statement for the managing committee meeting and accounts statements on quarterly basis, while the annual accounts are prepared for statutory audit.

Cleanliness:

It is well known that milk is a perishable commodity and is used for human consumption. Avoiding spoilage, besides contamination of milk is prime focus, hence utmost care is undertaken for cleanliness of the utensils, staff, equipment/ accessories and building as well.

Standardisation of Testing Equipment and Chemicals:

Generally, the milk union supplies equipment for milk testing equipment, accessories and chemicals but the society checks quality/standard of these used equipment, which is a must in the milk cooperatives.

Local Milk Sale:

The MC decides the quantity and price of milk for selling locally. The price varies from season to season. The price is determined by fat in the milk, local demand etc, from others.

Sample Milk Sale:

After conducting the fat test for all the samples and also the retests the milk is pooled for sale. The price is determined by the managing committee of the cooperative.

Distribution of Profit:

Besides regular payment of milk price contributed by pourers, at the end of the year members receive dividend on paid up share capital.

Inputs Services

The society after milk trading is also engaged in providing and facilitating supply of technical inputs to members to enhance procurements. Each of the milk cooperative society has a trained Artificial Insemination (AI) and Veterinary First Aid (VFA) Work. The cooperative milk union supplies liquid nitrogen, semen doses and veterinary medicine, cattle feed, fodder seed and charges the price. The cattle insurance and other group insurance schemes are also available.

Case – 5: Dairy Development in Jammu and Kashmir and Ladakh Regions To Fulfill Social Cause

On road to Prosperity For Dairy Farmers: JKMPCL – The Jammu Kashmir Milk Producers Co-operative Limited, with its headquarters at Srinagar, it was formed in the year 2004. The JKMPCL has now reached a sales of over rupees 250 crores and net work of around 50000 milk producers member cooperative society. The members represent more than 1000 dairy cooperative societies by October 2022 and the producer members are soon reaching 45000 according to Shri Gaurav Sharma, the CEO. The JKMPCL has two plants and work for automation of dairy villages. The milk chilling infrastructure is also progressing. The cooperatives have already achieved total chilling plant capacity of 2000 thousand litres per day and dairy plant capacity of 150000 litres per day. It speaks of the success achieved by cooperative in the region of Jammu and Kashmir.

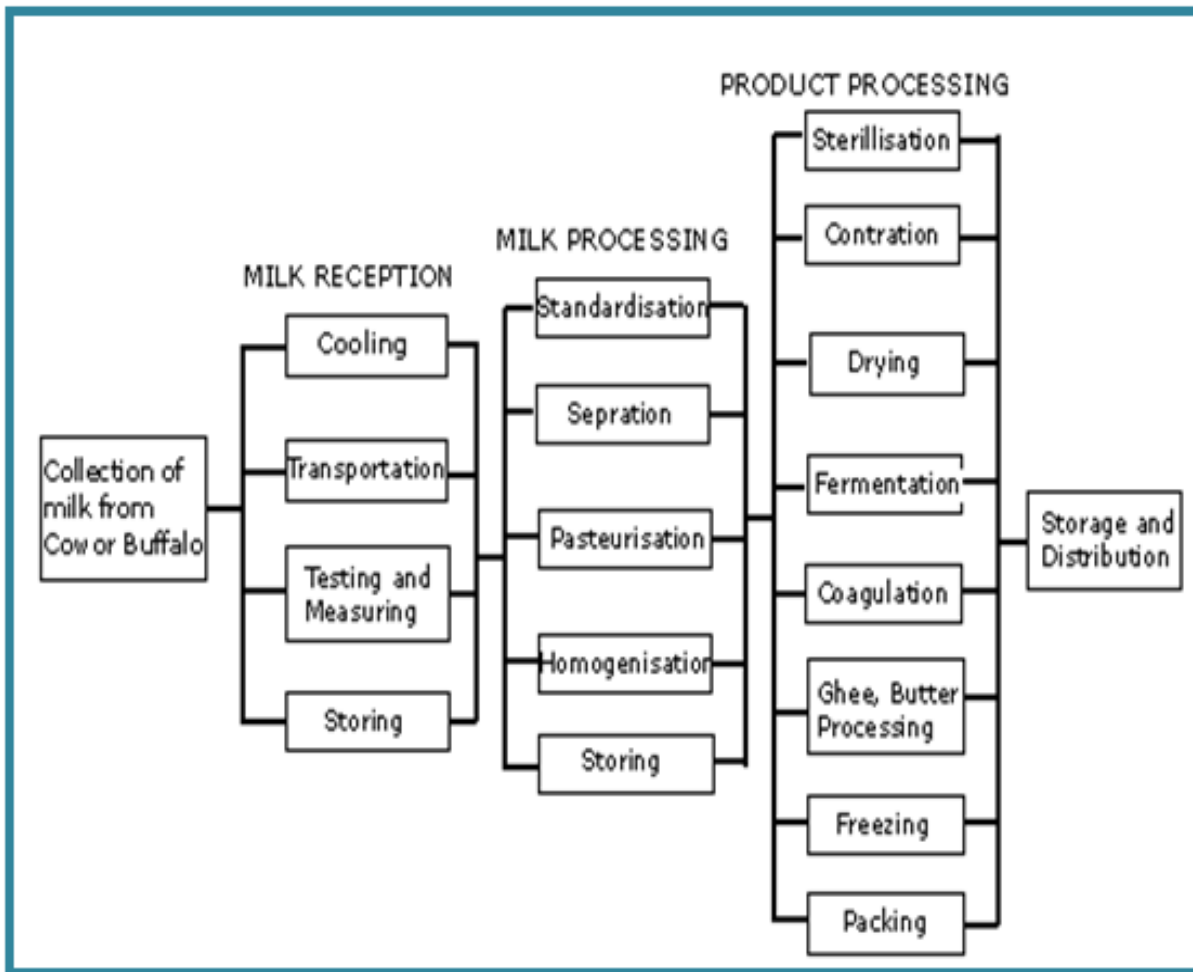
JKMPCL is confident that increase in plant capacity, daily average milk procurement and incremental growth in production of milk and its products. With increase in sales turnover, the Jammu Kashmir Milk Producers cooperative limited is growing from strength to strength. The efforts are made to strengthen the cold chain best in the industry, to facilitate continuous expansion of its operations. In the wake of lumpy skin disease in cows, to safeguard livestock around one lakh tablets for de-worming of cattle and 10 lakh tablets for lumpy disease were distributed free, to the cattle owners.

Since formation of UT of Ladakh in late 2019, focus is on UT administration for development of region through development of farmers. In Ladakh also The NDDDB, is continuously focusing on promoting dairy to contribute in livelihood of the rural households in Union Territory of Ladakh. Accordingly, in August, 2022 an MoU was signed by NDDDB with Union Territory of Ladakh and Ladakh Autonomous Hill Development Council (LAHDC) for managing operations of Ladakh milk federation for implementation of a structured dairy development programme.

Source: <https://jkmpcl.com/>

<https://ziraattimes.com/2022/11/jk-milk-sector-with-45000-members-jkmpcl-produces-2-lakh-litre-daily-milk-through-985-cooperative-societies/>

<https://www.nddb.coop/node/2307>



Source: Vasudhara Dairy. (n.d.).

Figure 3.8: Collection of Milk from Cow or Buffalo

Function of a Dairy Cooperative Society (DCS)

The dairy cooperative societies accept milk from every pourer, even if the milk poured is less. The dairy cooperative society performs functions like,

- I. Collection of milk twice a day from farmers,
- ii. make regular payment to pourers of milk depending on quality of milk,
- iii. dispatch the collected milk to milk union,
- iv. Provide balanced cattle feed to members,
- V. provide fodder seeds of improved variety to farmers,
- Vi. provide services of animal health care to members,
- Vii. provide breeding services of milch animals,
- Viii. provide patronage based portion of the surplus, and
- ix. contribute to the development of the village.

The payment of milk to pourer is made on the basis of milk quality (fat, SNF, bacteriological) content of milk supplied. The cooperative union's dairy plant arranges for the transport of milk from all its member-societies. The milk pourers not only get assured, regular and remunerative payment for their milk but also

benefit from the scientific milk production enhancement dos and don'ts inputs. The inputs like veterinary first-aid and artificial insemination are regularly available to members. One staff member of the society is trained for such functions. The supply of balanced cattle feed and the sale of fodder seeds are also undertaken to all members through the societies. Other services such as cattle insurance, health insurance and promotional activities for the members and other in the village are also organised.

Functions of a Milk Producers' Cooperative Union

The milk producers' cooperative union performs very responsible functions of great importance for all individual milk producer societies. These are,

- i. Procuring, processing and marketing of milk and milk products,
- ii. Provide inputs like cattlefeed, animal health and breeding care to all members of societies,
- iii. provide for training and education of for all partners like MC members, staff, and members of dairy cooperative society and also for the Board members, managers and staff of the milk union.
- iv. Overall, the milk producers' union carries out functions of procurement, processing and marketing of milk and milk products, providing technical inputs, institutional strengthening of milk cooperatives, enhancing women involvement in dairy cooperatives, organisation of extension activities and rural development services.
- v. The milk union owns and operates dairy plant, cattle feed plant, fodder and bull mother farms, semen collection station, for animal husbandry activities, and
- vi. in case of forward linkages and production of higher value added products are produced e.g. chocolate, cheese and others, then such plants are also owned and managed by milk unions.
- vii. undertakes research development and other promotional activities to benefit of members,
- viii. hiring of professional skills for specialized purposes, which individual producers cannot afford is done by milk union,
- ix. The union pays dividend to members,
- x. other products processed by the union are also marketed through the state milk federation.

A special feature of the Anand Pattern is that the unions are under continuous and concurrent audit to maintain financial propriety.

Functions of a Milk Federation

The State milk marketing federation performs following functions for members i. marketing of milk and milk products, ii. manage production planning and state milk grid i.e.movement of milk within the state, and iii. coordinate with state government, central government, National Dairy Development Board (NDDB) and other agencies.

All the Milk marketing cooperative unions become members of a Cooperative Milk Marketing Federation by subscribing share capital according to the provisions as mentioned in the bye-laws of the Federation. The Federation is responsible for evolving and implementing policies on cooperative marketing.

The milk marketing Federation's Board consists of the elected chairman of all the member unions and the Federation's Managing Director. Other board members are as ex-officio and technical experts are also present in the board. The Board of the Federation is responsible for Federation's policies relating to all its functions. Equitable distribution of profit is done between the milk unions with the Federation.

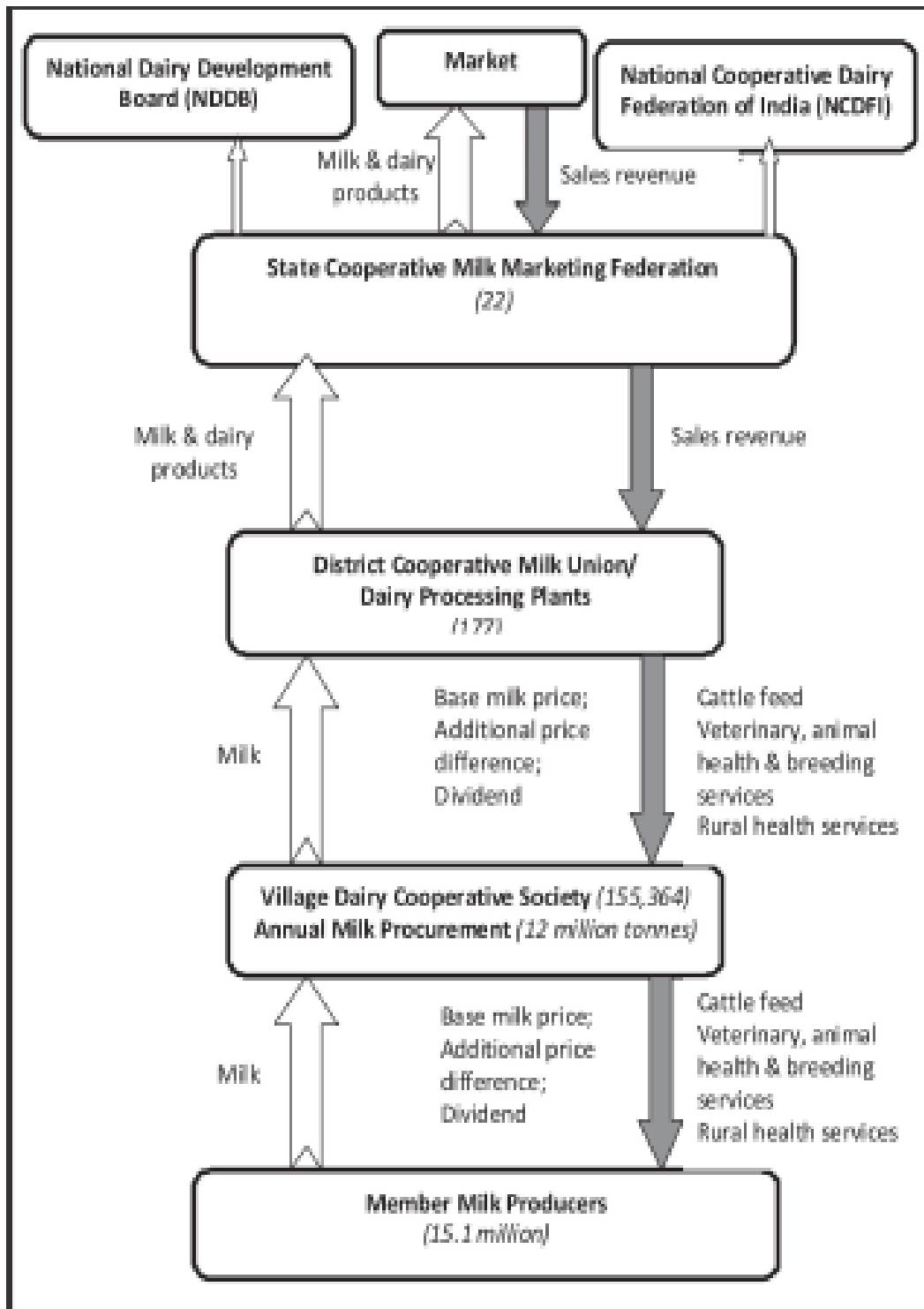
The Milk Federation's Board is advised by its Programme Committee, which meets regularly and is composed of each member union's chief executive, the Federation's chief Quality Control Officer and one or more non-voting co-opted technical experts. The programme committee is responsible for every day implementation of the Board's policies and plans.

Cooperative Dairying Movement

The cooperative movement in dairy sector, to great extent, is a result of the British Government in India's efforts to improve the quality of milk to Bombay city in early 1940s. In November, 1945 the Bombay Municipal Corporation (BMC) Milk supply scheme was started for bringing milk from Kaira District, now located in Gujarat at a distance of about 400 Km from Bombay city and selling at subsidized rate to expectant mothers and children. The BMC milk supply scheme used to purchase milk from Polson Limited, a private enterprise at Anand. The private dairy named Polson limited, maximised its own profit by paying less price to the milk producers.

The government found it profitable and Polson kept a good margin, but the producers were getting paid very less and milk producers are getting benefited by their efforts. The producers of milk were under mercy of milk contractors and had to sell their milk at price decided by contractors. This discontent of the farmers led them to meet Sardar Vallabhai Patel, who earlier had advocated farmers' cooperatives as early in 1942. Emboldened by support of Sardar, the farmers of Kaira District decided to organize dairy cooperative which resulted in formation of the historical and famous, AMUL model of dairy development in India.

Thus, it is clear that the path of dairy cooperatives from organisation of Kaira dairy cooperative society in 1907 in Allahabad District to the emergence of AMUL is due to untiring efforts of self-less leaders and committed milk producers supported by professionals. It is solely owing to the trust of individual milk producers that AMUL has emerged into an effective organisation, sensitive to the needs and hope of its individual milk producer members.



Source: GCMFM (2012) and NDDB (2013)

Figure 3.9: Three Tier Anand Pattern of Dairy Development in India

3.5 Tribal Cooperatives

According to the 2011 census, India had nearly 104281034 people belonging to over 533 tribes, spread across the country. This constitutes 8.6 per cent of total population and 11.3 per cent of total rural

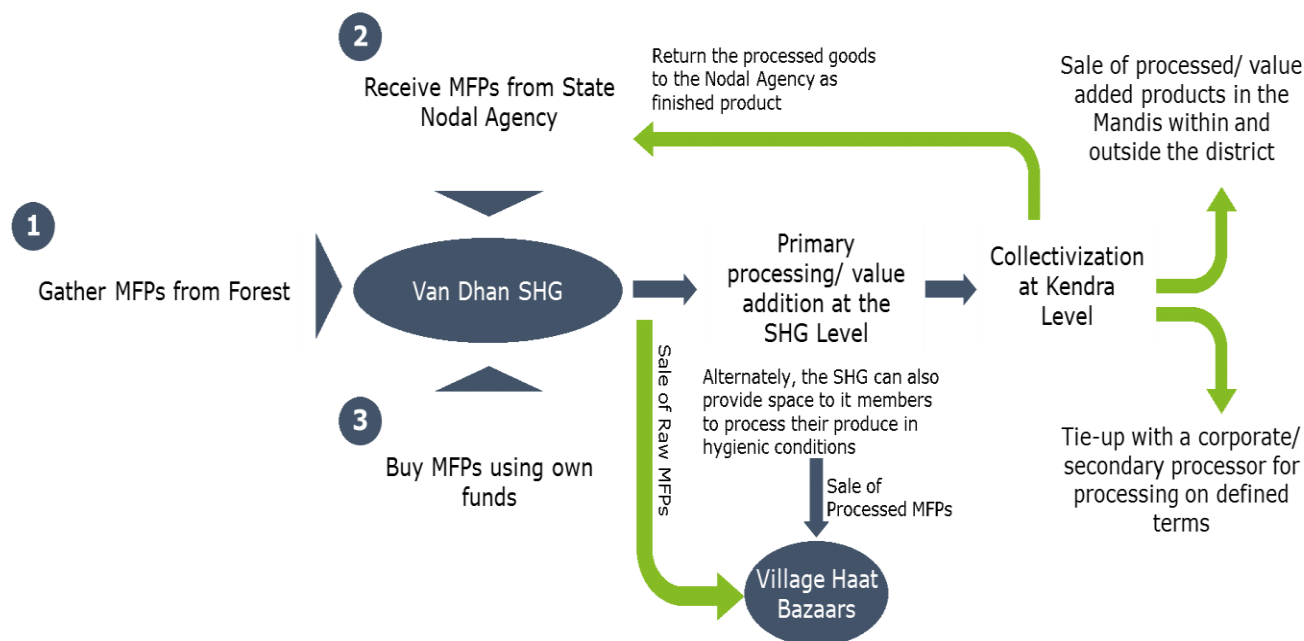
population. The Article 46, Constitution of India refers to 'Promotion of educational and economic interests of Scheduled Castes, Scheduled Tribes and other weaker sections' requires State to "promote with special care the educational and economic interests of the weaker sections of the people, and, in particular, of the Scheduled Castes and the Scheduled Tribes," and that it "shall protect them from social injustice and all forms of exploitation." The term "Scheduled Tribes" was defined in Article 366 to mean "such tribes or tribal communities or parts of or groups within such tribes or tribal communities" as are notified under Article 342 to be Scheduled Tribes in a particular state.

In India tribal communities are referred to as Girijan (the people of the hills), Adivasi (the first inhabitants), Vanvasi (inhabitants of the forests), Aadijati (the first or indigenous communities), and in other ways to associate them with nature, or with early human history. In India, in various states, many programmes were specially designed to promote tribes to mainstream of national community. These programmes aimed to raise productivity in agriculture, forestry, cottage industry and other occupations of tribals, including support for provision of inputs, irrigation, credit, marketing of their outputs. In 1993, UN declared 'Decade of the World's Indigenous People' and the International Labour Organization (ILO) initiated INDISCO, an inter-regional programme for indigenous and tribal peoples with an aim at promoting self-reliance of indigenous and tribals through cooperatives and other self-help groups and organizations.

The INDISCO study in Indian states led to 5-year pilot projects for capacity and institution building, based on tribal people's traditional institutional structures, with the purpose of later formalising these into cooperatives. The National Cooperative Union of India is the apex cooperative organization further led to formation of TRIFED (Tribal Cooperative Marketing Development Federation of India) as the national apex marketing cooperative of Large area multipurpose cooperative societies (LAMPCS) and other cooperatives engaged in the collection and marketing of minor forest produce and surplus agricultural produce from tribal communities. TRIFED is responsible for developing markets for artefacts, woven products, jewellery, paintings, and other goods produced by tribal communities. Almost all of the TRIFED share capital has come from the Government of India.

The TRIFED does provide any credit services but LAMPCS do engage in credit provision to members.. Alongside TRIFED, and NAFED and its members, and the state level tribal cooperative federations also exist to help tribal community. These organizations procure produce of tribals from the primary cooperatives, on commission basis, and from the local haat. But it is clear that tribal cooperatives have for various reasons have tested only limited success till now. Various factors have contributed to this e.g. lack of democratic control, bogus membership, mixed membership (of tribal and non-tribal communities), too many functions resulting in specialisation in none, mixing of credit with marketing at the primary cooperative levels, subsidies leading to lack of commitment to profitability, too large a size, and discomfort of tribal members in a cash economy and with weights and lack of trust on non traditional methods with which tribals are unfamiliar.

The Government is adopting a holistic approach for overall development of tribal population. The Ministry of Tribal Affairs has been implementing schemes/ programmes for the socio-economic development of the ST community. The 'Van Dhan' and 'Van BandhuKalyan' programme are implemented for inclusion of tribals in mainstream of national development.



Source: Tribal Cooperative Marketing Federation of India Limited (TRIFED). (n.d.).

Figure 3.10: Model of Van Dhan SHG

The Ministry of Tribal Affairs, Government of India through TRIFED and National Scheduled Tribes Finance and Development Corporation (NSTFDC) provides assistance and support to promote entrepreneurship among tribal people with special focus to tribal women in the States / UTs with notified STs, for those who are involved in traditional work through,

'Pradhan Mantri Jana JatiyaVikas Mission (PMJVM)' from 2021-22, which is composed of i. "Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and Development of Value Chain for MFP" and "Institutional Support for Development and Marketing of Tribal Products / Produce"; and ii. "Equity Support to NSTFDC / State Scheduled Tribes Finance and Development Corporations (STFDCs)".

TRIFED is implementing Van DhanVikasKaryakaram (VDVK) under PMJVM in the tribal areas. The VDVK envisages setting up Van DhanVikasKendras (VDVKs), each having about 300 members to promote value-addition and marketing of tribal products and minor forest products (MFP). Each VDVK consists of 15 Van Dhan Self Help Groups (VDSHG), each of which comprises of up to 20 members. Since August, 2019, TRIFED has sanctioned 3,110 Van DhanVikas Kendra wherein 52,976 Van Dhan Self Help Groups associated with 9.27 lakhs beneficiaries have been included in 25 States and 02 UTs.



Source: Tribal Cooperative Marketing Federation of India Limited (TRIFED). (n.d.).

Figure 3.11: Organisational Structure of Van Dhan Vikas Kendras

NSTFDC is implementing an exclusive scheme titled “Adivasi Mahila Sashaktikaran Yojana (AMSY)” for Tribal women to undertake any income generation activity, in which loan up to 90 per cent of project cost up to Rs.2 lakh is provided at only 4 per cent rate of interest per annum to beneficiaries.

It is very much clear that with success of cooperatives in various all the states in sectors like dairy, agribusiness, fisheries and others in India, the tribals can also take increasing advantage of cooperative from of organisation in promotion of their produce and get rid of middleman in marketing of their forest produce and other traditional items which they produce themselves. Formation of cooperatives will allow tribals in showcasing their skills and capabilities and earning best price for their art and produce. It is a good idea to further focus on promoting cooperatives among tribals of our nation for bringing everyone to forefront of national development.

Case – 6: Forest Management Cooperative, Kheda, Dahod, Gujarat

Kheda is a small village situated about 11 kms away from Jhalod town in Dahod district, of Gujarat. The village has 191 households. The Kheda Sahakari Van Samiti (Joint Forest Management Cooperative) in Dahod district was registered in 1995, after 2 years of attempts at registration. The clearance of members, and a no-objection certificate from the local LAMPCS, before registering the cooperative. The cooperative has 141 members. Membership was voluntary, and a few of the residents of Kheda village, have opted to stay away from the cooperative.

The area is one where the forest had receded to 2% canopy cover. Elderly members spoke of having a dense forest nearby, when they were children, with deer, bear, tigers, foxes and other wild life living in the forest. There used to be large teak trees, and the local tribal communities would go into the forest for gum collection, and other minor forest produce. The forest department used to be very strict, they said. Large-scale felling of teak trees took place during the second world war, for ship building and the railways. Later, contractors were allowed to come into the forest and fell the trees and sell it for timber, and along with the foliage, wild life had disappeared. Employment opportunities for the local community had become few and far between.

The members said that they needed the forest for their homes, for their work, for their lives. Apart from it being a source of livelihood, it also provided the biomass needed for their housing, for fodder, for fuel.

In this village, about 25 per cent of the households had become "Bhagats", and had stopped smoking bidis and chewing tobacco, and had become teetotallers.

The Sadguru Foundation played a major role in the formation funds raised and development of the cooperative. It helped mobilise the community; it managed the funds for early soil of conservation the cooperative and social mobilisation activities; it developed technical plans with the help of the forest department, and assisted the community in the execution of the plan; it helped in the process of registration as a cooperative; and it helped build the capacity of the local community to manage the forest, and their cooperative.

Services to Members

In 1991, an informal group was first formed, and some degraded land was allocated by the forest department to the group. Members began to work on the land and in 1992, the first benefit that they got was the grass that had begun to grow.

In 1993, through the cutting of branches and pruning, there was firewood to be shared among members, and some firewood was even auctioned.

There was a 10 year agreement with the forest department that 20% of the value of sales would go to it, and that 80% would come to the informal group (during the pre-cooperative stage) This was changed unilaterally by the forest department to a 40:60 ratio, with 40% of the proceeds going to the department. Members felt that this change would not have been possible had they been registered. Therefore, they close to get the group formally registered as a cooperative.

The only other interaction from the department, members laughed and said, was that they would come regularly to count the numbers of plants. No technical help was provided by the department in the actual management of the growing forest. The members added that in the early days, on counting the trees, the department termed them a "failure". The members, however had been confident that their plants would not die, and continued to tend to them. Later, the forest department accepted that indeed the plants had taken root and were growing, and, as a result, the department officials stopped coming altogether, even to count the trees.

When elections took place and there was a change in the committee, the cooperative informed the forest department about the change, and the department protested that the committee ought not to have been changed without their involvement. The members said that they had to teach the department about the cooperative law and their bylaws. The agreement with the forest department apparently has a clause providing for the removal of the committee by the department if it felt that necessary.

When asked why they needed to register as a cooperative, they said that this was work that all had to do jointly and benefits had to be shared equitably. Without registration, they said, they would have had problems with conflict solving, and the group would have broken up. The biggest beneficiary of that would have been the government, they felt. However effective an informal group

was, it remained vulnerable when dealing with the outside world, the members said. For example, as a legal entity, they could have prevented unilateral changes in agreements, the members felt.

In the 84 hectares of forest, they have grown leak, nilgiri, bamboo, babul, and other varieties. Varieties such as bamboo and nilgiri were expected to yield high. Teak was expected to be best for use after 60-70 years. An investment of Rs 10,000 per hectare could yield as much as Rs 150,000 at the end of 20 years, it was stated. However, the cost to managing and protecting the property over the 20 years, and the decreasing value of money, would probably reduce the real income significantly.

Earlier there were forest labour cooperatives, in which the members were mere labourers in the forest and the department would permit the sale of firewood to them. Now, the members felt they were no longer just labourers. They had some usufruct rights, and some rights over timber, too. Where earlier, the grass would be auctioned by the department to a middleman and then resold to members, now there was a Rs. 500 benefit annually to members from the grass.

All the 84 hectares of forest land fall in Kheda village. The neighbouring village has just 22 hectares of forest land adjoining it, and there are 500 households there. As a result, that village was not interested in developing and nurturing its forest cover. The 84 hectares have been demarcated into smaller plots identifiable with each member. The idea is that each member will have usufruct rights over his/her "plot".

Summary of the Chapter

It is evident that cooperative societies are functioning well in various states in India and till now they have contributed considerably in development of rural regions by contributing to increase incomes of rural population. There are variety of cooperatives which exist at state level, district level and at taluka/village level. The cooperatives have been formed in accordance with Constitution of India, which respects choice of people in forming an association for mutual benefit. A variety of cooperatives in diverse products and activities exist e.g. dairy, credit, fishery, poultry, single state, multi state, multi produce, agribusiness, marketing, coffee, sugar, bidi, tobacco, rice, tribal, etc. exist in Indian states. Government support in promoting cooperatives has been phenomenal in various states of the country, thereby benefiting hoards of households.

Model Questions

- List names of various forms of cooperatives.
- Explain how dairy cooperatives have contributed to supplementing the agricultural income for rural population.
- Explain how marketing Cooperatives are important for its members.
- What is the role played by tribal cooperatives.
- Explain the three tier (three layer) Anand pattern of dairy development in India.
- Explain various functions of cooperative marketing societies in India.

To-Do-Activity

1. Identify various types of cooperatives in your district and write their objectives.
2. Identify the Credit cooperative banks in your district and study the their lending operations.
3. Write a case study on any one tribal cooperative society to know its activities and contribution to tribal development.
4. Identify most backward districts/talukas in your state and study dairy cooperative operating there.
5. Study the website of the Ministry of Cooperation, prepare a note on its activities and functions.

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Unit – 4 Financing and Management of Cooperatives

Introduction

The cooperative societies have a great role to play in future development of rural economy and it is imperative that cooperative form of organisation is further encouraged and adopted in areas like agribusiness and others in rural economy. One of the essential requirements of success of any organization is access to finance. Finance is all the more important for sustaining cooperatives in rural areas and agriculture activities. Availability of finance and managing issues of business development, issues relating to leadership, collective action, education and training and other issues play a vital role in management of cooperatives. The present delves on such important aspects which are essential for development of cooperatives which are critical to makes significant contribution to development of cooperatives and their success in India to fuel further rural development.

Objectives of the Chapter

The objectives of present unit are as follows,

1. To learn financing ways of agribusiness cooperatives,
2. To learn about business development planning for cooperatives,
3. To learn role of MIS related to cooperatives in agribusiness,
4. To learn issues related to leadership, education and training relating to cooperatives, and
5. To learn importance of collective action and success of cooperatives.

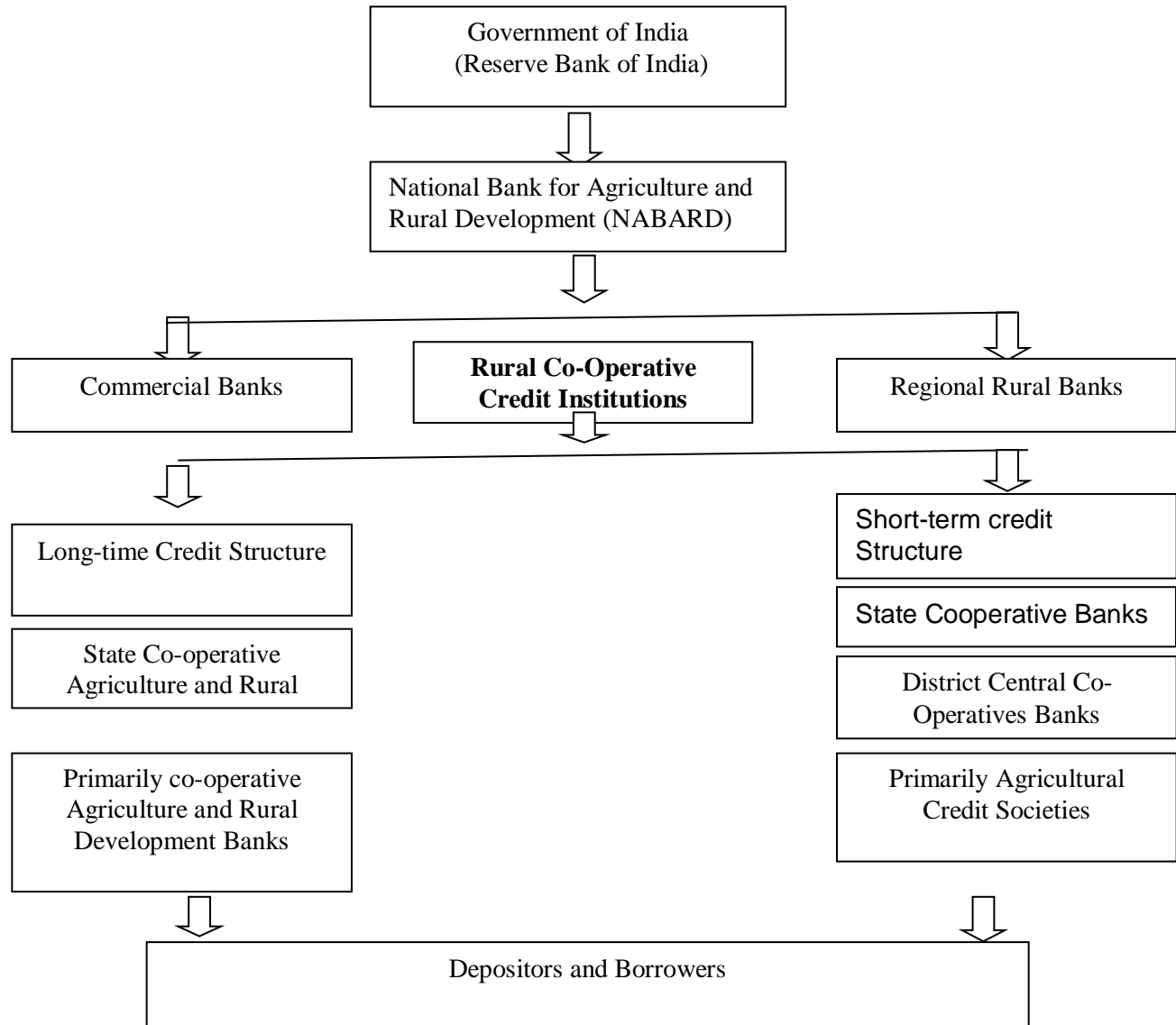
Chapter Structure

1.1 Financing agribusiness cooperatives
1.2 Principles of Cooperation
1.3 MIS for agribusiness cooperatives
1.4 collective action and leadership in cooperatives
1.5 Promotion of cooperative movement-education and training

4.1 Financing Agribusiness Cooperatives

Indian agriculture and farmers has been exploited by money lenders. The farmers with low incomes are more susceptible to pressures and tactics of money lenders. The first step for institutionalization has begun with the cooperative societies act in 1904. Reserve bank of India has initiated several steps to provide institutionalized credit to the rural community. It has initiated a new structure to provide two types of time bound credits namely short term and loan term credit. The nationalization of banks promoted commercial banks to extend Agriculture Finance. Later during present decades in 21st century, many developments have taken in banking and financing agriculture as well as agribusiness. Many

initiatives have been taken for promoting financing facilities for rural areas, women and unbanked regions of the country. Priority sector lending, small finance banks, jandhan accounts and setting up village organisation by self-help groups are promoting agribusiness finance and increased availability of more finance to agricultural sector including agribusiness.



Source: Imaduddin Educare. (2021, January 20).

Figure 4.1: Rural Cooperative Credit Institutions

But too often in developing countries these cooperatives are ineffective. There are a number of reasons: bad debts and excessive overdue payments caused or exacerbated by poor and untrained management, and faltering support by members in difficult times. And—although in most countries it is no longer a problem—the traditional dominance of cooperatives by well-off segments of the population (often the moneylenders and traders that cooperatives were supposed to supplant) left them with a bad reputation among poorer people. Many of these problems could be overcome if cooperatives were run more efficiently.

Case – 7: Agribusiness Initiative Through Collective Action by Women SH Group of Nana Kanthariya Village, Bhiloda Taluka, Arvalli District, Gujarat.

The village of Nana Kantharia is located on the boarder of Gujarat and Rajasthan in the Aravali hills. It is located at a distance of 35 kilometres from taluka office of Bhiloda and only around 16 kilometres from The famous temple of God Vishnu at Shyamlaji near the highway. The main occupation of people is farming. They are also engaged in supplementary economic activities with some people in government service and economic activities relating to temple and others. A few persons from village are also working in defence forces and para military and reserve forces of country.

The government agriculture officer and other functionary provide routine guidance and help to the local farmers. Some years ago in the year of 2018 a few women of the village, led by a women whose husband is working with CRPF and posted elsewhere, motivated some other women of village Nana Kantharia, took the initiative to come together to start farming of turmeric on their land. The women formed a Self help group initially in their own village, but within a period of two years women from other neighbouring villages have also joined in cultivation of turmeric on their land. After realising that processing of turmeric will allow them to earn more profits and improve their incomes, they started to dry the turmeric for further processing and grind it to convert it in the powder. After packaging it in 500 grams and one kilogram packets the group women have started selling the turmeric powder. The quality and purity of turmeric is their motto. Although to begin with their is no brand name of the product, but this is good example individual women coming together and deciding to form a group for initiating collective action for their own benefit. This is good example of women empowering through willingness



Source: Field visit during Third Party Evaluation Study of SPMRM – phase I by author and Sardar Patel University expert team in October, 2020.

to cooperate. Further success of the formation of group will depend upon sustenance of the effort and involving more women and more SHG and formation of a formal agribusiness cooperative society in the region. This will allow the cooperative to market their product under a brand name. There is ample of furthering up scaling the activities of the group to diversify into other agriproducts, buying inputs and marketing of their products. These efforts will result into overall development of the region by empowering rural population and women.

Source:

<http://geolysis.com/p/in/gj/arvalli/bhiloda/nana-kanthariya>

<http://www.onefivenine.com/india/villages/Sabar-Kantha/Bhiloda/Nana-Kanthariya>

<https://villageinfo.in/gujarat/sabar-kantha/bhiloda/nana-kanthariya.html>

Agricultural business cooperatives are organizations formed by farmers or other agricultural producers to collectively market and sell their products, purchase supplies and services, and provide other business-related activities. The goal of agricultural cooperatives is to help small farmers overcome the challenges of operating in a competitive market by pooling resources and working together.

Agricultural business cooperatives have a long history in many countries, dating back to the early 1800s. In the United States, for example, the first agricultural cooperative was founded in 1810 by farmers in the Northeast who wanted to improve the marketing of their crops. Today, agricultural cooperatives have become beacon of growth for rural economy and play a vital role in the agricultural sector. Indian government also is laying lot of emphasis on Cooperatives to transform Indian rural economy, following table provides a snapshot on growth numbers for agribusiness cooperatives in India:

Year	Number of Agribusiness Cooperatives in India
2010	6,000
2011	6,662
2012	7,190
2013	7,766
2014	7,856
2015	7,581
2016	8,249
2017	9,157
2018	10,748
2019	14,028
2020	15,177

Source: National Cooperative Development Corporation (NCDC), 2023.

Table 4.1: Year wise Number of Agribusiness Cooperatives in India

One of the key benefits of agricultural cooperatives is that they can help farmers achieve economies of scale. By pooling resources, farmers can negotiate better prices for supplies and equipment, reduce marketing costs, and access larger markets. This can help small farmers compete with larger farms and increase their profitability.

Another benefit of agricultural cooperatives is that they can provide farmers with access to capital. Cooperatives can raise funds through member contributions, loans, or by issuing stock. This can help farmers invest in new equipment, expand their operations, or make other improvements.

However, agricultural cooperatives also face several challenges. One of the biggest challenges is managing the cooperative effectively. This includes ensuring that members are actively involved in the decision-making process, maintaining good communication, and managing conflicts. Additionally, cooperatives must navigate complex legal and regulatory environments, which can be challenging for small farmers.

There are several types of agribusiness cooperatives in India, which majorly can be classified into following subtypes:

1. **Credit Cooperatives:** These cooperatives provide credit facilities to farmers at lower rates of interest than commercial banks. They also provide financial services such as savings and insurance.
2. **Marketing Cooperatives:** These cooperatives are formed by farmers to collectively market their agricultural produce. They help farmers to obtain better prices for their produce by eliminating middlemen and ensuring that farmers receive a fair price for their products.
3. **Consumer Cooperatives:** These cooperatives are formed by consumers to collectively purchase goods and services, including agricultural products, at lower prices. They also help to eliminate middlemen and ensure that farmers receive a fair price for their produce.
4. **Agri-processing Cooperatives:** These cooperatives process agricultural produce, such as milk or grains, into value-added products such as butter or flour. They help farmers to obtain better prices for their produce by adding value to the products.
5. **Agri-input Cooperatives:** These cooperatives provide farmers with inputs such as seeds, fertilizers, and pesticides at lower prices. They also provide technical assistance to farmers to improve their productivity.
6. **Farming Cooperatives:** These cooperatives are formed by farmers to jointly undertake farming activities such as cultivation, harvesting, and irrigation. They help farmers to reduce their costs and increase their productivity by sharing resources and expertise.

Keeping cooperatives small so that all members know each other has been regarded as more important than having a larger membership with a broader potential capital base. However, since the 1960s, large cooperatives, especially in cooperative marketing, have become more common. In Kenya, most coffee cooperatives have over a thousand members, and in India the average membership of agricultural cooperatives is approaching one thousand.

Agricultural service cooperatives have traditionally raised most of their funds from their members. Experience shows, however, that although members' share capital may be sufficient to start certain activities, such as cooperative marketing, it cannot finance most of the undertakings of agricultural service cooperatives in developing countries today—especially enterprises whose capital requirements are substantial, whose functions are complex, and whose results are expected within a short period of time. Large-scale operations and entry into food-processing and other capital-intensive activities, for instance, require much more capital than individual members are able to provide within the time horizon of a development project—even assuming that members feel that they have a sufficient stake in their society and confidence in its management and future to want to buy more shares in it. In this situation, modifications to the traditional cooperative tools for raising capital may be required.

Financing is a crucial aspect of the agribusiness industry, as it requires significant capital investment for various activities, such as cultivation, processing, and marketing of agricultural produce. Cooperatives in

India have changed the landscape of many regions like Anand in Gujarat which has countries most successful dairy cooperatives Amul, it has provided to be a testimony of how collective actions of society at large can benefit everyone involved and improve agricultural output efficiency and growth.

We always need source of capital to help grow any business, agribusiness is not different from such business, with its own set of challenges the sources of agribusiness financing can be majorly classified into following sources:

1. **Equity financing:** Equity financing is the most common form of financing for agribusiness cooperatives in India. Equity financing involves the sale of shares to the members of the cooperative, who then become owners of the cooperative. Members contribute equity to the cooperative, which is then used for working capital and investment purposes.
2. **Debt financing:** Debt financing is another important source of financing for agribusiness cooperatives in India. The cooperative can borrow from financial institutions such as banks, cooperative banks, and non-banking financial companies (NBFCs). These institutions provide loans to cooperatives based on their financial strength and creditworthiness.
3. **Government schemes:** The Indian government has launched several schemes to support the financing needs of agribusiness cooperatives. For example, the National Cooperative Development Corporation (NCDC) provides financial assistance to cooperatives through loans, grants, and subsidies. Similarly, the Small Farmers' Agribusiness Consortium (SFAC) provides financial support to small and marginal farmers through agribusiness cooperatives.
4. **Microfinance:** Microfinance institutions (MFIs) also play a significant role in financing agribusiness cooperatives in India. MFIs provide loans to small farmers and agribusiness cooperatives that are not able to access formal sources of finance. These loans are typically small and have a short repayment period, which makes them ideal for small-scale farmers and cooperatives.
5. **Trade credit:** Trade credit is another important source of financing for agribusiness cooperatives in India. Cooperatives can obtain credit from their suppliers and distributors by negotiating favorable credit terms. Trade credit allows cooperatives to obtain working capital without the need for collateral or other formalities.

The Government of India has launched several schemes to provide financial assistance to agribusiness cooperatives in the country. These schemes aim to support the development of the agricultural sector and promote the growth of agribusiness cooperatives. Here are some of the prominent government schemes for agribusiness cooperative financing:

1. **National Cooperative Development Corporation (NCDC)** – The NCDC is a specialized financial institution that provides term loans, working capital, and other financial assistance to agribusiness cooperatives. The NCDC also provides refinancing facilities to banks and other financial institutions for lending to agribusiness cooperatives.
Details of assistance disbursed by NCDC to cooperatives during each of the last three (as on 31/07/2021) years are given below:

YEAR	DISBURSEMENT (Rs. In CR)
2018-19	28272.51
2019-20	27703.43
2020-2021	24733.24
2021-2022 (As on 31.07.2021)	8676.63

Source: Rajya Sabha, Gol.

Table 4.2: Year wise Assistance Disbursed by NCDC

2. **Agricultural Credit Policy** – This policy aims to provide credit facilities to farmers and agribusinesses to enhance their productivity and income. Under this policy, banks are required to allocate a certain percentage of their lending to the agricultural sector, including agribusiness cooperatives.
3. **Pradhan MantriFasalBimaYojana (PMFBY)** – This scheme provides insurance coverage and financial support to farmers and agribusinesses in case of crop failure due to natural calamities, pests, or diseases. PMFBY aims to provide affordable crop insurance to farmers and agribusinesses.
4. **Agricultural Marketing Infrastructure (AMI)** – This scheme provides financial assistance to agribusiness cooperatives for the development of marketing infrastructure, such as cold storage, packhouses, and grading facilities. The AMI scheme aims to enhance the quality and value of agricultural produce and promote exports.
5. **National Agriculture Market (eNAM)** – This online platform enables farmers and agribusinesses to sell their produce directly to buyers across the country. eNAM aims to promote transparent price discovery and reduce intermediaries in the supply chain, thereby increasing the income of farmers and agribusinesses.

One of the key benefits of agribusiness cooperative financing is that it helps to bridge the gap between formal financial institutions and small farmers. Agricultural cooperatives provide a mechanism for small farmers to access credit and other financial services, which they may not be able to obtain on their own. By pooling their resources and working together, farmers can leverage their collective strength to secure better terms and conditions for financing.

4.2 Business Development Planning for Agribusiness Cooperatives

A plan developed on local area resources, potential and needs of different type of members ensuring viable business activities is the key. It is a prudent blue print for future business development in short or midterm and ensures optimal utilization of resources. Planning is the most basic and crucial managerial function which precedes all other functions. It deals with fixation of objectives and coordinated efforts towards their attainment. It comprises of two aspects –improvement of the cooperative within the boundaries that are laid down, and questioning, evaluating and restructuring of boundaries themselves.

BDP of a cooperative society means the plan of business activities which the society is going to undertake for the benefit of members over a specific period of time in the coming years. The plan will indicate different business activities to be undertaken based on potentials in the area, the relative costs and margin of profit the society will earn from such activities. It also specifies when, how and by whom activities are to be carried out, over a time span.

Business development planning is crucial for agribusiness cooperatives to ensure their sustainability and growth. It helps cooperatives to identify their strengths and weaknesses, set strategic goals and objectives, allocate resources, manage risks, identify opportunities for collaboration, and continuously improve their operations. With a well-designed business development plan, agribusiness cooperatives can prioritize their critical needs, make informed decisions, and ensure that everyone in the cooperative is working towards the same objectives.

A well-planned business development plan for agribusiness should entail following major considerations to cover holistic approach for success:

1. **Vision and Mission:** The first step in business development planning is to define the vision and mission of the cooperative. A vision statement outlines the long-term goals and aspirations of the business, while a mission statement communicates the business's purpose, values, and objectives. These statements serve as a guidepost for the business, providing a framework for decision-making and resource allocation. A clear vision and mission can also help to inspire and motivate employees, as well as attract customers and investors who share the same values and goals. When developing a vision and mission in agribusiness planning, it's important to consider the unique qualities and strengths of the business, as well as its target market and competitive landscape. A well-crafted vision and mission statement can help agribusinesses differentiate themselves from their competitors, build brand recognition, and develop a loyal customer base. A clear and compelling vision and mission can help to ensure the long-term success and sustainability of the agribusiness.
2. **Situation Analysis:** Situation Analysis helps businesses to understand their current position, strengths, weaknesses, opportunities, and threats (SWOT). A situation analysis involves gathering information about the internal and external factors that affect the business, such as market trends, consumer behavior, and competition. By conducting a situation analysis, agribusinesses can gain insight into their competitive position and identify any gaps in their product or service offerings. This information is crucial in developing a successful agribusiness plan, as it allows businesses to capitalize on their strengths, address their weaknesses, and mitigate potential threats. Additionally, a situation analysis can help agribusinesses identify any external factors that may impact their operations, such as changes in government policies or weather conditions. A thorough situation analysis helps agribusinesses make informed decisions about how to allocate their resources, develop their marketing strategies, and grow their business in a sustainable and profitable way.
3. **Market Study and Analysis:** Conducting a market study helps agribusinesses understand the current market landscape and identify potential opportunities for growth. A market study involves gathering data and analyzing market trends, consumer behavior, and competition in the industry. By conducting a market study, agribusinesses can gain insight into the demand for their products, the pricing strategies of their competitors, and potential growth areas in the market. Additionally, a market study can help agribusinesses identify any barriers to entry, such as regulations or supply chain challenges. This information is essential in developing a successful agribusiness plan, as it allows businesses to tailor their products and services to meet the needs of their target market, differentiate themselves from their competitors, and identify potential areas for expansion. Conducting a good market study helps agribusinesses make informed decisions about how to allocate their resources, develop their marketing strategies, and grow their business.
4. **Goals and objectives:** Setting goals and objectives is a crucial component of agribusiness planning. Goals and objectives provide a roadmap for the business, guiding decision-making and resource allocation. When setting goals and objectives in agribusiness planning, it's essential to consider both short-term and long-term objectives. Short-term goals might include achieving a specific

yield or reducing costs, while long-term goals might involve expanding the business or improving sustainability. It's also important to make sure that goals and objectives are specific, measurable, attainable, relevant, and time-bound (SMART). This means that they should be clearly defined, able to be measured, achievable, relevant to the business, and have a set timeframe for completion. By setting SMART goals and objectives in agribusiness planning, businesses can track their progress and adjust as necessary to stay on track towards achieving their desired outcomes.

5. **Plan of Action:** Plan of Action outlines the specific steps that the business will take to achieve its goals and objectives. A plan of action includes a timeline, budget, and specific tasks or milestones that must be completed to achieve the desired outcomes. Developing a plan of action helps agribusinesses stay on track and ensure that resources are allocated efficiently and effectively. When developing a plan of action in agribusiness planning, it's essential to consider both short-term and long-term goals and objectives, as well as any potential challenges or obstacles that may arise. A well-crafted plan of action can help agribusinesses mitigate risks and ensure that resources are allocated in a way that supports the overall vision and mission of the business. Additionally, a plan of action should be flexible and adaptable, allowing the business to adjust as necessary to respond to changes in the market or other external factors. A well-executed plan of action is critical to the success and sustainability of the agribusiness.
6. **Resource allocation:** Resource allocation is a critical component of agribusiness planning. It involves making informed decisions on how to allocate resources such as labor, capital, and equipment to achieve the goals of the business. In agribusiness planning, resource allocation is typically done at the crop or production level, where resources are allocated to specific crops or production activities based on their profitability, market demand, and resource availability. A key consideration in resource allocation is the farm's goals and objectives, which must be aligned with the allocation decisions. Market demand is also an important factor to consider, as it helps agribusinesses determine which crops or production activities are most profitable. Finally, resource availability must also be considered, including factors such as access to financing, labor availability, and equipment availability. By making informed decisions about resource allocation, agribusinesses can optimize their production, improve efficiency, and ultimately achieve their goals.
7. **Risk Identification and Mitigation Planning:** The business development plan should identify the potential risks that could affect the cooperative's operations and develop strategies to mitigate these risks. The risk management plan should cover all aspects of the cooperative's operations, including financial, operational, and reputational risks. The risk management plan should be reviewed regularly, and adjustments should be made as required. Effective risk management is essential in the agribusiness sector, where businesses face a range of risks such as weather-related events, market volatility, and supply chain disruptions. As such, another trend in business development planning for agribusiness is the adoption of risk management strategies. These strategies may include diversification of crops or products, hedging strategies, insurance, and contingency planning.
8. **Productivity measurement:** Measuring productivity is essential in agribusiness planning as it allows agribusinesses to track their efficiency and productivity over time. One of the critical measurements of productivity in agribusiness is yield per acre, which measures the amount of crop produced per unit of land. It is a key indicator of how efficiently the land is being used and how well the farm is meeting production goals. Other productivity measures include labor productivity, which measures the amount of output produced per unit of labor, and capital productivity, which measures the amount of output produced per unit of capital. In addition to these metrics, agribusinesses can also use benchmarking to compare their productivity against that of other farms in the same region or industry. By measuring and analyzing productivity

metrics, agribusinesses can identify areas for improvement and optimize their production processes, leading to greater efficiency, higher yields, and increased profits.

9. **Sustainability:** One of the most significant aspects of planning for agribusiness is a focus on sustainability. With the increasing concern for the environment, agribusinesses are prioritizing sustainable practices and developing strategies to reduce their environmental impact. This trend is driven by consumer demand for sustainably produced products and the need to address issues such as climate change, water scarcity, and soil degradation. Agribusinesses are adopting sustainable practices such as precision agriculture, conservation tillage, and organic farming to reduce their environmental footprint. Additionally, businesses are partnering with stakeholders to develop sustainable supply chains, reduce waste, and improve resource efficiency.
10. **Incorporating Digitalization:** Another important aspect of business development planning for agribusiness is to empower rural population to adopt to usage of digital technologies. Digitalization is playing a critical role in the agribusiness sector, from precision farming and data analysis to supply chain management and e-commerce. For example, farmers are using precision agriculture technologies such as GPS, sensors, and drones to optimize crop yields and reduce waste. Data analysis is also being used to improve supply chain management, predict demand, and improve logistics. E-commerce platforms are also becoming more popular, allowing farmers to sell their products online and reach a wider audience.
11. **Focus for creating unique business models:** Innovation is another aspect in business development planning for agribusiness. Agribusinesses are developing new products, processes, and technologies to improve efficiency and productivity. For example, biotechnology is being used to develop new crop varieties that are more resistant to pests and diseases, while robotics and automation are being used to reduce labor costs and improve efficiency. Agribusinesses are also developing new food products and ingredients to meet changing consumer demands for healthier, more sustainable, and plant-based diets.



Source: Created by Author

Figure 4.3: Business development planning for Agribusiness Cooperatives

In Indian context one of the most successful business development stories in agribusiness in India is that of the Amul cooperative, which was established in 1946 in Gujarat and is now one of the largest milk and dairy products brands in the country. The success of Amul can be attributed to several factors, including its strong business model, innovative marketing strategies, and a focus on empowering farmers through cooperative ownership.

Amul's business model is based on the principle of cooperative ownership, with more than 3.6 million farmers as members of the cooperative and over 18,500 village cooperative societies. The farmers supply milk to the cooperative, which is then processed into various dairy products such as milk, butter, cheese, and ice cream. The cooperative is managed by a board of directors elected from among the members, ensuring that the farmers have a say in the governance of the organization.

One of the key factors behind Amul's success has been its innovative marketing strategies. Amul's iconic "Amul girl" advertising campaign, featuring a young girl in a polka-dot dress and a wide smile, has been hugely popular and helped establish the brand as a household name. The brand has also been innovative in launching new products and diversifying its product range, such as launching low-cost products for rural markets.

Amul's focus on empowering farmers through cooperative ownership has also been crucial to its success. By giving farmers a stake in the organization and ensuring that they receive a fair price for their milk, Amul has been able to build a loyal and committed supplier base. This has helped the organization to maintain a steady supply of high-quality milk, ensuring the quality and consistency of its products.

Measures for effective implementation of Plan: A Business Development Plan, though prepared well would yield desired results only if operationalized and implemented properly. Some of the important measures and guidelines for this purpose are:

- Prepare plans well in advance to initiate/arrange timely implementation
- Communicate and explain the plans to all stakeholders
- Clarify the expected role and responsibilities to elected management and paid employees in successful implementation of plans
- Involve members, especially women and maintain close and continuous contact
- Obtain approvals and licenses and complete other legal formalities
- Provide timely, prompt and good services
- Introduce performance linked incentives at individual and group level
- Procure right quality and quantity of goods at right price and at right time
- Design a simple and effective system to review and monitor the implementation
- Take prompt and proper remedial measures/corrections for gaps/deviations
- Enrol new members and activate the existing sleepy members

- Keep track of utilisation of resources
- Build efficiencies in inventory management/stock planning
- Prepare budgets and cash flow
- Workout appropriate systems for operating, record keeping and financial management
- Develop mechanism for customer complaints and redressal
- Build spirit of cooperation and competition between operational units
- Train the personnel for their roles/jobs
- Coordinate activities for plan objectives
- Liaise with other agencies for mobilizing support
- Identify changes in environment and operational difficulties not visualized at the time of initial plan
- Mobilize financial resources - Plan ways to increase share contribution of members - Approach at appropriate time with sound proposal to Financial Institutions/Bank
- Fix work standards and control points to check wastage, pilferage, inventory use etc.

Table 4.2: Business Development Planning in Cooperatives – INDICATIVE FORMATS

(Rs. In 000)				
Business Activity	Business Turnover	Trade Margin	Total Running Costs	Net Surplus
Credit				
Short Term				
Medium Term				
Long Term				
Inputs				
Implements				
Plant Protection				
Others				
Marketing				
Outright Commission				
Others				
Consumer				
Controlled				
Non-Controlled Others				
Storage				
Deposit				

Fixed
Others

Any other Activity

Note: On the same format Cooperatives may prepare its projected business plan for one to five years

Table 4.3: Projected Financial Requirements

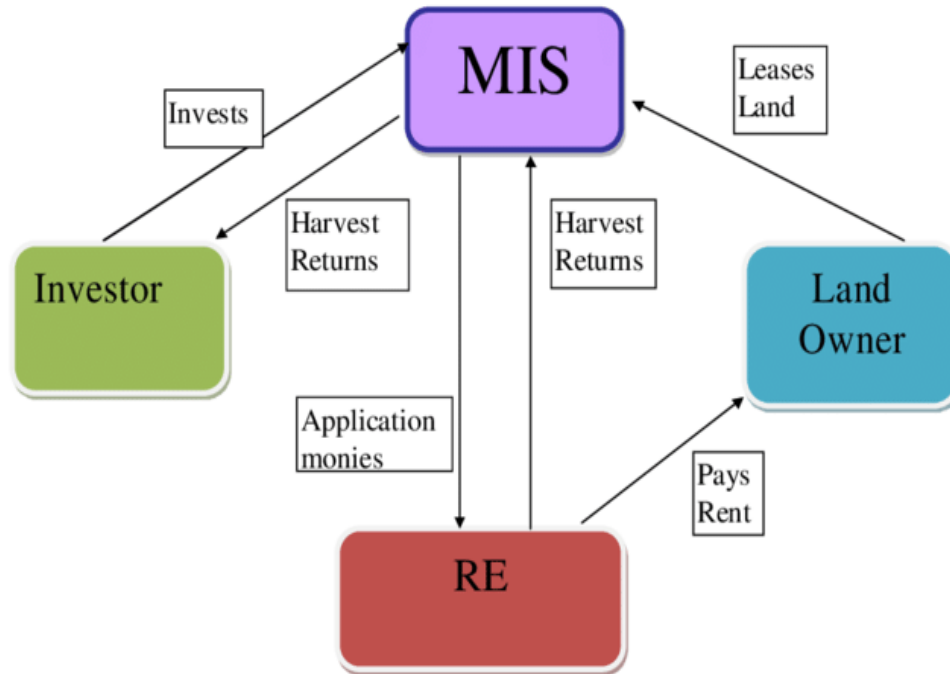
Business Activity	Business Volume	Number of Expected Turnover	Financial Requirements
<ul style="list-style-type: none"> ● Agri Credit ● Marketing ● Agri. Inputs ● Consumer ● Others 			

Table 4.4: Estimating the Availability of Funds

Sources	Period of Cash Flow				Total
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Increase in: Share Capital Deposits Loans Internal (from business operations)					
Total :					

4.3 Management Information System (MIS) for Agribusiness Cooperatives

Management Information Systems (MIS) have revolutionized the way agribusinesses operate by providing them with the tools to manage their operations and make informed decisions. MIS refers to the use of information technology to manage data, information, and knowledge related to the organization's operations, processes, and performance. In agribusiness, MIS plays a crucial role in managing the complexities of supply chain operations, including procurement, production, logistics, and marketing.



Source: The ASIC (2010)

Figure 4.4: The structure of an agribusiness MIS

One of the key benefits of MIS in agribusiness is its ability to facilitate real-time data collection and analysis. By collecting data on key performance metrics, such as yield, quality, and cost, agribusinesses can identify trends and patterns that can help improve their operations. For example, by analyzing data on soil quality and moisture levels, farmers can make more informed decisions about crop selection, planting, and harvesting.

MIS also helps agribusinesses manage their inventory and logistics more efficiently. By tracking inventory levels in real-time, businesses can ensure that they have the right products available at the right time, reducing waste and improving customer satisfaction. Additionally, by tracking transportation and logistics data, businesses can optimize their delivery routes, reducing transportation costs and improving delivery times.

Another benefit of MIS in agribusiness is its ability to enhance collaboration and communication between stakeholders in the supply chain. By sharing information in real-time, businesses can improve transparency and reduce inefficiencies, ultimately improving the overall performance of the supply chain. For example, by sharing data on crop yields, farmers can collaborate with suppliers and distributors to optimize their production and distribution strategies.

MIS can also help agribusinesses improve their marketing and customer engagement efforts. By analyzing customer data, businesses can gain insights into customer preferences and behavior, allowing them to develop more targeted marketing strategies. Additionally, by leveraging social media and other digital marketing channels, agribusinesses can reach a wider audience and engage with customers more effectively.

Despite the benefits of MIS in agribusiness, there are also challenges to its implementation. One of the primary challenges is the lack of IT infrastructure in many rural areas where agribusinesses operate. Additionally, there may be resistance from stakeholders who are not familiar with technology or who are skeptical of its benefits. Overcoming these challenges requires a long-term commitment to technology adoption and a willingness to invest in IT infrastructure and training.

Successful implementation of MIS also requires a clear understanding of the organization's goals and objectives. Businesses must determine which data and information are most critical to their operations and develop strategies for collecting and analyzing this data effectively. Additionally, businesses must develop processes for sharing information and collaborating with stakeholders in the supply chain.

MIS has become an essential tool for agribusinesses in managing their operations and making informed decisions. By providing real-time data collection and analysis, enhancing collaboration and communication, improving inventory and logistics management, and improving marketing and customer engagement efforts, MIS can help agribusinesses improve their performance and achieve long-term growth and sustainability. However, successful implementation of MIS requires overcoming challenges such as the lack of IT infrastructure and resistance to technology adoption. Through a long-term commitment to technology adoption and investment in IT infrastructure and training, agribusinesses can unlock the full potential of MIS and improve their overall performance.

One example of MIS adoption by agribusiness in India is the eNAM (Electronic National Agriculture Market) platform, which was launched in 2016 by the government of India to create a pan-India electronic trading platform for agricultural commodities. The eNAM platform is a digital marketplace that allows farmers, traders, and buyers to buy and sell agricultural commodities online, eliminating intermediaries and improving transparency in the market. The platform uses an online bidding system, with prices determined by supply and demand, ensuring fair prices for both farmers and buyers.

The eNAM platform also provides real-time information on prices, arrivals, and quality of agricultural commodities, enabling farmers to make informed decisions about when and where to sell their produce. The platform has integrated with several state agricultural marketing boards and APMC (Agricultural Produce Market Committee) markets, allowing farmers to sell their produce in any market across the country.

The adoption of the eNAM platform has led to several benefits for agribusiness in India. Firstly, it has improved price discovery and reduced the information asymmetry that previously existed in agricultural markets. Secondly, it has eliminated intermediaries, reducing transaction costs for farmers and increasing their income. Thirdly, it has enabled farmers to sell their produce in any market across the country, increasing their market access and reducing their dependence on local traders.

The eNAM platform has been adopted by several states across India and has facilitated the trading of millions of tonnes of agricultural commodities. The platform has also received several awards and recognitions, including the SKOCH Award for Best Digital Governance in 2018 and Platinum Award in the Digital Empowerment of Citizens Category in Digital India Awards 2022.

4.4 Collective Action and Leadership in Cooperatives - Agribusiness

Collective action and effective leadership are two critical aspects that play a crucial role in the success of agribusiness. In recent times, there has been a growing emphasis on the need for collective action and effective leadership in agribusiness as it helps in achieving sustainable development goals, improving

economic growth, and promoting social well-being. This essay will discuss the importance of collective action and effective leadership in agribusiness, and how they can be implemented to achieve success.

Collective Action:

Collective action is defined as the voluntary cooperation of individuals or organizations to achieve a common goal. In the context of agribusiness, collective action involves the collaboration of farmers, producers, marketers, and other stakeholders in the agricultural value chain to improve productivity, efficiency, and profitability. Collective action can help in the sharing of resources, knowledge, and technology, leading to enhanced agricultural practices and better market access. For instance, collective action can facilitate the formation of producer groups, cooperatives, and other community-based organizations, which can negotiate better prices for their products, access credit, and share the cost of inputs. Major aspects of collective actions can be covered into following key points:

1. **Vision with Common Goal:** Members of the cooperative need to share a common vision and goal. A shared vision helps the members to work together towards a common goal and provides a sense of unity and direction to the cooperative.
2. **Commitment towards Common Goal:** Members of the cooperative must trust and be committed to each other and the cooperative's vision. Trust is built over time through shared experiences and mutual respect.
3. **Collective Decision-making:** Collective decision-making ensures that every member of the cooperative has a voice in the decision-making process. This process involves sharing information, discussing options, and reaching consensus through negotiations and compromises.
4. **Clarity in Ownership:** Each member must have a clear understanding of their roles and responsibilities within the cooperative. This clarity helps to avoid confusion and conflict and ensures that everyone contributes to the cooperative's goals.
5. **Openness in Communication:** Open and transparent communication is critical for collective action. Members need to be informed of the cooperative's activities, plans, and progress regularly. Regular meetings and feedback channels are essential for effective communication.

Leadership:

Effective leadership is also crucial for the success of agribusiness. Effective leaders can motivate and inspire others to work towards a common goal. They can provide direction, guidance, and support to the team, ensuring that everyone is working towards the same objectives. Effective leaders can also create a positive work environment, foster teamwork, and encourage innovation and creativity. In the context of agribusiness, effective leadership can help in mobilizing stakeholders, building trust, and fostering collaboration among different actors in the value chain. Major aspects of leaderships in context of agribusiness can be covered into following key points:

1. **Inspirational Leadership:** Effective leaders have a clear and inspiring vision that motivates members towards a shared goal. Leaders need to be able to articulate their vision clearly and persuasively to members.
2. **Thinking out of the box:** Leaders need to have a strategic mindset and be able to analyze the market trends and risks that the cooperative may face. This ability helps them to make informed decisions and manage the cooperative's resources effectively.
3. **Collective Leadership:** Effective leaders need to be collaborative and able to work with members to achieve the cooperative's goals. Leaders should encourage feedback, input, and ideas from members.
4. **Empowerment:** Leaders need to empower members to take ownership of their roles and responsibilities. This empowerment can lead to increased motivation, creativity, and innovation.

5. **Truthfulness:** Leaders need to be ethical, transparent, and accountable. They need to act with integrity and be committed to the cooperative's values and goals. Members look up to their leaders for guidance and inspiration.

To implement collective action and effective leadership in agribusiness, there are several steps that should be taken care. The most important aspect of collective action and effective leadership integration is clear communication among stakeholders. Communication can help in building trust and promoting collaboration among stakeholders. Secondly, there is a need for capacity building among stakeholders. Capacity building can help in enhancing the knowledge and skills of farmers, producers, and marketers, leading to improved agricultural practices and better market access. Thirdly, there is a need for the establishment of strong institutions and governance structures. Strong institutions and governance structures can help in ensuring that collective action and effective leadership are sustained over the long-term.

One example of effective leadership in Indian agribusiness cooperatives is Dr. Bijender Singh, the Chairman of the Haryana State Cooperative Supply and Marketing Federation (HAFED).

Under Dr. Singh's leadership, HAFED has emerged as a leading agribusiness cooperative in India, with a turnover of over 10,000 crores (approximately 1.3 billion USD) in the financial year 2019-20. Dr. Singh has emphasized the importance of innovation and technology in agriculture and has taken several initiatives to promote the adoption of modern agricultural practices among farmers in Haryana.

One of Dr. Singh's key initiatives has been the establishment of a state-of-the-art processing plant for organic products, which has helped HAFED to tap into the growing demand for organic food in India and abroad. The plant has the capacity to process over 200 tonnes of organic produce per day, and its products are sold under the brand name "Harit".

Dr. Singh has also focused on developing value chains for various agricultural commodities, such as fruits, vegetables, and pulses, and has established partnerships with private companies to promote the marketing of HAFED's products. Under his leadership, HAFED has also introduced a range of agri-inputs, such as seeds and fertilizers, which are sold at affordable prices to farmers.

Dr. Singh's leadership has also emphasized the importance of empowering farmers through cooperative ownership and has taken several steps to strengthen HAFED's cooperative structure. He has encouraged the formation of women's self-help groups and has established a training program for farmers to improve their skills and knowledge.

Case – 8: MPWPCL an initiative to replicate Kesla Poultry Society model for sustainable economic intervention in the rural areas.

2002 - WE FIRST STARTED OUR WORK

2005 - START HATCHERY AT JAMANI

2013 - START NEW FEED PLANT

2016 - START MP'S FIRST PALLET PLANT

2018 - AWARDED BEST FPO IN LARGE CATEGORY

Madhya Pradesh Women Poultry Producers Company Pvt Ltd (MPWPCL) incorporated as a producer company under 'Companies Act, 1956' has fourteen producer organisations operating under it, each holding a stake in the producer company. Each of these producer organisation is an independent entity involved in

providing services like – input supply, production support as well as marketing broiler poultry to its members. The cooperative membership extends to 8121 women poultry producers belonging to poor tribal and dalit families spread over Hoshangabad, Betul, Sidhi, Dindori, Chhatarpur, Tikamgarh, Sagar, Vidisha, Singrauli ,Anuppur , Alirajpur&Katni districts of the state. Thus, MPWPCL is today one of the largest people’s institution in Central India posting collective sales turnover of Rs 297.69 crores in FY 2018-19 and has impacted over Eight thousand one hundred families in the region

Today MPWPCL is the largest chicken production house in MP, with almost 1.5 million birds monthly replacement capacity with more than 10 million annual table eggs production. MPWPCL owns the following state of the art backward integration facilities:

Achievements

- A reduction of new cases of lorem
- Putting an end to mauris
- Operating the #1-ranked litora
- Helping other communities
- Opening the first neque
- Consulting on accumsan
- In 2019, we partnered with ACME
- Launching the first sociosqu
- Receiving the Presidential Award
- Inspiring and supporting vellit

To act as an apex body integrating the small holder poultry collectives under its aegis and pass on the benefits of – vertical integration, professional and technical support, economies of scale, better bargaining power with external suppliers as well as with regulatory environment.

To become a market leader in poultry in Central India.

To provide a platform for knowledge and process sharing between the affiliates.

Today MPWPCL is the largest chicken production house in MP, with almost 1.5 million birds monthly replacement capacity with more than 10 million annual table eggs production. MPWPCL owns the following state of the art backward integration facilities:

A unit of environmentally controlled breeder farms of 1.0 lac capacity with 1.5 million per month in-house chick’s production facility in two hatcheries at Jamani (Itarsi)

A fully automatic pellet feed mill at Kiratpur industrial area (Itarsi) with production capacity of 200-250 MT per day.

MPWPCL has exclusive marketing network of live chicken with own retail chain under the brand name of “Sukhtava Chicken” and a chicken processing plant is under construction.

The following is a graphical representation of the operating model of MPWPCL, showing the various entities involved and their inter-relationships.

Agricultural cooperatives must be effective in improving efficiency in the following key areas –

Responding to the needs of members, thereby encouraging members ' participation

- Providing technical support in marketing and supply areas.
- Enhancing members ' higher economic returns through value added.
- Providing adequate and timely credit facilities leading to higher productivity.

- Demonstrate a high level of management efficiency leading to a better 'good will'
- Adopting open attitudes towards joint ventures and collaborations.

Professionalism in Cooperatives

- Adhere to the cooperative values framed by the International Co-operative Alliance.
- Consider the needs and interests of the members during the preparation of legal proceedings.
- Do not indulge in any financial malpractice.
- Maintain all accounts books in a transparent manner.
- Pay tax in time. Invest the funds wisely with maximum returns.
- Follow human resource development strategies, fair wages and ethics among employees.
- Organize in-house and outdoor training, training and development programs for employees.
- Update their technology and introduce modern technology.
- Participate in research, innovation and creativity techniques.

4.5 Promotion of Cooperative Movement-Education and Training

Cooperatives have long been recognized as a powerful tool for empowering farmers and enhancing their economic and social well-being. By working together, farmers can achieve economies of scale, increase bargaining power, access new markets, and improve the efficiency of their operations. However, the success of agricultural cooperatives depends on the knowledge and skills of their members and leaders. To this end, the promotion of cooperative movement education and training is essential for the development of sustainable and effective agribusinesses.

Key aspects of Importance of Cooperative Education and Training:

1. **Increase Literacy on importance of cooperatives and benefits:** Cooperative education and training programs help members understand the purpose, values, and principles of cooperatives. This understanding helps members make informed decisions, contribute to the cooperative's growth, and ensure its sustainability.
2. **Imbibe Leadership skills:** A critical aspect of cooperative movement education and training is the development of leadership skills. Effective leadership is essential for the success of any cooperative, and training programs can help to build the capacity of cooperative leaders to effectively manage their organizations. This can include training in areas such as communication, conflict resolution, and decision-making. By building the skills of cooperative leaders, these programs can help to ensure that cooperatives are well-managed and capable of responding to the changing needs of their members.
3. **Foster Collaboration:** Cooperative education and training programs foster collaboration among members, managers, and stakeholders. This collaboration leads to increased trust, commitment, and teamwork. The benefits of cooperative movement education and training extend beyond the individual cooperatives themselves. By building the capacity of farmers and rural communities to effectively manage their businesses, these programs can help to enhance the overall economic and social development of the region. For example, by improving the efficiency and profitability of agricultural businesses, these programs can help to increase rural incomes and reduce poverty. In addition, by promoting collective action and cooperation, these programs can help to strengthen social networks and build more resilient communities.

4. **Make value with Innovation:** Cooperative education and training programs encourage members to develop new ideas and approaches to address challenges and opportunities facing the cooperative. This innovation helps the cooperative to stay competitive and relevant.

Key Components of Effective Education and Training Programs:

- 1) **Assessment check:** Education and training programs should begin with a needs assessment to determine the skills and knowledge gaps among members and managers.
- 2) **Clear Objectives:** Education and training programs should have clear objectives and outcomes that are aligned with the cooperative's goals and vision.
- 3) **Relevant Content:** Education and training programs should have relevant content that is tailored to the needs of the members and managers.
- 4) **Participatory Learning:** Education and training programs should use participatory learning approaches that encourage active participation and engagement of members and managers.
- 5) **Experienced Trainers:** Education and training programs should have experienced trainers who have expertise in cooperative management, marketing, and other relevant areas.

It is a fact that cooperative organisations can function efficiently if all of its members have knowledge and awareness regarding overall market and conditions. Updated information allows all members to have full faith and trust in the cooperative and its functioning. Hence, the education and training on a continuous through formal and informal communication becomes key for any cooperative organisation. Cooperative education and training are co-related and mutually related with one another, without one the other is not possible. While education develop mental faculties and increases knowledge, training develops the skills. Education sharpens the intellect, broadens the vision and builds up the character of an individual. Training gives a practical shape to each of these attributes. The success of co-operative movement essentially depends on cooperative education and training of members on the one hand and application of the principles, practice and methods of cooperation while undertaking various chores of cooperative functioning while doing business. It is important to continue to maintain the confidence of all cooperative society members in decision making process. Hence, education and training both are essential for growth and development of a cooperative in any area of operation. The importance of education and training increases in rural areas.

The importance of cooperative education and training assumes great role due to the fact that in rural areas literacy is low and people lack awareness. Cooperative organisation is “an economic programme employing educational action”, and “an educational programme requiring economic action”. Thus, importance of education for any human activity is essential to fulfil objectives and vision, in this case, cooperatives. It has been realised since beginning of cooperative movement that it is more appropriate for well-being of the people who are underprivileged and under marginalised like the rural population. It empowers individuals who decide to act collectively, pool their trust and meagre resources. Hence, cooperation education and training has been emphasised to successfully operate in rural as well as urban areas. It is also important to remain in connect with all members of the cooperative, community and society. This is clearly depicted in the success of Amul, wherein primary dairy society members are regularly made to visit dairy and other facilities like chocolate and cheese plants in coordinated manner. This practice allows farmer members from various villages to feel a sense of belongingness and continue to carry faith and trust in operations of cooperative.

The ICA also recognized the importance of co-operative education and training and included this as one of the principles in 1966. A committee of ICA also recommended a planned programme as a systematic

approach on co-operative education and training. The recommendations relates to a three layered programme e.g. i. Education and training for the trainers i.e. instructors and teachers on cooperation, ii. Education and training programme for the personnel of cooperative department, and iii. Education and training for employees of cooperative societies, MC members and ordinary members.

In India the Sarayya Committee also recommended to provide facilities for advanced study and research on cooperation in educational institutions in the country. From the above instances and incidents, it is accepted beyond doubt the necessity and importance of cooperative education and training for the development of cooperative movement in its totality.

Summary of the Chapter

Finance is of critical importance for any organization. It is having considerable importance for functioning of agribusiness cooperative societies. Equity finance, debt finance, government scheme finance, microfinance and trade credit are available for financing cooperatives. Like other organisations an effective and well throughout business development planning for agribusiness cooperatives involve identification of vision and mission, undertake situation analysis, market study and analysis, setting goals and objectives, plan of action, resource allocation, risk identification and mitigation steps, productivity measurement, sustainability, incorporating digitalization and focus on creating unique business model. The MIS provides information on running activities of cooperative efficiently and take decisions which are well informed. The success of agribusiness cooperative ultimately depends on collective action according to the principles of cooperation in which effective leadership plays an important role in guiding the cooperative organisation.

Model Questions

- Explain the structure of rural cooperative credit institutions.
- Explain main types of classification of agribusiness cooperatives in India.
- Discuss various sources of finance for cooperatives, what are positives of each forms of financing.
- Define MIS and discuss its relevance in success of an agribusiness cooperative.
- Discuss role of education and training of partners/stakeholders in success of a cooperative.

To-do-Activity

1. Visit a nearby cooperative and suggest which agribusiness it can start. How it will benefit the cooperative.
2. Visit a rural cooperative credit society and study the composition of credit extended for various purposes during last 5 years.
3. Visit a nearby cooperative and prepare a note on how it has been financed.
4. Prepare MIS chart for a selected cooperative in your area of residence.
5. Choose any one Managing Director/CEO of your choice and of any cooperative and identify his/her leadership qualities and attributes.

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Chapter 5 Insurance Schemes for Rural areas

Introduction

It is evident that rural areas and its population lives with nature, but with lack of urban and modern amenities. They lack economic, social and other amenities. The basic necessities like drinking water, road transportation and primary health services are a luxury which are not available in large parts of rural areas even after two decades in 21st century India. These lack of amenities accentuate the uncertainty in rural areas. Under such circumstances the Rural insurance ensures that households living in rural areas have a safe and secure future and undertake economic activities in an environment of certainty to lead a happy life. The provision of insurance helps them to cover risks related to various aspects of their life. It is evident that in rural areas insurance penetration is very less.

Rural India - the Bharat, continues to be the heart and soul of Indian society and economy. It is true that in agriculture and allied activities, which are the prime activity in rural belt and contribute around only less than 20 per cent of GDP but almost 65 per cent of the population reside in rural areas. They depend on these very economic activities for their livelihood and sustenance of life. The real growth and prosperity of India as a nation is possible only if rural India gets its due share in economic development and contribute immensely in the growth of the country.

For a long term sustainable development, the rural India has to improve its economic productivity and simultaneously minimize the losses happening around the year. Our rural areas are vast and directly or indirectly dependent on agriculture and related activities, which are exposed to the climate and weather related hazards. Insurance is one such tool which can help in minimisation of the losses and thereby helping rural economy and people.

Rural Insurance policies come with the affordable premium rates and faster claim process. Insurance provides very important social security to the rural population. The rural areas suffer from lack of infrastructure as well as social development. Hence, availability of effective insurance cover provides crucial sustenance of livelihood to rural population. The present chapter delves on rural insurance scenarios, various government schemes which leads to enhancement of social security and improve wellbeing of the population. The chapter aims to explore the need for rural insurance, different schemes available, marketing strategies, government programs, and coverage of insurance schemes in rural areas.

Objectives of the Chapter

The objectives of the present chapter are given as below.

1. To learn present rural insurance scenario and its need,
2. To learn about need of rural insurance,
3. To learn ways of marketing of insurance products,
4. To learn of various types insurance for rural areas, and
5. To learn recent government schemes available in rural insurance.

The chapter structure is given below.

Chapter Structure

5.1 Rural Insurance and Insurance for Weaker Sections of Society

5.2 Need for Rural Insurance

5.3 Marketing of Insurance Products – Selling Processes

5.4 Crop Insurance, Health Insurance, Livestock Insurance, General Insurance, Life Insurance

5.5 Recent Government Schemes in Rural Insurance

5.1 Rural Insurance and Insurance for Weaker Sections of Society

At the time of independence, the Insurance sector was in the private domain and there were more than 300 private and cooperative insurance companies operating in life and general insurance domain. As they were driven by profit motive most of them were confined to the big cities, neglecting the vast rural spread of the country. Looking at the need of the nation the Government of India nationalized the life insurance business of country by taking control of over 250 companies & formed LIC with a stated objective of channelizing the financial resources from the look and corner of the country for the nation building. LIC started setting up offices in different parts of the country and was in a position to reach to a maximum area through its network of agents because of this well stated objective. Similar exercise was taken in 1972 when the Government of India nationalized the general insurance business and established four Govt owned general insurance companies operating from the four metros. Here also the intent was to spread the office network and ensure availability and benefit of the insurance to the rural population which was not available earlier. These insurance companies in Govt control established branch networks at a rapid pace and enhanced their reach.

Life insurance – as a saving tool was accepted well by the rural folks. However, the rural based general insurance products which were mainly developed around agriculture and livestock always needed Govt. push to be accepted. During Janata Party Govt during 1977-79 a big push was given for cattle, hut, cart insurance. To provide financial support to the farmers in the event of failure of crops as a result of natural calamities, a comprehensive crop insurance schemes (CCIS) was introduced in the year 1985. However, the apathy, inability to pay premium and the operational difficulties always came as a hurdle in such schemes and hence consistency and sustainability were never achieved. The general insurance companies continued depending heavily on motor and all other industry related policies

In comparison to general insurance, life insurance was better placed because of the vast agency network of LIC and the visible saving component in its product promises. In contrast, the general insurance products had no such saving kind of product offering and the customers always thought it to be a wasteful expenditure. In year 2000, the sector was opened up for the private players and very quickly around 15 companies each joined in life and non-life space. It was expected that these new players would expand

their reach to the country side and bring innovative products suited for masses. However, the figures and achievements were not impressive in following years. Looking at the genuine reasons for such slow progress, the regulatory authority IRDAI brought few specific interventions to increase rural penetration. These included bringing the concept of micro-insurance and related regulation, increasing the number of intermediaries also having a minimum rural business guarantee regulation so as to force insurance companies to do a certain amount of business from rural part. However, even these well intended interventions did not bring a major change. Post 2014, the rural segment is witnessing a real good movement riding on big Govt. schemes and the opportunities made available by emerging technologies.

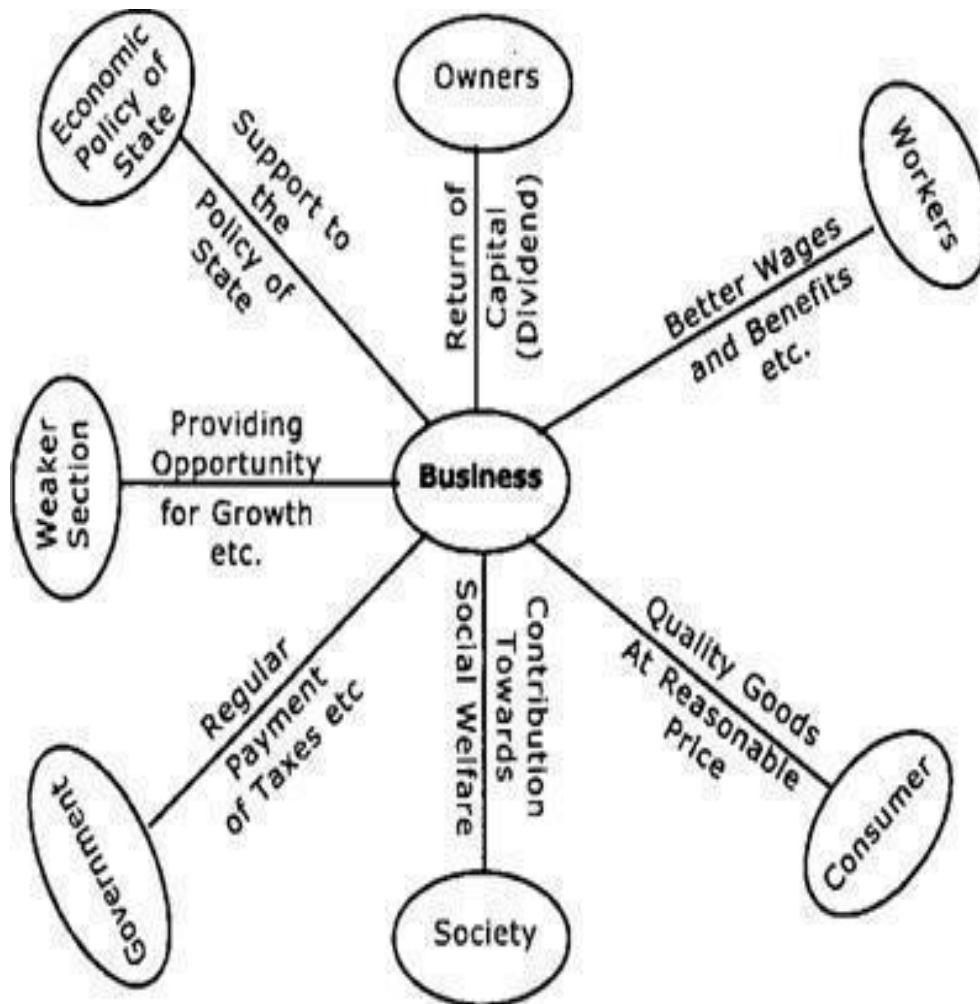
Even when we have completed 75 years of independence, India has a huge insurance protection gap, between rich and poor and between urban and rural population. The impact of this reality is felt in the lower income group in rural areas. Insurance Regulatory and Development Authority of India (IRDAI) and the insurance industry is aware and is committed towards providing protection to this section of population which is financially most vulnerable.

By definition itself insurance is a cooperative effort in which a group of people having similar risk profiles contribute to a common fund and from that common fund compensation is being given to those few who face losses. It is basically a risk transfer mechanism which transfers the losses of a few individuals to all the group members who are part of the scheme. It is either done mutually or through a corporate body. In India mutual insurance model is not in practice and hence we have corporate entities doing it for us. These insurance companies design plan, sale / enrol members policy holders , collect the fund / premium and also settle claims as and when they arise. Insurance across the globe is an important pillar of economic well being and insurance penetration is an important parameter to understand the development.

Rural insurance is designed to provide security and peace of mind to families living in rural areas, enabling them to live happy lives by covering risks associated with various aspects of their lives. These insurance policies are expected to be affordable and customer friendly at the time of claim so as to provide economic security to those living in rural areas.

In a bid to popularise the much-needed product, the regulator has prescribed a product design that is simple, pricing of which is very affordable and a conducive distribution structure to encourage sales and purchase of micro-insurance covers. The industry is also very keen and most of the big life insurers offer micro-insurance products. They have tied up with several micro-finance institutions to promote life insurance and cover the population in that segment.

The micro insurance is one of the innovative initiatives for rural areas. The micro-insurance offers financial protection to the poorest people who have low-income, particularly those with an approximate income of less than Rs 250 per day. It has been designed specifically for lower valued assets and compensation is provided to sufferer for illness, injury or death. The IRDAI Microinsurance Regulations, 2015 defines micro-insurance as life insurance policy with a maximum sum assured of Rs 2 lakh or less. The coverage of this insurance amount starts as small as Rs 5,000 to Rs 10,000 for a small period. It offers fully guaranteed benefits or variable insurance benefits and has a very simple and easy to understand product design.



Source: Unknown Author. (2023, March, 01).

Figure 5.1: Business Owners to Weaker sections of Society

Micro-insurance, like any other insurance product, works on the philosophy of pooling. It is apt for subscribers, individuals from low-income households, women work in SHGs and in small groups and start small businesses post taking loans from microfinance institutions. It is crucial and important that they have enough coverage to protect their families from any untoward financial liability arising from small economic activity they indulge in depend upon for livelihood and social standing.

Micro-insurance protects such a large proportion of individuals who are unaware and otherwise are not protected from insurance. By focusing on low income segment of the population and catering to the low-income households, micro-insurance helps not only poverty alleviation but also provide confidence to poor people and contribute in the macro-economic development of the country.

The micro insurance solves pertinent issues and problems for rural population e.g. death of a breadwinner will lead to financial breakdown and catastrophe for low income families. Hence there is need to have provision of insurance products for such families. Micro-insurance makes insurance affordable and accessible for such families and many individuals opts for loans from micro-finance institutions, which help borrowers to avail much needed money at better repayments terms. It ensures protection to the family from financial liabilities in case something happens to the breadwinner or the life insured, protecting the family of falling into extreme poverty in such circumstances.

The provision of rural insurance schemes cater to a wide range of plans to cover various needs of the rural population and agriculture sector. Some of them are:

Table 5.1: Type of Insurance Plans

Plans	Definition
Motor Insurance	Comprehensive coverage for agricultural vehicles like tractors, cars, scooters, trailers and motorcycles
Property Insurance	Covers home, shops, retail outlets, schools and agricultural equipment
Accident Insurance	Covers accidental death, partial or total disability of the insured
Livestock Insurance	Insurance coverage for cattle against death or disability
Health Insurance	Personal accident insurance and Mediclaim for the insured
Poultry Insurance	Covers broilers and parent stock of chicken

Rural insurance is associated with the lifestyle risks of people residing in villages. This insurance policy includes:

- Hut insurance
- Poultry insurance
- Cycle rickshaw policy
- Sericulture insurance
- Honey bee insurance
- Failed- well insurance
- Sheep and goat insurance
- Lift irrigation insurance
- Farmers' package insurance
- Agricultural pump-set policy
- Animal-driven cart insurance
- Gramin personal accident insurance
- Aqua-culture (prawn/ shrimp) insurance
- Horticulture/ plantation insurance scheme
- Animals included in rural insurance are elephants, rabbits, pigs, birds, zoo and circus animals.

In order to get the best deal, it is important to understand rural insurance well and also, know how it functions:

- Analyse your requirement and the loss associated with your assets so that you know which type of insurance to opt for
- The analysis will also help in deciding the premium amount
- Check and compare various insurance companies and plans to pick up the best one for you
- The insurer checks whether the applicant resides in the rural area
- The premium is mutually agreed between the insurer and the insured after going through the property/ livestock details
- When a risk occurs, the insured immediately informs the bank/insurer company about the mishap

- Evidence of the event, duly filled claim form and FIR Report (if needed) are submitted by the insured
- The claim is verified by bank officials. If authentic, the claim is settled, else it is rejected

The need for rural insurance is discussed here below.

5.2 Need for Rural Insurance

Around 65 per cent of India’s population, amounting to over 90 crores, inhabits rural parts of the country who are mainly dependent on agriculture, livestock and other activities. However, only 8 to 10 per cent of rural India has life insurance coverage, other forms of insurance coverage is still very poor. Thus, despite the large proportion of population inhabiting rural India the low penetration of insurance is proof of largely unattended area of work from the viewpoint of social security and development of the nation. This on the one hand indicates greater opportunities for insurance sector but for government it indicates a real challenge to bring this large population under insurance net to derive rightful and just benefits from getting insured for various common risks of life and living they are exposed due to their low and uncertain income and living in rural areas.



Source: SlideTeam. (2023, February 03).

Figure 5.2: Expansion to Rural Areas by Insurance Firms

Due to lack of hygiene and nutrition among poor households and social menace, absence of good medical facilities and healthcare pose a threat to rural population. Low income does not allow rural people to save money which impact health and financial security of rural people. The formal banking sector penetration is minimum, although ‘jandhanyojana’ has positively impacted financial inclusion but still large population and rural areas remain uninsured in India.

With the phenomenal growth of smartphone and Internet penetration in rural areas, digital channels have become essential for anyone looking to tap into the rural consumer base. But as the rural population lacks possession of smartphones and have poor digital literacy, promoting insurance in rural areas among masses cannot be achieved as soon as desired for national economic development and safeguarding rural population.

The rural market is characterised with few very specific features. First, it is spread geographically on larger landscape thereby making the population density thin. This adds cost to the distribution and servicing. The second aspect is about the low per capita income which is in most cases even irregular. The premium ticket size in general insurance products is low and many a times it make no sense to the intermediaries to sell such policies. The commission so earned by selling such policies on its standalone basis do not even recover the effort put into it for insurance companies, though it may have a lot of benefits to the overall economy and its development.

Looking at these genuine reasons, the regulatory authority IRDAI brought in the concept of micro insurance and relevant regulation first in year 2005 which was again improved in year 2015. It basically paved the way for simple and small ticket size policies having an inbuilt provision of higher Commission compared to the normal policy so as to make it viable for the intermediaries to push for it. It brought in place institutions like NGO, SHG and permitted people with less qualification to deal with such designated policies. The amended regulation in 2015 brought more changes and enlarged the scope bring regional rural banks, cooperative societies etc also as intermediaries. The micro-finance institutions were also roped in for its effective implementation.

The protection gap (in insurance), which is the difference between the desired risk coverage level and the existing provision, in India is quite large. Micro-insurance is intended to offer financial protection to low-income households and people at the bottom of the economic pyramid, especially those earning around Rs 250 or less per day. It is designed for lower-valued assets and provides compensation for illness, injury, or death. According to the IRDAI Microinsurance Regulations of 2015, micro-insurance policies have a maximum sum assured of Rs 2 lakh or less, with coverage starting as low as Rs 5,000 to Rs 10,000 for a short period. It offers guaranteed or variable benefits and has a straightforward product design that is easy to understand.

The concept of pooling (like in case of cooperatives) is the foundation of micro-insurance, much like other insurance products. There are many individuals from low-income households, particularly women who form small groups and start small businesses after taking loans from microfinance institutions. It is crucial for them to have sufficient coverage to safeguard their families from any potential financial liabilities that may arise. Micro-insurance assists in protecting this sizable group of individuals who would otherwise be left uninsured. This, in turn, enhances the penetration of insurance in the country. By decreasing poverty in low-income households, micro-insurance contributes to the macroeconomic development of the country and minimizes the impact of unexpected events.

It is vital to recognize and appreciate the issues which get addressed with micro-insurance. The loss of a breadwinner, particularly in a low-income household, can result in a financial disaster for the family, leaving them without basic necessities such as food. Consequently, the social need for insurance in this sector becomes even more crucial. As a significant portion of the country's population lives in rural areas, micro-insurance makes insurance both affordable and accessible. Many individuals in such households opt for loans from micro-finance institutions, and micro-insurance ensures that their families are protected from financial liabilities if something happens to the breadwinner or the insured, lowering the likelihood of extreme poverty.

Technically there is nothing like rural insurance products. In the Indian insurance market, insurance products are broadly classified as life and general (non-life). While, life as the name suggests deals with human perils associated with human lives such as death, disability and health the general insurance products mainly deal with damages to the different kinds of assets and legal liabilities. The term rural

insurance encompasses a wide range of plans which provide coverages to various assets etc broadly used in rural set up. Some of these plans include, covering risk against i.e. getting insured for:

- Fire and Allied – Lightning , Storm , Flood , Earth Quake
- Hut insurance , Burglary
- Poultry insurance
- Cattle insurance – Cow , Sheep , Goat etc.
- Farmers’ package insurance – covers many farmers related risks
- Agricultural Equipment policy
- Tractor insurance
- Personal accident insurance
- Aqua-culture (prawn/ shrimp) insurance
- Crop -Horticulture/ plantation insurance
- Life Insurance

Most of the time for the ease of sales and economic viability insurance companies have been selling packaged policies which take care of two or more such related risks in a single policy. All the above mentioned policies are available in the retail domain where an individual customer purchase policy from insurance companies directly. There are also big Government sponsored schemes, where identified families are part of the schemes as beneficiaries and they need not pay any part of the premium or pay only a part of it.

Also, enabling the populace to buy and track insurance online without having to travel to the nearest branch makes such offerings more affordable and accessible, both of which can govern and influence life insurance penetration. With the government stepping in, insurance providers looking to explore this massive market that is waiting to be served now have more support than ever. So long as insurance providers are armed with the right product and manage to reach customers according to their preference, it is only a matter of time before life insurance becomes mainstream in rural India.

5.3 Marketing of Insurance Products – Selling Processes

The lack of rural insurance is due to both demand as well as supply side reasons. On the one hand appropriate products are not available for rural population, on the other hand the people have low income and poor awareness regarding insurance. Awareness of insurance among the population and their availability and affordability can be greatly influenced through marketing. Marketing of insurance, targeting to rural population and rural economic activities is still lacking, though it is picking up slowly, due to the push from government and realisation on part of insurance companies. Online marketing will become sought after only when internet penetration is wide spread and rural population starts using it for economic and personal purposes. The right insurance marketing efforts will facilitate greater penetration of insurance among rural population. An approximate insurance company sale process is shown in figure 5.3 below.



Source: Vaeenma. (2023, February 05).

Figure 5.3: Insurance Company Sale Process

In rural areas in India approximately 65 per cent of the population lives but accounts for only 8 to 10 per cent of the rural population has life insurance coverage. This indicates that the rural market for life insurance remains largely untapped. Same is the story with general insurance portfolio. As per an estimate more than 70 per cent of the tractors used in rural areas are not having insurance cover. Not even 1 per cent of the cattle is covered by insurance (<https://agricoop.nic.in/>). Thanks to the massive Govt added scheme of PM FasalBima , the crop insurance has picked up off late. Same is the success story with Universal health scheme Ayushman Bharat. It has extended the health coverage to designated segment. Although life expectancy in India has slightly increased, there remains a rural-urban divide when it comes to mortality due to lack of hygiene, proper nutrition, and inadequate medical facilities. In addition, most rural households lack structured savings, making it difficult to balance health and financial stability. Insurance premiums that are too expensive can deter rural residents from purchasing insurance, and current insurance solutions offered may limit insurance penetration. The general insurance products suffered mainly on account of the cost of distribution and servicing .

However, things have started changing riding on the massive push from Govt. for universal schemes and the use of emerging technologies which are bringing down cost & making the process smooth by digital interventions. Some of the recent changes and developments which have given fillip to the insurance penetration in rural areas are as follows :

Digital Connect and Awareness: The online connectivity and the growing use of smart phone devices has changed the entire landscape. It is very easy for the insurance companies now to connect directly with target customer / people through different social media platforms and convey their awareness related messages. They are coming with beautiful advertisements to convey the importance of insurance in different facets of life. Even government is using these platforms. There are dedicated farmers channels and reaching to rural segment is no more a difficult task. People have started realising the need of the protection and are willing to go for it. Covid and related causalities made it more obvious.

Standard and Simple Products: One of the hindrance in spread of insurance in rural belt was the plethora of insurance policies having difficult proposal forms and terms and conditions. These terms used to be confusing and at the time of claims used invariably against the policy holders. The regulatory authority IRDAI took a very bold step in this matter and came out with very simple worded standard products which are really needed for the masses. They have so far got standard policy for term Life, annuity / pension, health and business protection SMEs . Though these plans are not specifically developed for the rural belt but they are of common good and are being sold now. This step has stopped the possibility of any fraudulent sale and has safeguarded the interest of the policy holder thereby bringing confidence in the mind set of the rural population. Insurance companies have been directed to encouraged sale of such standard policy in rural setup.

Banks / Lending institutions as insurance agents: Before opening up of the sector only authorised agents or the company officials were to sell policies. This used to be a limiting factor for wider reach. Through different regulations banks / micro-finance institutions / regional rural banks & even tech-based lending institutions were allowed to sell insurance policies to their clients. This particular arrangement has helped such institutions arranging immediate appropriate insurance cover to the loanees. It could be in form of life insurance in case of personal loan or the insurance cover for the asset for which loan is being given. In case of business related loan appropriate insurance cover is also arranged. Micro finance institutions and regional rural banks have got good foothold in rural belt and are doing great work in extending insurance cover.

Tech-based digital sales / servicing channels: A frictionless and smooth transaction experience by a policyholder at the time of policy purchase and claim servicing of the policyholder is essential to bring confidence in entire insurance value chain. This has been a concern in the past. The advancement in technology and connectivity have made it possible to address this issue. Government's own initiative of massive digitalization has added further push.

Common service centre (CSCs) – an initiative of Ministry of IT were the panchayat level outlets to provide Govt related services to the rural mass. Subsequently they were allowed to deal in financial services including insurance. More than a lakh of these village level executive (VLEs) are now providing services related with insurance. This model has proved successful and doing great service. They are allowed to sale only simple and standard products approved by regulator to avoid any kind of mis-selling.

Few years back IRDAI started a fully digital channel by the name of Point of Sale Person (PoSP). These individuals are allowed to sale only small ticket size standard and fully digitised insurance policy through a handheld electronic device / mobile. They are individuals attached with an approved intermediary like an insurance broker or corporate agent. In last 4/5 years, this new channel has witnessed a unprecedented growth and as per latest report there are around 6 lakhs of PoSP agent working mainly in semi urban and rural base.

Insurtech and Mobile Apps: Insurtechs are basically technology companies specialising in insurance value chain related services. The old and big insurance companies are now taking the support of these insurtechs to bring desired changes in their system for better user experience. Almost all insurance companies are now having mobile apps which enable the customers not only purchase policy but to the pay premium on time using payment gateways, get their policy related servicing on fingertips, lodge claims , monitor the progress and also get claim payment. Insurance, particularly retail products are no more an exclusive right of few select agents. The technology has democratised the awareness and sales part and

today one can buy such policies from e-commerce platforms like Amazon, PayTm and Flipkart.

Technology has filled the Urban – Rural gap in last few years, but to some extent only. The insurance company need to

1. Define Your Audience, Where they live, How old they are, What their lifestyle looks like, Their core beliefs, Where they spend time (both online and in the real world), and Their goals and pain points.

2. Referral Program, Shoppers who are referred by friends are four times more likely to convert, showing just how effective it is. On the flip side, loyal clients more likely to refer a friend.

3. Online Reviews

These days in an age of information technology flow, referral marketing is gaining in importance. Each day, testimonials can be read by thousands of consumers—93% of whom are influenced by what your buyers have to say.

4. Partnerships

Another way to reach is through partnership with local businesses that are not direct competitors. Both can exclusively recommend each other to customers in search of services.

5. LinkedIn Networking

In-person networking is surely an effective way for building relationships LinkedIn provides effective way to reach people well beyond local area.

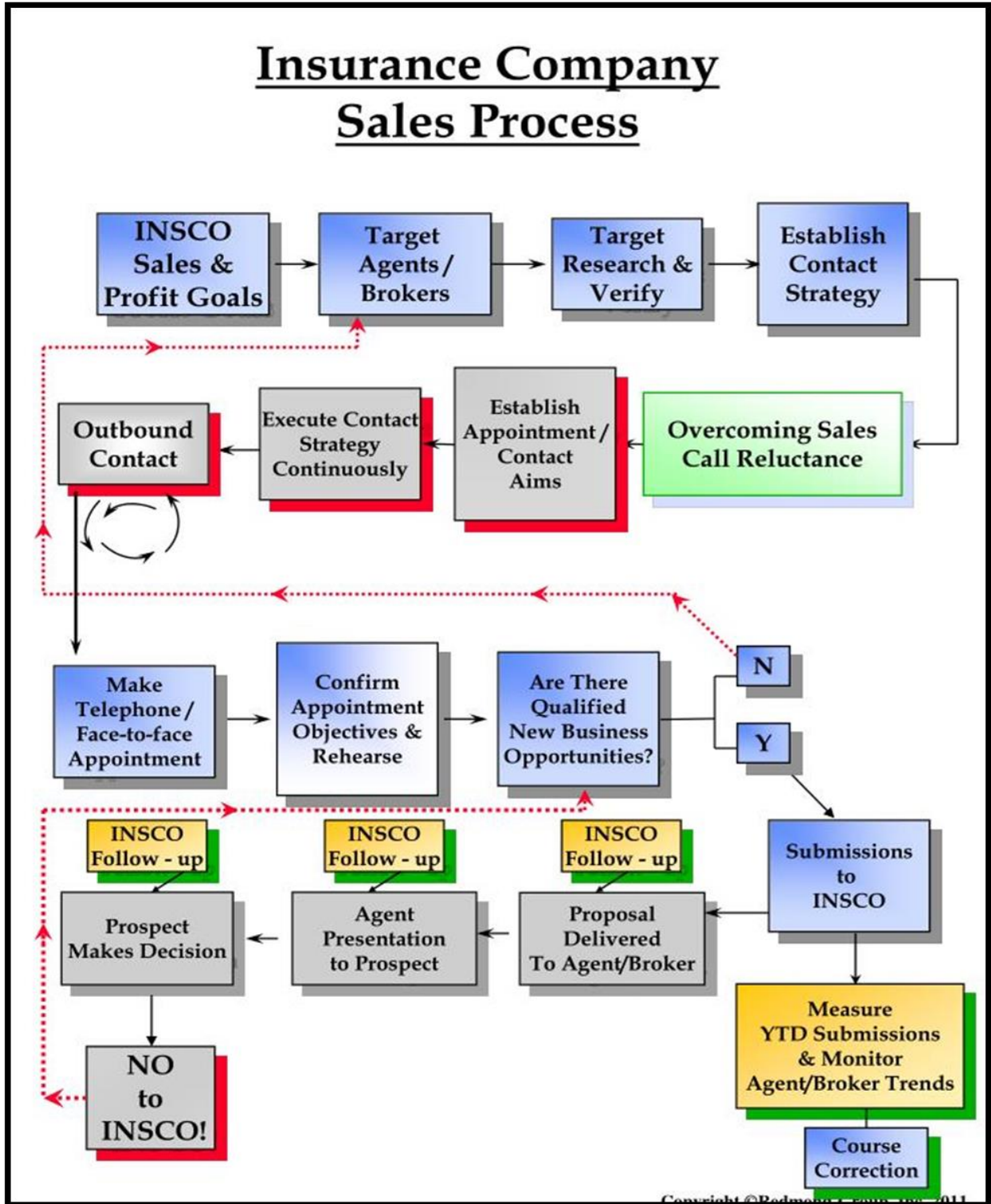
6. Social Media Ads

Social media marketing beyond LinkedIn is a must for industry, although it is yet to gain milage in rural areas. However, with more village population accessing internet now, social media can be very well used for insurance promotion in rural areas.

7. Landing Pages

Consumers need help and guidance in understanding, the information and details of policy and its benefits. Landing pages are pages on insurance agency website that target specific relevant keywords. It helps reaching targeted population effectively.

Insurance Company Sales Process



Source: Jady. (2023, February 25).

Table 5.4: Sales process of Insurance Company

5.4 Crop Insurance, Health Insurance, Livestock Insurance, General Insurance, Life Insurance Crop Insurance

The Governments in India be at Centre or States have been careful to the need of the people in the lower strata and tried to support with welfare schemes in which social security including insurance got prominence role. Our Government at Centre is signatory of sustainable development goals (SDGs) of United Nations and for that mass scale universal schemes have been launched to support the welfare. These schemes are open to all the eligible persons in the country but because of the sheer size & poverty, rural population becomes the biggest block. Some of the ongoing schemes having insurance element are as follows:

AamAdmiBimaYojana: The AamAdmiBimaYojana (AABY), introduced by the Ministry of Finance on 1st January 2013, merged with the JanashreeBimaYojana (JBY) that was previously run by the government. The main objective of the AABY is to provide life insurance coverage to people living below the poverty line or just above it in both rural and urban areas. The scheme covers individuals aged between 18 and 59 who are members of 48 identified occupational groups. The plan provides a benefit of Rs 30,000 in case of natural death and Rs 75,000 in the event of death or total permanent disability due to an accident. If the disability is partial and permanent, the benefit provided is Rs 37,500. The member, State Government, and/or Nodal Agency contribute a premium of Rs 200, and the remaining 50 per cent is provided as a subsidy from the Social Security Fund, which is maintained by LIC of India and established by the Indian government. As of the end of the financial year 2015, about 4.32 crore people have been covered under this scheme.

Pradhan Mantri Jan DhanYojana (PMJDY): The government introduced a scheme that opened bank accounts for individuals and provided a benefit of Rs 30,000 in case of natural death through LIC. Additionally, the government provides an accident insurance cover of Rs 1 lakh through General Insurance Companies. To be eligible for the scheme, the person should be between 18 to 59 years of age and must have enrolled under PMJDY. As of the end of 2022-23 FY, more than 48 crores of bank accounts got opened up under this initiative. Though it continues to be a zero balance account but the accounts holders have more than Rs. 2 lakhs crores of the saving money in it. This PMJDY brought a paradigm shift in financial inclusions. It facilitated the execution of all direct benefit transfer support to the beneficiary groups.

Pradhan MantriJeevanJyotiBimaYojana: The government has introduced a scheme that provides life insurance coverage of Rs 2 lakhs for one year, which can be renewed annually. To be eligible for the scheme, the individual must be between 18 and 50 years old and hold a savings account in participating banks. The insurance cover is granted by LIC or Private life insurers having partnership arrangement with that bank. The premium of Rs. 436 per year will be automatically deducted from the account of the holder for insurance coverage. Participating banks may engage any life insurance company to implement the scheme for their customers. If an individual has multiple accounts in one or more banks, they are only eligible to join the scheme through one savings account.

Pradhan Mantri Suraksha BimaYojana: This scheme provides insurance coverage of Rs 2 lakhs for

accidental death and disability due to accidents for a duration of one year. It is administered on similar way as that of PMJJY mentioned above. The premium amount is just Rs 20 for the whole year. PMJJY & PMSBY has brought a sea change in the perception of the rural population. The quick settlement of death claims have shown the benefits of the insurance. All the process from buying policy to settlement of claims are fully digital.

Rural Postal Life Insurance: The Rural Postal Life Insurance (RPLI) program was created by the government to provide insurance coverage to rural and underprivileged populations through post offices. The Department of Posts manages RPLI, which offers life insurance at a lower cost than other companies in this competitive market. The program is administered efficiently and the savings are passed on to policyholders in the form of bonuses. The RPLI offers several plans, including Grama Suraksha, GramaSuidha, Grama Santosh, GramaSumangal, and Gram Priya, as well as a plan for disabled persons. The minimum sum assured is Rs 10,000, and the maximum is Rs 3 lakh. The maximum age limit for whole life and endowment assurance policies is 55 years, and for other plans, it is 45 years. These schemes require compulsory medical examinations, and for non-medical policies, the maximum age limit is 35 years.

Varishtha Pension BimaYojana: The Varishtha Pension BimaYojana (VPBY) was introduced by the NDA Government in its last term as a pension scheme for senior citizens. Presently, the scheme is benefitting 3.16 lakh annuitants and has a corpus of Rs. 6,095 crore. In the 2014-15 Budget Speech, the Finance Minister proposed to revive the scheme for a limited period from August 15, 2014 to August 14, 2015, specifically for citizens aged 60 years and above. On August 14, 2014, the Finance Minister formally launched the revived VPBY, which was open for subscription during the period from August 15, 2014 to August 14, 2015. Those who subscribed to the VPBY during this period were guaranteed a return of 9% under the policy, which was administered through the Life Insurance Corporation of India (LIC). Subscribers receive a monthly pension at a guaranteed rate of 9% per annum by paying a lump sum amount. If there is any gap between the guaranteed return and the return generated by LIC on the fund, the Government of India compensates by way of subsidy payment in the scheme. The scheme also allows annuitants to withdraw the deposit amount after fifteen years of purchase of the policy.

Pradhan MantriFasalBimaYojana(PMFBY): Prime Minister Shri Narendra Modi launched the Pradhan MantriFasalBimaYojna on 18th February 2016. As of March 31st, 2017, the scheme had been implemented in 21 states during Kharif 2016 and in 23 states and 2 Union Territories during Rabi 2016-17. The scheme insured approximately 3.7 crore farmers for 3.7 crore hectares of land at a premium of Rs 16212 crore for a sum insured of Rs 128568.94 crore.

The PMFBY scheme provides farmers with a comprehensive insurance cover against crop failure, which helps to stabilize their income. It covers all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) are conducted being under General Crop Estimation Survey (GCES). The scheme is implemented by empanelled general insurance companies, with the selection of Implementing Agency (IA) done by the concerned State Government through bidding. The scheme is compulsory for loanee farmers availing Crop Loan/KCC account for notified crops and voluntary for others. The Ministry of Agriculture administers the

scheme. It is a heavily subsidized insurance schemes where the farmers contribution is premium is capped at Rs 1.5 and Rs 2.00 per cent for Rabi & Khariffasal. The residual premium is shared by Centre and State Government.

Pradhan Mantri Vaya Vandana Yojana (PMVVY): To continue providing social security for elderly citizens aged 60 and above, and to ensure protection from any future drop in interest income due to market conditions, a simplified pension scheme by this name has been launched. This scheme is based on the success of previous pension schemes such as the Varishtha Pension Bima Yojana 2003 (VPBY-2003) and Varishtha Pension Bima Yojana 2014 (VPBY-2014). The scheme is implemented through the Life Insurance Corporation (LIC) of India and offers subscribers an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly. The initial lump sum amount ranges from a minimum purchase price of Rs. 1,50,000/- for a minimum pension of Rs. 1000/- per month to a maximum purchase price of Rs. 7,50,000/- for a maximum pension of Rs. 5,000/- per month.

Restructured Weather Based Crop Insurance Scheme (RWBCIS): The Hon'ble Prime Minister launched RWBCIS on 18th February 2016, which was implemented by 12 states during Kharif 2016 and 9 states during Rabi 2016-17. As per records on 31.03.2017, around 15 lakh farmers were insured for 16.95 lakh hectares of land, with a premium of Rs. 983.96 crore and a sum insured of Rs. 8536.53 crore.

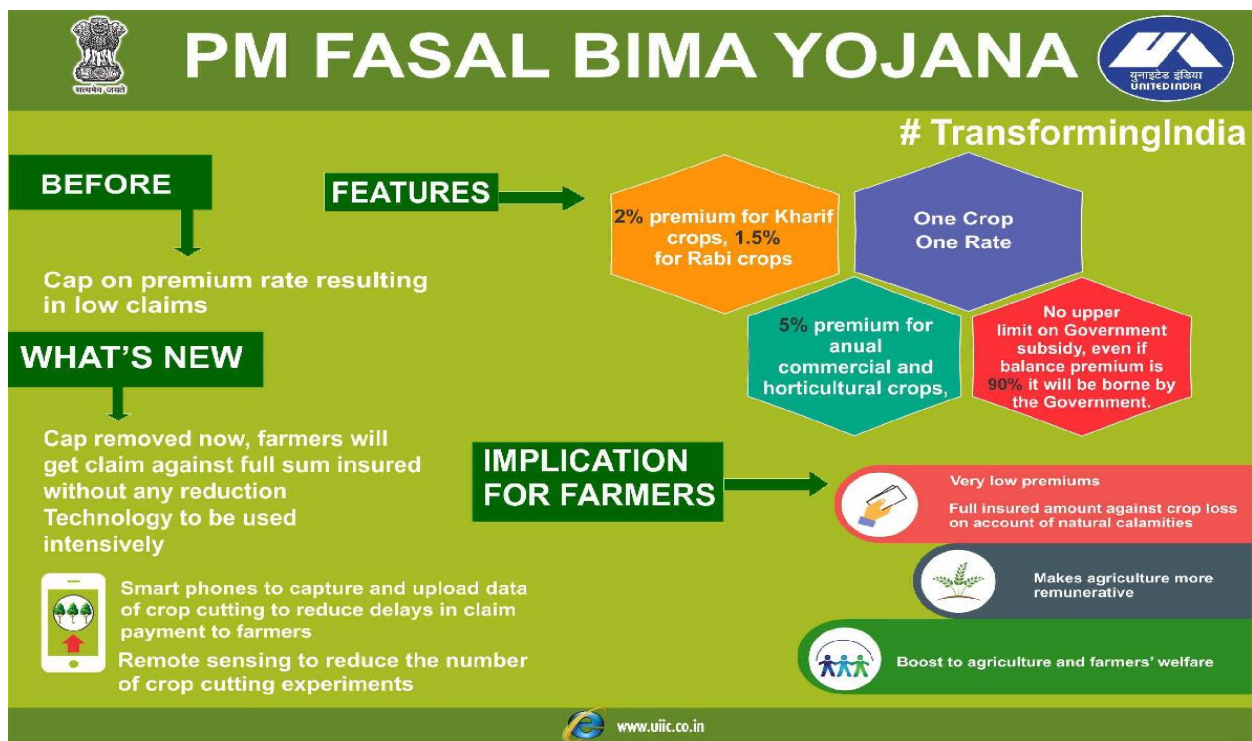
The Weather Based Crop Insurance Scheme (WBCIS) was introduced to alleviate the difficulties faced by insured farmers due to anticipated crop losses caused by adverse weather conditions such as rainfall, temperature, wind, and humidity. WBCIS uses weather parameters as a "proxy" for crop yields to compensate cultivators for deemed crop losses. Once the weather data is received from the Weather Station (RWS) or Backup Weather Station (BWS), the claims process commences, and all standard claims are processed and paid within 45 days from the end of the risk period, strictly following the insurance term sheets, payout structure, and scheme provisions. The Ministry of Agriculture administers the scheme.

Ayushman Bharat Yojana: Ayushman Bharat is a comprehensive health insurance program launched by the Ministry of Health and Family Welfare, Government of India. The program, also known as PMJAY, was established with the objective of providing free healthcare services to over 40% of the population of the country. PMJAY offers a health cover of up to Rs. 5 Lakh, which includes expenses related to medicines, diagnostic tests, medical treatments, and pre-hospitalization costs. The program is aimed at benefiting the most impoverished families in India. This is completely free insurance cover given to around 10 crores families on the basis of Socio – economic census. The families have been given health cards & the same can be used to take hospitalization benefits in all empaneled hospitals across the country. The entire process is digitally driven & lakhs of poor people could get desired benefit under this schemes. The premium is shared between Centre and State Government. Many state Govts have their own universal health schemes on the line of Ayushman Bharat, e.g. Tamil Nadu : Chief Minister's Comprehensive Insurance Scheme, Karnataka : Yeshasvini Health Insurance Scheme, Maharashtra : Mahatma Jyotiba Phule Jan Arogya Yojana, Gujarat : Mukhyamantri Amrutam Yojana, Kerala : Karunya Health Scheme, Rajasthan : Bhamasah Health Scheme and Andhra Pradesh : Dr YSR Aarogyasri Health.

Agricultural producers purchase crop insurance, who want to protect themselves against loss of their crops due to natural disasters, or loss of revenue due to fall in the prices of agricultural commodities.

Examples-

- Rashtriakrishibimayojna,
- Rainfall insurance scheme for coffee (RISC)
- Bio-fuel tree/plant insurance policy
- Cardamom plant& yield insurance
- Potato crop insurance
- Pulp wood tree insurance policy
- Rubber plantation insurance
- Varshabima/rainfall insurance
- Coconut palm insurance scheme
- Weather insurance (RABI)



Source: Vikaspedia. (2023, February 22).

Figure 5.5: Pradhan Mantri Fasal Bima Yojana



Source:HDFC ERGO. (2023, February 19).

Figure 5.6: Categories of General Insurance

General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on 22 November 1972 under the Companies Act, 1956 as a private company limited by shares. GIC was formed for the purpose of superintending, controlling and carrying on the business of general insurance. As soon as GIC was formed, GOI transferred all the shares it held of the general insurance companies to GIC.

Simultaneously, the nationalised undertakings were transferred to Indian insurance companies. After a process of mergers among Indian insurance companies, four companies were left as fully owned

subsidiary companies of

- GIC National Insurance Company Limited.
- The New India Assurance Company Limited.
- The Oriental Insurance Company Limited.
- United India Insurance Company Limited.

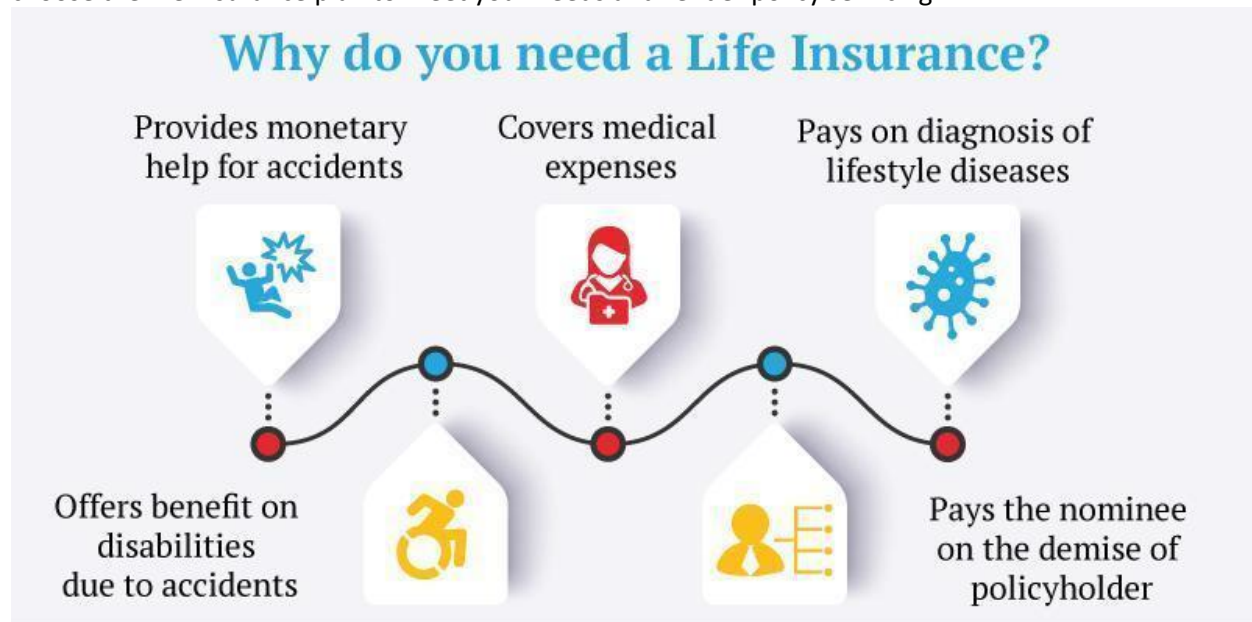
The next landmark happened on 19th April 2000, when the Insurance Regulatory and Development Authority Act, 1999 (IRDA) came into force. This Act also introduced amendment to GIBNA and the Insurance Act, 1938. An amendment to GIBNA removed the exclusive privilege of GIC and its subsidiaries carrying on general insurance in India. In November 2000, GIC was renotified as the Indian Reinsurer and through administrative instruction, its supervisory role over the four subsidiaries was ended.

With the General Insurance Business (Nationalisation) Amendment Act 2002 (40 of 2002) coming into force from March 21, 2003; GIC ceased to be a holding company of its subsidiaries. The ownership of the four erstwhile subsidiary companies and also of the General Insurance Corporation of India was vested with Government of India.

Life Insurance

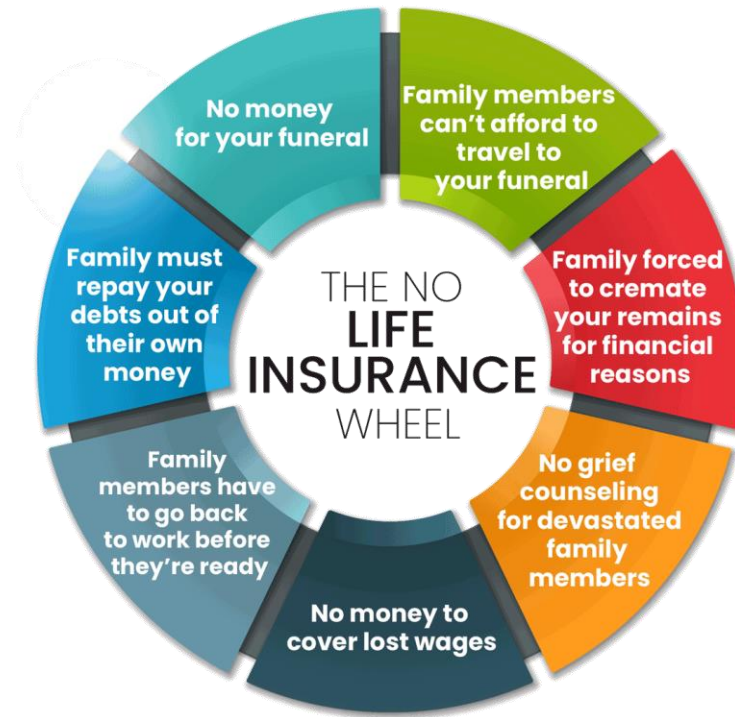
Life insurance in India made its debut well over 100 years ago. In our country, which is one of the most populated in the world, the prominence of insurance is not as widely understood, as it ought to be. What follows is an attempt to acquaint readers with some of the concepts of life insurance, with special reference to LIC. It should, however, be clearly understood that the following content is by no means an exhaustive description of the terms and conditions of an LIC policy or its benefits or privileges.

For more details, please contact our branch or divisional office. Any LIC Agent will be glad to help you choose the life insurance plan to meet your needs and render policy servicing.



Source: <https://www.canarahsbclife.com>

Figure 5.7: Need of Life Insurance



Source: Benefit Solutions. (2023, February 17).

Figure 5.8: The No Life Insurance Wheel

Life Insurance Vs. Other Savings

Contract of Insurance:

A contract of insurance is a contract of utmost good faith technically known as *uberrima fides*. The doctrine of disclosing all material facts is embodied in this important principle, which applies to all forms of insurance.

At the time of taking a policy, policyholder should ensure that all questions in the proposal form are correctly answered. Any misrepresentation, non-disclosure or fraud in any document leading to the acceptance of the risk would render the insurance contract null and void.

Protection:

Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured (with bonuses wherever applicable) whereas in other savings schemes, only the amount saved (with interest) is payable.

Aid to Thrift/Savings:

Life insurance encourages savings i.e. 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy instalment' facility built into the scheme. (Premium payment for insurance is either monthly, quarterly, half yearly or yearly). For example: The Salary Saving Scheme popularly known as SSS, provides a convenient method of paying premium each month by deduction from one's salary. In this case the employer directly pays the deducted premium to LIC. The Salary Saving Scheme is ideal for any institution or establishment subject to specified terms and conditions.

Liquidity:

In case of insurance, it is easy to acquire loans on the sole security of any policy that has acquired loan value. Besides, a life insurance policy is also generally accepted as security, even for a commercial loan.

Tax Relief:

Life Insurance is the best way to enjoy tax deductions on income tax and wealth tax. This is available for amounts paid by way of premium for life insurance subject to income tax rates in force. Assessee can also avail of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for insurance than otherwise.

Money When You Need It:

A policy that has a suitable insurance plan or a combination of different plans can be effectively used to meet certain monetary needs that may arise from time-to-time. Children's education, start-in-life or marriage provision or even periodical needs for cash over a stretch of time can be less stressful with the help of these policies. Alternatively, policy money can be made available at the time of one's retirement from service and used for any specific purpose, such as, purchase of a house or for other investments. Also, loans are granted to policyholders for house building or for purchase of flats (subject to certain conditions).

Who Can Buy A Policy?

Any person who has attained majority and is eligible to enter into a valid contract can insure himself/herself and those in whom he/she has insurable interest.



Source: Canara HSBC Oriental Bank of Commerce Life Insurance. (2023, February 16).

Figure 5.9: Five Reasons of Life Insurance

Policies can also be taken, subject to certain conditions, on the life of one's spouse or children. While underwriting proposals, certain factors such as the policyholder's state of health, the proponent's income and other relevant factors are considered by the Corporation.

Insurance for Women

Prior to nationalisation (1956), many private insurance companies would offer insurance to female lives with some extra premium or on restrictive conditions. However, after nationalisation of life insurance, the terms under which life insurance is granted to female lives have been reviewed from time-to-time. At present, women who work and earn an income are treated at par with men. In other cases, a restrictive clause is imposed, only if the age of the female is up to 30 years and if she does not have an income attracting Income Tax.

Medical and Non-Medical Schemes

Life insurance is normally offered after a medical examination of the life to be assured. However, to facilitate greater spread of insurance and also to avoid inconvenience, LIC has been extending insurance cover without any medical examination, subject to certain conditions.

With Profit and Without Profit Plans

An insurance policy can be 'with' or 'without' profit. In the former, bonuses disclosed, if any, after periodical valuations are allotted to the policy and are payable along with the contracted amount. In 'without' profit plan the contracted amount is paid without any addition. The premium rate charged for a 'with' profit policy is therefore higher than for a 'without' profit policy.

Keyman Insurance

Keyman insurance is taken by a business firm on the life of key employee(s) to protect the firm against financial losses, which may occur due to the premature demise of the Keyman.

5.5 Recent Government Schemes in Rural Insurance

Our nation is celebrating the Amritkal and the intent is to make India a developed country by the end of 2047 i.e. at the end of the centenary year of our independence. In tune with the government expectations , insurance industry regulator IRDAI and industry are also working in same direction. As said in earlier chapters, India can develop only if Indian rural sector gets a developed status and hence industry is determined to achieve the milestone of bringing the benefit of Insurance of the country much before it. The recent year experience have shown that we need to adopt a multipronged strategy to cover the rural part as far as the insurance is concerned. Connectivity , Cooperative and Compact (3 CRs) could be the way of achieving this stated goal.

Connectivity : In today's work we cannot think any progress without the use of internet and mobile connectivity. Things are moving very fast and the government is very serious on agenda of getting each village net. Ministry of IT has already initiated laying of the optical fibre cable and it is expected that in very near future all The villages will be connected. Mobile technology such as 4G has already been rolled out and we are even talking of 5G and 6G. This connectivity has brought a change in the working of insurance companies and they are using it for the product launch, sale policies , servicing and even claim settlement. Digital channels like CSCs and PoSP would strengthen further.

Co-operative - Rural India is very big and we have got a very robust structure of cooperative societies in the rural belt . If used well they have the potential of doing great for their member community. Central Govt. has recently established a Ministry of cooperative and some changes have been brought in. Govt. has provided a budgetary support of Rs 6500 Cr. for improving the IT infrastructure of these operating society. It has been mention very clearly that these cooperative societies working at village label would be strengthen and they will be allowed to sell financial services including insurance. We can think of a situation where around 65000+ cooperatives / PACSs start working as an insurance sales/ servicing units. This would change the whole set up & insurance would be available in village that too in fully digital mode.

Compact / Embedded Insurance – The days of rigid and seller driven insurance policies are gone now. Insurtech ventures have made it possible to develop / sale small bit size customised policies for individuals. It can easily be attached to the very specific requirement at the time of purchase of an asset.

A NBFC firm can arrange the insurance of a cattle while giving loan for its purchase. A small personal accident policy can be sold along with a bag of fertiliser or so on. This trend is catching up very fast and days are not far away when riding on the connectivity and cooperative support, such compact insurance would rule the industry and ensure insurance penetration in rural areas.

IRDAI on its own has taken several initiative to make the working of the companies easy. It has proposed lowering of the entry barrier in terms of initial capital so as to encourage small companies to operate at local / state level and even in specific line of business. It has asked existing companies to adopt states / UTs and develop plans specific to the local need.

They are also working on a digital platform by name BIMA SUGAM which would work like an aggregator of insurance services. All the insurance companies / intermediaries would be there with their product offers and customers would deal directly. Government is also working on the extension of the universal health scheme Ayushman Bharat to even those falling under “missing middle” category. This would ensure that a big segment who are yet to afford personal health cover would get coverage.

Live stocks are an additional source of income for the people living in the rural areas. Cattle insurance has always been an identified gap in the rural economic consideration value chain. Because of the high premium things were not moving. Bringing a universal cattle insurance schemes on the lines of PM FasalBima or even Ayushman Bharat schemes is under active consideration at Govt. stage. If it happens the cattle insurance penetration would jump many fold. Many of the families in rural area get back to below poverty line because of death, health or even loss of cattles. A proper insurance cover has the potential of stopping this to happen.

Summary of the Chapter

Insurance is an integral part of human behaviour. It depicts the tendency of a human being to play safe and minimise the risk associated with their day to day activities and general behaviour. The rural area is dominated by agricultural sector and other primary economic activities, which also suffers from risk associated with weather and other natural factors besides normal business uncertainties. Sale process of insurance for rural areas is explained from view point of insurance companies. Categories of general insurance and various insurance products and types designed for weaker sections of the society are discusses, typically the premium needs to be less to be affordable for rural population to pay for insurance. Fasal bima yojana and its benefits for rural population is given. The marketing of insurance products are discussed in rural areas and for primary sector activities. The chapter also details recent and new schemes in rural insurance.

Model Questions

- Explain various insurance plans pertaining to agricultural activities and their benefits for farmers.
- Write note on general insurance requirement for rural population.
- Discuss the selling process and marketing of insurance products in rural areas.
- Discuss the need for insurance among poor sections of society in rural areas.
- Briefly discuss Fasal Bima Yojana and its benefits for farmers.
- Discuss recent government efforts and schemes in rural insurance.

To-Do-Activity

1. In a nearby village, study penetration of different insurance plans among various sections of population.
2. In a village cooperative society, study livestock insurance acceptance and its benefits.
3. Study awareness of new government insurance schemes in rural areas among population.
4. Undertake a sample study to know the problems faced by rural population in availing various forms of insurance.
5. Contact a few officials of insurance companies and prepare a note on how to increase insurance penetration in rural areas.
6. Prepare a note on the difficulties faced by insurance officials in selling and marketing their products in rural areas.

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Editors' Profile

Dr W G Prasanna Kumar

Dr. W. G. Prasanna Kumar, PhD in Education with basic degree in Social Work and Master's Degrees in Sociology, Public Administration and Political Science has professional education in Environmental Economics, Public Relations, Communication and Training and Development. Presently Chairman, Mahatma Gandhi National Council of Rural Education (MGNCRE) under the Ministry of Human Resource Development, in Government of India strives to promote resilient rural India through Higher Education interventions. The national initiative of reviving Mahatma Gandhi's ideas of NaiTalim, spearheaded by Dr. W G Prasanna Kumar, has met unprecedented success at both national and state levels. The primary objective of this initiative is to promote Gandhiji's ideas on Experiential Learning, NaiTalim, Work Education and Community Engagement, and mainstreaming them in School Education and Teacher Education Curriculum & Pedagogy. As Professor and Head Centre for Climate Education and Disaster Management in Dr MCR HRD Institute, conducted several capacity building and action research programmes in climate education, disaster management and crowd management. He has handled many regional, national and international environmental education programmes and events including UN CoP11 to Convention on Biological Diversity and Media Information Management on Environmental Issues.

He was Director in National Green Corps in the State Government for over 11 years and Senior Social Scientist in State Pollution Control Board for 6 years. Conducted various curriculum and non- curriculum related training programmes in environmental education. He was a Resource Person for AP Judicial Academy, AP Police Academy, AP Forest Academy, EPTRI, Commissionerate of Higher Education and Intermediate Education, State Council for Educational Research and Training and National Council for Educational Research and Training New Delhi, CCRT, Bharathiya Vidyapeet University Pune, CPR Environmental Education Centre Chennai and Centre for Environment Education Ahmedabad. Dr W G Prasanna Kumar was trained in Community Consultation for Developmental Projects in EPA Victoria Australia in 1997 trained as State Chief Information Officer by IIM Ahmedabad and MCRHRDI Government of Andhra Pradesh in 2004 and trained in Environmental Education and Waste Management Technique by JICA, Japan in 2011.

He was awarded Best State Nodal Officer of National Green Corps Award from Centre for Science and Environment, New Delhi, 2008, Jal Mithra Award from Earth watch Institute of India and Water Aid New Delhi, 2014 and Certificate of Commendation for the services in UN Conference of Parties to Convention for Biodiversity conducted at Hyderabad from 1-20 October 2012 by the Government of Andhra Pradesh 2012.

Dr. K N Rekha

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