

Globalization and Its Impact on Co-operative Sector in India

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Introduction

Co-operation is a world-wide movement. It was introduced in India in the early years of this century in the wake of famines, which had resulted in economic hardship and an alarming increase in the indebtedness of the farmers to the moneylenders. Co-operative credit on easy terms appeared to be the best means of getting the farmers out of the vicious circle of indebtedness and poverty. The idea was to free the farmers from the necessity of having to borrow money on usurious rates of interest from Sahukars or village moneylenders. The Co-operative Societies Act, which was passed in 1904 envisaged the formation of village credit societies. In 1912, the Act was amended to enable formation of other types of societies for activities relating to sale, purchase, production, housing etc. This Act also provided for the creation of federations of primary societies and for supervision, audit, mutual control and overall development of the co-operative movement. In 1919, the subject of co-operation was transferred to the provinces and most of the provinces enacted their own laws to regulate the working of co-operative societies. To give a stimulus to the co-operative movement, the Government of India set up an Agricultural Credit Department in the Reserve Bank of India with a view to providing financial assistance and credit to the co-operatives. Co-operation was introduced in India mainly as a defensive organization for dealing with problems of rural indebtedness. With the acceptance and implementation of a planned economic development wedded to the ideas of socialism and democracy, co-operation became a dynamic economic instrument for achieving the social objectives of the National plan.

1.1 HISTORICAL PROFILE OF COOPERATIVE MOVEMENT IN INDIA

Around the world modern cooperatives have developed for over 200 years. 1 Cooperative institutions exist all over the world providing essential services which would otherwise be unattainable. In many Third World countries, cooperatives such as credit unions and agricultural organizations have been very successful in helping people to provide for themselves where private and other corporate capitals do not see high profitability. In 90 countries of the world, over 700 million individuals are members of cooperative institutions. Globally, cooperatives have been able to elevate its position as a powerful economic model. In some countries they are a sizeable force within the national economy. During the British rule, Nicholson a British Officer in India suggested to introduce Raiffersen model of German agricultural credit Cooperatives in India. As a follow-up of that recommendation, the first Cooperative Society Act of 1904 was enacted to enable formation of "agricultural credit cooperatives" in villages in India under Government sponsorship. With the enactment of 1904 Act, Cooperatives were to get a direct legal identity as every agricultural Cooperative was to be registered under that Act only. The 1904 Cooperative Societies Act, was repealed by 1912 Cooperative Societies Act which provided formation of Cooperative societies other than credit. Under 1919 Administrative Reforms act, Cooperatives was made a provincial subject making each province responsible for Cooperative development. In 1942, the British Government enacted the Multi-Unit Cooperative Societies Act, 1942 with an object to cover societies whose operations are extended to more than one state. The impulses of the Indian freedom movement gave birth to many initiatives and institutions in the post independence era in India and armed with an experience of 42 years in the working of Multi Unit Cooperative Societies and the Multi-Unit Cooperative Societies Act, 1942, the Central Government enacted a comprehensive Act known as Multi State Cooperative Societies Act, 1984, repealing the Act of 1942.

GROWTH OF COOPERATIVE SECTOR IN INDIA

India has basically an agrarian economy with 72% of its total population residing in rural areas. The rural people need lot of services in daily life which are met by village co-operative societies. The seeds of cooperation in India were sown in 1904 when the first Cooperative Societies Act was passed. 2 Since then, the cooperative movement has made significant progress. Cooperatives have extended across the entire country and there are currently an estimated 230 million members nationwide. The cooperative credit system of India has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks. The village cooperative societies provide strategic inputs for the agricultural sector, consumer societies meet their consumption requirements at concessional

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rates; marketing societies help the farmer to get remunerative prices and co-operative processing units help in value additions to the raw products etc. In addition, co-operative societies are helping in building up of storage go-downs including cold storages, rural roads and in providing facilities like irrigation, electricity, transport and health.³ Various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. In fertiliser production and distribution the Indian Farmers Fertiliser Cooperative (IFFCO) commands over 35 percent of the market. In the production of sugar the cooperative share of the market is over 58 percent and in the marketing and distribution of cotton they have a share of around 60 percent. The cooperative sector accounts for 55 percent of the looms in the hand-weaving sector. Cooperatives process, market and distribute 50 percent of edible oils. Dairy cooperatives operating under the leadership of the National Dairy Development Board and through 15 state cooperative milk marketing federations has now become the largest producer of milk in the world. The groundwork for this was laid in the early 1970's when the largest dairy development programme in the world - Operation Flood - was launched. Operation Flood was a national marketing strategy linked to a dairy infrastructure development programme that created a chain of dairy processing plants, collection stations and a national milk transportation grid. With the passage of the Insurance Act, cooperatives have been allowed to entry into the insurance business. Insurance is a field where the immense potential of cooperatives still remains untapped. The Indian Farmers Fertiliser Cooperative has recently teamed up with a Japanese company and formed a joint venture for undertaking general insurance business in India. This signifies that Indian cooperatives have come of age in formulating strategic alliances. Thus the co-operative societies in India in fact are playing multi-functional roles both in rural and urban areas. An Expert Group constituted by the Govt of India in 1990 ,recommended i) to facilitate building up of integrated co-operative structure; ii) to make the co-operative federation organizations responsive towards their members; iii) to minimize government interference and control in the functioning of co-operatives and iv) to eliminate politicization from the cooperative sector. Based on the recommendations, the central govt enacted the Multi State Cooperative Societies Act, 2002 which provided for democratic and autonomous working of the Cooperatives, which came into force with effect from August 19, 2002. Various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. The co-operatives in India have made an all-round progress and their role in, and contribution to agricultural progress.

TYPES OF CO-OPERATIVES SOCIETIES

The Co-operative Movement was introduced into India by the Government as the only method by which the farmers could overcome their burden of debt and keep them away from the clutches of the money-lenders. The Co-operative Credit Societies Act, 1904 was passed by the Government of India and rural credit societies were formed . Through the appointment of registrars and through vigorous propaganda, the Government attempted to popularize the Movement in the rural areas. Within a short period, the Government realized some of the shortcomings of the 1904 Act and, therefore, passed a more comprehensive Act, known as the Co-operative Societies Act of 1912. This Act recognized non-credit societies also. But the rural credit societies have continued to be predominant till now.

(1)The Primary Agricultural Credit/Service Societies --- The agricultural co-operative credit structure in the Punjab State is broadly divided into two sectors, one dealing with the short-terms and medium-terms finance and the other with the long-term credit. In the State, the short-term and medium-term credit structure is based on a three-tier system, i.e., the Apex Co-operative Bank at the State level, the Central Co-Operative Bank at the district/tehsil level and the Primary Agricultural Credit Societies at the village level. The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery. Owing to an increasing emphasis on the development of land and agriculture, longterm co-operative credit has assumed great importance. There is the Punjab State Land Mortgage Bank at the Apex and the Punjab Mortgage Bank at the district/tehsil level. These Primary Land Mortgage Banks advance loans to the farmers for long term purposes. At the operational level, there exists a primary co-operative to extend credit to the farmer. This unit epitomizes the vitality and service potential of the Co-operative Movement in India. The organization of these societies dates back to 1904, when the first Co-operative Societies Act was passed. These societies were started with the object of providing cheap credit

to the agriculturists in order to free them from the clutches of the rapacious money-lenders. the agricultural primary credit society is the foundation-stone on which the whole co-operative edifice is built. Even now these societies dominate the co-operative picture.

The first Agricultural Credit Society in the Firozpur District was registered on 4 October 1911, at the Village of Khalchi Kadim in the Firozpur Tehsil. Originally, the movement was confined to the credit societies only and, thus, credit dominated till the partition (1947). After the partition, the Co-operative Movement began to spread to other field, viz labour, construction and farming. In 1979-80, the number of agricultural cooperative credit societies in the District was 309 with a membership of 1,21,761. the loan advanced during the same year amounting to Rs. 2,180.35 lakh and the deposits to Rs. 26.84 lakh. **(2) Agricultural Non-Credit Societies** --- While credit is and must remain for some time the chief concern of the Co-operative Movement relatively slow, since 1912, when the non-credit societies were brought officially under the aegis of the Movement. the World War II (1939-45) came as a God send boon with respect to the development of the Cooperative Movement. Prices of agricultural goods began to rise and touched new peaks. The repayment of loans was accelerated and deposits began to pour in. The number of societies also rose. Another interesting development in co-operative during the War was the extension of the Movement to non-credit activities, viz. consumer's co-operative marketing societies, consolidation societies, etc. The number of agricultural non-credit societies in the district was 38 in 1978-79.

(3) Agricultural co-operative Marketing Societies-- Marketing has occupied a far smaller place in the co-operative picture in India than in many countries, notably Denmark and the USA, but not other non-credit line of co-operation, with the possible exception of the consolidation of land holdings and joint farming enterprises, seems to hold greater possibilities of help to the agricultural population of India. The development of co-operative marketing in India is closely bound up with the problem of credit-the claims of the money-lenders commonly inhibiting the cultivator's freedom of action in disposing of his crop. The full utilization of loans advanced depends upon the arrangements for the marketing of surplus produce. For this purpose, there the Punjab State Marketing Federation at the State Level, wholesale societies at the district level and marketing societies at the market level. These societies also provide other agricultural facilities and make arrangements for the supply of domestic items in the rural areas. In 1979-80, there were 10 agricultural co-operative marketing societies in the district, with a total membership of 5,982 (5,056 individuals and 926 societies). During the same year, their paid-up capital was Rs. 19.70 lakh and the working capital Rs. 558.52 lakh, and they marketed goods worth Rs. 992.08 lakh. At the State level, the Punjab State co-operative Supply and Marketing Federation (MARKFED) is playing an important role in building up an integrated structure for remunerative marketing and storing of agricultural produce. it has played an important role in hastening the Green Revolution in the State by arranging ready supplies of essential farm inputs needed by the cultivators.

(4) Co-operative Farming Societies.--- The Royal Commission on Agriculture in 1928 observed that if co-operation failed, there would fail the hope of the Indian agriculturist. Co-operative farming is a compromise between collective farming and the peasant proprietorship and gives all merits of large-scale farming without abolishing private property. It implies an organization of the farmers on the basis of common efforts for common interests. Under this system, all landowners in a village form a co-operative society for tilling the land. The land is pooled, but each farmer retains the right of property. The produce is distributed by each. They are allowed to withdraw from the cooperative farm whenever they desire. In India, the exceedingly small size of holdings is perhaps the most serious defect in our agriculture. If agriculture has to be improved, the size of the holdings must be enlarged. The co-operative farming societies, thus, enable the cultivators to enjoy the economies of large-scale farming through the pooling of land management resources.

Globalization

The term globalization is often associated with international business. It is a process of development of the world into a single integrated economic unit. In India, globalization refers to the opening of the gates of the economy for mutual global co-operation by way of reducing control and bureaucratic delays and steering the economy towards better market orientation. Globalization started from the 19th century and the period between 1870 to 1913 has been considered as first phase and the period from middle of 20th century is viewed as the second phase. The World Human Development Report, 1999 states that the most significant feature of the current phase is market economic policies spreading around the world with greater privatization and liberalization than in earlier decades have been significant

Globalization**Definition of Globalization**

Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure. There are two types of integration—negative and positive. Negative integration is the breaking down of trade barriers or protective barriers such as tariffs and quotas. In the previous chapter, trade protectionism and its policies were discussed. You must remember that the removal of barriers can be beneficial for a country if it allows for products that are important or essential to the economy. For example, by eliminating barriers, the costs of imported raw materials will go down and the supply will increase, making it cheaper to produce the final products for export (like electronics, car parts, and clothes). Positive integration on the other hand aims at standardizing international economic laws and policies. For example, a country which has its own policies on taxation trades with a country with its own set of policies on tariffs. Likewise, these countries have their own policies on tariffs. With positive integration (and the continuing growth of the influence of globalization), these countries will work on having similar or identical policies on tariffs.

Effects of Globalization

According to economists, there are a lot of global events connected with globalization and integration.

It is easy to identify the changes brought by globalization.

1. Improvement of International Trade. Because of globalization, the number of countries where products can be sold or purchased has increased dramatically.
2. Technological Progress. Because of the need to compete and be competitive globally, governments have upgraded their level of technology.
3. Increasing Influence of Multinational Companies. A company that has subsidiaries in various countries is called a multinational. Often, the head office is found in the country where the company was established.

An example is a car company whose head office is based in Japan. This company has branches in different countries. While the head office controls the subsidiaries, the subsidiaries decide on production. The subsidiaries are tasked to increase the production and profits. They are able to do it because they have already penetrated the local markets.

The rise of multinational corporations began after World War II. Large companies refer to the countries where their subsidiaries reside as host countries. Globalization has a lot to do with the rise of multinational corporations.

4. Power of the WTO, IMF, and WB. According to experts, another effect of globalization is the strengthening power and influence of international institutions such as the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank (WB).
5. Greater Mobility of Human Resources across Countries. Globalization allows countries to source their manpower in countries with cheap labor. For instance, the manpower shortages in Taiwan, South Korea, and Malaysia provide opportunities for labor exporting countries such as the Philippines to bring their human resources to those countries for employment.
6. Greater Outsourcing of Business Processes to Other Countries. China, India, and the Philippines are tremendously benefiting from this trend of global business outsourcing. Global companies in the US and Europe take advantage of the cheaper labor and highly-skilled workers that countries like India and the Philippines can offer.
7. Civil Society. An important trend in globalization is the increasing influence and broadening scope of the global civil society.

Civil society often refers to NGOs (nongovernment organizations). There are institutions in a country that are established and run by citizens. The family, being an institution, is part of the society. In globalization, global civil society refers to organizations that advocate certain issue or cause.

There are NGOs that support women's rights and there are those that promote environment preservation. These organizations don't work to counter government policies, but rather to establish policies that are beneficial to all. Both the government and NGOs have the same goal of serving the people.

The spread of globalization led to greater influence of NGOs especially in areas of great concern like human rights, the environment, children, and workers. Together with the growing influence of NGOs is

the increasing power of multinational corporations. If the trend continues, globalization will pave the way for the realization of the full potential of these two important global actors.

1.6 NEW DIRECTIONS: GREATER AUTONOMY

During past few years some beneficial and important changes have taken place in the cooperative movement which have given a quite new and progressive slant. A supportive climate has been created for the development of cooperatives as democratic and autonomous businesses providing them with the opportunities for diversification. The cooperatives have long been demanding that the Central Government introduce democratic reforms in their regulation, supervision and functioning. With the persistent efforts of the National Cooperative Union of India, the Central Government recently passed the Multi-State Cooperatives Societies Act and also formulated a national cooperative policy that provides greater autonomy to cooperatives. The Govt is providing educated personnel and right type of leadership.

1. The scope of cooperatives have extended and diversified
2. Emphasis is given on multipurpose societies
3. Maximum number of societies are now run on the basis of limited liabilities
4. The size of the societies is extended on the basis of scientific principle
5. It is perceived as the powerful strategy of economic growth

Concluding remark

In a developing country like India with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit. The need of the hour for the cooperative sector in the era of liberalized environment is to seize every opportunity available to it. Thus, the future vision of cooperative movement will have to be based on efficiency parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of financial resource base.

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