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## Cooperatives Problems

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### Abstract:

A **cooperative** (also **co-operative** or **co-op**) is defined as a business owned by the people who use its services. The cooperative movement emerged in the nineteenth century in Europe, particularly as a result of the Industrial Revolution. Robert Owen, generally considered the father of the cooperative movement, was the owner of successful cotton mills. He believed in putting his workers in a good environment with access to education for themselves and their children and attempted to establish "villages of cooperation" where workers would be able to rise out of poverty by their own efforts. Many took up Owen's ideas, modifying them and forming their own cooperatives.

Expanding throughout the world, cooperatives have been successful in a number of fields, including retailing, banking, energy, housing, and the processing and marketing of agricultural products. In this paper to understand the philosophy, principles, and problems faced by cooperatives.

**Key Words:** cooperatives, philosophy, movement, principles, types, functions, problems.

### Introduction

Cooperatives are people-centered enterprises owned, controlled and run by and for their members to realize their common economic, social, and cultural needs and aspirations.

Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the '*one member, one vote*' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

As businesses driven by values, not just profit, cooperatives share internationally agreed principles and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create sustainable enterprises that generate long-term jobs and prosperity.

## Meaning of Cooperatives

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

## Philosophy of Cooperatives

In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others." Such legal entities have a range of unique social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Unlike a union, in some jurisdictions a cooperative may assign different numbers of votes to different members. However, most cooperatives are governed on a strict "one member, one vote" basis, to avoid the concentration of control with the elite. Economic benefits are distributed proportionally according to each member's level of economic interest in the cooperative, for instance, by a dividend on sales or purchases. Cooperatives may be generally classified as either consumer or producer cooperatives, depending largely on the mutual interest that their membership shares. Classification is also often based on their function.

## Movement of cooperatives in Karnataka

The first co-operative society of our country was registered in 1905 at Kanaginahal village of Gadag district in Karnataka. Sri Siddanagouda Sannaramana Gouda Patil is considered as the pioneer in the co-operative movement as he is the founder president of the said co-operative society in our country.

The Mysore Co-operative Societies Act 1959 is the first legislation in our state pertaining to the co-operative societies and has come into being from 25-05-1960.

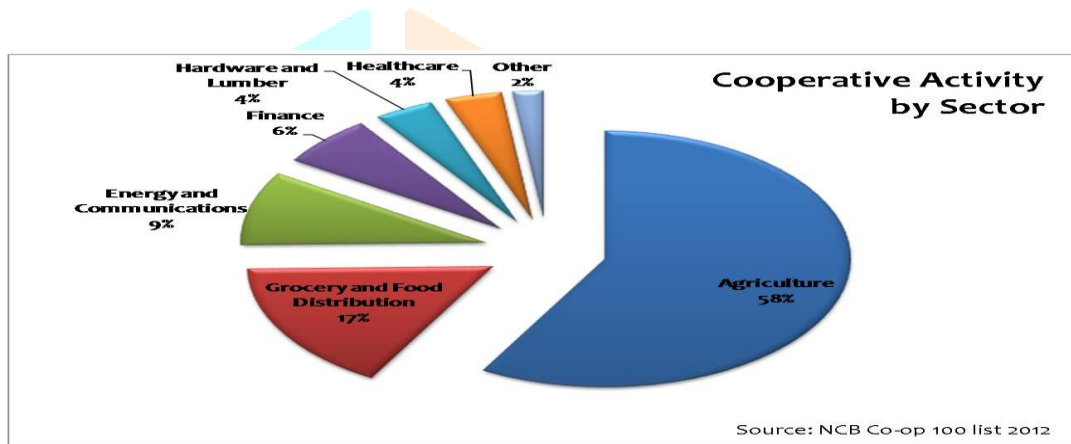
Karnataka occupies third position in the co-operative movement in India. It has been playing an important role in improving the economic condition of people involved in co-operative movement and has spread to almost all sectors of economic activities, both in rural and urban areas.

Karnataka is the first state where in Agricultural loans through co-operatives are available at 3% which, is the lowest in the country. This facility is also extended to the loans borrowed by weavers and fishermen.

Loans are available, if borrowed through co-operatives, for self-help groups at 4%. Government of Karnataka is subsidizing the co-operatives by providing Interest- subsidy through budgetary provisions.

Since the implementation of the recommendations of Prof.Vaidyanathan Committee through MOU with Government of India, NABARD and the state Government in March 2008, the role of the state Government in respect of Agricultural credit structure Institutions has metamorphosed from the role of regulator, supervisor to the role of being a Friend, Philosopher and Guide. All statutes, circulars, orders which were coming in the way of day to day internal affairs of the institutions have been withdrawn.

A new era of co-operative credit structure through self-governance and independent decision making has come in to being and it is hoped that the co-operatives will become professionally efficient and financially viable in the years to come. The state has witnessed a tremendous growth in the Cooperative Sector.



Highlights of the registered growth are as follows.

(Rs.in lakhs)

Year	No.of Societies	Membership (Actual)	Share Capital	Working Capital
1905-06	5	386	0.11	0.14
1925-26	1603	92,292	35.52	112.38
1950-51	5190	5,01,281	138.74	690.90
1975-76	22713	59,45,009	12,543.00	91,637.00
2000-01	29930	1,61,67,000	1,47,316.00	21,19,867.65
2005-06	32577	2,05,00,000	1,91,700.00	26,47,500.00
2007-08	33394	2,09,00,000	2,69,000.00	27,18,000.00
2008-09	34025	1,87,88,741	2,78,574.89	32,69,321.66
2009-10	34863	1,99,04,730	3,17,136.93	38,24,891.99
2010-11	35502	2,15,33,651	3,47,900.00	41,35,500.00
2011-12	36481	2,63,99,074	3,02,200.00	51,86,400.00
2012-13	37468	2,18,11,687	3,12,900.00	58,69,200.00
2013-14	38430	2,30,15,000	4,11,618.00	65,66,200.00
2014-15	39627	2,23,99,000	4,02,526.00	69,35,300.00

2015-16	40643	2,34,65,000	4,64,418.00	86,21, 200.00
2016-17	41402	2,48,21,000	4,96,174.00	98,36,400.00
2017-18 (Tentative)	42543	2,28,85,000	4,519.79.00	109,66,600.00

## Basic Statistics

Sl. No	Particulars	As on 31-03-2018 (Tentative)
1	No. of Cooperatives	42,543
	a) which working	37,516
	b) of which defunct	1,731
	c) of which liquidated	3,296
2	Share Capital (Rs. in crores)	4,519.79
	a) of which Govt	178.13
	b) of which Members	4,341.65
3	Membership	2,28,85,000
4	Working Capital (Rs. in crores)	1,09,666
5	Deposits (Rs. in crores)	64,200
6	No. of villages covered by co-operatives %	100%
7	No. of cooperatives under Profit	24,888
	No. of cooperative under loss	13,901

Co-operative institutions have played a vital role in the socio-economic development of the country, particularly in the rural areas and in agriculture and allied sectors. It is our firm belief and conviction that the Co-operative Institutions will continue to play a key role in the economic development of the country and will become more relevant in the changing economic environment of liberalization of globalization.

Cooperative Movement is wide spread in all the developmental sectors like Credit, Marketing, Consumers, Silk Industry, Dairy, Fishery, Horticulture, Sugar, House Building, Constructions of godown

## Types of Cooperatives

### 1) Retail Cooperatives

Retail Cooperatives are a type of "consumer cooperative" which help create retail stores to benefit the consumers-making the retail "our store". They allow consumers the opportunity to supply their own needs, gain bargaining power, and share earnings. They are organized as communities, or other "local groups", owning their own retail stores. Retail cooperatives are often found in small communities where local businesses have shut down. *Examples: hardware, food, agriculture products, and even movie theaters.*

## 2) Worker Cooperatives

Members of worker cooperatives are both employees of the business as well as owners of the cooperative. This is one of the fastest growing segments of cooperatively-owned businesses. Possibilities for being organized as a worker cooperative include: New business start-ups, entrepreneurs sharing highs & lows of business, or a conversion of existing businesses. *Examples: bakeries, retail stores, software development groups, and aquaculture.*

Larger companies also have the option of Employee Stock Ownership Plans (ESOPs). This means employees will own a stake in the business, allowing for similar types of democracy in the workplace.

## 3) Producer Cooperatives

Producer cooperatives are created by producers and owned & operated by producers. Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency. They are organized to process, market, and distribute their own products. This helps lessen costs and strains in each area with a mutual benefit to each producer. *Examples: agricultural products, lumber, carpentry and crafts.*

## 4) Service Cooperatives

Service cooperatives are a type of "consumer cooperative" which help to fill a need in the community. They allow consumers the opportunity to supply their own needs, gain bargaining power, and share earnings. They are organized to give members more control over the services that are offered. *Examples: service co-ops such as child care, health care clinics, and funeral services.*

## 5) Housing Cooperatives

Housing cooperatives are a type of service cooperative which provide a unique form of home ownership. They allow home owners the opportunity to share costs of home ownership (or building). They are organized as an incorporated business formed by people who wish to provide and jointly own their housing. The units in a housing co-op are owned by the cooperatives and cannot be sold for profit. *Examples include: condominiums, rentals, single family homes, market rate, and limited equity.*

## Principles of Cooperatives

The cooperative principles are guidelines by which cooperatives put their values into practice.

### 1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### 2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

### 3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

### 4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

### 5. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

## 6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

## 7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

## Functions of Cooperatives

A cooperative exists to fill a mutual need of its members. Depending on the need, a cooperative may serve one or multiple functions.

- The goal of a *marketing cooperative* is to benefit members by helping them increase their margins, maintain control of their product to point of sale, and secure a reliable and consistent market for their goods. Marketing cooperatives may negotiate sales contracts, including prices and terms, with buyers. Some marketing cooperatives aggregate product from members to achieve a volume sufficient to access larger markets, such as institutions and intermediaries. The co-op may further process and then sell the products with added value. For example, agricultural cooperatives market farm products for members. Examples include CHS, Inc. (grain, energy), Dairy Farmers of America (milk) and United Producers Inc. (livestock).
- *Purchasing cooperatives* achieve discounts on bulk purchases and pass the savings on to members. Farmers, manufacturers, and builders benefit from purchasing cooperatives to buy inputs. Purchasing cooperatives such as Ace Hardware purchase bulk product and resell product in smaller quantities to members and non-members.
- *Service cooperatives* provide members access to services. Credit unions provide members with access to credit. Healthcare cooperatives provide care to thousands of patients each day. Insurance co-ops provide members with risk management policies for home and business. Electric cooperatives brought power to rural America.

## Problems faced by cooperatives

### 1) Non-accountability:

It is like if a child when given too many benefits it gets spoiled. The same is the case with cooperatives in India. The government gave too many benefits to cooperatives like reservation of items extra benefits like finance facilities so also it was also provided with other support this was a good thing to do, but then there was no further accountability which led to these cooperatives becoming more and more lethargic. Besides as there was no competition they became more and more costly they were not at all efficient and the worst part was that the government allowed them to function like this and pass on the burden of costs to consumers.

### 2) Vested interest of some people:

A lot of times people who are in position in control of cooperatives are actually people who have joined cooperatives for personal gains. One of the major problems this causes is conflicting of personal interests with the interest of the cooperatives now this affects the performance of the cooperatives in a negative way.

### 3) Lack of coordination:

Generally what happens in cooperatives is that different cooperatives at different level don't coordinate this makes the work of cooperatives difficult. Coordination is the key to success of any organization. The best example for this is AMUL which works best because of coordination

### 4) The Internal Free Rider Problem:

This problem arises when:

- a) New members who provide very little capital enjoy the same benefits as long-standing or founding members who have major investments in the cooperative in fixed assets (plant, machinery, equipment) and working capital;
- b) When the patronage of new members does not make the cooperative much more efficient or competitive by producing significant economies of scale. New members get a "free ride" on the investments and other efforts of existing members, thereby diluting the returns to existing members. In this situation, new members do not have much incentive to provide capital because it will not appreciate in value and existing members have little incentive to provide capital that will disproportionately benefit new members.



### 5) **Quality more than Quantity:**

This is another major problem faced by different cooperatives who go in for quantity this causes a major problem because they think it's a quick way to earn money so this basically affects the productivity.

### 6) **No Balanced Growth:**

The cooperatives in northeast areas and in areas like West Bengal, Bihar, Orissa are not as well developed as the ones in Maharashtra and the ones in Gujarat. There is a lot of friction due to competition between different states, this friction affects the working of cooperatives.

### 7) **Political Interference:**

Now this is the biggest problem faced by Sugar cooperatives in Maharashtra. The Politicians use the sugar coops as if they are their personal property and also they use it to their political advantage. This is the biggest problem of cooperatives as they use them to increase their vote bank. They also get their own favorites on the boards of such boards so they are on control these cooperatives.

## **Conclusion**

According to Karnataka Cooperative Summit, 09<sup>th</sup> February 2016 Karnataka has a special place in the Indian cooperative sector, as it is one of the first states to have started the movement. We are proud to say that, the first agricultural credit cooperative society in Karnataka started in a village called Kanaginahaala, Gadag district, in 1905. In the same year, a consumer cooperative society also started in Bangalore. The state has over 4,000 Primary Agricultural societies and over 10.12 lakh farmers are benefited from these cooperatives. In Karnataka 100% villages are covered by cooperative Societies.

The world is suffering from high levels of unemployment and underemployment, particularly among youth. There is also increased job insecurity, a deterioration of social protection and widening inequalities. But cooperatives, as one of the biggest actors in work representing almost 10% of the global employed population, can be part of the solution to many of the challenges of the future of work.

As people-centered enterprises owned and run by and for their members to realize their common needs and aspirations, whether the members are the customers, employees, users or residents, cooperatives are democratically managed and controlled. Cooperatives' inherent capacity to innovate and adapt themselves to meet community needs can be a tool to bring democracy, equality and sustainability into the workplace.

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