

## CONTRIBUTION OF COOPERATIVES IN COMBATING ECONOMIC CRISIS

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### Introduction

Cooperatives today have emerged as a vibrant sector of the Indian Economy. The role of cooperatives is to find solutions to the problems of people through common action based on democratic values so that there are no disparities in society. During the economic recession when other organizations were severely affected, cooperatives remained the most stable organizations, because they are membership based organizations and deeply rooted in communities in which they reside. The values of self-help, responsibility, democracy, equity and solidarity provide a solid foundation to cooperative organizations (Ravichandran K. & Revathi Bala M : 2008).

### Shades of Globalization

Globalization came to dominate the world since the nineties of the last century. It has thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalization is that a great majority of developing countries remain removed from the process. It also resulted into a tragedy of severe Asian Financial Crisis of 1997-98 due to Opening of world trade, internationalization of financial markets, growing importance of MNC's, population migrations etc. But the global comparison shows that India is now the fastest growing economy just after china. The liberalization of the domestic economy and the increasing integration of India with the global economy have helped step up GDP growth rates, which picked up from 5.6% in 1990-91 to a peak level of 7.8% in 1996-97 (www.nchfindia.net). The pick up in GDP growth rate has helped India's global position.

### Global Financial Crisis

The global financial crisis that emerged in September 2008 is one of the most difficult economic challenges of recent times. This crisis is broader and deeper than the Asian Financial Crisis 1997-98. Growth rates have fallen sharply and are projected to drop further. As the economic fallout from the financial crisis that began in the US became worldwide, Overall growth in developing Asia tumbled from its impressive peak of 9.5% in 2007 to 6.3 % in 2008. In 2009, the Asian Development Outlook sees another steep fall to only 3.4%. Because, global financial systems and major economies remain fragile, the recovery could be long and marked by setbacks and further shock (ADB : 2009).

### Need for a Cooperative Model

In time of such crisis, people thinks about two ways of running business – one the public sector or the state controlled enterprise and the other being the private sector or investor owned enterprises. Cooperatives are rarely mentioned. But it is the fact that cooperatives are surviving well in the time of such global crisis.

Cooperatives being the value based enterprises with unique blend of economic and social responsibilities employ 100 million people across the world. They need to be considered as a preferred option to stimulate the economic growth. Cooperatives worldwide have been known as secure, stable and sustainable models of business enterprises owned and controlled by the people who in pursuit of their common economic need to pool their resources for common good.

### Reasons for the Sustainability of Cooperatives during the period of Crisis

- ❖ Cooperatives being different form of business model as compared to the capital intensive corporate structures are not linked with stock markets because they rely on member's funds for a realistic value.

These funds are not subject to manipulation and greed since the members of their communities control them.

- ❖ Cooperatives have the inherent features of modest and realistic in planning the growth of the business with manageable control on costs and aspirations giving them a greater power of resilience.
- ❖ Cooperatives are the businesses where the profits are not just distributed to their shareholders, but are returned to those active members who transact with the business of the cooperative, thus keeping the wealth for the good of the local environment and families in the developing countries because the changes in the global market affect them first and most.

### **Promoting Stability in Indian Economy through Cooperatives**

- ❖ In the agriculture sector, cooperatives play a predominant role, in both developed and developing countries. As 70 percent of the population still lives in rural areas, employment growth in rural areas should be strengthened by increasing agricultural productivity, and also through the creation of Non-Farm Employment. The efforts to increase the flow of credit to agriculture seem to have yielded better results in the recent period.
- ❖ In terms of total credit to agriculture, the commercial banks recorded a considerable growth from Rs.4806 crores in the year 1993-94 to Rs.121879 crores in the year 2011-12 as against Rs.32871 crores in cooperatives (**Refer Table - 1**). At the same time, it has to be correlated with the fact that Cooperative societies covered 24.9 percent of borrowing of cultivator households in the year 2012 whereas 25.1 percent of the same has been covered by the Commercial banks (**Refer Table - 2**). In short, the numbers of borrowing cultivator households are more in Cooperatives, who really cover the underprivileged and disadvantaged sections of the society.
- ❖ The Indian Cooperative sector has been a vibrant sector and over the years it has widened its horizons and is bringing huge population under its umbrella. The membership position has shown increase from 102141 lakhs in the year 2001-02 to 121225 in the year 2010-11 (NAFSCOB: 2011).
- ❖ The total loan issued by PACBs have been increased from Rs.3,076,999 lakhs in the year 2001-02 to Rs.9,130,382 lakhs in the year 2010-11, which recorded around three fold increase between these periods.
- ❖ Two innovations viz., micro finance and kisan credit card scheme (KCCS) have emerged as the major policy developments in addressing the infirmities associated with the distributional aspects of credit delivery to agriculture in terms of the timeliness, hassle-free operations as also adequacy of credit with minimum transaction costs and documentation. The Cooperative Banks (47.28%) had a major share followed by Commercial Banks (36.85%) and RRBs (13.87%) (**Refer Table - 3**).
- ❖ Cooperatives such as Amul and SEWA are good examples of not only providing livelihood to many but most employed are women and weaker sections of the society who otherwise are left by mainstream economy or who otherwise don't have a place in the global village.

### **Conclusion**

The first 10 years of the 21<sup>st</sup> Century faced severe financial crisis and environmental disasters, but it was also a decade defined by a shift in communications from traditional media to worldwide conversation that flows faster than anyone could have imagined. However, the major question today in front of us is that whether globalization has created a world of equal opportunity and why fruits of globalization not affected every economy equally. Thus, we can say that:

- ❖ Whether the globalization has been fair?
- ❖ Whether it has provided social protection to the vulnerable? and
- ❖ Whether it has worked people out of poverty?

With the ongoing debates on globalization and methods employed to resolve the economic crisis that we face today, cooperatives are the answer that can contribute to the economy a lot and lot. It can bring people of different

origin and religion together to work cohesively. Thus, the contribution of cooperatives should be highly internalized by the policy makers at global and national level and therefore urge upon the governments to establish good partnership with cooperatives to protect economically vulnerable population so as to minimize the impact of global economic meltdown at the ground level. Really, Cooperatives are not only panacea, but also the conduits to make India as a powerful nation.

### References

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**Table – 1, Institutional Credit to Agriculture (Rs. in crores)**

Year	Institutions							Percent Increase
	Cooperative Banks	Share %	RRBs	Share %	Commercial Banks	Share %	Total	
1993-94	5,800	52	596	5	4806	43	11202	27
1994-95	9,378	62	831	5	4,960	33	15,169	35
1995-96	10,117	61	997	6	5,400	33	16,494	9
1996-97	9,406	50	1,083	6	8,255	44	18,744	14
1997-98	10,479	48	1,381	6	10,172	46	22,032	18
1998-99	11,944	45	1,684	6	12,783	48	26,411	20
1999-00	14,085	44	2,040	6	15,831	50	31,956	21
2000-01	15,916	43	2,538	7	18,441	50	36,897	15
2001-02	18,363	40	3,172	7	24,733	53	46,268	25
2002-03	20,801	39	4,219	8	27,807	53	52,827	14
2003-04	23,604	38	4,854	8	33,587	54	62,045	17
2004-05	23,716	34	6,070	9	39,774	57	69,560	12
2005-06	26,959	31	7,581	9	52,441	60	86,981	25
2006-07	31,424	25	12,404	10	81,481	65	1,25,309	44
2007-08	39,404	22	15,223	8	1,25,859	70	1,80,486	44
2008-09	33,987	24	15,170	10	1,00,999	67	1,50,156	49
2009-10	35,875	20	17,987	10	1,28,876	70	1,82,738	51
2010-11	36,165	19	19,325	10	1,32,761	71	1,88,251	53
2011-12	32,871	18	23,984	13	1,21,879	69	1,78,734	-

Note : Commercial Banks and RRBs were clubbed together up to 1990-91.

Source : Economic Survey and NABARD various issues.

**Table -2, Relative Share of Borrowing of Cultivator Households from Different Sources**

Source	(In percent)						
	1951	1961	1971	1981	1991	2002	2012
Non- Instructional of which	92.7	91.3	68.3	36.8	30.6	38.9	29.7
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8	21.9
Institutional of which	7.3	18.7	31.7	63.2	66.3	61.3	68.8
Cooperative Societies/Banks	3.3	2.6	22.0	29.8	23.6	30.2	24.9
Commercial Banks	0.9	0.6	2.4	28.8	35.2	26.3	25.1
Unspecified	-	-	-	-	3.1	-	1.5
Total	100	100	100	100	100	100	100

Source: All India Debt and Investment Survey and NSSO.

**Table – 3, Agency-wise and Year-wise KCC**

Year	(In Millions)			
	Cooperative Banks	RRBs	Commercial Banks	Total
2001-2002	0.16	0.01	0.62	0.78
2002-2003	3.6	0.17	0.37	5.13
2003-2004	5.61	0.56	2.39	8.65
2004-2005	5.44	0.83	3.07	9.34
2005-2006	4.58	0.96	2.70	8.34
2006-2007	4.88	1.27	3.09	9.25
2007-2008	3.56	1.73	4.40	9.68
2008-2009	2.60	1.25	4.17	8.01
2009-2010	3.80	1.76	4.54	9.54
2010-2011	3.96	1.95	4.21	10.45
2011-2012	4.65	1.99	4.64	10.98
Total	42.82	12.58	35.19	90.59
<b>Share in Total Percent</b>	<b>47.28</b>	13.87	39.85	100

Source : Report on Trend and Progress of Banking in India, RBI.