

## **Credit and Non-Credit Cooperatives - A Stimulant for Earning Activities in Rural Areas**

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### **Abstract**

Agriculture and allied activities are very crucial sectors in providing employment opportunities in rural areas. According to census 2011, 89.96 per cent people live in rural areas and only 10.04 per cent people live in urban areas in Himachal Pradesh. People engaged in different activities like agriculture, horticulture, small scale industries, village and cottage industries, fishery, dairy, processing etc. It is quite pertinent that all these sector of our economy needs careful handling and planned stimulation as otherwise it can arrest the development of the entire state. Cooperative societies are playing significant role in the economic development of the state. Cooperative society provides employment opportunities and improve living standard of the poor people by increasing the income of the people engaged in different earning activities. At present, many credit and non-credit cooperatives has been formulated in the state for stimulating the earning activities. This paper deals with the secondary study on *Credit and Non-Credit Cooperatives-A Stimulant for Earning Activities in Rural Areas*. The study has undertaken keeping in the view the benefits of cooperatives also in mind. The Annual compound growth rate (ACGR), Average and percentage has been used for analysis of data. Secondary data collected from different journals, magazines and Annual Administrated Reports of Cooperative Department of H.P. Shimla.

**KEYWORDS:** Cooperatives Activities, Credit, Non-Credit, Stimulant, Development and Rural People.

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### **Introduction**

Agriculture and allied activities are very crucial sectors in providing employment opportunities in rural areas. With the existing unemployment rural people are inevitably coming forward to take up certain activities like agricultural / horticultural farming, dairy, poultry etc. rearing in the order to get self employed gains, sufficient income and livelihood. According to census 2011, 89.96 per cent people live in rural areas and only 10.04 per cent people live in urban areas in Himachal Pradesh. People engaged in different activities like agriculture, horticulture, small scale industries, village and cottage industries, fishery, dairy, processing etc. Prosperity of the state entirely hangs on the growth of the agriculture and non- agricultural activities. It is quite pertinent that all these sector of our economy needs careful handling and planned stimulation as otherwise it can arrest the development of the entire state. Cooperative societies are playing significant role in the economic development of the state. The main objective of the cooperatives is to eliminate exploitation of common man by middleman and money

lenders. Cooperative society provides employment opportunities and improve living standard of the poor people by increasing the income of the people engaged in different earning activities.

The Department of Cooperation was established in the year 1948 immediately after the formation of Himachal Pradesh. The first H.P Cooperative Societies Act, enacted in 1956 and prior to this Cooperative Societies were registered under the Cooperative Societies Registration Act 1912. Himachal Pradesh Cooperative Societies Rules, 1971 were also framed by the Government for strengthening the Cooperative movement in the State. The Himachal Pradesh government has effectively regulated the Himachal Pradesh Society Registration Act 2006 and Rules 2006 on 26 October 2006. Before when the cooperatives has start in Himachal Pradesh, they provide credit only for the agricultural activities and distribute the daily needs consumer goods on low level. At present, many credit and non-credit cooperatives has been formulated in the state for stimulating the earning activities.

### **1.1 Main spheres of cooperative working:**

Cooperative societies are moving around the mainly four spheres. These are members, structure, community, management. Four spheres of cooperative working are also shown in figure - 1.

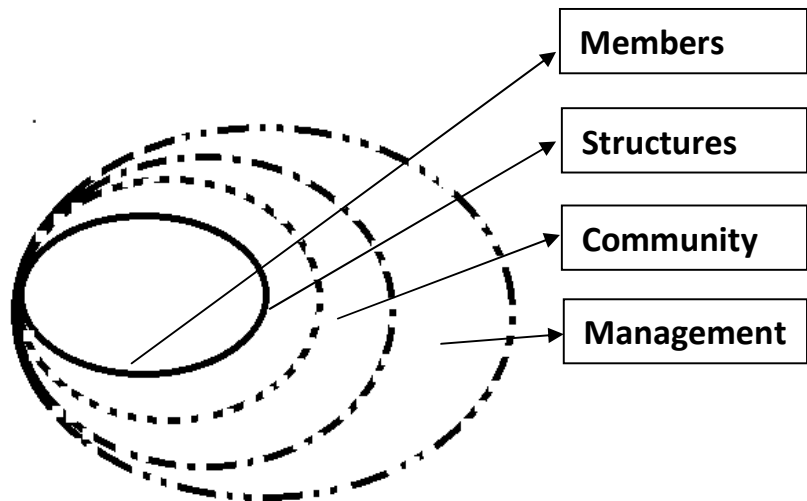
**Members:** Members are the one who have formed the cooperative serve themselves. They are owners, managers and controller of their cooperatives.

**Structure:** These are two structures the cooperative organisational structure and the government structure which provide legal identity to the cooperative. Both of them are needed and necessary.

**Community:** It deals with the social structure of the society which sponsors cooperative members and cooperative leaders and which also have certain social and economic needs which need to be satisfied.

**Management:** There are two types of management one is which strives to make the organisation efficient and effective and the other is relating to the management of cooperative by board members and the employees of the cooperative.

**Figure - 1**  
**Sphere of Cooperatives Working**



Although, the working of cooperative societies has been divided in four sphere but they are interrelated to each other. They have similar principles, objectives, functions, basic and ethical values.

**1.2 Objectives of the Research Paper:**

The main objective of the present research paper is to appraise the *Credit and Non-Credit Cooperatives-A Stimulant for Earning Activities in Rural Areas*. To achieve the main objective, the following sub- objectives are formulated.

1. To study the structure and activities of cooperatives in Himachal Pradesh.
2. To evaluate the activity-wise performance of credit and non-credit cooperatives.

**1.3 Methodology:**

The present paper is based on secondary data, collected from different journals, magazines and Annual Administrated Reports of Cooperative Department of H.P, Shimla. The collected data has been analyzed by using Annual Compound Growth Rate (ACGR), Percentage and Average method. Data has been taken from the year 2004-05 to 2013-14. The following formulas have been used:

Methods	Formulas	Description of formulas
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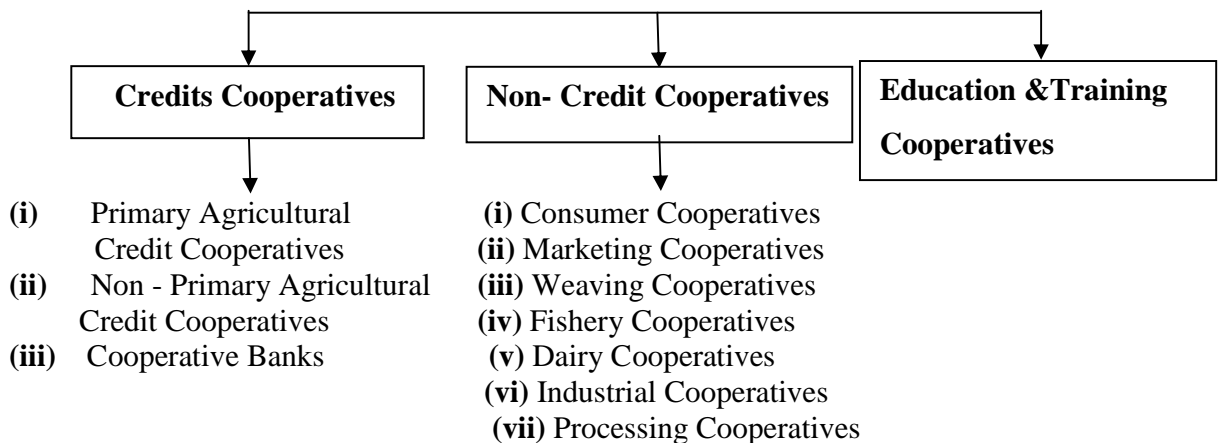
<b>ACGR</b>	$r = \left( \frac{A_n}{A_0} \right)^{\frac{1}{n}} - 1$	r =rate of the growth, n =is the number of years. A <sub>n</sub> = is the figure of nth year. A <sub>0</sub> =is the figure of base year.
<b>Average</b>	$\bar{X} = \frac{\Sigma X}{N}$	$\bar{X}$ = Symbol of the mean. $\Sigma X$ =Sum of values, N =Number of observation.

### 2.1 Structure of cooperative Societies in Himachal Pradesh:

Over the years, cooperative sector has emerged as a vital segment of state economy. During the last fifty years the main focus was on sustainable economic growth with social justice. Many strong cooperative are utilizing their resources for improving the socio economic condition in rural areas. The cooperative societies are classified in to three parts shown in Chart-1.

**Chart - 1**

#### Structure of Cooperative Societies in Himachal Pradesh



**(1) Credit cooperatives:** A credit cooperative society is generally defined as an institution promoted by its share holders of farming committee for the purpose of providing facilities for the development of agricultural and non- agricultural activities. The Himachal Pradesh state cooperative bank (HPSCB) is known as an apex cooperative bank. HPSCB advances credit to rural masses through banks and cooperative credit societies, like primary agriculture credit cooperatives (PACS), thrift & saving cooperatives..

**(2) Non – Credit Cooperatives:** Non- credit cooperatives have developed the non- agricultural sectors with including agricultural sector. The different non- credit cooperatives are consumer, marketing, weaving, processing, industrial, dairy and fishery cooperatives. The main objectives of formulation of these societies are to improve the working of people who are engaged with these fields.

**(3) Education and Training cooperatives:** In addition to credit and non credit cooperatives, education and training cooperatives are established to train and educate the executives and members of cooperative organizations enabling them to perfect in the cooperative principles, management techniques and other financial and administration matters. The Himachal Pradesh cooperative marketing and consumer federation (Himfed.) and cooperatives societies are involved in distribution of fertilizer and agriculture equipments for farmers who are member and non-members of cooperatives also. Training leads to change in knowledge, skills, attitudes and behaviour.

## **2.2 Activities Performed by Credit and Non-Credit Cooperatives:**

The activities under credit and non- credit cooperatives are almost similar except the loan distribution. The loan distributes only through credit cooperatives that includes credit societies (PACS, Thrift/saving societies) and cooperative banks. In other side non-credit cooperatives like weaving cooperatives distribute infrastructure facilities, raw material, looms, spinning materials etc. for weavers. The societies in the field of dairy, fishery, poultry, bee-keeping, tea and industrial provides necessary inputs and facilities for development of concerned activities. Cooperative institution has developed the rural areas in Himachal Pradesh by stimulating the following activities and enhanced the income with generation of employment.

- (1) Credit societies and cooperative banks provide loans to rural people for promoting agricultural and non-agricultural activities.
- (2) PACS are the only institutions agency in the state which provides credit to people at their doorsteps in shortest period.
- (3) Both, credit and non-credit cooperatives are involved in the activities mentioned below:
  - (i) Formation of fair price shops.
  - (ii) Building Godwans.
  - (iii) Distribution of daily needs consumer goods.
  - (iv) Distribution of agricultural inputs like; fertilizers, seeds, pesticides and equipments etc.
  - (v) Marketing facilities for farmers, weavers and non-agricultural producers.
  - (vi) Training facilities for unskilled people.
  - (vii) Exhibition of products in fair and festivals.
  - (viii) Seminars and conferences organize for making aware the rural peoples about benefits of joining the cooperatives.

## **3. Activity-Wise Performance of Credit and Non-Credit Cooperatives in Himachal Pradesh**

The present paper is based on the different activities perform cooperative institution for the socio-economic development of rural people. An attempt has been made to evaluate the number of fair price shops, distribution of credit, consumer goods, agricultural inputs, fertilizers, seeds and marketing of agricultural produce. These indicators are shown as below;

### **3.1 Purpose - Wise Distribution of Loans:**

Credit cooperatives like the PACs, non-agricultural credit cooperatives and cooperative banks are involved in the credit distribution for members to start or improve the different types of earning activities. The Table-1 shows that average amount of Rs. 382890.92 lakhs has been distributed for the agricultural and non-agricultural purposes under the credit cooperatives.

**Table -1**  
**Purpose Wise Distribution of Loans by Credit Cooperatives**

(Rs. in Lakhs)

Years	Agricultural Purpose	Non – Agri. Purpose	Total Loans
2008-09	24811.53	20372.45	45183.98
2009-10	32212.53	19856.14	52068.67
2010-11	82794.28	434103.2	516897.48
2011-12	99725.76	310643.8	410369.56
2012-13	101622.7	212342.7	313965.43
2013-14	156351	514067.9	670418.9
2014-15	175072.05	496260.34	671332.39
<b>Average</b>	96084.26 (25)	286806.65 (75)	382890.92 (100)
<b>ACGR (%)</b>	32.2	57.8	47.04

*Source:* Data compiled from **Annual Administrative Reports of Cooperative Department**, HP, Shimla.

Note: Figures in brackets denote percentage share from total distributed loans.

During the study period total distribution of loans has increased in a fluctuating trend with ACGR 47.04 per cent. Cooperatives have distributed Rs. 96084.26 lakhs and Rs. 286806.65 lakhs per annum that constitute percentage share of 25 per cent and 75 per cent for the agricultural and non- agricultural purpose respectively. During the study period ACGR recorded of 32.2 per cent and 52.7 per cent for agricultural and non-agricultural purpose respectively.

### 3.2 Position of Fair Price Shops and Distribution of Consumer Goods:

The details of fair price shops and distribution of consumer goods through these is shown in table-2. As it is evident from the table shows that average number of 3381 fair price shops opened in cooperative institution. The shops have increased from 2669 to 3133 in the year 2005-06 to 2014-15 with registering ACGR of 1.02 per cent only. The fair price shops under credit cooperatives was also increased from 1872 and 797 in the year 2005-06 to 1891 and 1242 in the year 2014-15 under credit and non-credit cooperatives respectively. During the study years, average number of shops were formulated 1882 and 966 i.e. 60.36 per cent and 39.64 per cent with registering ACGR of 0.10 per cent and 4.54 per cent respectively in credit and non-credit cooperatives.

**Table-2**  
**Comparative Position of Fair Price Shops under Credit and Non-Credit Cooperatives**

(Rs. in

Lakhs)

Years	No. of Fair Price Shops		Distribution of Consumer Goods		All Cooperatives	
	Credit Cooperatives	Non-Credit Cooperatives	Credit Cooperatives	Non-Credit Cooperatives	Total Shops	Total Distribution
2005-06	1872	797	19185.98	6174.53	2669	25360.51
2006-07	1872	802	22148.86	6605.03	2674	28753.89
2007-08	1873	801	36365.46	19442.14	2674	55807.6
2008-09	1897	579	39764	14958.94	2476	54722.94
2009-10	1843	1063	50145.55	19350.58	2906	69496.13
2010-11	1880	1026	57806.34	23046.16	2906	80852.5
2011-12	1891	1015	78078.38	53128.32	2906	131206.7
2012-13	1902	1079	54086.59	33548.95	2981	87635.54
2013-14	1901	1251	55017.31	24592.94	3152	79610.25
2014-15	1891	1242	70055.45	19332.15	3133	89387.6
<b>Average</b>	1882.2 (60.36)	965.5 (39.64)	48265.39 (68.67)	22017.97 (31.33)	2847.7 (100)	70283.37 (100)
<b>ACGR</b>	0.10	4.54	13.83	12.09	1.62	13.43

*Source:* Data compiled from **Annual Administrative Reports of Cooperative Department, HP, Shimla.**

*Note:* Figures in brackets denote percentage share from total figure.

Data in table-2 clears that credit and non-credit cooperatives have distributed the consumer goods collectively to Rs. 70283.37 lakhs per annum. Total distribution of consumer goods was increased from Rs. 25360.51 lakhs to Rs. 89387.6 lakhs with registering a significant elevation at the rate of 13.43 per cent compounded annually in the year 2005-06 to 2014-15. The distribution of consumer goods increased in fluctuating trend under credit and non-credit cooperatives from Rs.19185.98 lakhs and Rs.6174.53 lakhs in the year 2005-06 to Rs.70055.45 lakhs to Rs.19332.15 lakhs in the year 2014-15 respectively. The average distribution of consumer goods was found high under credit cooperatives i.e. Rs. 48265.39 lakhs i.e. 68.67 per cent as against to non-credit cooperatives of Rs. 22017.97 lakhs i.e. 31.33 per cent. Progress of distribution of consumer goods found high in credit cooperatives i.e. 13.83 per cent but non-credit also calculated significant progress i.e. 12.09 per cent.

### **3.3 Position of Distribution of Agricultural Inputs and Marketing of Agricultural Produce**

The details of distribution of total agricultural inputs (fertilizers, seeds, pesticides and agricultural equipments) under credit and non-credit cooperatives in

Himachal Pradesh depicts in table-3 represents that total distribution of agricultural inputs increased from Rs. 5865.35 lakhs to Rs.15094.5 lakhs and registering significant ACGR of 9.91 per cent. The total distribution of agricultural inputs has increased in fluctuating trend from Rs. 3720.14 lakhs and Rs. 6127.94 lakhs in the year 2005-06 to Rs. 2145.21 lakhs to 8966.56 lakhs in the year 2014-15 with attaining ACGR of 5.12 per cent and 15.12 per cent under credit and non-credit cooperatives respectively. The average distribution of agricultural inputs found high in credit cooperatives of Rs. 6646.79 lakhs i.e. 56.21 per cent as comparison of Rs. 5179.1 lakhs i.e. 43.79 per cent under non-credit cooperatives.

**Table -3**  
**Progress of Distribution of Agricultural Inputs and Marketing of Agricultural Produce**  
**(Rs. In Lakhs)**

Years	Distribution of Agricultural Inputs		Marketing of Agricultural Produce		All Cooperatives	
	Credit Co-ops.	Non-Credit Co-ops.	Credit Co-ops.	Non-Credit Co-ops.	Total Agri. Inputs	Total Marketing of Agri. Produce
<b>2005-06</b>	3720.14	2145.21	5.71	3237.59	5865.35	3243.3
<b>2006-07</b>	4379.83	2884.21	27.14	3344.04	7264.04	3371.18
<b>2007-08</b>	4225.58	4163.94	16.6	4325.01	8389.52	4341.61
<b>2008-09</b>	3536.33	774.53	61.36	5372.85	4310.86	5434.21
<b>2009-10</b>	4538.45	672.55	12.43	5728.4	5211	5740.83
<b>2010-11</b>	11321.86	6144.79	8.07	7622.16	17466.65	7630.23
<b>2011-12</b>	14420.37	7316.96	5.66	24794.6	21737.33	24800.26
<b>2012-13</b>	5070.89	8534.1	14.83	16707.39	13604.99	16722.22
<b>2013-14</b>	9126.5	10188.1	18.16	17154.49	19314.6	17172.65
<b>2014-15</b>	6127.94	8966.56	3.8	18752.34	15094.5	18756.14
<b>Average</b>	6646.79 (56.21)	5179.1 (43.79)	17.38 (0.16)	10703.89 (99.84)	11825.88 (100)	10721.26 (100)
<b>ACGR</b>	5.12	15.12	-3.99	19.2	9.91	19.18
<b>S.D.</b>	3724.89	3518.28	17.02	7847.53	6397.61	7841.24



*Source:* Data compiled from **Annual Administrative Reports of Cooperative Department, HP, Shimla.**

*Note:* Figures in brackets denote percentage share from total figure.

Total agricultural produce was increased from Rs. 3243.3 lakhs to Rs. 18756.14 lakhs in the year 2014-15 with registering a significant growth rate of 19.18 per cent per annum. But in case of credit Cooperatives, marketing of agricultural produce was decreased from Rs. 5.71 lakhs to Rs. 3.8 lakhs with calculated ACGR of -3.99 per cent. Whereas in case of non-credit cooperatives marketing of total agricultural produce was increased in fluctuating trend from Rs. 3237.59 lakhs to Rs. 10703.89 lakhs with significant ACGR of 19.2 per cent during the study period. The average marketing of total agricultural produce was recorded of Rs. 10721.26 lakhs, out of that Rs.10703.89 lakhs agricultural produces was forwarded by non-credit cooperatives i.e. 99.84 per cent and only Rs. 17.38 lakhs of agricultural produce i.e. 0.16 per cent was forwarded by credit cooperatives.

### 3.4 Distribution of Fertilizers and Seeds by Credit and Non-Credit Cooperatives

As is evident from the table-4 shows the distribution of fertilizers and seeds is shown in table-4. The table pinpoints that credit and non-credit cooperatives has increased distribution of fertilizers in fluctuating trend from Rs. 2961.62 lakhs and Rs. 385.7 lakhs to Rs. 4853.09 lakhs and Rs. 8828.86 lakhs during the study years and average distribution was Rs. 5768.66 lakhs and Rs. 4248.07 lakhs respectively.

**Table - 4**

#### **Progress of Distribution of Fertilizers and Seeds by Credit and Non-Credit Cooperatives**

(Rs. in Lakhs)

Years	Distribution of Fertilizers		Distribution of Seeds	
	Credit Cooperatives	Non-Credit Cooperatives	Credit Cooperatives	Non-Credit Cooperatives
<b>2005-06</b>	2961.62	385.7	167.3	19.15
<b>2006-07</b>	3547.21	569.17	212.79	34.82
<b>2007-08</b>	4087.52	417.19	205.5	37.41
<b>2008-09</b>	3371.49	560.44	135.89	124.19
<b>2009-10</b>	3652.76	465.64	231.75	18.14
<b>2010-11</b>	10057.08	5993.92	460.05	19.81
<b>2011-12</b>	12870.85	6903.48	89.78	17.17
<b>2012-13</b>	4235.6	8346.15	244.67	40.79
<b>2013-14</b>	8049.36	10010.14	180.31	29.7
<b>2014-15</b>	4853.09	8828.86	322.26	29.09
<b>Average</b>	5768.66	4248.07	225.03	37.03

<b>ACGR</b>	5.06	36.76	6.78	4.27
<b>S.D.</b>	3384.37	4111.12	103.93	31.8

*Source:* Data compiled from **Annual Administrative Reports of Cooperative Department, HP, Shimla.**

The ACGR recorded high in non-credit cooperatives i.e. 36.76 per and 5.06 per cent only calculated in credit cooperatives.

The Distribution of seeds was increased from Rs. 167.3 lakhs to Rs. 322.26 lakhs under credit cooperatives and from Rs. 19.15 lakhs to Rs. 37.03 lakhs under non-credit cooperatives during the year 2005-06 to 2014-15 respectively. The ACGR calculated high in credit cooperatives i.e.6.78 per cent as compared to ACGR of 4.27 per cent in non-credit cooperatives during the study period. The average distribution of seeds was Rs. 225.03 lakhs and it was much higher than that the average distribution of seeds of Rs. 37.03 lakhs.

#### **4. Holistic analysis of the working of cooperatives in Himachal Pradesh:**

By analysis the collected material from different journals and annual reports of cooperative department; some point has been found that shows the cooperatives have stimulated the earning activities of rural poor people. These activities have developed the agricultural and non-agricultural sector in Himachal Pradesh. The overall evaluation and findings are mentioned as below:

- Credit cooperatives have distributed loans for both purpose agricultural and non-agricultural activities. Percentage share of loans distribution are found high in non-agricultural purpose.
- It is observed that number of fair price shops are computed high in credit cooperatives as against to non-credit cooperatives. But growth of opening the fair price shops are seen high in non- credit cooperatives as compared to credit cooperatives. These cooperatives are distributing the both controlled and non-controlled commodities.
- Table shows high fluctuation in growth of distribution of consumer goods in both credit and non- credit cooperatives. But cooperatives have made positive progress in distribution of consumer goods. It helps the members to save money after fulfilling their daily needs.
- It is also noted from the annual reports that many financial institutions provide financial help for the cooperatives societies to build the Godwans for storage of agricultural produce, agricultural equipment, pesticides, fertilizers and consumer goods in the state.
- It is concluded from the above analysis that cooperatives have shown a positive growth in distribution of fertilizers and seeds. The progress of distribution of fertilizers found much higher under non-credit cooperatives. But credit cooperative should make more efforts to maintain the growth of distribution of the fertilizers.

- It is found that distribution of agricultural equipment was found high under non-credit cooperative, but during the study period growth of distribution of equipments was very slow as compared to credit cooperatives.
- Progress of cooperatives in the distribution of agricultural inputs is found very fast in non-credit cooperatives.
- Cooperatives are very helpful in forwarding the agricultural and horticultural produce in market hall. It helps the farmers and horticulturalist to earn more money.
- It is clear from the study that growth of marketing the agricultural produce found much higher in non-credit cooperative as against the negative growth under credit cooperatives. Because of some members of credit cooperatives sell their agricultural produce on others means such as whole sellers, open markets and in their own shops etc.
- Cooperatives also provide training especially in rural areas for good cultivation, sewing, weaving and packing of consumer items. It makes able the members to produced better quality products and earns good money.

### Conclusion:

At the end of the paper, it is concluded that cooperatives has a significant role in improving earning activities of people, mostly who are belonging to rural area and weaker section. Cooperatives help them by providing necessary inputs related to their earning field. Credit and Non-credit cooperatives are originally set up in state, district and village level to promote agricultural and non-agricultural activities. It is also concluded that for the alleviation of poverty cooperatives are distributing daily needs goods on reasonable price. Cooperatives are also providing facility of marketing for the farmers, weavers and other producers who were unable to sell their products. Cooperatives should increase the distribution of agricultural equipment, fertilizers, raw material for weavers, people who are engaged with small scale industries. In short cooperatives are developing and improving directly and indirectly all sectors and socio - economic condition of the rural people in the state.

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