



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Vol XLV
No. 3

ISSN 0019-5014

CONFERENCE
NUMBER

JULY-
SEPTEMBER
1990

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

Case Studies of Successful and Unsuccessful Primary Co-operative Service Society and Milk Producers' Co-operative Society in Punjab

J.S. Sidhu and R.S. Sidhu*

Indian agriculture has witnessed spectacular growth since 1965. But the productivity of the Indian farmers on the whole is still very low due to the fact that they are small, disorganised and individually powerless against market forces in which they sell their produce and buy inputs and consumer goods. They are illiterate, superstitious, conservative and bounded by outmoded customs and institutions. Above all, there was lack of farmers' organisation which could help in the sale of their produce and purchase of agricultural inputs and consumer goods. Co-operatives are the most important farmers' organisation. The co-operative movement was started in India in 1904 with the limited objective of providing credit to rural people but it has now extended enough to cover most of the economic activities. The Primary Co-operatives are the pillars of the three-tier co-operative structure of the country, covering the major part of the country's population. These primary co-operatives significantly contributed to the modernisation of agriculture by providing a whole package of credit, input supplies and services. In spite of the remarkable progress and substantial gains, these societies are alleged to have many weaknesses also. Some of the primary co-operatives have been more successful than others within the same area. Based on these differential performances it is possible to identify factors that might have contributed to the success or failure of these societies. The present comparative case studies are an attempt in this direction.

METHODOLOGY AND SCOPE OF THE STUDY

The Primary Co-operative Service Societies and the Primary Milk Producers' Co-operative Societies are the most important co-operatives in the Punjab and hence are selected for this study. The study was conducted in Sangrur district of the Punjab State because of the investigators' good access to the study area. After having consultations with the district officials of the Department of Co-operatives, two Primary Co-operative Service Societies - one successful and the other unsuccessful, namely, the Bari Primary Co-operative Service Society and the Rajomajra Primary Co-operative Service Society respectively and two Primary Milk Producers' Co-operative Societies, one successful and the other unsuccessful, namely, the Jahangir Primary Milk Producers' Co-operative Society and the Bunga Primary Milk Producers' Co-operative Society respectively were selected on the basis of their growth and performance over time. The objectives, socio-economic settings in which they function, history, organisation and management, capital formation, loan operations, delivery of services and supplies, planning and investment of these societies were analysed over time in order to identify the causes of success or failure.

Objectives

The main objectives of the co-operative service societies were to encourage thrift and savings, provide adequate credit, arrange for agricultural inputs, provide storage and mar-

* Department of Economics and Sociology, Punjab Agricultural University, Ludhiana.
The authors are grateful to Dr. D.S. Sidhu, Dean, Post-Graduate Studies, Punjab Agricultural University, Ludhiana under whose guidance this analysis was carried out.

keting facilities, maintain farm machinery for hiring out and to procure and distribute essential commodities among its members. In the case of the primary milk producers' co-operative societies, the increase in the milk production, providing milk marketing facility, dairy extension and sale of balanced feed were their important objectives.

Socio-Economic Setting

These village co-operatives have to function within the given socio-economic systems which impose certain constraints and offer certain opportunities to the society. The success of the institution depends upon its capacity to avail of the opportunities and overcome the constraints to attain the developmental objectives. The socio-economic pattern of the villages where the selected societies function exhibits certain changes over time but it has not undergone any fundamental transformation. Traditional institutions such as caste and religious rituals continue to have a strong grip on social life. The members of the backward and scheduled castes and women continue to be passive in regard to the social life of the villages. In tune with the social pattern of the villages, economic pattern also shows a structure based on inequality. This unequal income pattern manifests in all walks of life in the villages. The food habits, the housing pattern and the pattern of asset distribution bear testimony to economic inequality. Political, economic, social and family conflicts, jealousies and rivalries are common in villages which result in factionalism and groupism.

History

The successful primary co-operative service society was registered in 1964 and the unsuccessful in 1947. The unsuccessful society failed in 1978 and to make it viable, three other adjoining societies were amalgamated in it. The leaders of the successful society, however, did not allow other societies to be merged into it under the Amalgamation Programme in the State and it continued to make progress. The successful as well as unsuccessful primary milk producers' co-operative society was registered in 1978 as a part of the State Government policy to introduce Anand Dairy pattern in the State.

Organisation and Management

The membership of all the societies is open to all individuals cutting across caste and community lines, who are over 18 years of age, originally resident of the area of the operation of the society, having good character, have no bad debts or declared bankrupt and should not be a member of any other society of the same type. The management of the society is entrusted to two bodies, namely, the General Body consisting of all the members and management committee of nine members elected by the General Body. The members of the management committee elect among themselves the President and the Vice President. The term of the elected committee is of three years and the members work in an honorary capacity. The management is supervised by the State co-operative department.

COMPARATIVE ANALYSIS OF THE CASE STUDIES

(A) Primary Co-operative Credit Societies

Table I gives the comparative picture of various indicators of the success or failure of the successful and unsuccessful primary co-operative service societies.

TABLE I. COMPARATIVE INDICATORS OF SUCCESS/FAILURE OF SUCCESSFUL AND UNSUCCESSFUL CO-OPERATIVE SERVICE SOCIETIES IN SANGRUR DISTRICT OF PUNJAB, AS AT THE END OF JUNE 1965 TO 1985

Successful Society							
Year	No of mem- bers per '000 population	Loan per borrower member (Rs.)	Owned capi- tal per mem- ber (Rs.)	Percentage of owned capi- tal to total loan	Percentage of overdues to loan out- standing	Income per member (Rs.)	Profit/loss per member (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1964-65	88	303	23	5.98	0.24	20	10
1969-70	162	683	289	51.9	30.7	42	5
1973-74	159	950	N.A.	N.A.	20.0	N.A.	N.A.
1975-76	152	1,624	317	36.6	16.6	134	62
1980-81	149	1,987	922	52.3	-	732	162
1984-85	145	4,389	2,045	52.5	14.4	866	349

TABLE I (Concl'd.)

Unsuccessful Society							
Year	No of mem- bers per '000 population	Loan per borrower member (Rs.)	Owned capi- tal per mem- ber (Rs.)	Percentage of owned capital to total loan	Percentage of overdues to loan out- standing	Income per member (Rs.)	Profit/loss per member (Rs.)
(1)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1964-65	58	245	-	38.72	-	-	-
1969-70	134	893	137	18.9	59.0	55	2
1973-74	155	780	189	40.6	100.0	76	-6
1975-76	131	1,402	230	21.4	56.9	N.A.	N.A.
1980-81	73	1,406	256	17.1	61.7	89	-98
1984-85	67	2,253	348	24.6	58.2	325	105

N.A. = Not available.

Membership: Membership, the human capital, is the most valuable asset of the primary co-operatives. The number of members per thousand of village population increased from 88 in 1964-65 to 162 in 1969-70 and remained at about 150 thereafter, despite an increase in population in the case of the successful co-operative service society. In the case of the unsuccessful society, the membership per thousand of population increased from 58 in 1964-65 to 155 in 1973-74 and then declined to 67 during 1984-85.

Loan per borrower: The amount of loan outstanding per borrower, which was mostly in the form of fertilisers and other inputs, was relatively higher in the case of the successful society than in the unsuccessful society throughout the period of the study. Secondly, the growth of loan disbursed was continuous and very high in the case of the successful society as compared to the unsuccessful society. The pattern of loan per borrower member indicated that the members of the management committee of both the societies were advanced more loans than the other farmer categories reflecting favouritism in granting loans to the management committee members. But the point to note here is that the difference between the loan per borrower member in the case of management committee members and other categories was narrow in the successful society as compared to the unsuccessful society.

Loans overdue pattern: The percentage of loans overdue to loans disbursed was higher in the case of the unsuccessful society than in the successful society because the management committee members and big farmers of the unsuccessful society remained prominent defaulters (Table II). The leaders set themselves a bad precedent and they could not persuade others to repay the loans.

TABLE II. LOAN OUTSTANDING PER BORROWER (IN RUPEES) AND PERCENTAGE OF OVERDUES TO LOAN OUTSTANDING IN DIFFERENT CATEGORIES OF MEMBERS OF SUCCESSFUL AND UNSUCCESSFUL CO-OPERATIVE SERVICE SOCIETIES IN SANGRUR DISTRICT OF PUNJAB STATE, AS AT THE END OF JUNE 1965 TO 1984

Successful Society										
Year	Big farmers		Small farmers		Marginal farmers		Non-agricultural members		Management committee members	
	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1964-65	494	-	286	-	285	10.2	231	4.3	485	-
1969-70	1,111	30.2	711	44.1	776	6.3	504	29.1	1,422	12.0
1973-74	1,988	19.4	1,183	21.9	812	3.6	422	28.7	1,560	-
1975-76	2,609	15.7	1,787	15.5	850	11.3	415	50.0	2,906	-
1980-81	4,188	-	2,959	-	305	-	-	-	1,421	63.5
1983-84	7,553	7.5	6,429	38.7	1,171	31.0	-	-	4,713	-

TABLE II (Concl'd.)

Unsuccessful Society										
Year	Big farmers		Small farmers		Marginal farmers		Non-agricultural members		Management committee members	
	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues	Loan out-standing	Per-centage over-dues
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
1964-65	246	39.5	229	29.5	250	41.3	274	58.2	325	-
1969-70	1,194	51.5	999	61.1	1,125	59.2	634	63.3	1,449	73.1
1973-74	1,458	100.0	853	100.0	556	100.0	636	100.0	2,043	100.0
1975-76	2,080	54.1	2,621	53.2	805	80.8	892	69.4	2,629	74.6
1980-81	1,871	41.3	704	-	-	-	-	-	8,494	52.4
1983-84	1,589	56.9	1,957	60.1	901	-	-	-	9,583	58.4

Capital formation: The degree of self-reliance is one of the most important factors for the success of any organisation. The owned capital per member in the successful society increased significantly over time and was higher than in the unsuccessful society where no significant increase in owned capital was noticed. Similarly, the percentage of owned capital to the total loan disbursed, *i.e.*, the degree of self-reliance improved significantly over time in the case of the successful society whereas there was decrease in the degree of self-reliance in the case of the unsuccessful society. Hence the successful society accumulated large amount of owned resources through share capital, deposits and accumulated earned profits, indicating the increased financial viability of the society but, on the other hand, the unsuccessful society failed to do so.

Marketing of agricultural produce: The successful society expanded its business and started marketing of agricultural produce of its members in 1978-79. It made good progress over time on this front. The value of the produce marketed through the society increased from Rs. 21 lakhs in 1978-79 to Rs. 48 lakhs in 1984-85, registering a rise of about 2.2 times. On the other hand, the unsuccessful society failed to take up the marketing of agricultural produce due to paucity of funds.

Income, expenditure and profits: The success of the society is reflected by the income it generated and the management of the expenditure incurred on its various activities which

it generated and the management of the expenditure incurred on its various activities which ultimately resulted in net profit. The income per member of the successful society increased from Rs. 12 in 1965-66 to Rs. 866 in 1984-85 due to better management, expansion of business and effective recovery of loans. The society continued to earn profits during the study period. In contrast, the income per member in the case of the unsuccessful society increased from Rs. 53 in 1965-66 to Rs. 325 only in 1984-85. Continued poor recovery of loans and mismanagement led to the failure of the society and it also could not expand its business. This ultimately resulted in continuous loss except in the beginning years.

(B) Milk Producer' Co-operative Societies

Milk producers' co-operative societies are playing a significant role in promoting social and economic progress of the villages by providing assured market for the milk and dairy inputs. This helps to break the monopoly of private milk vendors and in getting the farmers fair price for their milk. This encouraged the farmers to take up dairy enterprise to supplement their farm income and to make the optimum use of their idle period. Table III presents the comparative analysis of successful and unsuccessful milk producers' co-operative societies in the Punjab.

TABLE III. INDICATORS OF SUCCESS/FAILURE OF SUCCESSFUL AND UNSUCCESSFUL MILK PRODUCERS' CO-OPERATIVE SOCIETIES IN SANGRUR DISTRICT OF PUNJAB, 1978-79 TO 1984-85

Successful Society						
Year	No. of members per thousand population	Capital formation per member (Rs.)	Input supplied per member (Rs.)	Milk sold per member (Rs.)	Income per member (Rs.)	Profit per member (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1978-79	24	642	-	530	137	48
1979-80	58	263	25	601	35	10
1980-81	56	158	55	632	49	19
1981-82	55	141	113	874	41	3
1982-83	54	131	193	2,436	115	52
1983-84	53	131	26	829	17	-40
1984-85	54	N.A.	1,325	3,050	N.A.	N.A.

TABLE III. (Concl'd.)

Unsuccessful Society						
Year	No. of members per thousand population	Capital formation per member (Rs.)	Input supplied per member (Rs.)	Milk sold per member (Rs.)	Income per member (Rs.)	Profit per member (Rs.)
(1)	(8)	(9)	(10)	(11)	(12)	(13)
1978-79	-	-	-	-	-	-
1979-80	24	10	15	1,282	81	34
1980-81	23	10	4	365	16	-12
1981-82	23	10	-	-	-	-
1982-83	22	10	-	-	-	-
1983-84	21	10	-	-	-	-
1984-85	25	10	45	762	N.A.	N.A.

Membership: The total membership per thousand of population of the successful society increased from 24 in 1978-79 to 54 in 1984-85. However, the membership remained static during this period in the case of the unsuccessful society. Another point of contrast between these societies was that the marginal farmers constituted the largest percentage of the members of the successful society followed by small and big farmers whereas the pattern

Capital formation: The capital formation per member in the initial years primarily comprised borrowed funds in the case of the successful society. But later on, the society became self-sufficient for its working capital by mobilising internal funds. The decline in capital formation over time was noticed due to the reason that the funds borrowed in the beginning to start the society were repaid in the subsequent years. On the other hand, the unsuccessful society totally failed to mobilise internal funds which resulted in its failure.

TABLE IV. PERCENTAGE OF BIG, SMALL, MARGINAL FARMERS AND NON-AGRICULTURISTS OF SUCCESSFUL AND UNSUCCESSFUL MILK PRODUCERS' CO-OPERATIVE SOCIETIES IN SANGRUR DISTRICT OF PUNJAB STATE, 1978-79 TO 1984-85

Year	Successful Society					Unsuccessful Society				
	Total number of members	Big farmers (per cent)	Small farmers (per cent)	Marginal farmers (per cent)	Non-agriculturists (per cent)	Total number of members	Big farmers (per cent)	Small farmers (per cent)	Marginal farmers (per cent)	Non-agriculturists (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1978-79	33	21.2	24.2	45.4	9.1	44	61.3	27.3	11.4	-
1979-80	80	12.5	30.0	46.2	11.3	44	61.3	27.3	11.4	-
1980-81	79	12.7	29.1	45.6	12.6	44	61.3	27.3	11.4	-
1981-82	79	12.7	29.1	45.6	12.6	44	61.3	27.3	11.4	-
1982-83	80	13.7	30.0	46.3	10.0	44	61.3	27.3	11.4	-
1983-84	80	13.7	30.0	46.3	10.0	44	61.3	27.3	11.4	-
1984-85	84	13.1	33.3	44.1	9.5	52	51.3	23.7	15.4	9.6

Marketing of milk and sale of inputs: Milk marketed per member by the successful society increased continuously from Rs. 530 in 1978-79 to Rs. 3,050 in 1984-85 except in 1983-84. This decrease in the sale of milk took place because the secretary of the society became corrupt and the members lost faith in the society. The management committee promptly terminated his services and the society again started showing good results. The sale of milk per member by the unsuccessful society was Rs. 1,282 in 1979-80 which decreased to Rs. 365 in 1980-81. There was no sale of milk during 1981-82 to 1982-83 but it again started functioning in 1984-85 due to the entry of new members in the society comprising mainly marginal farmers and non-agriculturists. There was significant increase in the sale of animal feed and other inputs during this period in the case of the successful society while the unsuccessful society failed miserably on this front also.

Income and profit: The income per member has not shown any particular trend in the case of the successful society but on the whole it continued to earn profit. In contrast, the unsuccessful society which started with good income in 1979-80 failed in 1980-81 and became defunct.

CONCLUSIONS

The foregoing analysis indicates that both of the successful societies were characterised by the honest and dedicated management resulting in the loyalty of its members. Consequently, the successful societies were able to break the barriers of unfavourable socio-economic system. In the case of the successful co-operative service society, the overdues were kept under check and the flow of credit was maintained. The society thus maintained a high degree of self-reliance and hence continued to progress. The main cause of the failure of the unsuccessful service society was dishonest and inefficient management. The leaders

and big farmers were the main defaulters which encouraged the other members to default. Secondly, the society failed to mobilise internal resources and failed to absorb high overdues which resulted in choking and drying up of the credit channel. The overdues went on increasing which further caused deterioration in the financial position of the society. This vicious cycle made the society unsuccessful. The unsuccessful milk producers' co-operative society failed due to the lack of spontaneity and dominance of big farmers who were divided into two strong opposing groups which resulted in conflict on the point of location and leadership of the society. The members stopped selling milk to the society and the society failed to generate sufficient income to cover its costs. The Anand Dairy pattern, which is highly successful in Gujarat State, when introduced in the Punjab has not proved to be very successful due to different socio-economic conditions in the two States.