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Credit Co-operative Society

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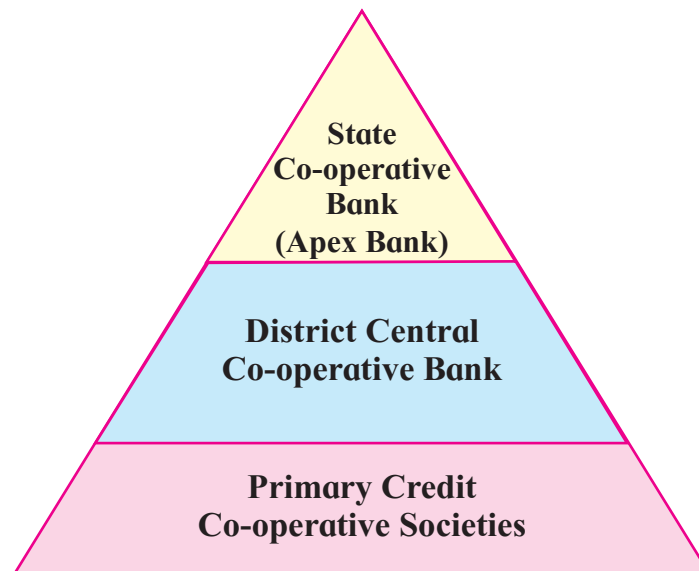
Co-operative Credit Society

5.1 Introduction :

The co-operative movement in India was started by establishment of Credit Co-operative Society. These societies were established with an objective to provide short and middle term loans to the farmers in rural area. In olden days loan were given by the moneylenders to the farmers in rural areas. But these moneylenders were exploiting farmers. Hence to save the farmers from the exploitation by moneylenders and to fulfil the financial needs of the poor farmers. In 1904, British government encourage the establishment of Credit Co-operative Society. Credit co-operative society were established to provide strong alternative for moneylenders. Accordingly, in 1904 Credit Co-operative Societies Act was passed by British government. According to the provision of this Act credit co-operative societies were established in each and every village.

❑ **Three tier Structure of Credit Co-operatives:**

Commercial bank, Public sector bank, Urban co-operative bank provides loan to business and industrialist. Co-operative bank provides loan in rural area to marginal farmers, land labours, craftsmen, artisan, small businessmen and people of weaker section of society. The structure of Co-operative banking is three-tier, at state level State Co-operative bank, at district level District Central Co-operative bank and at rural(village) level Primary Credit Co-operative society are established. The Credit Co-operative societies are established with an objective to protect the people from the cheating and exploitation of landlords and private moneylenders. .



5.2 Meaning and Definition of Credit Co-operative Society

❑ **Meaning :**

The societies which are formed for development of agricultural sector on co-operative principles to provide loan at reasonable interest rate are known as Credit co-operative society.

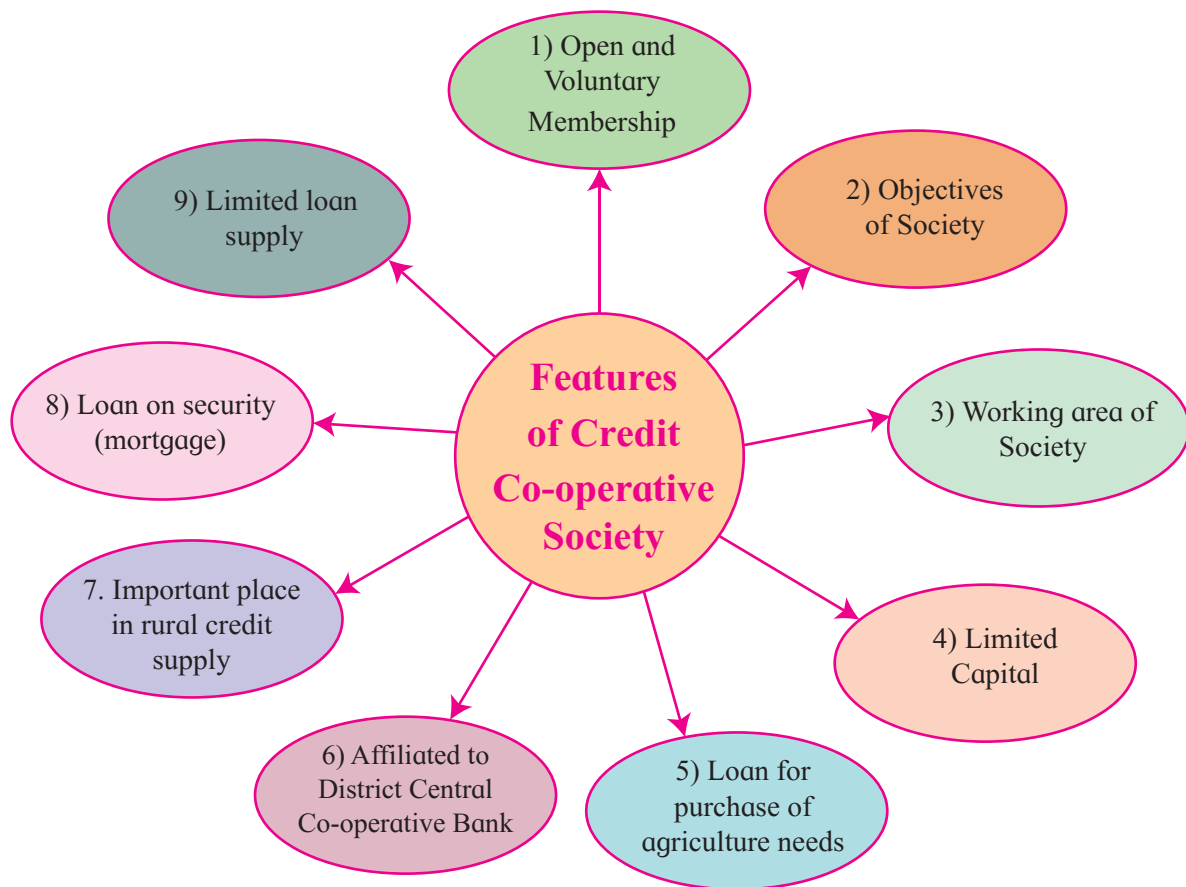
The working area of Credit co-operative society is the village in which Credit co-operative society is established. The farmers, artisan, craftsmen, small businessmen of that village are the members of this society. This society encourages the habit of saving among members. This society provides loan to the farmer members at low rate of interest. These co-operative societies are working for economic development of agricultural sector, farmers and are trying to improve their standard of living. These co-operative societies provide loan as per the primary needs of the members, these co-operative societies directly deal with the members (directly provides loan to the members), hence they are known as Primary Credit Co-operative Societies. Credit co-operative societies works in rural and urban areas.

❑ Definition :

“Without considering wealth or economic condition the society which provides banking services to economical poor person by accepting available security such societies are known as Credit Co-operative Society.”
- **Henry Wolff**

“The society established to increase agricultural productivity, to improve the standard of living of farmers, in addition to provide short and medium-term loan, to supply agricultural requirement, various services and supply of essential commodities and to market agriculture goods, etc. is known as Credit Co-operative Society”

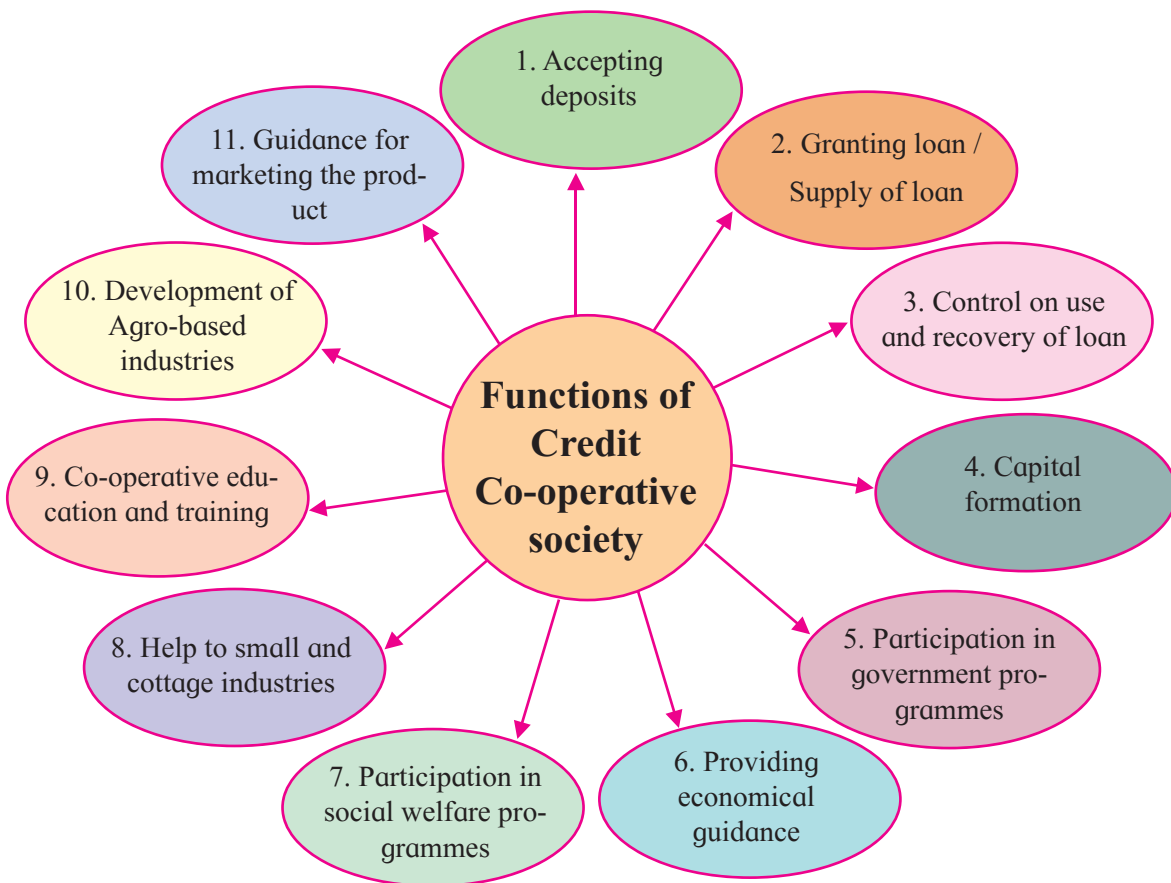
5.3 Features / Characteristics of Credit co-operative society :



- 1. Open and Voluntary Membership :** The membership of Credit co-operative society is open for all. Credit Co-operative society are voluntary association. Farmers, land labours, workers and economically weaker people in the rural area come together and voluntarily form Credit co-operative society. There is no compulsion for membership on any person.

2. **Objectives of Society :** Credit co-operative society are formed basically with an objective to provide short term loan to members, keep control on utilization of loan amount, participation in agricultural programs, encouraging saving habit, recovery of loan as well as providing economical and technical guidance to the members.
3. **Working area of Society :** The working area of Credit co-operative society is the village where it is established. Now this limit is up to the villages coming under 4 to 5 kilometers. Normally 3000 peoples or 500 farmer families are expected to be covered or benefited from this society.
4. **Limited Capital :** As the Credit co-operative society is formed by marginal farmers, agricultural labours, land owners and economically weaker people, so, their capacity of purchasing share is less. Hence, the capital of Credit co-operative society is limited.
5. **Loan for purchase of agriculture needs :** Credit co-operative society provides loans to the farmer members for the purchase of agricultural needs like seeds, fertilizers, insecticides, pesticides, etc.
6. **Affiliated to District Central co-operative bank :** Primary Credit Co-operative Societies are affiliated to District Central Co-operative Banks. All Primary credit co-operative societies are members of District Central Co-operative Banks. Primary Credit Co-operative Society prepares the plan for loan supply and submitted it to the District Central Co-operative Bank and under the guidance of District Central Co-operative Bank they provide loan to the members.
7. **Important place in rural credit supply :** Credit Co-operative Society has direct relation with farmer members. Therefore, as per the policy of National Bank for Agricultural and Rural Development (NABARD) all credit supply received by District Central Co-operative Bank is distributed through Primary credit co-operative societies. So, Credit co-operative societies has important role in rural credit supply.
8. **Loan on security (mortgage) :** Credit Co-operative Society provides loan to the farmers on fixed and non-fixed assets as security. While sanctioning loan Credit Co-operative Society takes two members as a guarantor. Crop security becomes important while sanctioning loan to agriculture production.
9. **Limited loan supply :** As the capital of Credit co-operative society is limited, they are not able to provide loan as per the member's demand. It means they provide limited loan to the members.

5.4 Functions of Credit co-operative society :



- 1. Accepting deposits :** Like commercial banks, Credit Co-operative Societies accepts deposits under various accounts like saving, current, recurring and fixed. They give attractive rate of interest to encourage deposits.
- 2. Granting loan/ Supply of loan :** The main function of Credit co-operative bank is to provide loan to the farmer members for purchase of seeds, fertilizers, insecticides, pesticides, modern agricultural equipments, irrigation facilities, etc.
- 3. Control on use and recovery of loan :** It is the function of Credit co-operative society to have control on the use and recovery of loan. It keeps control and ensures the loan is used for given purpose and to recover the given loan with interest on easy instalment.
- 4. Capital Formation :** Encouraging saving and accepting deposits, providing loan to the members for agriculture purpose and as per need, loan is borrowed from District Central Co-operative bank to fulfil the financial need of members and through this saving is converted into capital.
- 5. Participation in government programs :** For development of agricultural sector various schemes, programs are prepared by Central Government, State Government and NABARD. These schemes are executed (implemented) through Credit co-operative societies. Hence, Credit Co-operative societies plays an important role in implementation of these government schemes.

6. **Providing economical guidance :** To avoid economic loss and for economic development of members, the Credit co-operative society provides financial help and also provides financial and economic guidance to its members.
7. **Participation in social welfare programs :** The Credit co-operative society also helps for social development of the members. They participate in social activities like rural Cleanliness program, Pure drinking water program, Adult education program, Tree plantation, Blood donation, etc. for social development in their area.
8. **Help to small and cottage industries :** The Credit co-operative society also helps for establishment of small and cottage industries. They provide loan to artisan, craftsmen, small businessmen to start small and cottage industries for their own self-employment. Therefore, there is development in small and cottage industries in rural area.
9. **Co-operative education and training :** There is still illiteracy in rural area. Providing co-operative education and training is also one of the important functions of Credit co-operative society. The Credit co-operative society gives education of co-operative principles, its working and importance, practical business knowledge to its members.
10. **Development of Agro-based industries :** The Credit co-operative society is providing loan for development of agricultural sector due to which agricultural productivity is increased and various agro-based industries have also been established like sugar industry, pulses industry, cotton industry, poha industry.
11. **Guidance for marketing the product :** Credit co-operative society also conducts the function of guiding the members for marketing their goods by giving them information of demand and supply, change in price, opportunity of export, centers for export, quality of export due to which increase in production, increase in export, etc.

Credit co-operative societies are important for economic development of that area.



Activity :-

1. Visit Credit co-operative society in your area and collect information about its working.

5.5 Summary

The society formed in rural area to provide loan to small farmers at fair and reasonable rate on co-operative principle is known as Credit co-operative society.

“The organization which provides loan to the small farmers by obtaining available securities and conducting banking transactions with members is known as Credit co-operative society”.

Credit co-operative society provides loan in rural area to marginal farmers, small land owners, craftsmen, artisans, land labours, rural workers and people from weaker

section. Due to which there is control on exploitation from moneylenders and landlords. Credit Co-operative societies play an important role in implementation of central and state government schemes, programs and in balancing economical development of rural and urban area. The functions of Credit Co-operative societies are important for rural industrialization and employment generation.

❑ **Features of Credit co-operative society :**

1. Open and Voluntary Membership
2. Objectives of society
3. Working area of Society
4. Limited Capital
5. Loan for purchase of agriculture needs
6. Affiliated to District Central co-operative bank
7. Important place in rural credit supply
8. Loan on security (mortgage)
9. Limited loan supply

❑ **Functions of Credit co-operative society :**

1. Accepting deposits
2. Granting loan/ Supply of loan
3. Control on use and recovery of loan
4. Capital formation
5. Participation in government programmes
6. Providing economical guidance
7. Participation in social welfare programmes
8. Help to small and cottage industries
9. Co-operative education and training
10. Development of Agro-based industries
11. Guidance for marketing the product

5.6 Key Terms

1. **District Central Co-operative bank :** The connecting link between State co-operative bank and Credit co-operative societies.
2. **State Co-operative Bank :** The apex bank in co-operative banking sector.
3. **NABARD (National Bank for Agriculture and Rural Development) :** The bank working at national level to provide agricultural loan for rural development.

5.7 Exercise

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. Primary Credit co-operative societies are affiliated to _____.
 (a) Land development bank (b) Urban co-operative bank
 (c) District Central co-operative bank
2. Under British rule, Credit Co-operative Societies Act was passed in the year _____.
 (a) 1912 (b) 1925 (c) 1904
3. The area of operation of primary credit co-operative society is limited upto _____.
 (a) State (b) District (c) Village
4. In the olden days _____ was the only source of credit supply in rural areas.
 (a) Bank (b) Moneylender (c) Farmers
5. Due to Credit co-operative society, members are saved from the clutches of _____.
 (a) Moneylender (b) Middlemen (c) Businessmen

B) Match the following :

Group 'A'	Group 'B'
a) Loan supply of Credit co-operative society	1. For unproductive purpose
b) Area of operation of Credit co-operative society	2. Encourages saving
c) Working of Credit co-operative society	3. Works only in urban area
d) Accepting Deposit	4. For productive purpose
	5. Dictatorship manner
	6. Encourages unnecessary expenses (Extravagance)
	7. Works in rural and urban area
	8. Democratic manner

C) Write a word or a phrase or a term which can substitute each one of the following statements :

1. The society which provides credit to needy person.
2. The society which provides loan at reasonable rate of interest to weaker section of society in rural area.
3. The society which saves members from the exploitation of moneylenders.
4. The apex bank in Co-operative banking structure.

D) State whether the following statements are True or False:

1. Moneylender is the only source of finance in rural area till date.
2. Credit co-operative society provides only credit to its members.
3. Credit co-operative society plays an important role in economic development of rural area.
4. Credit co-operative society provides unlimited loan.

E) Complete the following sentences:

1. In India co-operative movement was started by establishment of _____ societies.
2. Co-operative credit banking structure is of _____ tier.
3. Membership of credit co-operative societies is open and _____.
4. Share purchasing power of agricultural labour, small artisans, people from weaker section is very _____.
5. Apex bank works at _____ level.

F) Select the correct option:

1.	Direct dealing with members
2. Less share purchasing power	
3.	State Co-operative Bank
4. The link between Primary Credit Co-operative bank and Apex Bank	
5.	Credit supply at National level

NABARD, Agricultural labour, Moneylender, Apex Bank, District Central Co-operative Bank, Middlemen, Primary Credit Co-operative Society.

G) Answer in one sentence:

1. What do you mean by Credit Co-operative Society?
2. State the structure of Co-operative credit supply?
3. In ancient times the person who provides the loan to the farmers?
4. In which year the Credit Co-operative Societies Act was passed?
5. Which types of deposits are accepted by Credit Co-operative Society?

H) Correct the underline word and rewrite the following sentences:

1. Credit Co-operative Society provides long term loan.
2. The capital raising power of Credit Co-operative Society is huge.
3. Credit Co-operative Society provides loan without security.

I) Find the odd one:

- | | |
|--|---------------------------------------|
| 1. a) Current account | b) Saving account |
| c) Loan | d) Fixed deposit |
| 2. a) State Co-operative Bank | b) District Central Co-operative Bank |
| c) Primary Credit Co-operative Society | d) State Bank of India |

J) Arrange in proper order:

- | | |
|---|----------------------------|
| 1. a) Primary Credit Co-operative Society | b) State Co-operative Bank |
| c) District Central Co-operative Bank | |

Q.2. Explain the following terms:

1. Credit Co-operative Society.
2. National Bank for Agricultural and Rural Development (NABARD).

Q.3. Application based/ Self-opinion question:

1. For agriculture productivity Credit Co-operative Society plays important role by providing credit to the farmers. Express your opinion on this.
2. Due to Credit Co-operative Society directly or indirectly employment opportunity are increased. Write your opinion on this.

Q.4. Write short notes:

1. Meaning and Definition of Credit Co-operative Society.
2. Functions of Credit Co-operative Society.
3. Features of Credit Co-operative Society.

Q.5. Give Reasons:

1. In rural credit structure Credit Co-operative Society plays an important role.
2. Credit Co-operative Society has to take help from District Central Co-operative Bank.
3. Credit Co-operative Society are needed for providing help to small farmers.

Q.6. Answers in Short:

1. State the features of Credit Co-operative Society.
2. Meaning and Definition of Credit Co-operative Society.
3. Functions of Credit Co-operative Society.

Q.7. Long answers:

1. Define Credit Co-operative Society and explain its features.
2. Explain the functions of Credit Co-operative Society.

