

10. Challenges Before Co-operative Sector

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10.1 Introduction

Liberalization, privatization and globalization have gained great importance in economic system. Government should not interfere in economic system. Economic system must run according to the market mechanism. Market mechanism and price mechanism will solve all economic problem through this view point many countries accepted globalization. Globalization came into existence by connecting economy of one with other countries in the world. Due to industrial revolution in transport and communication, development in information and technology, there is change in the living of people of each and every country. The needs of citizens are changing and due to changing needs and increasing population to fulfill the need every country have to conduct economic transaction with other nation. There was impact of global economy on economic system. The impact of global economy was also on co-operative sector.

Due to economic system there was competition between developed and undeveloped countries. This competition had some good and some bad effects. The developed countries were benefitted due to this competition and there was adverse effect on undeveloped countries. In future the co-operative movement has to develop on their own efforts and they have to compete with private sectors. For this, the co-operative society has to increase their efficiency and competitiveness to accept the challenges of globalization. Due to which co-operative sector faced many problems, challenges.

10.2 Challenges before Co-operative Sector

Due to development in transport, communication and revolution in information and technology. There was need of connecting economic system with other nation. In July 1991 then finance minister Dr. Manmohan Singh declared the New Economic policy. Liberalization, Privatization and Globalization was accepted. Due to which minimizing the interference of government in economic system, increasing private participation in government sectors, opening economy for supply of goods, services, capital, technologies, labour to other nations due to which there was competition. The benefit for which was to the producer, consumer, labour, investor. But due to this there was competition in two groups. The developed countries were benefitted and an under developed countries had adverse effect. Due to this, following challenges were in front of co-operative sector:

Challenges Before Co-operative Sector



1. Raising capital	2. Increasing production cost
3. Expanding market	4. Lack of government aid and grant
5. Qualitative development	6. Inefficient management
7. Lack of organize efforts	8. Consumers satisfaction
9. Participation in rural development	10. Increasing political interference
11. Recovery of loan	12. Modernization

1. **Raising capital:** Co-operative societies are established by weaker section of the society. Hence, members cannot provide large amount of capital to the society. Due to inefficiency and corruption the trust on co-operative society is reduced. Due to which it is difficult to collect capital. The aim of Joint stock company is to earn profit so it is easy for Joint stock company to collect capital. Hence, collecting capital is a big challenge for co-operative sector.
2. **Increasing production cost:** In production process of co-operative society traditional and labour based method is implemented. Due to labour based system, the production is not done with modern technology and capital is done with the use of manpower. The production of co-operative society is also at small scale. Due to which the production cost is more as compared to Joint stock company. To control the increasing production cost is the big challenge of co-operative sector. To stand in the market the co-operative society must change according to their changing environment. They cannot avoid new technology, new production method, research, etc.
3. **Expanding market:** The big business organization and Joint stock company produce goods at large scale. There is variety in production and large amount is spend on advertisement due to which their market is expanding regularly. But the capital of co-operative society is limited they cannot conduct production on large scale. Their production cannot compete with the production of international companies. To compete in global market the co-operative society must adopt the changing conditions in the market and make them able to compete in international market. They must conduct market research for expanding the market. It is difficult for co-operative society to stand in the competitive market.
4. **Lack of government aid and grant:** Previously the co-operative society were getting help from government in different ways like providing capital to co-operative society, taking guarantee for debentures, concession in tax, aid and grant from government, etc. But after globalization, this help was reduced and stop due to which they face financial problems. The co-operative society has to create the ability to conduct its activity without government help.
5. **Qualitative development:** After independence, due to government motivation and support and due to selfless efforts of leaders there was quantitative development in co-operative society. But there was negligence towards qualitative development of co-operative society. Due to global economy there was stiff competition in economic system. And in such condition, there was challenge of qualitative development in co-operative society.
6. **Inefficient management:** The management of big business organization, companies, multinational companies is conducted by professional experts, experience, trained, highly educated persons. But due to limited capital of co-operative society appointment of such persons

is not possible for co-operative society. Due to which the management of co-operative society is inefficient. To make the management of co-operative society efficient is one of the challenge faced by the co-operative society.

7. **Lack of organize efforts:** The big and multinational organizations conduct productions on very large scale so they are economically strong. But co-operative society cannot compete with multinational companies. For this the co-operative society must be made economically strong and have organize efforts. Lack of organize effort is a big challenge for a co-operative society. The amalgamation of economically weak society and restructure of co-operative sector is necessary which is not seen.
8. **Consumers satisfaction:** In competitive market consumer is the king. Due to large scale production the companies provide good quality of product at less price and are successful in attracting the customers. Due to which the co-operative society is losing the customers. Maintaining and increasing the customers is a big challenge before co-operative sector.
9. **Participation in rural development:** Co-operative movement plays an important role in rural areas for social, educational and cultural development. But due to global economy the existences of co-operative movement have come in danger. The co-operative societies efforts lack in social, educational and cultural development in rural areas.
10. **Increasing political interference:** In democratic system there is political interference in each and every sector. Many a times it is observed that co-operative societies are used for political benefits. Due to which the main objective of co-operative society remains aside. Co-operative society must be aloof from party politics and the political interference must be reduced which has an adverse effect on co-operative society.
11. **Recovery of loan:** Due to political interference and lack of business policy the loan is granted to ineligible person and for improper reason. The loan which is given is not used for the given purpose and is used for consumers product or unproductive purpose. There is need to pay serious attention on recovery of loan and make provision for bad debts and doubtful debts. Hence, the co-operative bank, credit co-operative societies which are providing loan has big challenge for recovery of loan.
12. **Modernization:** To compete with big and multinational companies and big business organization the co-operative society must change their production system and use modern information and technologies. Modernization is also a big challenge for co-operative society.

10.3 Remedies for challenges before co-operative sector

To solve economic problems New Economic policy was accepted in 1991. Due to which Indian economy became one of the important factor in World economy. When globalization accelerated the living of citizens of the country and their needs have changed. The co-operative society must increase their capital and improve their economic condition. The following remedies can be used to face the challenges of co-operative sector:

Remedies for Challenges before Co-operative Sector



1. Increasing trust and efficiency	2. Use of modern technology
3. Effective advertisement	4. Economic independence
5. Training to employees	6. Appointment of expert and experienced management persons
7. Organizational change	8. Efforts for consumer satisfaction
9. Efforts for rural development	10. Modern banking service
11. Recovery of loan	12. Control on political interference

1. **Increasing trust and efficiency:** Due to inefficiency and misappropriation, the credit worthiness of co-operative society is reduced. Due to which there is limitation in collecting capital. It is necessary to increase trust of co-operative society in shareholders and society. Due to which membership will increase and capital can be collected on large scale. To fulfill the expectation of shareholders, society and investors it is necessary to increase efficiency of co-operative society. For this it is necessary to appoint eligible and skill manpower. Each transaction should be conducted on the basis of business results. In order to increase creditability, there should be transparency in society's transactions.
2. **Use of modern technology:** Co-operative society use traditional and labour based system for production and business activities. Due to which production cost is increased and goods are of secondary quality. To stand in today's competitive world it is necessary to use modern technology. New and modern technology must be used for production process.
3. **Effective advertisement:** To maintain and expand market for our goods and services various mediums of advertisement must be used. Contacting customers in different languages and increasing number of customers is very important through which society can expand market.
4. **Economic independence:** Due to globalization the help from government in the form of concession, aid, grant, etc. has reduced. The tax concession of co-operative society has also reduced. Hence, co-operative society must not be dependent on government help. They should become economically independent. For this there must be planning of income and expenses. Increasing own capital through various ways and societies must find out different ways to increase income within the scope of co-operative principles.
5. **Training to employees:** To achieve qualitative development of co-operative society the members, employees must be given training regarding business activity in addition to co-operative education and training. Due to which the co-operative principles can be used practically for qualitative development of the society.
6. **Appointment of expert and experienced management persons:** In global economy and competitive market to face the challenges it is necessary to appoint expert, skilled, trained, experienced management persons. And co-operative society must also accept modern management system.
7. **Organizational change:** Co-operative societies are economically weak. Their production capacity is also low but multinational companies are economically strong and their production capacity is also huge. So, one co-operative society cannot compete multinational company. Hence, co-operative society in the state must come together and form their union (group) and

increase their economic ability. One co-operative society cannot solve their problems at local level. Such problem can be solved through such union.

8. **Efforts for consumer satisfaction:** In competitive market consumers satisfaction is necessary. Consumer is treated as king of the market. The changing needs of the consumer must be taken into consideration and standard quality goods and services must be provided at reasonable price. The societies must increase their efficiency. Various schemes should be introduced for the benefit of customers. Co-operative society must conduct market research and change the method of supply of goods. Consumers and society will move towards co-operation.
9. **Efforts for rural development:** Co-operative movement plays important role for economic, social, educational and cultural development of rural area. Due to open economy the existence of co-operative sector has come into danger. But co-operative society must make them capable for competition and solve common economic problem and development of rural area. For economic, social, educational development the co-operative society must plan various activity. For example, tree plantation, blood donation camp, seminar on environmental protection, cultural and sports competition, organizing lectures.
10. **Modern banking service:** Like nationalized bank the credit co-operative society and co-operative bank must use modern banking technologies like core banking, ATM, credit card, etc. such services should be increased. The bank must increase their capital and efficiency to maintain their place in credit supplies.
11. **Recovery of loan:** The credit co-operative society and co-operative bank must provide loan to eligible person and organization. Necessary steps must be taken for recovery of loan and control must be kept to see the loan given is properly used. Loan recovery must be done without partiality and strictly. Due to which loan overdues will be reduced.
12. **Control on political interference:** There is large participation of political leadership in management of co-operative society. The co-operative society must avoid political interference while taking decision of co-operative society. The political leader must keep their political ideology aside and must take efforts for development of co-operative society. The co-operative society must accept principles of business, competition, transparency, efficiency, etc. and take efforts to overcome the challenges of co-operative sector.

Activity:

- 1) Collect the information of challenges face by co-operative society in your area and the solutions thereon.

10.4 KEY-TERMS

1. **New Economic Policy** – The policy which is accepted in 1991 according to the guidance of International Monetary Fund (IMF) and World Bank to come out from economical problems is known as New Economic Policy.
2. **Global Economy** – The economy which comes in existence as outcome of economic policy of all the countries is global economy.
3. **Labour base production** – The use of manpower (labour) base production system in place of modern and capital - based production system.

4. **Multinational Company** – The company which is registered in one particular country or nation but it conducts production and sale business transaction in many countries is known as Multinational Company.

10.5 SUMMARY

- In India the New Economic policy was accepted in 1991 through liberalization, privatization and globalization. Our economic system was connected to world economic system. Due to this open economic system co-operative sector have to face various challenges.
- **Challenges before Co-operative Sector:**
 1. Challenge for raising capital
 2. Increasing production cost
 3. Challenge of expanding market
 4. Lack of government aid and grant
 5. Qualitative development
 6. Inefficient management
 7. Lack of organize efforts
 8. Consumers satisfaction
 9. Participation in rural development
 10. Increasing political interference
 11. Challenge of recovery of loan
 12. Challenge of modernization
- **Remedies for challenges of co-operative sector:**
 1. Increasing trust and efficiency
 2. Use of modern technology
 3. Effective advertisement
 4. Economic independence
 5. Training to employees
 6. Appointment of qualified and professional management
 7. Organizational change
 8. Efforts for consumer satisfaction
 9. Efforts for rural development
 10. Modern banking service
 11. Recovery of loan
 12. Control on political interference

10.6 EXERCISE

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

1. Establishment of co-operative society is done by _____ resources of people.
(a) Unlimited (b) Limited (c) unnecessary
2. Due to inefficiency _____ is reduced in co-operative society.
(a) Number (b) Likeness (c) Trust
3. In production process _____ and labour base method is used by co-operative society.
(a) Controlled (b) Traditional (c) Modern
4. The management of multinational company is conducted by _____.
(a) Uneducated (b) Expert (c) Unskilled
5. After globalization there is _____ in aid and grant given by the government.
(a) Reduction (b) Increase (c) Competition

B) Match the following:

Group 'A'	Group 'B'
a. Multinational company	1. Small scale production
b. Problem of loan recovery	2. King of competitive market
c. Consumer	3. Loan to ineligible persons
	4. Large scale production
	5. Secondary place
	6. Productive loan

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

1. King of competitive market.
2. The company conducting production, sale and business in many countries.
3. Use of manpower in place of capital resources in production process.
4. The policy adopted in 1991 for economic development of our country to solve economic problems.

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

1. Excess political interference in co-operative society is beneficial for co-operative movement.
2. Service has more importance than profit in co-operative society.
3. Due to limited capital professional management cannot be appointed in co-operative society.
4. The consumers have secondary importance in competitive market.
5. Due to loan given to ineligible person and for improper purpose overdues are increased in co-operative society.

E) Complete the following sentences:

1. In competitive market _____ is a king.
2. To expand market use of _____ medium is necessary.
3. Instead of depending on _____ help co-operative society must be economically independent.
4. The production of multinational companies is on _____ scale.

F) Select the correct option:

1. Challenge of increasing share capital	<input type="text"/>
2. <input type="text"/>	Improvement in management
3. Increasing production cost	<input type="text"/>
4. <input type="text"/>	Increasing political interference
5. Expanding market	<input type="text"/>

Expert and experienced manager's, Intensive advertisement, Labour base and traditional production, Reduce trust, Use for political benefit.

G) Answer in one sentence:

1. What efforts should be taken by co-operative society to increase share capital?
2. What efforts should be taken by co-operative society to expand market?
3. What efforts should be taken by credit co-operative society to face the competition in the market?
4. What efforts should be taken by co-operative society for consumer satisfaction?
5. Why there is increase in cost of production of co-operative sector?

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

1. Due to inefficiency and corruption the reputation of co-operative society has Increased.
2. To fulfill the expectations of shareholders, investors and society there is need to increase Inefficiency.
3. Due to globalization the government aid and grant to co-operative sector has Increased.
4. Multinational company are economical Weak.
5. Loan given to Ineligible persons for productive purpose increases loan recovery.

I) Find the odd one:

1. (a) Traditional production system (b) Less production cost
(c) Labour base production (d) Increasing production cost
2. (a) Modern technology (b) Increasing production cost
(c) Automisation (d) Less production cost
3. (a) Co-operative society (b) Multinational company

- | | |
|----------------------|-----------------------------|
| (c) Private company | (d) Large scale industries |
| 4. (a) Trained | (b) Professional management |
| (c) Experienced | (d) Untrained |
| 5. (a) Aid and grant | (b) Donation |
| (c) Profit | (d) Economical help |

Q.2 Explain the following terms:

1. New Economic Policy
2. Multinational company
3. Global economy
4. Labour base production

Q.3 Application based/ Self-opinion question:

1. There is adverse effect of globalization on under developed countries.
2. Political interference is increasing in co-operative movement.
3. As compared to multinational company production cost of co-operative sector is more.

Q.4 Write short notes:

1. Challenges before co-operative sector.
2. Remedies for challenges before co-operative sector.

Q.5 Give Reasons:

1. Use of modern technology has become essential for co-operative sector.
2. Co-operative sector must give importance for economical independence.
3. Co-operative sector must take steps to control political interference.

Q.6 Answer in short:

1. State the remedies for challenges before co-operative sector.
2. State the challenges before co-operative sector.

