

Indian Journal of Commerce, Business & Management (IJCBM)



A Peer Reviewed Research journal of Commerce, Business & Management

ISSN : 3108-057X (Online)

3108-1282 (Print)

Vol.-2; Issue-2 (April-June) 2026

Page No.- 77-85

©2026 IJCBM

<https://ijcbm.gyanvidya.com>

Author's :

Dr. Gaurav Kumar Singh

Dept. of Economics, Veer

Kunwar Singh University,

Arrah, Bihar, India.

Corresponding Author :

Dr. Gaurav

Kumar Singh

Dept. of Economics, Veer

Kunwar Singh University,

Arrah, Bihar, India.

The Role Of Co-Operatives In Agricultural Development In Bihar

ABSTRACT : According to the Economic Survey conducted in 2018, more than 58 percent of people in India are dependent on agriculture, either directly or indirectly, for their means of subsistence. This industry accounts for between 17 and 18 percent of overall contributions to India's gross domestic product (GDP), and it employs more than half of the country's labour force. Agriculture and cooperatives are two aspects that go hand in hand and complement one another. They are incompatible with a solitary existence. The vast majority of the farmers are illiterate, and as a direct consequence of this, they are unable to market their goods to the people who will really purchase them. As a result, there is an increased role for middlemen in marketing, and as a consequence of this, farmers are not receiving a price that is commensurate with the value of their goods. The role of middlemen in the sale of agricultural products can be reduced to a minimum with the help of cooperatives, which can play an important part in bringing farming inside the framework of cooperative society. The Primary Agriculture Credit Society (PACS) is heading in that direction. PACS is the first building block of India's cooperative banking system, which has been around for over a hundred years. When it comes to overcoming the challenges posed by agricultural limitations, cooperatives provide a number of natural benefits.

Keywords: Economy, Gross domestic product (GDP), Cooperatives, Credit, Development, PACS.

INTRODUCTION

It is becoming more widely acknowledged that India's cooperative structure has the ability and power to mitigate

the negative outcomes of globalization. As a result of the changes brought about by economic liberalisation in the post-crisis economic environment, cooperatives of all stripes are working to realign their operations to meet the needs of consumers. The tendency of public institutions to fail is cause for concern. The rural areas have not benefited from privatisation either. So the cooperative economy is a source of enormous optimism. There are several reasons why cooperatives are a good tool for addressing issues related to agriculture, poverty, food security, and job creation. There is a widespread belief that cooperatives may succeed where the government and private industry have fallen short. Milk cooperatives have sparked a revolution in the country. AMUL is popular. Successful cooperatives include IFFCO, KRIBHCO, AMUL, etc. State cooperatives include urban cooperative banks, primary agriculture cooperative societies, housing, fisheries, and other cooperatives that enhance rural inhabitants' socioeconomic position. Cooperatives generate economic possibilities at the grassroots level. We concentrated on lending and marketing cooperatives since they are vital to India's agricultural success.

THE MEANING OF COOPERATIVES

"The cooperative can be defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" (The International Co-operative Alliance (ICA)). According to Das (1993), "co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity." In the tradition of their founders, cooperative members believe in the ethical values of "honesty, openness, social responsibility, and caring for others." Co-operatives bring people together to meet a shared need through the operation of a democratically controlled business. In other words, "co-operative enterprise is the type of organisation that is most suited to addressing all dimensions of reducing poverty and exclusion" (FAO, 2011).

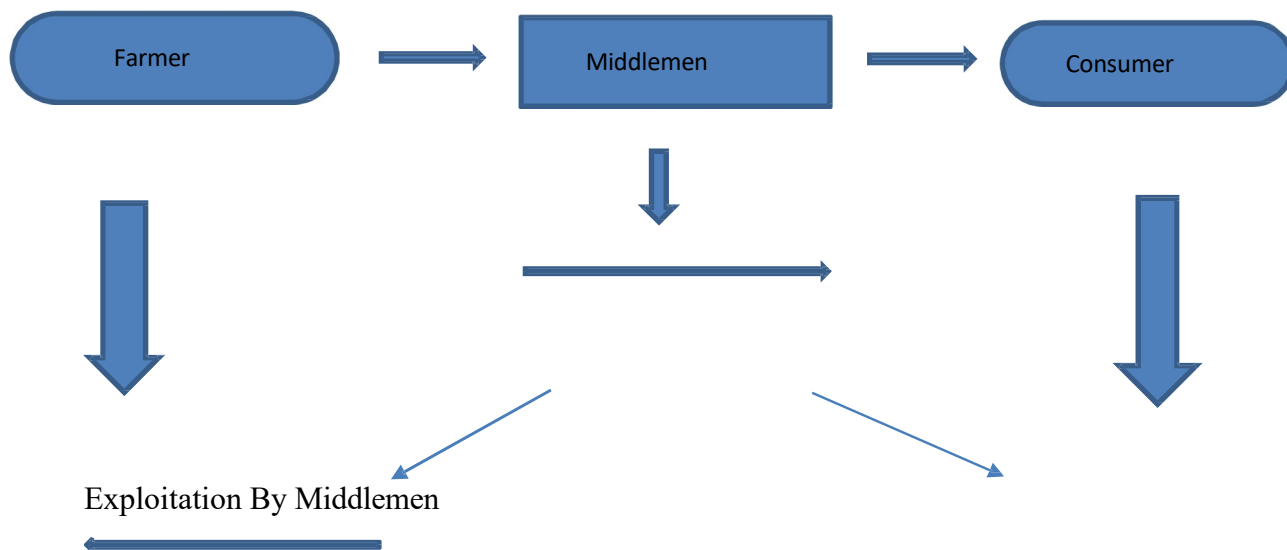
THE SIGNIFICANCE OF COOPERATIVES IN INDIAN AGRICULTURE

India has a rural population of more than 70% that relies on their income from agriculture. Small and medium-sized estates, a high number of agricultural labour, insufficient revenue generating, and inadequate savings characterise Indian agriculture. The Green Revolution in the mid-1960s enhanced food production by introducing new crops, fertilisers, irrigation, and agricultural technology. National food security and farming community economic well-being require better productivity per unit area, which will boost agricultural investment. Hardly farmers can afford it. A farmer turns to unscrupulous lenders for credit. Cooperative farming is the only option to increase and eliminate rural debt. Around the turn of the century, India provided agricultural funding. The cooperative movement in India aimed to eliminate overcharging moneylenders. Agricultural credit societies were established by Act 1904. Only one-village communities were thought suitable for Indians at first. Small enterprises and low cash flows meant these societies couldn't meet their members' needs. The cooperative framework has been broadened to boost credit through large societies and cooperative banking, including seed, fertiliser, weedicides, insecticides, etc.

Mechanization and commercialization of agricultural products are also major issues for Indian agriculture. Cooperatives are able to finance farm equipment, combine small agricultural units through contract farming, and market farm goods in far-flung markets, all of which increase the economic benefits of farming. Due to limited storage and financial limitations, no farmer can

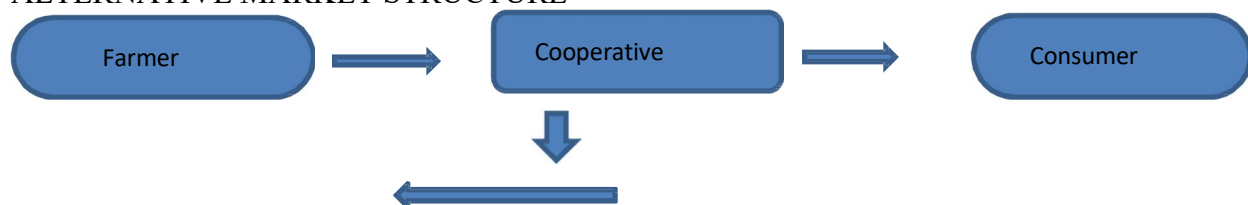
afford to hang onto his goods for a higher price. Farmers' cooperatives may be a great resource for securing funding for and managing this type of infrastructure. For farmers to stop resorting to distress sales in favour of agro- processing and other value-added agricultural goods, collaboration is essential in today's economy. Agro-processing plants also help fill the labour need in the countryside. Beyond the obvious agricultural sector, cooperative groups have the potential to bring about social change in rural communities. The majority of farmers' financing requirements are met through cooperatives. Improved farming techniques, fertilisers, and other agricultural innovations have spread around the world thanks to cooperative groups. Organizations that specialise in marketing and processing goods and services help their members save money on both ends of the transaction. It has provided farmers with adequate storage space in anticipation of price increases. Cooperatives have aided agricultural productivity by making financing available, supplying input, and processing and marketing agriculture products to guarantee fair returns to farmers. Long-term agricultural credit is provided by the land development banks.

EXISTING MARKET STRUCTURE

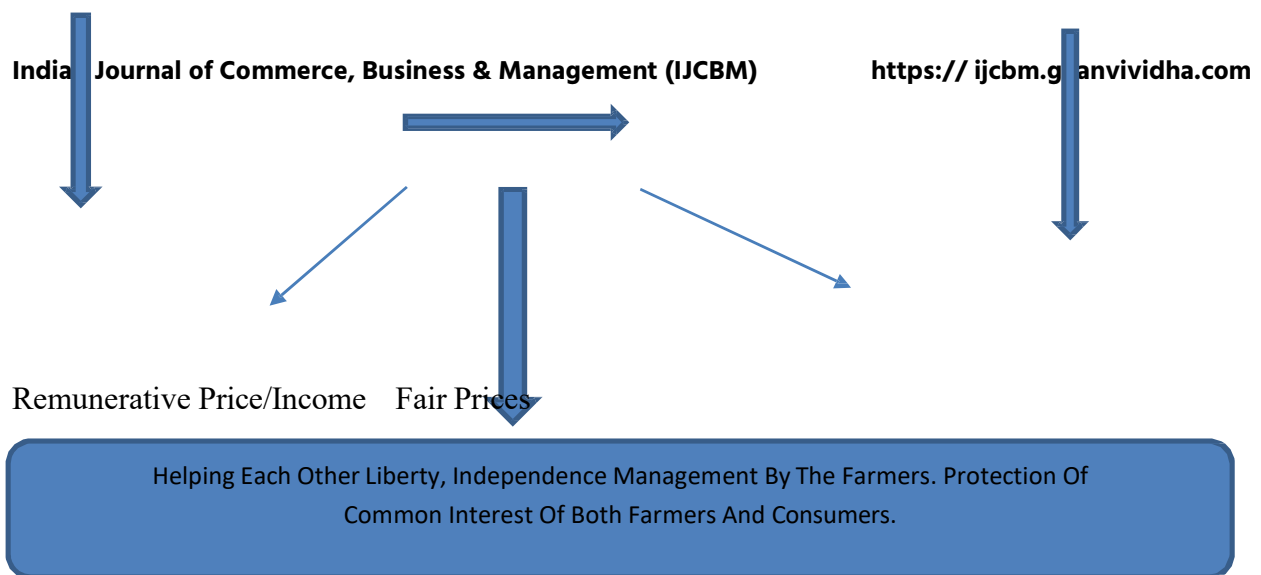


Unremunerative Price High Price

ALTERNATIVE MARKET STRUCTURE



Mutual Benefit



SIGNIFICANCE OF CO-OPERATIVES WITH SPECIAL REFERENCE TO BIHAR

Bihar, the state with the third-highest population after Uttar Pradesh and Maharashtra, is a land of farmers with a big population depending on agriculture. According to the 2011 census, 88.70% of inhabitants reside in rural districts where agriculture is the primary industry. By 2025, 20 billion are anticipated. Agriculture aids development. The cooperative sector is the third largest in the Indian economy, after the government and private sectors. Agriculture and rural development are the state's primary achievements. It benefits agriculture in Bihar. The government of Bihar enacted sweeping agricultural sector reforms in 2006, including the elimination of most controls over the distribution of food staples. The Agricultural Product Market Committee was a marketing board under the control of the state government that organised mandi, or wholesale markets, where farmers could sell their goods to the Food Corporation of India or the State Farming Corporation at the specified minimum support price. The MSP is a government-guaranteed price meant to shield farmers from the effects of market volatility. Primary Agricultural Credit Societies, established at the panchayat level, were established in Bihar in 2006 to act as an intermediary in the state's buying of food grains. Food purchasing cooperatives (PACS) purchase grain from farmers and resell it to the FCI, SFCs, or private wholesalers. Bihar has 8,463 primary agricultural cooperative societies (PACS) at the panchayat level,

521 Vyapar Mandal Sahyog Samiti (VMSS) at the block level, and the apex level. Bihar State Cooperative Union (BISCOMAUN) serves the needs of the agricultural and allied sectors; 22 district central cooperative banks (DCCBs) and an apex level state cooperative bank (SCB) with numerous branches meet the short-term loan requirements of members. Kisan Bhawan was developed to promote agricultural inputs and technology by cooperatives in numerous areas.

Almost every state has cooperatives that provide "crop financing." The programme calculates the funding requirements of farmers based on their anticipated crop yield. Some states fix their members' and societies' credit limits for two or three years. This reduces administrative delays, regular work, and time spent on development for bank employees. NABARD now expects co-op banks to engage in seasonal lending, which means loan disbursement and repayment should coincide with planting and crop growth. Payments must coincide with the harvesting and marketing of crops. Presently, NABARD establishes crop quotas for Kharif and Rabi. Every central cooperative bank must establish loan restrictions for Kharif and Rabi. Real funding will be constrained to correspond with seasonal agricultural bank borrowing patterns. An agricultural loan programme has increased the flow of capital and farmers' connectivity. PACS helps rural communities with short- and medium-term financing. Larger multipurpose groups and farmer

service societies aid the impoverished.

PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS)

At independence, the nation prioritised agricultural economic growth. Small-scale rural loans boosted India's economy. This framework was insufficient for country building (Bedi, 1992). An analysis of present constraints and potential recommended a more efficient, yet effective, method to resuscitate the economy. Food shortages required an increase in domestic agricultural production. The cooperative movement must be integrated with other organisations' efforts to commercialise breakthrough agricultural technologies to address food shortages. Under these conditions, the cooperative movement's basic objective of reducing rural debt was recast to address underproduction by providing services that enhance food output and rural development. The primary agricultural credit societies are regarded as the foundation of the complete cooperative structure. Farmers in rural areas continue to rely mostly on Primary Agricultural Credit Societies for agricultural loans. PACS helped farmers escape moneylenders. One PCS for every six villages PACS membership costs \$12 million. Ten hamlet residents can form a PACS. Even the poorest farmer can buy a stake. Only the Secretary-Treasurer is reimbursed for members' unlimited responsibility. Agricultural enterprises require short-term, fixed- rate loans, mainly during harvest. These organisations collected deposits from wealthier members to lend to poorer members. The government founded Central and State Cooperative Banks to finance PACS, which lends to farmers. Overall, primary agriculture credit societies have performed well in the advancement and development scene.

FUNCTIONS:

In pursuance of the most cherished objective of improving agricultural production, the service/primary agricultural co-operatives were established to perform the following functions:

These societies support agriculture and allied activities with short- and medium-term loans. Short- term loans must be repaid within 12 to 15 months, while medium-term loans must be paid back within 3 to 5 years.

Offers finance to farmers, distributes inputs such as fertiliser, and operates public Distribution System outlets.

A crop loan is the primary form of finance offered by Primary Agricultural Cooperative Credit to farmers. Society, granted without collateral up to 10 acres for registered sugarcane growers and up to 1 lakh for other crops. The loan amount in excess of this limit is secured by a mortgage on real estate or a pledge of gold or gold jewellery.

To provide marketing facilities for the sale of agricultural products and to participate in economic and social welfare programmes within the community.

PACS also provides loans for other agricultural uses, such as the acquisition of farm equipment.

LITERATURE REVIEW

As noted by Eva Mondal (2020), co-operatives make it possible to secure affordable loans and lessen the likelihood of being stuck in a financial loop. Several issues with the availability and purchase of inputs by small farmers are alleviated by the government's cooperation in procuring and distributing manure, seeds, insecticides, and other agricultural equipment to farmers.

According to Sahoo et al. (2020), cooperative societies have the ability to provide technical and vocational services to small and marginal farmers in order to transform agriculture into an agribusiness enterprise through the pooling of resources to realise economies of scale. He also said that cooperative societies contribute to agricultural development by providing essential

inputs (seeds, fertiliser, pesticides, and credit), storage facilities such as godowns, agro-processing facilities, and marketing the agricultural produce.

Dashmeet Kaur (2019) asserts that cooperative societies exist primarily to meet the needs of economically disadvantaged and rural members of our society. They also emphasised the significance of cooperative groups for rural area development. Members join a cooperative society similarly to a non-profit organisation, with the emphasis being on mutual benefit rather than profit. All for one and one for all is the fundamental principle of a cooperative society. The initial purpose of cooperative societies was to assist the economically disadvantaged by supplying goods at prices below the market rate, eliminating the middleman, and providing superior customer service.

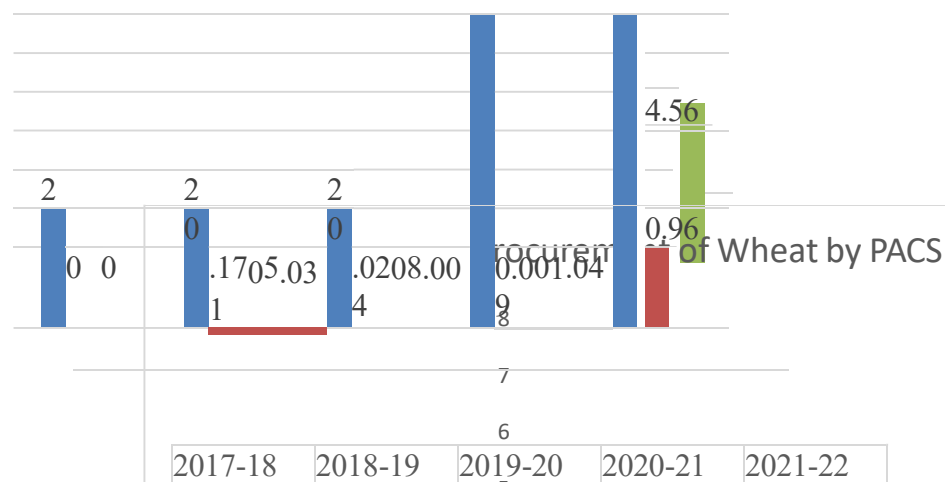
Mhembwe and Dube (2017) came to the conclusion that cooperatives have a significant impact on shaping and sustaining community life. Hence, rural and agricultural communities stand to gain significantly from cooperative programmes.

OBJECTIVE AND METHODOLOGY OF THE STUDY

The purpose of this study was to examine the performance of primary agricultural credit societies (PACs) in Bihar and how PACs' operations contribute to a rise in farmers' income via marketing and procurement of food grains. This study collected secondary data from websites, published articles, books, the Department of Cooperative Affairs, and other government agencies. The graphs and tables used to analyse the data, which contributed to an increase in their revenue, as well as the findings from secondary sources, which are shown below, illustrate the amount of growth in wheat and rice procurement in Bihar.

DATA ANALYSIS AND DISCUSSION

Through the procurement of food grains in the agriculture-dominated state of Bihar, interested farmers are provided with the benefit of a minimum support price under the decentralised procurement scheme. Wheat and paddy are considered important foodgrains in Bihar. Under the Kharif marketing year 2020–21, 35.59 lakh metric tonnes of paddy were procured from 4.97 lakh farmers, and farmers were paid Rs 6735.41 crore as the minimum support price, which is much more than the achievements of previous years. Important interventions were made by the state government in the field of wheat procurement under the Rabi marketing year 2021–22. As a result, 4.56 lakh metric tonnes of wheat were procured from 96753 farmers. In addition to the direct benefits received by the farmers, the procurement scheme has a direct or indirect impact on the economy of Bihar. The given data shows the progress of the procurement of rice and wheat in the state.



Target of procurement (in lakhs MT)	2	2	2	7	7
No. of farmers in lakhs)	0	0.175	0.028	0.01	0.96

S.I	Point of Comparison	Paddy Procurement status in January 2020 by PACS	Paddy Procurement status in January 2021 by PACS
1.	Farmer registration for procurement	2,40,749	6,67,516
2.	No. of notified Cooperative Societies	4,942	6,463
3.	NO. of Cooperative Societies Functioning	3,967	6,157
4.	Number of farmers	42,161	3,16,409
5.	Quantity of paddy procured	3.15 Lakh MT	23.49 lakh MT
6.	Amount paid to farmers	447.60 Crores	3541.90 Crores

(Source- Department of Co-operative, Government of Bihar)

It is clear that the simplification of the paddy procurement system has resulted in a paradigm shift in procurement.

SIGNIFICANCE OF PROCUREMENT BY PACS

Increase in the income of the farmers:

Farmers receive more than the market price as a result of this scheme, increasing their income. For example, in the Kharif marketing year 2020-21, the average market price of paddy was about Rs. 1300/- per quintal, but under the minimum support price system, farmers received an amount of Rs. 1868/- per quintal. As a result, the farmers received an additional amount of approximately Rs 2021 crore on the total quantity of paddy procured. The rural economy of Bihar got a lot of relief from this additional fund flow at the time of the COVID pandemic. Again, the minimum support price of wheat was set at Rs. 1975/- per quintal for the Rabi marketing year 2021-22. But the market price of wheat was never more than Rs. 1600 per quintal. As a result of farmers getting timely benefits from their produce, their needs, such as their children's marriage, education, other basic needs, etc., are easily met, and at the same time, the flow of liquidity in the rural market is ensured.

Arrangement of capital for the next crop cycle:

Due to the farmers receiving the payment of their produce in their accounts within 48 hours, they get the necessary funds for sowing the next crop on time, which ensures an increase in the production and productivity of the next crop. Timely payment to farmers through the PFMS is continuously reviewed at the highest level.

Creation of employment in the rural economy:

A large number of labourers are required in rice mills for procurement work, such as transporting paddy to the godowns of packs or trade boards and preparing CMR (custom milled rice) of the paddy procured by packs or trade boards, which creates employment in the rural environment both directly and indirectly.

Utilization and enhancement of storage capacity:

In order to buy paddy from the farmers on time, it is necessary that the societies have sufficient storage capacity. Therefore, under this scheme, the storage capacity created by the state government is being continuously increased by making proper use of it. So far, about 12 lakhs metric tonnes of storage capacity have been created by the Cooperative Department, and another 1.25 lakh metric tonnes of storage capacity is under construction. A proposal in the fourth agricultural road map is to create additional storage capacity of 10 lakhs metric tonnes in cooperative societies. The creation of storage capacity is an essential requirement in the agricultural state of Bihar, which ensures safe storage of paddy and rice, minimises the loss of food items, and provides necessary help in the implementation of food security schemes.

Promotion of the Transport Sector:

35.58 lakhs under Kharif Marketing Season 2020-21 Under the Rabi marketing season 2021-22, tonnes of paddy and 4.56 lakh tonnes of wheat have been purchased. A huge number of heavy vehicles, such like trucks, tractors, etc., are required to be provided in the authorized storage facilities of CMR & Wheat State Food Corporation, which would be beneficial for the transport industry and a large number of rural and semi-urban residents. aids in generating jobs.

Promotion of agro processing:

After the procurement of paddy, rice is prepared from that paddy. As a result of intensive procurement, many rice mills have been established in the state in the private and cooperative sectors. Apart from making rice from paddy, many by-products such as rice bran, rice husk, etc. are obtained. which has a lot of potential for processing.

Self-reliance in the beneficial schemes of the state:

In earlier years, rice had to be procured from other states to meet the requirements of the state's public distribution system, but after intensive procurement, the state is moving towards self-sufficiency to meet these requirements. In the near future, the state may succeed in achieving self-sufficiency.

Improving the financial system of co-operative credit institutions such as co-operative banks and PACS:

Bihar State Co-operative Bank, District Central Co-operative Banks, and about 6500 PACS in the state are conducting procurement as a profitable business, due to which their business turnover and profits have increased. A managerial subsidy has been arranged by the state government to encourage cooperative banks and PACS in the state. A record procurement of paddy was made in the Kharif marketing year 2020–21, and the entire process has been made very easy, simple, time-bound, and effective. Important achievements have been made in the direction of wheat procurement in Rabi marketing year 2021–22. They have a tremendously favourable effect on the economy of the agricultural state. It will emerge as the pivot of the state's economy in the years to come.

CONCLUSION

The data provided illustrates a significant uptick in the procurement of key foodgrains in Bihar, indicating a robust and successful implementation of the decentralized procurement scheme. The Kharif marketing year 2020–21 saw an impressive procurement of 35.59 lakh metric tons of paddy from nearly half a million farmers, with the government disbursing Rs 6735.41 crore as the minimum support price. This not only provided a stable income for the farmers but also guaranteed a market for their produce, likely contributing to agricultural sustainability and rural livelihoods.

The Rabi marketing year 2021–22 followed substantial government intervention in wheat procurement, where 4.56 lakh metric tons were procured from 96,753 farmers. This level of procurement suggests that similar benefits to those seen in paddy procurement would have been extended to wheat farmers, supporting income and market access for another crucial segment of the agricultural community in Bihar.

From an economic standpoint, such a scheme not only stabilizes the primary sector by ensuring that farmers' produce is sold at a fair price but also strengthens the secondary and tertiary sectors that are involved in the storage, processing, and distribution of these foodgrains. Moreover, this could lead to increased food security within the state and potentially contribute to controlling inflation in food prices by maintaining adequate reserves of staple grains.

References

1. Alok, K. S., & Sahoo, S. K. (2020). Critical review on cooperative societies in agricultural development in India. *Current Journal of Applied Science and Technology*, 115-121. <https://doi.org/10.9734/CJAST/2020/v39i2230850>
2. Atul Shiva. (n.d.). *SHGs in India, MBFI Unit 2.ppt*. SCRIBD. Retrieved from <https://www.scribd.com/presentation/436963718/SHGs-in-India-MBFI-unit-2-ppt>
3. Cooperative, D. O. (n.d.). Department of Cooperative, Government of Bihar. Retrieved from <http://www.cooperativ.bih.nic.in/>
4. Cooperative Department. (2021, July 2). *Sahkar Samvad*. Bihar Cooperative Report.
5. Cooperatives' Role in Rural Development: The Case of Ethiopia's South Nations Nationalities and People Region. (2015, July 20). *Science Journal of Business and Management*, 3. <https://doi.org/10.11648/j.sjbm.20150304.12>
6. Food and Agriculture Organization (FAO). (2012). *Agricultural cooperatives: The key to feeding the world*. Retrieved from <https://www.fao.org/3/az877e/az877e.pdf>
7. International Labor Organization (ILO). (n.d.). *Measuring Cooperatives*. ILO, International Cooperative Alliance. Retrieved from https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_858833.pdf
8. Kaur, D. (2019, October 11). *Role of co-operative society in rural development*. Swarit Advisors. Retrieved January 12, 2023, from <https://swaritadvisors.com/learning/what-is-the-role-of-co-operative-society-in-rural-development/>
9. President, V. (2018, June 25). *Press Release*. Government of India's Press Information Bureau. Retrieved from <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1536474>
10. Singh, S. R. (2016, October 24). *Bihar's government should offer farmers 4% interest-free loans, as other states do, so that farmers can obtain agriculture loans at 0% interest*. Press Information Bureau. <https://pib.gov.in/newsite/printrelease.aspx?relid=151916>
11. Smart Mhembwe, E. D. (2017, April 24). The role of cooperatives in sustaining the livelihoods of rural communities: The case of rural cooperatives in Shurugwi District, Zimbabwe. *JAMBA*, 9(1), 1-9. <https://doi.org/10.4102/jamba.v9i1.341>
12. Tchami, G. (2007). *Handbook on cooperatives for use by workers' organizations*. ILO, International Labor Organization. Retrieved from http://www.oit.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_094046.pdf

•