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Cooperative banks, agricultural credit and financial inclusion for farmers in India: A systematic review

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Abstract

Financial inclusion is an important subject when it comes to farmers since agriculture is the economic backbone of the nation. This involves providing easy access to financial services like savings, credits, and payments, especially to small and marginal ones. However, there are numerous challenges faced by farmers when it comes to getting the necessary access to regular financial institutions. Cooperative banks help farmers address these particular challenges and secure the required access for managing their finances, mitigating risks and investing in farm activities. Cooperative banks in India provide the required agricultural credit to farmers in an easy and cheap manner. This article has done a systematic review of cooperative banks and agricultural credit in relation to financial inclusion in India for farmers. Various studies have highlighted the important role of cooperative banks in providing the required agricultural credit to the farmers. The easy access to financial services and agricultural credit with the help of cooperative banks fosters the financial inclusion of farmers in India. However, there still remains significant scope to research the subject in the Indian context due to the lack of sufficient primary evidence and fieldwork on the subject.

Keywords: Cooperatives, banks, credits, agriculture, financial inclusion, farmers

1. Introduction

India's agricultural sector is integral to multiple aspects of the nation's life. It serves as an economic backbone that employs more than 50% of the country's workforce while being primary source of livelihood for millions in the nation. The sector contributes 18% to the total GDP of the nation while playing a crucial part in exports of commodities and helping in earning foreign exchange (The Hindu, 2023) ^[12]. The sector further helps in ensuring food security for the nation of 1.4 billion while providing all the necessary nutrients. India's 70% of the rural population is engaged in agriculture and thus the sector contributes to infrastructure development, poverty reduction and better facilities for the rural population (FAO, 2023) ^[2]. Agriculture is also an important part of Indian culture with many festivals and customs celebrated around the agricultural life. Despite its importance, the sector faces various worries or challenges like inadequate irrigation facilities, land fragmentation, volatility in market prices and climate change (Wagh, & Dongre, 2016) ^[14]. Financial inclusion for farmers becomes important for addressing the challenges faced and ensuring the continued development. Furthermore, cooperative banks become important for supporting the sector's continuous development and ensuring proper investments in technology, farmer education and infrastructure. Cooperative Agricultural Credit Banks (CACBs) are important in providing necessary financial services to farmers, especially in rural regions for sustainable practices and financial inclusion. These banks support Indian agriculture by providing small and marginal farmers with financing that they struggle to get from traditional banks. The cooperative banking system has a three-tier structure- "(1) Primary Agricultural Credit Societies (PACS), (2) District Central Cooperative Banks (DCCBs) and (3) State Cooperative Banks (StCBs)" (PIB, 2022) ^[8]. Hence, this article will explore the multi-faceted role of cooperative banks towards agricultural credits for aiding financial inclusion in rural areas for farmers in India.

2. Methodology

The research has employed a secondary approach to explore this mentioned topic and gather appropriate insights. The secondary approach involves collecting relevant information from readily available sources and past research for providing a comprehensive account of the subject. The secondary approach is further supported by the systematic review process.

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A systematic review is considered a powerful tool for the synthesis and evaluation of existing evidence on a particular topic of interest (Wright *et al.* 2007) ^[15]. The process makes it easy to identify, assess and interpret all appropriate research on a subject while minimising bias and, providing a detailed account of the available knowledge. Hence, the entire method revolves around reviewing and analysing previously done studies in four steps-

Step 1: Identification of previous studies

This step included checking for all the scholarly articles that were about cooperative banks and sustainable agriculture practices on Google Scholar. Keywords like ‘cooperative banks’ and ‘agricultural credit’ and ‘financial inclusion’ were used to search for all the articles on the topic.

Step 2: Selection of studies: This step involved looking for

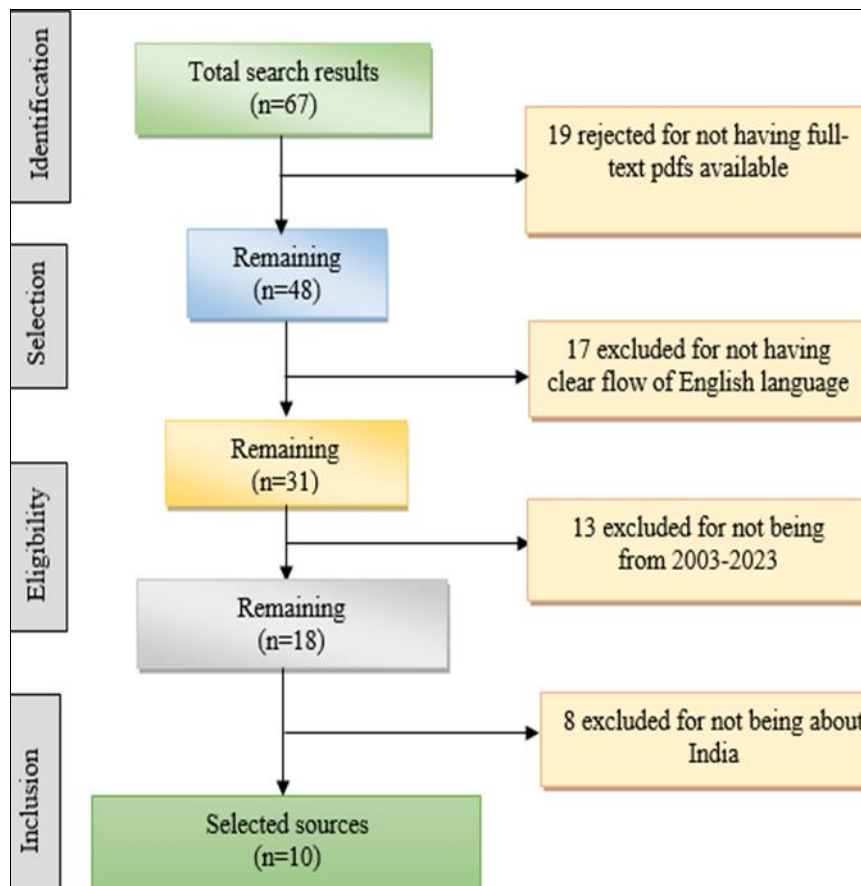
articles that were available readily for free with full-text PDFs and also were published in the English language. It also involved looking for articles that were published from 2003-2023 to address the purpose of the work

Step 3: Checking the eligibility of the studies

In this particular step, articles that were published about India were only selected and the rest were considered ineligible for the review.

Step 4: Final selection and inclusion

Articles that contained the keywords of the topic and were focused on India were selected finally for the systematic review. The PRISMA diagram outlining the flow of information through the entire process of the systematic review has been provided in the below image.



Source: Self-developed

Fig 1: PRISMA flow diagram

3. Results

Table 1: Shows the aim, objective, methodology and findings

Author (s) and publication year	Aim/objective/question	Methodology	Findings
Kumar, Wankhede, & Gena, (2015) ^[5]	To study the role played by cooperatives for farmer’s sustainable livelihood in India	Secondary sources like peer-reviewed journal articles and annual reports	A large of successful cooperatives are present in India that have benefitted the farmers by increasing their crop productivity and overall income. The initiatives of the cooperatives have helped with ecological resilience and enhancement of rural livelihood.
Tripathy, Paliwal, & Nistala, (2021) ^[13]	Examining the activities of selected “Primary Agricultural Credit Societies (PACS)” of Kerala and developing an understanding of good governance practices and	A descriptive-analytical approach involving both primary and secondary data	PACS is important for the socio-economic empowerment of farmers through agricultural growth and community mobilisation. Hence, good governance practices become important for improving the productivity of PACS and increasing their ability to produce goods and services. Good governance practices among PACS also contributes competitive growth and

	its role in competitiveness		strategic use of available resources
Devi & Govt (2012) ^[1]	The objectives involve analysing the performance of credit cooperatives in relation to the agricultural development of the state of Andhra Pradesh	Government data have been used to analyse deposits, credits and the impacts of credits to provide the required insights	The cooperatives in Andhra Pradesh are functioning effectively by providing timely, cheap and sufficient credit to the agricultural sector. Apart from the credit, non-credit services are also being provided to the different sectors of the rural economy. This has further benefitted the farmers to a great extent by increasing their agricultural output and in turn contributing to higher employment and income.
Rao & Madhavi (2016) ^[9]	The structure of cooperative credits and their role in agricultural credit for better agricultural growth and production has been explored in the research	Secondary data	Cooperative institutions are important players in providing short and medium-term credit to the agriculture sector in India. This financing helps in providing the capital to the farmers for better production and this in turn contributes to the development of the economy. However, there exists a gap between the demand and supply of credit in the sector which requires an effective intervention of the government of India.
Shailaja & Hebbar (2018) ^[10]	The role played by PACS in rural financing and development has been explored in the paper	A descriptive study	Cooperative banks are crucial for the socio-economic development of India especially in rural areas that are heavily dependent on agriculture. They are the main source of finance for small and marginal farmers and, help with their financial inclusion. They also protect farmers from evils of the society like agricultural backwardness, rural indebtedness and poverty. Hence, these banks reach the vulnerable sections of society and aid their growth and in turn the development of the nations.
Gulati & Juneja (2019) ^[3]	The paper analyses the structure, efficiency and innovations of agricultural credit systems in India	A mixed study using secondary data	The agricultural credit system has undergone significant changes and progress over the years with major policy changes. Agricultural credit banks have played a major role in inclusiveness in the country by providing significant amounts of credit to small and marginal farmers. The entire system has also been quite efficient which has further helped with the development of innovative agricultural practices and techniques for better sustainability.
Siddaraju (2012) ^[11]	The study has a two-fold objective which involves analysing the problems and challenges of cooperatives in India and their role in financial inclusion in the country	Exploratory study using secondary data	The reach of cooperatives banks cannot be matched by any financial institutions in India and contributing towards achieving a higher degree of financial inclusion in India. The financial inclusion of the underprivileged leads to better job opportunities while triggering major economic growth in the country. Financial inclusion further serves as an empowerment tool that contributes to social and economic progress. Cooperative banks need to rise to aspirations and create a win-win situation for the poor, banks and the nation.
Lal (2018) ^[6]	The impact that financial inclusion through cooperative banks can have on poverty alleviation has been examined	Primary data was collected through purposive sampling from 540 beneficiaries of cooperative banks. One-way ANOVA, t-test and SEM were used for data analysis	A direct and significant impact has been found on poverty alleviation through financial inclusion involving cooperative banks. The easy access that is provided by these cooperative banks to basic financial services like credit, loans, savings and insurance has created positive impact on lives of the poor and helped in come out of poverty. The findings can further help policymakers promote such banking habits that help in coming out of poverty.
Kambali, 2018 ^[16]	The development of agricultural credit in India has been examined along with an exploration of agricultural development in the nation	Secondary data from annual reports of RBI and NABARD, other relevant newspapers	Various government policies and schemes along with numerous financial institutions have increased the access to agricultural credit for the farmers and helped with their financial inclusion. Farmers have easy and cheap access to finance and government has provided benefits on numerous agricultural products. There has been a higher participation from rural families in institutional credit.
Mohanty, 2015 ^[17]	The agricultural credit market for sustainable livelihood for farmers in Odisha has been explored in the paper	Reports from RBI, NABARD, State Economic Survey and Odisha Finance Inclusive have been used	Agricultural credit is a important tool for promoting and providing sustainable livelihood for the large group of farmers in Odisha. Millions of poor farmers are provided with agricultural credit that helps with sustainable living. This further makes it important to strengthen the agricultural credit system of Odisha for better sustainability.

4. Discussion

India is the most populated nation globally which is largely dependent on agriculture and is home to 25% of the world's poor. Hence, the effective functioning of the cooperative banks is necessary for livelihood security and improving the living standards of the rural population. With more than 50% of the total workforce employed in the agricultural sector, cooperative banks become important for getting credit cheaply and easily for the development of the sector. Tripathy, Paliwal, & Nistala (2012) ^[13] argue that it also becomes important to focus on good governance practices in the sector for higher competitiveness and better development. Good governance practices are important for better competitiveness and sustainability of cooperatives in India. The reputation and stakeholder value of cooperatives improve with good governance practices and this further helps with better productivity and improved capability for producing goods and services. Devi & Govt (2012) ^[1] consider agricultural credit to be one the most powerful tools for the development of agriculture in a region. The good governance practices of cooperatives can ensure that agricultural credit is readily available to small and marginal farmers in various parts of rural India to engage in sustainable agricultural practices. The agricultural credit increases the output of the farmers and contributes to a better standard of living in the process. The study by Rao & Madhavi (2016) ^[9] further observed that cooperative institutions play a crucial role in providing short and medium-term agricultural credit to farmers in India which fosters financial inclusion. These cooperative banks provide significant support to rural and agricultural areas by fulfilling the capital requirements and increasing their productivity for the overall development of the economy.

Cooperative banks, with the help of their variety of services, can reach the vulnerable individuals of society and protect farmers from various social evils (Shailaja & Hebbar, 2018) ^[10]. The agricultural credit in rural regions provided by these cooperatives to farmers helps with sustainable agricultural practices. Farmers can take up machinery and solutions that would provide them with the best results while having a minimum impact on the surroundings. Without these financing options, it would be difficult for farmers to ensure the sustainability of their practices. Gulati, & Juneja (2019) ^[3] argue that inclusiveness is one of the most important roles that is played by cooperatives in the country. The cooperative banks have led to a higher percentage of credit or loans being taken out by farmers in the country and this is contributing to higher inclusiveness of small and marginal individuals who are actively engaged in the production of high-value products. The financial inclusion of farmers in the rural regions with the help of cooperative banks is something that is further highlighted in multiple studies. Siddaraju (2012) ^[11] and Lal (2018) ^[6] also highlight the role of cooperatives in financial inclusion in the sector. Kambali (2021) ^[4] mention that these financial institutions are important for the growth of farmers that is inclusive and sustainable. Similarly, it can be said that development of cooperatives is important for getting the required credit that can foster sustainable practices within the sector. The simple and easy way in which these cooperatives function and meet the needs of the farmers in the rural region makes them an integral part of the system. It needs to be highlighted that the functioning of these cooperatives is not without challenges and thus it is quite important that necessary steps

are taken at various levels to strengthen the functions of these institutions. The present and future needs of the farmers for sustainable practices can effectively be met by the cooperatives and they must rise to meet these aspirations and convert them into opportunities for inclusive growth for all stakeholders.

5. Conclusion

The systematic review in the study has highlighted the important role of cooperative banks in securing the necessary agricultural credit for financial inclusion in the rural regions which is greatly dependent on agriculture. Financial inclusion becomes important not only for rural development but also for the economic development of India. Hence, the research has provided insights into the role played by cooperative banks in the entire process. However, there are certain limitations of this study since only 10 articles have been used to conduct the systematic review which is further limited to India. The research has further helped in understanding certain gaps in research which need to be addressed in future for better knowledge and development. There are limited studies when it comes to financial inclusion and cooperative banks in rural India and, also very few studies have explored the subject with primary research. Secondary data has been at the centre of most of past research and thus there is a need to conduct fieldwork to develop first-hand insights on the area. Finally, it can be concluded that cooperative banks are the most important tool for financial inclusion in India and in turn ensure agricultural development.

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