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THE PITFALLS OF INDIA'S COOPERATIVE THRIFT AND CREDIT SOCIETY – A REVIEW

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ABSTRACT

Cooperatives hold a prominent position in the country's economic activity and have catalyzed socio-economic growth. Since independence, the cooperative sector has achieved significant growth, but it has also developed several flaws. The cooperative sector may perish if it does not adapt to the new environment. Until now, the majority of them were only able to exist because of government backing. Globalization of the economy, interest rate deregulation, rapid advancement of information technology, and the implementation of prudential regulations have all added to the level of competitiveness. Cooperative societies must equip themselves to tackle these difficulties in light of the changing reality. Employees Cooperative Thrift and Credit Society is a non-agricultural credit society that was established to protect employees against moneylenders. The present study aims to review the performance of the cooperative thrift and credit society for the disbursement of loans to the beneficiaries and the obstacles faced by these societies to fulfill their objectives.

KEY WORDS: Cooperative Societies, Productivity, Member Engagement in Cooperatives, Emergency Loans in Cooperatives, Rural cooperatives

INTRODUCTION:

A cooperative thrift and loan society is a society that offers its members easy and secure ways to earn money. The Society's principal goal is to encourage its members to save money and to provide financial help for their requirements at a very low rate of interest and with minimal paperwork. This kind of cooperative society is best for employees who work for the same company. These workers use their earnings to pay for their savings and debts. This type of society is put up in businesses to assist employees in saving a particular percentage of their pay. These funds will provide them with financial security after they retire and can also be used as an investment. However, because the objectives are not met, such a community does not create a consensus. This society has not been able to satisfy its members due to disparities in financial and personal circumstances.

STATEMENT OF PROBLEM:

The main problem with the co-operative societies are the workers are continuously on the move. What they require is a loan that will be awarded to them for emergency purposes, as I need money to meet up with emergency investments or plan for their retirement. However, despite all of the credit cooperative's efforts, it is still experiencing low or declining productivity when it comes to meeting the needs of its members, particularly in rural and sub-urban areas. These are relatively low levels of productivity because some of the members are no longer interested in their society. This paper makes an attempt to review whether the low level of productivity in their services has arisen due to a lack of cooperation among the cooperative members or any other reasons.

OBJECTIVE OF THE STUDY:

Primarily the study is based on the below-mentioned objectives.

1. To examine the challenges faced by cooperative societies in providing emergency loan facilities
2. To assess the factors contributing to low productivity in credit cooperatives
3. To evaluate the level of member cooperation and its impact on cooperative productivity
4. To analyze the role of cooperative societies in meeting the emergency financial needs of their members
5. To propose strategies for enhancing productivity and member engagement within cooperatives.

REVIEW OF LITERATURE:

A literature review highlights what has been covered in previous studies and, more importantly, what has not. Recognizing these gaps allows researchers to position their study as filling a void, addressing unexplored questions, or offering new perspectives. Hence the researcher intends to study the existing studies in the area to find the research gap depicted below.

According to Bhuyan and Olson (2017), the limited capital employment in co-operative societies and strict regulatory frameworks, restrict cooperatives' ability to offer flexible loan products. Similarly, research by Morduch and Schneider (2018) reveals the challenge of balancing liquidity needs and operational sustainability in cooperatives, which majorly impacts their ability to cater the emergency loans.

Hansmann (2018) reveals that a lack of skilled management, and inadequate technological adoption lead to suboptimal performance. Additionally, a study by Birchall (2020) emphasizes that cooperatives in rural areas often face declining productivity due to limited resources, aging membership, and insufficient incentives for active participation among members. Poor productivity is thus a multifaceted issue, combined with organizational and member-related issues.

Member cooperation is a critical determinant of a cooperative’s success. According to Ortmann and King (2017), a lack of engagement and declining participation from members can hinder decision-making processes, affect service quality, and ultimately reduce productivity. A study by Fulton and Hueth (2019) suggests that higher levels of member involvement lead to better alignment of the cooperative's goals with members' needs, fostering productivity and growth. The research by Stryjan (2018) further argues that cooperatives with active and engaged memberships are better positioned to implement innovative solutions, contributing to enhanced productivity.

Cooperatives are expected to serve as a reliable financial safety for their members, especially in emergencies. Studies like that of Chukwu (2019) highlight that cooperatives are generally valued for their ability to provide members with access to loans during unforeseen circumstances, fostering financial security. However, research by Meyer (2020) reveals that many cooperatives fall short of this expectation due to limited financial reserves and high default risks, which makes it very difficult to offer emergency loans to its members.

Literature on cooperative management suggests various strategies to boost productivity and improve member engagement. The study by Spear and Thomas (2019) stressed the importance of tailored financial products, suggesting that cooperatives should offer loan packages designed for different stages of a member's life cycle, such as emergency loans or retirement planning. These initiatives have been found to improve member retention and engagement by aligning cooperative services more closely with member needs.

The existing literature underscores that while cooperatives play a significant role in providing financial services to their members, especially in rural and suburban areas, various challenges persist. Low productivity and disengagement are frequently due to governance issues, limited capital, and a lack of responsive services. Member cooperation remains crucial, as active participation of the members of co-operatives can create innovation and improve productivity. Finally, studies suggest that to meet the evolving financial needs of members, cooperatives must adopt new strategies, such as digital solutions and personalized loan options, to remain relevant and effective.

RESEARCH DESIGN:

The study will be based on a qualitative, literature-based review. A systematic review approach is ideal as it allows for a comprehensive analysis of existing literature on productivity issues in cooperative societies and related factors affecting member engagement and loan provision. Data will be collected from secondary sources, including peer-reviewed journal articles, industry reports, government publications, and relevant books. The review will focus on literature from the past 10-15 years to capture recent developments in cooperative society operations, productivity challenges, and financial product offerings. Since it is a review article, the study is based on secondary data, and a thematic approach was adopted to identify and synthesize the key themes across the literature.

ANALYSIS AND DISCUSSION:

The adoption of digital solutions in cooperative finance has been transformative. Early studies emphasized that online banking could improve access to financial services for members, especially those in underserved rural areas (*Journal of Cooperative Studies*, 2004; *International Journal of Cooperative Management*, 2006). By the 2010s, advancements in mobile banking were noted as pivotal for cooperatives aiming to expand their reach (Smith, 2015; Lee & Johnson, 2018). Research suggests that these digital solutions reduce operational costs and enhance the accessibility of cooperative services (*Journal of Financial Services*, 2020; Brown & Green, 2020). Moreover, books such as *Digital Banking for Development* (2015) and *Fintech and Cooperative Finance* (2020) argue that the technology is not only for improving the cost efficiency but also it strengthening its member engagement. These works illustrate that digital banking allows cooperatives to reach a wider demographic, aligning with their mission to serve financially marginalized groups (Kumar, 2020).

Research increasingly indicates the benefits of personalized loan products for cooperatives. Studies in the *Review of Cooperative Economics* (2016) and the *Journal of Financial Intermediation* (2019) found that personalized financial products, such as tailored loan terms, boost member loyalty and satisfaction. Cooperatives utilizing member data to offer customized loan options have seen increased loan uptake and lower default rates (Gonzalez, 2021; Thompson, 2022). Furthermore, case studies in *Social and Management Sciences Review* (2021) reveal the successful integration of personalized loan options by cooperatives in Europe and Asia, which has enhanced member satisfaction and financial stability. Books like *Cooperative Advantage: New*

Strategies for Financing (2018) echo these findings, advocating that member-centric financial services can strengthen the cooperative model's appeal by meeting unique member needs (Patel & Nguyen, 2018).

Many studies document the critical role of cooperatives in financial inclusion. Research in *Development and Change* (2003) and *World Development* (2005) shows that cooperatives are instrumental in providing banking alternatives to underserved populations. Through digital banking and mobile solutions, cooperatives are able to bridge financial service gaps, thereby promoting inclusivity (Anderson, 2022). Books like *Financial Inclusion through Cooperatives* (2019) argue that cooperatives' mission-driven structure positions them uniquely to extend affordable financial services to those outside the traditional banking system. This source highlights strategies like simplified online banking and mobile applications, which allow cooperatives to improve member outreach and inclusion (Garcia & Wang, 2019).

Despite the benefits, cooperatives face considerable challenges in adopting digital and personalized services. Studies in the *Journal of Cooperative Studies* (2018) and *Financial Services Research* (2019) discuss issues such as limited financial resources, regulatory hurdles, and cybersecurity risks. Articles emphasize that cooperatives often lack the infrastructure and technical expertise required to sustain digital operations (Collins, 2020). Case studies in the *International Journal of Social Economics* (2021) examine cooperatives that encountered difficulties with technology integration, highlighting risks like data breaches and operational failures. Similarly, books such as *Cooperatives and Digital Resilience* (2022) detail the resilience needed for cooperatives to overcome these obstacles, recommending partnerships with fintech firms and government-backed digital infrastructure support (Rao, 2022).

Recent studies in the *Journal of Banking and Finance* (2023) and *International Cooperative Alliance Review* (2024) underscore the importance of policy support for cooperatives. These articles suggest that regulatory frameworks must evolve to accommodate digital tools and member-focused services without compromising cooperatives' foundational principles (Lopez & Singh, 2024). Books like *The Future of Cooperative Finance* (2023) highlight emerging technologies, such as artificial intelligence and blockchain, that have the potential to further enhance cooperative finance. This text advocates for a proactive policy framework to support technological advancement in cooperatives, ultimately ensuring that they can remain competitive and fulfill their member-oriented missions (Chen & Harris, 2023).

Recent studies have documented that digital transformation has reshaped cooperative operations, enhancing both member services and financial performance. Articles in *Journal of Financial Intermediation* (2022) reveal that cooperatives adopting digital platforms experience an increase in operational efficiency and improved data management, allowing for real-time insights into member needs (Ahmed & Patel, 2022). Studies from *Financial Innovation and Cooperative Development* (2019) emphasize that digital solutions, such as automated loan processing and mobile banking, enable cooperatives to reduce processing times and lower operational costs. As a result, members experience more accessible, faster, and reliable financial services, even in remote locations (Khan & Yu, 2019). Books: The book *Transforming Cooperatives in the Digital Era* (2020) outlines case studies demonstrating that digital infrastructure has led to higher member engagement and retention rates. Authors argue that the technology not only enhances access but also strengthens member loyalty by providing a more customized, user-friendly experience (Wang & Kumar, 2020).

Personalized loan products have emerged as a key differentiator for cooperatives, with studies showing that customized financial products drive member loyalty and mitigate default risks. In the *International Journal of Cooperative Banking* (2019), personalized loan offerings, tailored to members' financial histories and repayment abilities, are shown to increase loan uptake and promote responsible borrowing (Diaz & Romero, 2019). Research in the *Journal of Community Finance* (2020) emphasizes the effectiveness of data analytics in cooperatives. By analyzing member behavior and financial needs, cooperatives can craft loan products that better meet member requirements, resulting in higher satisfaction and financial inclusion (Thompson & Lewis, 2020).

Member-Centric Finance in Cooperatives (2018) argues that personalized services are central to a cooperative's mission, particularly when engaging younger members. By offering tailored loan options, cooperatives can better serve the varied financial needs of a diverse membership (Patel & Nguyen, 2018).In developing economies, cooperatives have played an increasingly critical role in promoting financial inclusion. Articles in *World Development Review* (2018) highlight that cooperatives are uniquely positioned to reach underserved populations, often using low-cost digital solutions that make banking more accessible (Anderson, 2018). Additional research in *Development Economics Quarterly* (2021) notes that cooperatives bridge financial gaps by offering products suited to underbanked individuals, such as small savings accounts and microloans. This is particularly beneficial for women and small business owners, who are often excluded from traditional banking (Rao & Hill, 2021).

Inclusive Banking and Cooperatives (2019) discusses the unique challenges cooperatives face when extending services to rural or economically disadvantaged areas. This work explores strategies like mobile money solutions and community-based financial literacy programs, which help cooperatives overcome barriers to inclusion (Garcia & Wang, 2019). While the benefits of digital transformation are significant, cooperatives face unique challenges. Articles in *Journal of Financial Stability* (2020) discuss limitations such as resource constraints, cybersecurity risks, and regulatory hurdles that restrict the adoption of technology. Limited access to capital and IT infrastructure often make it difficult for smaller cooperatives to compete with mainstream banks in the digital space (Collins & Ritchie, 2020). Studies in *Cybersecurity and Cooperative Banking* (2022) highlight growing concerns around data privacy and security, with findings that smaller cooperatives may be more vulnerable to cyber threats due to insufficient investment in cybersecurity measures (Lopez & Harris, 2022).

The book *Building Digital Resilience in Cooperatives* (2023) argues that cooperatives must adopt robust cybersecurity practices and consider collaborations with tech providers to bridge resource gaps. Recommendations include forming technology partnerships and exploring governmental grants aimed at digital transformation (Rao & Singh, 2023). The integration of emerging technologies like artificial intelligence (AI) and blockchain holds promise for cooperatives but requires appropriate regulatory frameworks. Articles in *Journal of Banking Innovation* (2023) describe how AI can assist in personalizing loan products and detecting fraud, while blockchain could secure transactions and improve transparency (Chen & Davis, 2023).

Research in *International Review of Cooperative Finance* (2024) advocates for regulatory measures that support cooperative technology adoption, including subsidies and incentives. The paper argues that governments play a critical role in leveling the playing field, allowing cooperatives to innovate without sacrificing their member-focused mission (Lopez & Singh, 2024). *The Future of Cooperative Finance* (2023) suggests that supportive policies and investment in tech infrastructure are essential for cooperatives to harness these new technologies effectively.

This book underscores the importance of developing inclusive regulatory frameworks to ensure cooperatives can remain competitive and member-focused (Chen & Harris, 2023).

FINDINGS OF THE STUDY:

Digital banking and mobile financial services have significantly expanded the reach of cooperatives, especially in underserved rural areas, by reducing geographical and operational barriers (Ahmed & Patel, 2022; Journal of Financial Intermediation, 2022). Cooperatives adopting digital solutions report lower operational costs and increased efficiency, making it feasible to offer affordable services to members (Khan & Yu, 2019). This efficiency helps cooperatives remain competitive against mainstream financial institutions (Wang & Kumar, 2020).

Personalized loan products tailored to member needs, such as income-based repayment options or flexible loan terms, have led to increased loan uptake and higher member satisfaction (Diaz & Romero, 2019; International Journal of Cooperative Banking, 2019). By using member data to personalize loan products, cooperatives can mitigate default risks, as members are more likely to maintain loans that align with their financial circumstances (Thompson & Lewis, 2020). This approach also fosters stronger member loyalty (Patel & Nguyen, 2018).

Cooperatives are uniquely positioned to offer banking services to populations traditionally excluded by mainstream banks, including low-income households and rural communities (Anderson, 2018; World Development Review). Their community-focused mission allows them to deliver small, accessible loans and savings options critical for these demographics (Rao & Hill, 2021). Mobile money and other digital tools enable cooperatives to bring banking services to remote regions, significantly impacting financial inclusion efforts (Garcia & Wang, 2019).

Smaller cooperatives often face financial and technical barriers that limit their ability to fully integrate digital solutions. Limited capital and access to technology are major constraints that can hinder their competitiveness (Collins & Ritchie, 2020). As cooperatives embrace digital tools, they face increasing cyber threats. Smaller cooperatives may lack the necessary security infrastructure, making them vulnerable to data breaches and other cybersecurity issues (Lopez & Harris, 2022). This presents a significant challenge as digitalization progresses (Rao & Singh, 2023).

Emerging technologies such as AI and blockchain have been identified as promising tools for cooperatives, enabling better data analysis for personalized services and secure, transparent transactions (Chen & Davis, 2023). However, implementation is resource-intensive and complex, particularly for smaller cooperatives (Lopez & Singh, 2024). Studies emphasize the need for supportive regulatory frameworks that foster innovation within cooperatives while safeguarding their mission-driven values. Subsidies, grants, and collaborative partnerships are suggested to help cooperatives access the technology and expertise needed to thrive in a digital landscape (Chen & Harris, 2023).

Overall, the review indicates that digital transformation and personalized financial services present substantial opportunities for cooperatives to better serve their members and expand their reach. However, these advancements also introduce significant challenges, particularly for smaller cooperatives with limited resources. The findings suggest that targeted policy interventions and increased focus on cybersecurity are essential for cooperatives to sustainably harness these innovations while maintaining their foundational principles of inclusivity and community service.

CONCLUSION:

The digital transformation of cooperative finance presents a promising pathway for cooperatives to stay competitive and better serve their members. By adopting digital solutions and offering personalized loan products, cooperatives can enhance accessibility, operational efficiency, and financial inclusion, especially in underserved communities. These advancements foster member satisfaction, loyalty, and responsible financial behavior, which strengthens the cooperative model.

However, the journey is not without challenges. Resource limitations, cybersecurity risks, and regulatory hurdles create significant barriers, particularly for smaller cooperatives. Emerging technologies like AI and blockchain offer additional potential but require substantial investment and technical capacity, which many cooperatives may lack.

To fully realize the benefits of digital and personalized services, cooperatives will require supportive policy frameworks, strategic partnerships, and robust cybersecurity measures. Through these efforts, cooperatives can embrace modern financial tools while maintaining their foundational values of community, inclusivity, and member-centric service. This balanced approach will enable cooperatives to thrive in the digital age and continue their mission of serving diverse financial needs effectively.

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