



# The Big Picture: Cooperative Based Economic Development

## Why in News

A new [Ministry of Cooperation](#) has been created to strengthen the Cooperative Movement.

- The new ministry is expected to streamline processes for cooperatives and realise the vision of 'Sahkar se Samridhi'.

## Key Points

- **Cooperatives at Global Level:** According to the [International Labour Organization \(ILO\)](#), a cooperative is an autonomous association of persons united voluntarily to meet their **common socio-economic and cultural needs** through a jointly owned and democratically controlled enterprise.
  - The [UNGA](#) had declared the year 2012 as the **International Year of Cooperatives**.
  - India is an agricultural country and laid the foundation of **World's biggest cooperative movement in the world**.
- **Origin and Nature of Cooperatives in India:** The origin of the cooperative movement in India can be traced back to 1904 but it became effective around 1950.
  - The cooperatives in India range from financial to non-financial institutions.
- **The New Ministry of Cooperation:** This separate administrative structure was proposed in the [Union Budget 2021-22](#).
  - The Ministry will help deepen co-operatives as a true people based movement reaching upto the grassroots.
  - It will work to streamline processes for '[Ease of doing business](#)' for co-operatives and enable development of **Multi-State Co-operatives (MSCS)**.
  - It will help in identifying other sectors where the cooperatives can come up which will be beneficial for the ones down the value chain.

## Cooperatives and India

- **Legal Backing:** The enactment of the [Cooperative Credit Societies Act, 1904](#) gave cooperatives in India a definite structure and shape.
  - The **97<sup>th</sup> Constitution Amendment Act, 2011** provided for amendment of following things:
    - It amended **Article 19(I) C** by inserting, after the words 'or unions' the words 'or Co-operative Societies'.
    - It also inserted **Article 43B in Part IV of the Constitution (DPSP)** as "The State Shall endeavor to promote Voluntary formation, autonomous functioning, democratic Control and professional management of the **Co-operative societies**".
    - It added a new Part IX-B in the Constitution which is entitled as "The Cooperative Societies" (Articles 243-ZH to 243-ZT).
- **Types of Cooperative Societies:** In India there are 8.5 lakh cooperative credit societies with a total membership exceeding 28 crores. There are 55 types of cooperative societies that function in our country. The major number is from 7-8 categories.
  - **Primarily Milk Cooperative Societies** which are about 1,50,000 in number.

- **Primary Agricultural Credit Societies (PACS)** which are 95,000 in number.
  - The first two categories almost account to 2.5 lacs cooperative societies covering 100% of villages and almost 75% of rural population.
- About 1,00,000 **Credit Cooperative Societies** which are of 4 types:
  - Functioning in urban areas.
  - Functioning in rural areas but not extending agricultural credit.
  - Cooperative societies with workers and employees in various factories and commercial establishments.
  - Mahila Jeevan Cooperative Credit Societies.
- **Fisheries Cooperative Societies** which are small compared to large coastline standing at 15000 in number.
- About 30,000-35,000 **Weavers Cooperative Credit Societies** functioning in the states of UP, Telangana, Andhra Pradesh, Maharashtra, Orissa.
- **Housing Cooperative Societies** found all over the country.
- **Freelancing societies.**
- **Cooperatives in Financial Sector:** In the financial sector, there are three types of cooperative banks;
  - **Primary Urban Cooperative Banks** which are fully regulated by **RBI**. They are about 1550 in number.
  - There are about 700 districts across the country and about 300 **District Central Cooperative Banks.**
  - Each state has an **Apex Cooperative Bank.**

## Issues Associated

- **Board structure:** The board structure of the cooperative banks is not very representative or responsible. The people on the board are not held accountable for many inconveniences.
- **Cooperative Banks in Rural sector:** As per the data published by **NITI Aayog**, the income pattern has completely changed in the rural sector; income coming from the farming sector is 35% and the rest by non-farming sector.
  - The current model for the cooperative banks was created about 50 years ago, a few relaxations have come over time but they are neither adequate nor uniform and do not give enough freedom to the financial institutions to support activities in rural areas.
- **Milk Producing:** India is the largest **Milk** producer with 22% of the global milk production, but the growth of the dairy sector is very heterogeneous. The sector is dominated by western India only.
  - The Central, North and North-east India do not contribute substantially to the dairy sector.
- **Laws:** State cooperative laws are not in tune with the current socioeconomic situation. They need to be upgraded/rewritten in certain parts.
- **Lack of Access to Capital:** In India, the capital is scarce. The cooperatives have no access to capital and depend only on the shareholders.
- **Issues with the Cooperative Movement:** People are not well informed about the objectives of the Cooperative Movement, rules and regulations of co-operative institutions.
  - The Co-operative Movement has also suffered from inadequacy of trained personnel.

## Way Forward

- **Increasing Agro-Processing:** The processing of agricultural produce in India is restricted to a few items only.
  - Starting the food processing activity will increase the shelf life of the agricultural produce and will eventually benefit the farmers.
  - Farmers' income can be doubled by the growth of the **food processing** industry.
- **New Business Model for Cooperative Banks:** Due to the decline of income from agriculture in the rural sector the cooperative banks need a new business model to function.
  - Business models that provide more freedom and uniformity to these banks are required.
- **Increasing Overall Participation in the Dairy Sector:** The dairy sector can provide maximum income to the rural population if properly systemised.
  - There is a need for policies for supporting ancillary services for the dairy sector such as accessible veterinary services and manufacturing of animal feed at a large scale and providing them at an affordable rate.

- **Capital Access:** Providing the cooperative banks with the access to capital for the developmental needs of the cooperatives.
- **Encouraging the Cooperatives:** Cooperatives play a very dominant role in the rural areas.
  - Besides milk cooperatives, other cooperatives like weavers' cooperatives and handicrafts' cooperatives can be operated. Through this the farmers' income and the rural sector economy can be increased tremendously.
- **Urban Areas:** In this sector, there are two key areas of focus: Mass housing through cooperative societies in urban areas as the majority urban poor live in slums.
  - The second is consumer cooperatives in urban areas. There are none in the country with credible work.
  - There is a need to strengthen the consumer cooperatives, not only to ensure proper supply of essential items but it can also act as a balancing sector when **inflation** is high.
- **EoDB Norms to Cooperatives:** Ease of Doing Business norms are being applied to all sorts of commercial, manufacturing and services activities. The same support should be extended to all cooperatives so that they are able to function without obstructions.
  - The new models are required to be created for revamping the cooperative loss.
  - The companies which are fully owned by cooperatives shall be promoted so that they can deploy the funds in the cooperative sector so that and eventually the sector does not depend only on the government assistance or borrowings.

## Conclusion

- The economy of India cannot be solely dependent upon the urban areas and industrialisation.
  - The rural sector will continue to play a prominent role and to facilitate it, the cooperative societies have an important role to play. Therefore, it is important to recognise this sector and encourage it.
- There are irregularities in cooperatives and to check them there have to be rules and stricter implementation.

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