



India's Cooperative Movement

For Prelims: [NABARD](#), [Government of India Act, 1919](#), [Multi-Unit Cooperative Societies Act](#), [Directive Principle of State Policy](#), [Urban Cooperative Banks](#)

For Mains: Cooperative Societies for Inclusive Growth, Government's Efforts for Strengthening Cooperatives, Historical Evolution of the Cooperative Movement.

[Source: PIB](#)

Why in News?

As India prepares to host the **International Cooperative Alliance (ICA) Global Conference** in November 2024, organised by [Indian Farmers Fertilizer Cooperative \(IFFCO\)](#) with support from **18 ICA member organisations**. The event aims to promote the cooperative movement, which includes over 800,000 societies across 29 sectors.

What are Cooperative Societies?

▪ About:

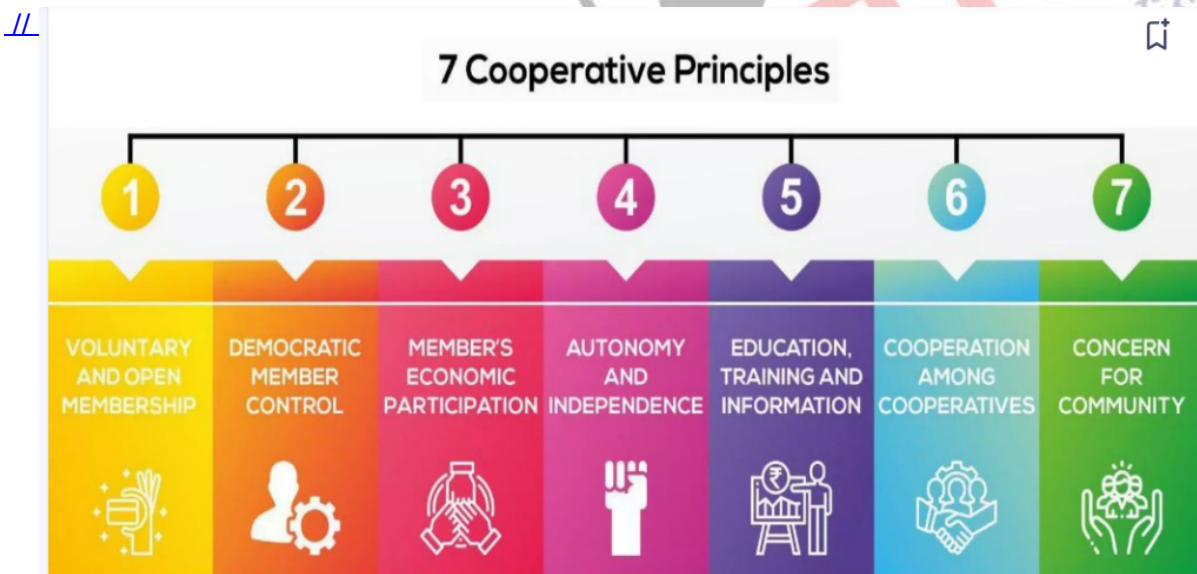
- A **cooperative society** is a **voluntary, member-owned organisation** formed to meet common economic, social, and cultural needs.
- Cooperatives emphasise **self-help, mutual assistance**, and **community welfare**, which distinguishes them from profit-driven enterprises.

▪ Historical Evolution of the Cooperative Movement:

- **Pre-Independence Era:** Cooperative principles existed informally through local initiatives, such as [Chit Funds](#), [Mutual-Loan Associations](#) in Madras, and community management of resources like **village tanks or forests** known as **Devarai or Vanarai**. However, formal legislation began in the early 20th century.
 - In the **Madras Presidency**, **Mutual-Loan Associations**, known as **'Nidhis'**, were formed to offer financial assistance.
 - In **Punjab**, a cooperative society was created in 1891 to oversee common village land for the benefit of all co-sharers.
 - In **1904**, the **Cooperative Credit Societies Act** legally recognized cooperatives in India, setting guidelines for their formation, membership, profits, and dissolution. However, it excluded non-credit and other societies.
 - The [Government of India Act, 1919](#), empowered provinces to legislate on cooperatives, resulting in the [Bombay Cooperative Society Act, 1925](#), the first provincial cooperative law.
 - The **Cooperative Societies Act of 1912** expanded to include marketing, handloom, and artisan societies.
 - In **1914**, the **Maclagan Committee** proposed a three-tier cooperative banking system for the Centre, Province, and District levels.
 - In **1942**, India enacted the [Multi-Unit Cooperative Societies Act](#) to regulate multi-province cooperatives, delegating Central Registrar powers to State

Registrars for practicality.

- **Post-Independence Era:** Post-Independence, India aimed to decentralize economic power and promote public participation in economic development with a focus on social justice. Cooperatives became key in **Five-Year Plans**, starting with the **First Plan**, coordinating with village panchayats.
 - The establishment of **National Cooperative Development Corporation (NCDC)** in 1963 and **NABARD** in 1982 were crucial milestones for supporting rural credit and cooperative development.
 - **In 1984, India passed the Multi-State Cooperative Organisations Act** to unify cooperative laws, further consolidated by the **2002 National Policy on Cooperatives** for legal harmonization.
 - The **Multi-State Cooperative Societies (MSCS) Amendment Act 2023** aims to enhance governance, transparency, and structural changes in Multi-State Cooperative Societies, granting cooperatives greater independence.
 - **97th Constitutional Amendment Act of 2011**, established the right to form cooperative societies as a **fundamental right (Article 19)**.
 - Introduced a new **Directive Principle of State Policy** on Cooperative Societies (**Article 43-B**).
 - Added a new **Part IX-B** to the Constitution titled "**The Co-operative Societies**" (**Articles 243-ZH to 243-ZT**).
 - Empowered Parliament to enact laws governing **multi-state cooperative societies (MSCS)** and delegated authority to state legislatures for other cooperative societies.
 - The **Ministry of Cooperation**, established in **2021**, has further reinforced the government's commitment to supporting cooperatives as a key driver of economic progress.



What are the Types of Cooperatives in India?

- **Consumers' Cooperatives:** Offer goods at reasonable prices by directly sourcing from producers, cutting out the middlemen. e.g., **Kendriya Bhandar**.
- **Producers' Cooperatives:** Assists small producers by supplying essential production materials, including raw materials and equipment.
- **Cooperative Marketing Societies:** Help small producers sell their products collectively, e.g., **Anand Milk Union Limited (AMUL)**.
- **Cooperative Credit Societies:** Provide financial services like savings and loans, e.g., **Urban Cooperative Banks, Village Service Cooperative Society**.
- **Cooperative Farming Societies:** Help small farmers gain the benefits of large-scale farming, e.g., **lift-irrigation cooperatives, cooperatives and pani-panchayats**.

- **Housing Cooperative Society:** Provides cost-effective housing options by acquiring and developing land for its members, e.g. **Employees' Housing Societies** and **Metropolitan Housing Cooperative Society**.

What are Some Recent Developments and Key Initiatives About Cooperatives in India?

- **Ministry of Cooperation's Role:**
 - Launched **Sahakar Se Samridhhi** (Prosperity through Cooperation) to connect every village to cooperatives.
 - **Model Bye-Laws** for **Primary Agricultural Credit Societies (PACS)** to improve governance and enhance inclusivity.
 - **Computerization of PACS** through a Rs 2,516 crore project to modernize and link 63,000 PACS with **NABARD**.
 - Establishment of new **Multipurpose PACS** in rural areas to serve various functions such as **dairy, fisheries, and grain storage**.
- **Government's Efforts for Strengthening Cooperatives:**
 - **Decentralized Grain Storage Plan:** Establishing warehouses and agri-infrastructure at the PACS level to reduce waste and transportation costs.
 - **Formation of Farmer Producer Organizations (FPOs):** Empowering farmers with better market linkages.
 - **PM Bhartiya Jan Aushadhi Kendra:** PACS are being used to provide affordable medicines through **Janaushadhi Kendras**.
 - **PM-KUSUM Convergence:** Enabling PACS members to adopt **solar pumps** for irrigation, promoting sustainable farming practices.
- **Impact on Rural Development and Financial Inclusion:**
 - **Cooperatives for Financial Inclusion:** Cooperatives like **Urban and Rural Cooperative Banks** play a crucial role in providing affordable credit, particularly to farmers and small entrepreneurs who are excluded from mainstream banking services.
 - **Empowerment of Women and Marginalised Communities:** Women's cooperatives and rural cooperatives focus on creating economic opportunities and improving living standards in underserved areas.

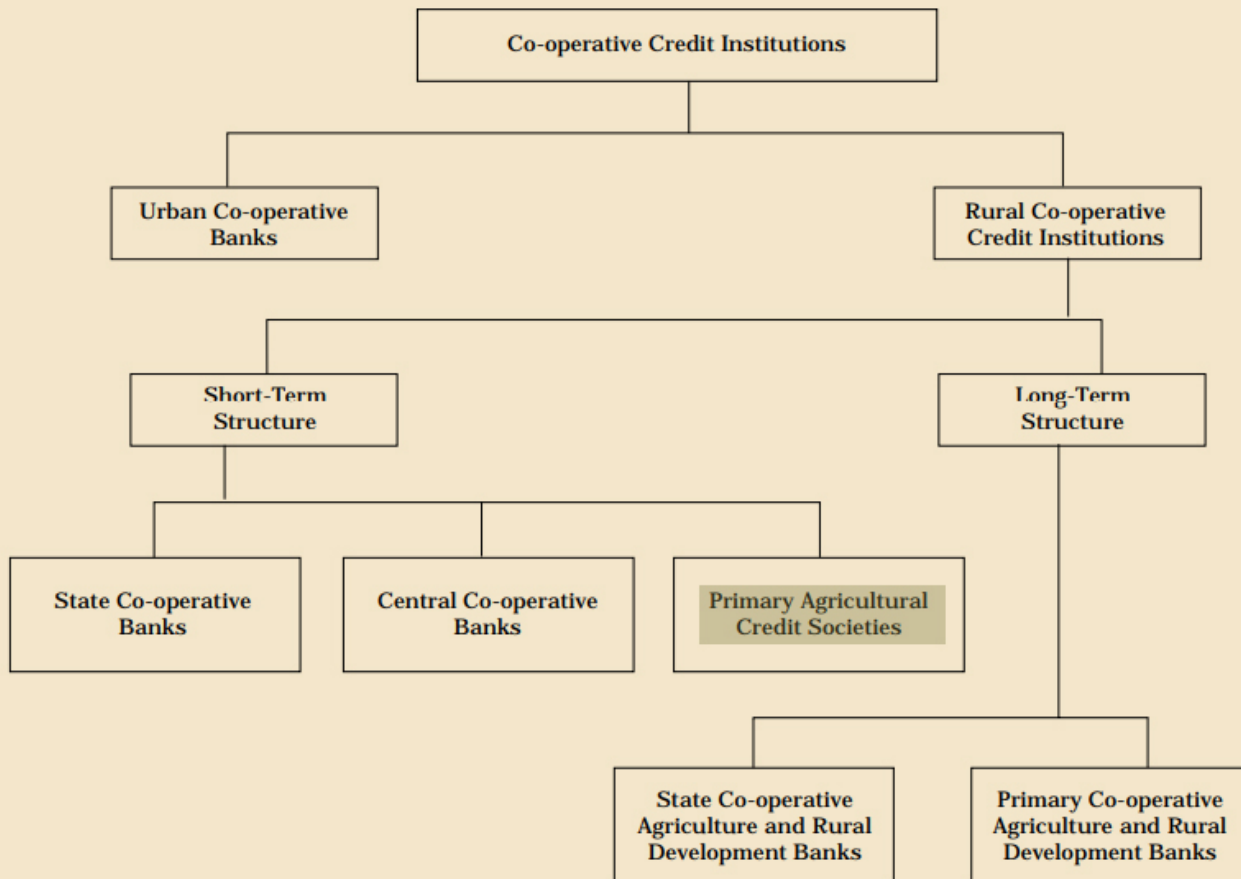
Examples of Cooperatives in India

- **HOPCOMS (Horticultural Producers' Cooperative Marketing and Processing Society):** HOPCOMS, is a farmers' society founded in 1965 for the direct marketing of farm produces. It is headquartered in Bengaluru.
- **Lijjat Papad (Shri Mahila Griha Udyog Lijjat Papad):** An inspiring women's cooperative empowering women through papad (Indian lentil cracker) production
- **Indian Coffee House:** It is a restaurant chain in India run by a series of worker co-operative societies. The chain was started by the Coffee Cess Committee, with the first outlet—then named 'India Coffee House'—opening in Churchgate, Bombay, in 1936. It was operated by the Indian Coffee Board.

Primary Agricultural Credit Societies

- PACS are village level cooperative **credit societies** that serve as the last link in a three-tier cooperative credit structure headed by the **State Cooperative Banks (SCB) at the state level**.
 - The **first PACS was formed in 1904**.
- Credit from the SCBs is transferred to the **District Central Cooperative Banks (DCCBs)**, that operate at the **district level**. The DCCBs work with PACS, which deal directly with farmers.
- PACSs provide **short-term, and medium-term agricultural loans** to the farmers for the various agricultural and farming activities.

Structure of Co-operative Credit Institutions



What are the Challenges Faced by the Cooperatives?

- **Governance Challenges:** Cooperatives struggle from the challenges of lack of transparency, accountability, and democratic decision-making processes.
- **Limited Access to Financial Resources:** Many cooperatives, particularly those serving marginalised communities, face challenges in accessing financial resources.
 - They often **lack collateral or formal documentation** required by traditional financial institutions, making it difficult to obtain loans.
- **Socio-economic Disparities and Exclusion:** Cooperatives often face issues related to **lack of inclusivity, existence of structural inequalities** etc.
- **Infrastructural Constraints:** Infrastructural constraints and **lack of connectivity** affects their efficiency and effectiveness leading to limited outreach.
- **Lack of Technical and Managerial Capacities:** Lack of training and skill development initiatives is another challenge that leads to outdated human resources.
- **Low Awareness and Participation:** Lack of awareness about the cooperative model and its benefits among potential members **limits their participation.**
- **Political Interference:** Political interference in the functioning of cooperatives undermine their autonomy and impact their ability to serve members' interests effectively.

Way Forward

- **Infrastructure Development:** There is a need for greater investment in the development of infrastructure such as **warehouses, cold storage facilities, and processing units** to strengthen value chains and enhance market access for cooperative products.

- **Cooperatives as Innovation Hubs:** Shifting the perception of cooperatives away from merely traditional and rural, to **hubs of experimentation and innovation**.
- **Cooperative-led Tourism Initiatives:** Developing cooperative-run eco-tourism and community-based tourism initiatives in rural areas, allowing travelers to **experience local culture, traditions, and livelihoods**.
- **Collaborate with other Cooperatives:** Financial cooperatives can collaborate with other cooperatives, including **credit unions**, to **share resources, expertise, and best practices**. This can help improve efficiency and reduce costs.
- **Expand Services:** Financial cooperatives can expand their services beyond traditional savings and loans to include investment products, insurance, and financial education.

Conclusion

India's cooperative movement is a cornerstone of the country's **inclusive growth** strategy. By promoting **financial inclusion, socio-economic empowerment, and rural development**, cooperatives have contributed significantly to reducing inequalities and fostering sustainable livelihoods.

Drishti Mains Question

Evaluate India's cooperative movement's evolution, challenges, and potential in enhancing inclusive growth.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. In India, which of the following have the highest share in the disbursement of credit to agriculture and allied activities? (2011)

- (a) Commercial Banks
- (b) Cooperative Banks
- (c) Regional Rural Banks
- (d) Microfinance Institutions

Ans: (a)

Mains:

Q. "In the Indian governance system, the role of non-state actors has been only marginal." Critically examine this statement. (2016)

Q. "In the villages itself no form of credit organisation will be suitable except the cooperative society." - All India Rural Credit Survey. Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? (2014)

