



## India's Cooperative Sector

**For Prelims:** [Cooperative sector](#), [Primary Agricultural Credit Societies](#), [Multi-State Co-operative Societies Act, 2002](#), [97<sup>th</sup> Constitutional Amendment Act of 2011](#), Multi-State Co-operative Societies (Amendment) Act, 2022, IFFCO.

**For Mains:** Status of the Cooperative Sector in India, Major Challenges Faced by Cooperatives in India.

[Source: TH](#)

### Why in News?

Recently, the Indian Prime Minister inaugurated the pilot project of **World's Largest Grain Storage Plan**, which is currently launched in **11 [Primary Agricultural Credit Societies \(PACS\)](#)** across 11 states.

- It marks a significant development in the [cooperative sector](#).

### What are the Features of the Grain Storage Plan?

- **About:** The Grain Storage Plan aims to establish **700 lakh tonnes of storage capacity** over the next 5 years, with an investment of ₹1.25 lakh crore.
  - This involves creating agricultural infrastructure at the PACS level, including **decentralised godowns, custom hiring centres, processing units, Fair Price Shops**, etc., by integrating various existing schemes of the Government of India.
- **Expected Outcomes:** Enabling farmers to store their produce at PACS godowns, offering bridge finance for the next crop cycle or selling at MSP to avoid distress sales.
  - Increased grain storage reduces post-harvest losses, improving farmer earnings and ensuring food security at the grassroots level, benefiting consumers.

### What is the Status of the Cooperative Sector in India?

- **About:** Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realise their common **economic, social, and cultural needs** and aspirations.
  - India has one of the world's largest cooperative networks, with over **800,000 cooperatives** spread across various sectors like agriculture, credit, dairy, housing, and fisheries.
- **Evolution of Cooperative Sector in India:**
  - **First Five-Year Plan (1951-56):** Highlighted the promotion of cooperatives for comprehensive community development.
  - [Multi-State Co-operative Societies Act, 2002](#): Provides for the formation and functioning of multi-state co-operatives.
  - [97<sup>th</sup> 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.
- **Establishment of Union Ministry of Cooperation (2021):** Assumed responsibility for cooperative affairs, previously overseen by the Ministry of Agriculture.
- **Multi-State Co-operative Societies (Amendment) Act, 2022:** It aims to enhance regulation for multi-state cooperative societies.
  - Introduces the **Co-operative Election Authority** to oversee board elections in multi-state co-operative societies.
  - Requires multi-state co-operative societies to **obtain government permission** before redeeming their shareholding.
  - Calls for the establishment of a **Co-operative Rehabilitation, Reconstruction, and Development Fund**, funded by profitable multi-state co-operative societies, to revive struggling ones.
  - Permits state co-operative societies to merge into existing multi-state co-operative societies, subject to state laws.
- **Examples of Cooperatives in India:**
  - **Primary Agricultural Credit Societies:** They are the grass root level arms of the short-term co-operative credit structure.
    - It serves as the final link between the **ultimate borrowers (farmers)** on the one hand and the higher financing agencies, namely the **Scheduled Commercial Banks**, and the **RBI/NABARD** on the other hand.
  - **AMUL (Anand Milk Union Limited):** A dairy giant and a pioneer in India's White Revolution, AMUL is a federation of millions of milk producers in Gujarat. Its success transformed India into the world's largest milk producer.
  - **IFFCO (Indian Farmers Fertiliser Cooperative):** One of the world's largest fertiliser cooperatives, IFFCO plays a significant role in providing quality fertilisers and agricultural inputs to farmers across India.
  - **HOPCOMS (Horticultural Producers' Cooperative Marketing and Processing Society):** Well-known for its network of farm produce outlets, ensuring fair returns for farmers.
  - **Lijjat Papad (Shri Mahila Griha Udyog Lijjat Papad):** An inspiring women's cooperative empowering women through papad (Indian lentil cracker) production

## Note

- The Supreme Court in the **Bengal Secretariat Cooperative Society vs Alope Kumar case** proposed to empower the Parliament in respect of multi-state co-operative societies and the State Legislatures in case of state co-operative societies to make appropriate law.

## What are the Major Challenges Faced by Cooperatives in India?

- **Governance and Management Issues:**
  - **Limited Professionalism:** Many cooperatives lack **professional management** structures, leading to inefficient operations and decision-making.
  - **Political Interference:** Political interference in the functioning of cooperatives undermines their autonomy and impact their ability to serve members' interests effectively.
- **Capital and Resource Constraints:**
  - **Inadequate Funding:** Cooperatives often struggle to access sufficient capital for **expansion, modernization, and development** of new ventures.
  - **Limited Infrastructure:** Lack of proper storage facilities, processing units, and market linkages hinder the growth and competitiveness of small cooperatives, particularly in rural areas.
- **Social and Cultural Factors:**

- **Low Awareness and Participation:** Lack of awareness about the cooperative model and its benefits among potential members limits their participation.
- **Social Inequalities:** In some cases, social hierarchies and caste-based divisions create barriers for equitable participation and representation within cooperatives.

## What Measures can be taken to Enhance the Cooperative Sector in India?

- **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.**
  - Also, there is a need to promote the adoption of technology and digitalization to improve efficiency in cooperative operations and management.
- **Cooperatives as Innovation Hubs:** Shifting the perception of cooperatives away from merely traditional and rural, to hubs of **experimentation and innovation.**
  - Also, there is a need to highlight cooperatives working with cutting-edge agricultural techniques and focusing on **renewable energy.**
- **Cooperative "Influencers":** Identifying and nurturing young, tech-savvy cooperative members to be advocates and thought leaders, changing the image of cooperatives through **social media and online platforms.**
- **Cooperative Acceleration Zones:** Designating specific geographic areas as cooperative acceleration zones where **regulations are temporarily relaxed** and incentives are given to encourage diverse cooperative experimentation with new business models.
- **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.
  - Empowering local communities to manage tourism activities collectively, generating income, preserving natural resources, and promoting sustainable development.

## UPSC Civil Services Examination, Previous Years Question (PYQ)

### Mains

**Q.** 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)**

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