



## ***The Big Picture - Cooperative Based Economic Development***

### **CONTEXT:**

- Recently, a **separate 'Ministry of Co-operation'** has been created by the Central Government for realizing the **vision of 'Sahkar se Samridhi'** (Prosperity through Cooperation) and to give a new push to the cooperative movement.
- The Government has signalled its deep commitment to community based developmental partnership.
- It also fulfils the **budget announcement made by the Finance Minister in 2021.**

### **SIGNIFICANCE OF MINISTRY OF CO-OPERATION:**

- It will **provide a separate administrative, legal and policy framework** for strengthening the cooperative movement in the country.
- It will help deepen Co-operatives as a **true people based movement reaching up to 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).
- Cooperative structure has managed to flourish and leave its mark only in a handful of states like Maharashtra, Gujarat, Karnataka etc. Under the new Ministry, the **cooperative movement would get the required financial and legal power needed to penetrate into other states also.**
- Over the years, the cooperative sector has witnessed drying out of funding. Under the new Ministry, the **cooperative structure would be able to get a new lease of life.**

### **ABOUT CO-OPERATIVES:**

- According to ILO, a cooperative is an **autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.**
- **Some selected definitions of co-operatives**
  - "A form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves" H Calvert.
  - "Co-operation is self-help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their own legs and therefore come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic conditions". K N Katju.
- There are many types of cooperatives such as **Consumer Cooperative Society, Producer Cooperative Society, Credit Cooperative Society, Housing Cooperative Society and Marketing Cooperative Society.**
- The United Nations General Assembly had declared the year **2012 as the International Year of Cooperatives.**

### **CO-OPERATIVES IN INDIA:**

- India is an agricultural country and **laid the foundation of World's biggest cooperative movement in the world.**
- In **agriculture, cooperative dairies, sugar mills, spinning mills** etc are formed with the pooled resources of farmers who wish to process their produce.
  - The country has 1,94,195 cooperative dairy societies and 330 cooperative sugar mill operations.
  - Cooperative sugar mills account for 35% of the sugar produced in the country.
- In **banking and finance**, cooperative institutions are spread across rural and urban areas.



- **Village-level primary agricultural credit societies (PACs)** formed by farmer associations are the best example of grassroots-level credit flow.
- These societies anticipate the credit demand of a village and make the demand to the **district central cooperative banks (DCCBs)**.
- **State cooperative banks** sit at the apex of the rural cooperative lending structure.
- Given that PACs are a collective of farmers, they have much more bargaining powers than an individual farmer pleading his case at a commercial bank.
- There are also **cooperative marketing societies** in rural areas and **cooperative housing societies** in urban areas.
- The various kinds of cooperatives in India include **consumers' cooperative societies**, which seek to protect the interest of general consumers by making goods available at reasonable rates.
  - These cooperatives, of which **Kendriya Bhandar, Apna Bazar and Sahkari Bhandar**, are prominent examples, buy goods directly from the producers or manufacturers, thus removing middlemen from the process to deliver items at lower costs to consumers.
- Then there are **producers' cooperative societies** that protect the interest of small producers by enabling access to raw materials, tools and equipment, machinery, etc.
  - **Handloom societies like APPCO, Bayanika, Haryana Handloom**, etc, are examples of producers' co-operative societies.
- Among the most famous cooperative brands in the country, **Amul developed out of the Gujarat Co-operative Milk Marketing Federation**, which is owned by 36 lakh milk producers in Gujarat.
  - It is an example of a cooperative marketing society, formed by small producers and manufacturers who find it difficult to sell their products individually.
- There were **1.48 lakh credit societies in India** in 2009-10, with a total membership of 18.12 crore.
- The **number of non-credit societies went up to 4.58 lakh in 2009-10** with 6.82 crore members.

## HISTORY OF THE COOPERATIVE MOVEMENT IN INDIA:

### Pre-Independence:

- The Cooperatives were **first started in Europe to serve the credit-starved people in Europe** as a self-reliant, self-managed people's movement with no role for the Government.
- **British India replicated the Raiffeisen-type cooperative movement in India** to mitigate the miseries of the poor farmers, particularly harassment by moneylenders.
- The term **Cooperative Societies came into existence when the farmers of Pune and Ahmednagar** spearheaded an agitation against the money lenders.
- The **first credit cooperative society was formed in Banking in the year 1903** with the support of Government of Bengal.
- **Cooperative Credit Societies Act of India was enacted in 1904.**
- In **1912, another Cooperative Societies Act was passed** to rectify some of the drawbacks of the earlier law.
- **Cooperation became a State subject in 1919.**
- **Land Mortgage Cooperative Banks were established in 1938** to provide loans initially for debt relief and land improvement.
- **Reserve Bank of India started refinancing cooperatives for Seasonal Agricultural Operations from 1939.**
- In 1942, the Government of British India enacted the **Multi-Unit Cooperative Societies Act** to cover Cooperative Societies with membership from more than one province.



### Post-Independence:

- After independence, **cooperatives became an integral part of Five-Year Plans.**
- Like agriculture, **cooperation is in the concurrent list.**
- In 1958, the National Development Council (NDC) had recommended a national policy on cooperatives and also for training of personnel and setting up of Co-operative Marketing Societies.
- **National Cooperative Development Corporation (NCDC)**, a statutory corporation, was set up under National Cooperative Development Corporation Act, 1962.
- In 1984, **Parliament of India enacted the Multi-State Cooperative Societies Act** to remove the plethora of different laws governing the same types of societies.
- Government of India announced a **National Policy on Co-operatives in 2002.**
- The **Constitution (Ninety Seventh Amendment) Act 2011** relating to the co-operatives is aimed to encourage economic activities of cooperatives which in turn help progress of rural India
  - In Part III of the constitution, after words "or unions" the words "Cooperative Societies" was added.
  - In Part IV a new Article 43B was inserted, which says: The state shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of the co-operative societies".
  - After Part IXA of the constitution, a Part IXB was inserted to accommodate state vs centre roles.
- Union Agriculture Ministry launched **NCDC's youth-friendly scheme 'Yuva Sahakar-Cooperative Enterprise Support and Innovation Scheme'** for attracting youth to cooperative business ventures.
- NCDC recently started **Mission Sahakar 22**, which aims to double farmers' income by 2022.

### ROLE IN SOCIO-ECONOMIC DEVELOPMENT:

- Cooperatives are **community-based, voluntary in nature, rooted in democracy, flexible, and have participatory involvement**, which makes them well suited for economic development
- It is an **association of persons and not of capital**
- It **generates employment and eliminates all forms of exploitation.**
- It **educates people the principles of equality, mutuality, and co-operation.**
- As cooperatives **foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection.** Hence, cooperatives **accord members opportunity, protection and empowerment-essential elements in uplifting them from degradation and poverty**
- They promote the "fullest participation of all people" and **facilitate a more equitable distribution of the benefits of globalization.**
- They provide their employees with the **opportunities to upgrade their skills** through workshops and courses and offer youth in their base communities short and long-term employment positions.
- Cooperatives **provides agricultural credits and funds** where state and private sectors have not been able to do very much.
- They **provide strategic inputs for the agricultural-sector; consumer societies meet their consumption requirements at concessional rates.**
- It **softens the class conflicts and reduces the social cleavages.**
- It **reduces the bureaucratic evils and follies of political factions**
- It **creates a conducive environment for small and cottage industries.**



## CHALLENGES:

- **Non-accountability:**
  - The government gave too many benefits to cooperatives, but then there was no further accountability which led to these cooperatives becoming more and more lethargic.
  - Besides as there was no competition they became more and more costly they were not at all efficient and the worst part was that the government allowed them to function like this and pass on the burden of costs to consumers.
- **Vested interest of some people:**
  - A lot of times people who are in position in control of cooperatives are actually people who have joined cooperatives for personal gains.
- **Lack of coordination:**
  - Generally what happens in cooperatives is that different cooperatives at different level don't coordinate this makes the work of cooperatives difficult.
- **The Internal Free Rider Problem:**
  - New members who provide very little capital enjoy the same benefits as long-standing or founding members who have major investments in the cooperative
  - New members get a "free ride" on the investments and other efforts of existing members, thereby diluting the returns to existing members.
- **Quality more than Quantity:**
  - different cooperatives go in for quantity this causes a major problem because they think it's a quick way to earn money so this basically affects the productivity.
- **No Balanced Growth:**
  - The cooperatives in northeast areas and in areas like West Bengal, Bihar, Orissa are not as well developed as the ones in Maharashtra and the ones in Gujarat.
- **Political Interference:**
  - This is the biggest problem faced by Sugar cooperatives in Maharashtra.
- **Mismanagement and Manipulation:**
  - A hugely large membership turns out to be mismanaged unless some secure methods are employed to manage such co-operatives.
  - In the elections to the governing bodies, money became such a powerful tool that the top posts of chairman and vice-chairman usually went to the richest farmers who manipulated the organization for their benefits.
- **Lack of Awareness:**
  - People are not well informed about the objectives of the Movement, rules and regulations of co-operative institutions.
- **Restricted Coverage:**
  - Most of these societies are confined to a few members and their operations extended to only one or two villages.
- **Functional Weakness:**
  - The Co-operative Movement has suffered from inadequacy of trained personnel.

## WAY FORWARD

- **Training:**
  - cooperatives to take up the **task of training farmers** in the right use of fertilizers, and also help them understand new technologies in farming.
  - cooperatives to take active part in **skilling rural youth**



- Cooperative training must not only be imparted to employees in cooperatives, but also extend beyond cooperatives, to **children in schools, colleges, universities, technical and professional institutions, and also for those who want to form cooperatives, but who are not aware of the various modalities, and requirements.**
- **More inclusive:**
  - **increased participation of women** in cooperative movement.
  - cooperative sector has a big role in **bridging the urban-rural divide** and creating opportunities for income generation.
- **Use of technology:**
  - To have a transparent, accountable and efficient system, cooperatives should make effective **use of digital technology in their functioning, especially in governance, banking and businesses.**
  - New areas are emerging with the advancement of technology and cooperative societies can play a huge role in making people familiar with those areas and technologies.
- There are irregularities in cooperatives and to check them there have to be **rules and stricter implementation.**

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