



Cooperatives In India Marching Ahead....Yet Miles to cover... A Review

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Abstract

Cooperatives first emerged in the 19th century as a way of rescuing farmers from moneylenders. The Cooperative Societies Act of 1904 led to the creation of cooperatives in India. Co-operatives are a crucial tool for social and economic policy. The cooperatives industry needs to become more professional and act in accordance with corporate governance principles. In our nation, there are numerous examples like IFFCO, Amul, and others that have preserved the cooperative spirit while ingraining the virtues of corporate governance. Despite difficulties in regulating cooperative banks, there are various ways for to make non-financial cooperatives play a effective role in the national economy. Cooperatives can assist India in achieving its development objectives and improve the livelihoods of its people when they are adequately supported. This can go a long way in building a Atma Nirbhar Bharat in the decades to come.

Keywords: Cooperatives, Livelihoods, Atma Nirbhar Bharat, Ministry, Sustainable

Introduction

Since time immemorial cooperatives (synonymously known with different names) have been playing a significant role in the uplifting of the ignored, under-privileged and the weaker sections of the society. However, the actual cooperative movement started with the application of cooperative principles to corporate organisation, though cooperative arrangements like mutual insurance and cooperative ideals existed much before. In the 19th century, the cooperative movement first emerged in Europe, mainly in Britain and France. The industrial revolution changed society and put many people' livelihoods in danger as the industry became increasingly mechanized. In 1769, local weavers in Fenwick, East Ayrshire, manhandled a sack of muesli into John Walker's whitewashed front room and started selling the contents at a bargain, establishing the Fenwick Weavers' Society. This was the beginning of the earliest known consumer cooperative. By 1830, there were several hundred co-operatives. However, it was The Rochdale Society of Equitable that developed their "Rochdale Principles" in 1844, using them to govern their cooperative.

In India, cooperation first emerged in the last quarter of the 19th century as a means of rescuing farmers from the grasp of moneylenders. Just like in Europe, in India too, the idea of collaboration and cooperative activities were practised in many regions of India even before formal cooperative institutions were created via the passage of a legislation. Creating collectively permanent resources like village tanks or village Devarai or Vanarai woodlands were very typical. Similar to this, there are examples of groups pooling resources, such as foodgrains after harvest to lend to needy group members before the next harvest, or collecting small cash contributions on a regular basis to lend to group members, i.e., Chit Funds, impounding water by building bunds and agreeing to ensure equitable distribution of water, as well as harvesting were yearly partnerships of peasants



to cultivate jointly and distribute the harvested produce in proportion to the labour and bullock power contributed by their partners. In the later half of the nineteenth century, there was growing distress and unhappiness due to the agricultural conditions and the lack of institutional frameworks to fund farmers.

The Famine Commission of 1880 and the

Famine Commission of 1901 both emphasised the Indian farmer's extreme indebtedness, which in many cases led to his land being taken over by the money lending classes. The Deccan Riots and the general atmosphere of unhappiness led to the administration launching a number of initiatives by the government. All these efforts led to the enactment of the Cooperative Societies Act in 1904. The 1904 Act outlined provisions for society formation, eligibility for membership, registration, liabilities on members, distribution of profits, member shares and interests, privileges of societies, and claims against members. It also addressed dissolution, exemption from 33 taxes, and rule-making authority. The formulation of appropriate regulations and sample byelaws for cooperative organisations was left entirely up to the local governments, along with all other operational and administrative concerns. Cooperatives are widely regarded as a crucial tool for social and economic policy and have intrinsic benefits in bolstering the initiatives leading to overall economic success with improved job stability and livelihood security. These have enormous potential to provide the necessary goods and services at the local level and to guarantee a stable and desirable environment for growth.

II. Review of Literature

The research on cooperatives in India presents a lively and active image of a field that has advanced significantly while also recognising the immense distance still to be travelled. The literature reflects the development, difficulties, and possibilities of this distinctive economic model. The cooperative movement in India has a long history that dates back to the early 20th century. The importance of cooperatives in strengthening rural communities stands out as a major theme. Numerous studies have shown how agricultural cooperatives have been essential in enhancing farmers' socioeconomic circumstances. These cooperatives have enabled credit access, given a venue for collective bargaining, and improved agricultural methods through the

sharing of resources and information. The research applauds the beneficial effects on farmers' earnings and general welfare.

However, the literature doesn't shy away from addressing the persistent challenges faced by cooperatives in India. Issues such as governance, management inefficiencies, and political interference are recurring themes. Scholars emphasize the need for institutional reforms and capacity building to ensure the sustainability and effectiveness of cooperatives (Cooperatives and the Sustainable Development goals: A Contribution to the Post-2015 Development Debate, A Policy Debate, 2020). Further, the literature also emphasises on the growth of the cooperative sector outside of agriculture. The promotion of entrepreneurship, the creation of employment possibilities, and the contribution to regional economic growth have all been explored in relation to urban and industrial cooperatives (Kritikos, 2014). Studies frequently highlight cooperatives' achievements in numerous industries, demonstrating their adaptability and resiliency. (Sanfilippo, 2020). Literature examines how technological advancements are revolutionising cooperative operations to make them more transparent and efficient. (Pazarbasioglu, 2020) Despite the advancements, the literature frequently emphasises how far we still have to go. Emphasis is placed on the requirement for legislative frameworks, policy changes, and ongoing expenditures on infrastructure and education. A complete strategy is needed to enable the cooperative companies' full development, one that takes into account not just economic factors but also social and environmental ones. The literature on cooperatives in India presents a complex picture of accomplishments, difficulties, and the unexplored territory that lies ahead. While recognising the important progress made, it acts as a compass directing decision-makers, scholars, and practitioners towards a future when cooperatives may actually be engines of equitable and sustainable development.

III. Brief Analysis

The Cooperative Societies Act of 1904 led to the formation of the Registrar, which was envisioned as a specific official mechanism to be handled by personnel with particular training and appropriate attitudinal features to encourage and catalyse cooperative development. The Act was amended in 1912 to include non-credit services too. This enabled the urban cooperative banks to convert themselves into Central Cooperative Banks with primary cooperatives and individuals as their members. Similarly, non-credit activities were also cooperatively organized such as purchase and sales unions, marketing societies, and in the non-agricultural

sector, cooperatives of handloom weavers and other artisans. In 1919, with the

Framework of Cooperative Society					
Concerned Authority	Description Area	Dairy	PACs	Fisheries	Others
State RCS	Total Societies (7,94,866)	141456	1,03,712	25591	524107
	Total Members	1.5 Crore	13 Crores	38 lakh	Approx. 14 crore
	Panchayat/Village Level	Primary Milk Cooperative Societies	PACs	Primary Fisheries Cooperative Societies	Primary societies
	District	District Milk Union(231)	District Cooperative Banks(352)	District Fisheries Union(128)	District Level Union
	State Level	State Milk Union (21)	State Cooperative Banks (34)	State Fisheries Union (23)	State Level Union
Central	National Level	NCDFI	NAFSCOB	FISHCOPFED	Schedule II societies (18)

Source: Ministry of Cooperation, Indian Cooperative Movement: A Statistical Profile, 2018, NCUI & CRCS Office;

passing of the Reforms Act, Cooperation as a subject was transferred to the provinces. Societies were set up in both the agricultural and non-agricultural non-credit sectors, but most had trouble running due to criticism from private marketing firms as well as the inexperience of their office holders. This made cooperative relationships a priority institutions and organisations for training and education. The All-India Association of Cooperative Institutes was established in 1929. The Mehta Committee appointed in 1937 specifically recommended reorganization of Cooperative Credit Societies as multi-purpose cooperatives. A requirement for an enabling cooperative law for such multi-unit or multi-state cooperatives was felt as a result of the rise of cooperatives with membership from more than one state, such as the Central Government-sponsored pay earners credit societies. As a result, the Multi-Unit Cooperative Societies Act was passed in 1942 and, for all intents and purposes, transferred the authority of the Central Registrar of Cooperatives to the State Registrars. However, in 1984, The MSCS Act was passed with the intention of creating comprehensive central law to aid in the formation and operation of true multi-state societies and to bring about uniformity in their management and

According to the Act's preamble, its purpose is to "consolidate and amend the law relating to cooperative societies, with objects not confined to one State and serving the interests of members in more than one State, to facilitate the voluntary formation and democratic functioning of cooperatives as people's institutions based on self-help and mutual aid, to enable them to promote their economic and social betterment and to provide

administration. It was repealed the earlier multi-Unit Cooperative Societies Act of 1942. In 2002, the 1984 Multi-State Cooperative Societies (MSCS) Act was updated in accordance with the Model Cooperatives Act. The Act specifically addressed the registration process and duties of Federal Cooperative Societies. A National Cooperative Policy was announced by the Indian government in

2002. The Policy's goal was to promote the country's overall development of cooperatives. In order to ensure that cooperatives operate as independent, self-sufficient, democratically managed entities that are accountable to their members and make a sizeable contribution to the national economy, the policy offered to give them the support, encouragement, and assistance they need.

Cooperation and Economic Empowerment

For economically underprivileged people, the cooperative model can increase wealth and economic growth. Millions of disadvantaged people have benefited from the work of Lijjat Papad, Amul, and other milk cooperatives in southern states like Karnataka. Amul, a dairy company founded by the late Shri Tribhuvandas Patel, has impacted the lives of millions of women. Women dairy producers are empowered by Amul, which transfers INR 60,000 crores directly into their bank accounts. Women's economic empowerment will not only promote inclusive economic growth but also benefit business through increasing organizational effectiveness and growth. There is a to deliberate on the methods to increase rural women's empowerment through cooperatives including measures to ensure that legislation is actively changed to better reflect gender; raise awareness of rural women's participation in cooperatives while honouring their independence and sovereignty; and promoting goods produced by rural women's cooperatives, for example, through public procurement programmes or solidarity branding; and raising the importance of fair gender relations among cooperative leaders and members.

IV. Measures to promote the spirits of cooperatives and its operations

The central government also created a new Ministry of Cooperation in July 2021, satiating a long-standing desire with the first Minister of Cooperation, Shri Amit Shah. The main objectives of the Ministry of Cooperation were as follows:

- ✓ To establish a special governing, legal, and policy framework for advancing the nation's cooperative movement
- ✓ To develop the cooperative movement into a truly people-based movement that can interact with people on a local level.
- ✓ 'Ease of Doing Business' procedures for cooperatives to make it possible for multi-state cooperative development in India

It is expected that the Ministry of Cooperation will play a proactive developmental facilitators role rather than a regulatory role in the expansion of the cooperative sector towards equitable and sustainable inclusive growth in marching ahead towards its vision of 5 trillion-dollar economy by 2025. Today, there is no sphere of economic activity which is left untouched by Cooperation. The Ministry of Cooperation took a number of initiatives to strengthen India's cooperative architecture syncing it with country's economic and social needs. Some of the initiatives undertaken were as follows:

- ✓ Computerization of 63,000 functional PACS on an ERP based common national software with an outlay of ₹2,516 Crore started.

- ✓ Model byelaws for PACS for their adoption as per the respective State Cooperatives Act and enable them to undertake more than 25 business activities like dairy, fishery, setting up of godowns, LPG/ Petrol/ Green energy distribution agency, banking correspondents, CSC, etc.
- ✓ PACS as Common Service Centres (CSC): MoU signed between Ministry of Cooperation, Ministry of Electronics and Information Technology, NABARD and CSC SPV to facilitate functioning of PACS as CSCs to improve their viability, provide e-services at village level and generate employment.
- ✓ National Cooperative Database to facilitate stakeholders in policy making and implementation.
- ✓ National Cooperative Policy is already been drafted by National level committee comprising of experts and stakeholders drawn from all over the Country to create an enabling ecosystem to realize the vision of 'Sahakar-se-Samridhi'.
- ✓ MSCS Act, 2002 amendment: Bill introduced in the Parliament to amend the centrally administered MSCS Act, 2002 to incorporate provisions of 97th Constitutional Amendment, to strengthen governance, enhance transparency, increase accountability and reform electoral process in the Multi State Cooperative Societies. The Bill is accepted and officially published in official Gazette on 4th August 2023.
- ✓ National Cooperative Development Corporation launches new schemes for cooperatives such as 'Swayamshakti Sahkar' for SHG; 'Deerghavadhi Krishak Sahkar' for long term agricultural credit; 'Dairy Sahkar' for dairy and 'Neel Sahkar' for fisheries. Total financial assistance of Rs. 34,221 Crores disbursed in FY 2021-22.
- ✓ Member Lending Institutions in Credit Guarantee Fund Trust: Non-scheduled UCBs, StCBs and DCCBs notified as MLIs in CGTMSE Scheme to increase share of cooperatives in lending.
- ✓ Cooperatives as 'buyers' on GeM portal: enabling them to procure goods and services from nearly 40 lakh vendors to facilitate economical purchases and greater transparency.
- ✓ Surcharge reduced from 12 % to 7% for cooperative societies having income between Rs. 1 to 10 Cr.
- ✓ MAT reduced for Co-operatives from 18.5% to 15%.
- ✓ Lowering tax rate for new cooperatives: Announcement made in the Union Budget 2023-24 to charge flat lower tax rate of 15%, compared with current rate of up to 30% plus surcharge, for new cooperatives commencing manufacturing activities till March 31, 2024.
- ✓ Increase in limit of deposits and loans in cash by PACS and PCARDBs: Announcement made in the Union Budget 2023-24 to increase limit from Rs. 20,000 to Rs. 2 lakh per member for deposits and loans in cash by PACS and PCARDBs.
- ✓ Increase in limit for TDS: Announcement made in the Union Budget 2023-24 to increase cash withdrawal limit for cooperatives from Rs. 1 Crore to Rs. 3 Crore, per annum, without being subjected to TDS.
- ✓ Sugar co-operative mills not to be subjected to additional income tax for paying higher sugarcane prices to farmers up to Fair and Remunerative or State Advised Price.

- ✓ Resolution of chronic pending issues of Sugar Cooperative Mills: Announcement made in the Union Budget 2023-24 to allow sugar cooperatives to claim as expenditure their payments to sugarcane farmers for the period prior to assessment year 2016–17, giving a relief of nearly Rs. 10,000 crores.
- ✓ New National Multi-State Cooperative Societies established for seeds, organic products and exports under the MSCS Act, 2002 as umbrella organization to facilitate and promote quality benchmarks in seeds, organic products and exports.

V. Issues/Challenges for Cooperatives

The roadmap for the success of the cooperatives is on the anvil. But there are issues, which needs to be addressed for the actual success of the cooperatives in India. Some of the issues/challenges are stated as follows.

- ✓ The regulatory and supervisory framework for financial cooperatives is fragmented with different types of cooperatives being governed by different authorities. This leads to inconsistencies and gaps in regulation and supervision, which can create vulnerabilities in the financial system. While incorporation, management, audit, board replacement, and liquidation are handled by the Registrar of Cooperatives, the RBI sets the standards for banking licences, prudential regulation, capital sufficiency, etc.
- ✓ Numerous cooperative banks have failed as a result of poor corporate governance. Urban cooperative banks (UCBs) have merged 145 times since 2004–2005, with nine of the mergers taking place in 2021–22. Financial irregularities, a breakdown in internal control, and underreporting of exposures were the main causes of the Punjab and Maharashtra Cooperative (PMC) Bank's collapse in 2019.
- ✓ The inability of financial cooperatives in India to maintain proper capital levels can compromise their capacity to absorb losses and carry-on business during times of economic stress. This creates a mis-match in the abilities to expand their services and offer other products
- ✓ Financial cooperatives usually lend to Small and Medium-Sized Enterprises (SMEs) and individuals who may have limited credit history or collateral thereby taking the credit risk management a risky venture which often leads to NPAs and losses.
- ✓ Lack of adoption of latest techno gadgets very often puts the cooperatives at the backstage in terms of its competitive abilities to compete with larger banks and fintech institutions.

The ministry of cooperation initiatives can have significant implications, usually aimed at fostering collaboration and shared efforts. The idea is to promote joint endeavours for mutual benefit rather than individual gain. This can have a positive impact on economic growth, Social Equality, Community Development, Job Creation, Innovation and sustainability, Resilience, Cultural Preservation and financial Inclusion. It's important to note that the success of cooperative initiatives often depends on effective governance, communication, and the commitment of all involved parties. Overall, the ministry of cooperation's

initiatives can have far-reaching positive effects on both the economic and social landscapes. Cooperative banks must strengthen their governance if they want to survive in a cutthroat environment. Instead of getting involved in disputes over financial cooperatives,

State governments should concentrate on assisting non-financial cooperatives. It is also presumed that non-financial cooperatives promote gender equity, encourages community development, facilitates sustainable practices and gives empowerment to the under-privileged and deprived masses of the society. The government and the Ministry of Cooperation has also been thriving very hard to augment the growth of non-financial cooperatives with various positive measures such as fiscal incentives, floating of different schemes (for Handicrafts and Handlooms, one district, one program scheme, schemes for dairy etc). The trend of diversified competitiveness has triggered the race for the cooperatives to either align with the modern dynamic business environment or perish. The adaptation of technology and qualitative benchmarks in its process of operations has become the need of the hour. Various training institutes has to incorporate the new styles of management, decision-making process, preparing the trainees with regulatory compliances etc in their training sessions with updates on various compliances. In India, cooperatives have a lot of promise for fostering inclusive economic growth. The cooperatives industry needs to become more professional and act in accordance with corporate governance principles. In our nation, there are numerous examples like IFFCO, Amul, and others that have preserved the cooperative spirit while ingraining the virtues of corporate governance. Despite difficulties in regulating cooperative banks, there are various ways for non-financial cooperatives to advance the national economy. Cooperatives can assist India in achieving its development objectives and improve the lives of its people when they are adequately supported. This can go a long way in building a Atma Nirbhar Bharat in the decades to come thereby paving a way for Amrit Kaal in 2047.

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