



# Cooperatives in India – A Step towards Atmanirbhar Bharat

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## Abstract

*The concept of co-operatives since its inception in 1844 has witnessed many changes in its role and today has become a diversified institution, playing a significant role in the process of economic development of the country. Since 1904, it has enabled the countryside to develop into a most sustainable unit amidst challenges. The co-operatives have become a tool towards an inclusive and sustainable development and in fact today has become well diversified in terms of her operations. The success of the central governments initiatives in terms of Sabka Sath, Sabka Vikas, Make in India and Atmanirbhar Bharat has been linked with the co-operatives to tap the local talents and pool the required resources with effective training to the human resources of co-operatives by various training institutes such as Vaikunth Mehta National Institute of Co-operative Management, NSDC etc. The paper has discussed a brief review of the co-operative movement and has given a prescription for the co-operatives to become an effective tool to make India “ATMANIRBHAR BHARAT” with adequate supports and training amidst challenges which need to be answered on time.*

**Keywords:** Co-operatives, VAMNICOM, Atmanirbhar Bharat, MSCs, PACs

The concept of Co-operative society was evolved long back much before the Fair Trade Movement to help the workers to improve their livelihoods and protect their interests. The International Labour Organization (ILO), defined a cooperative as 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. The nature of co-operative organization is service oriented. Each for all and all for each is the principles of a co-operative society. It was in 1844 that a group of 28 men (weavers and skilled workers in other trades) formed a cooperative society. They created business principles to guide their work and established a shop in which to sell their goods. Increased pressure from the changing market system was a driving force in their decision to move toward cooperation. The industrial revolution saw the mad race between the man and the

capital, with large players adopting unfair labour practices at the cost more production with lesser quality. The need to protect the labour interest and the smaller producing quality produce led to the emergence of the co-operative movement across the globe. The International Co-operative Alliance (ICA) was formed in 1895 by E. V. Neale of Rochdale and Edward Owen

Greening, thereby sowing the seed and spreading its branches across the globe in almost every sector of the economy.

The industrial revolution also had adversely affected the Indian village industries and drove them to agriculture, the only avenue of employment and livelihood. At that point of time, the consequent sub-division and fragmentation of holdings had made agriculture an uneconomic proposition. There was also rigidity in land revenue collection, uncertainty of rainfall and consequently lesser crop production etc. compelled the farmers to approach the money-lenders who advanced money either by purchasing the crop at a throwaway price or by charging very high rates of interest. All these factors emphasized the need for the provision of cheap credit through an alternative agency. The first official step was taken when Sir William Wedderburn made, after the Deccan riots, the proposal for the establishment of agricultural banks as a remedy against rural indebtedness. The Indian Famine Commission (1901) induced the government to set up a committee under the presidency of Sir Edward Law to report on the introduction of cooperative societies in India. The Committee reported favorably in 1903 and the first Cooperative Credit Societies Act was passed in 1904. The inherent defects of the Act were removed with an amendment of the Act in 1912. Further, it should be noted that since then the different socio-economic circumstances such as the Great Depression 1930, World War, etc. had both its positive as well as negative impact on the growth of the co-operative societies of India. The cooperatives are formed to secure low cost credit, to purchase supplies and equipment for farming and household needs, to market products, even to secure many services, like electric power, irrigation, health, and insurance. Cooperatives can be used in many ways to benefit people in the everyday needs of life. Today, the co-operatives have been playing a significant role in bringing equity, opportunities for the deprived/under-privileged and achieving the SDGs as they share in GDP. sustaining bonding and bridging social capital. They promote capital circulation in the local economy, strengthening existing businesses for the benefit of communities. Further, they also create the employment opportunities, help in capacity building of rural people, and more importantly a means of fund raising which help rural people in financial aspects too. In brief, the co-operatives help in an inclusive and sustainable development in terms of its important objectives such as prevention of concentration of economic power, wider dispersal of ownership of productive resources, active involvement of people in development programs, liquidation of poverty and unemployment etc. There have been many success stories of Cooperatives in India, the two most important being – Green Revolution and White Revolution.

The Vaikunth Mehta National Institute of Cooperative Management, (VAMNICOM) Pune has been at forefront in training future professionals in different areas of farming and management.

## Co-operatives and Atmanirbhar Bharat – An opportunity

India has >8 lakh registered cooperative societies, especially in agricultural, banking and housing sectors. In the agriculture sector, cooperative dairies, sugar mills, etc., are formed to process and sell the pooled produce of farmers. India has ~194,195 cooperative dairy societies and 330 cooperative sugar mill operations. In addition, cooperative sugar mills account for 35% of the sugar production in the country.

In the banking and finance sector, cooperative institutions are spread across rural and urban areas, helping provide credit that may otherwise be unavailable from the commercial banking sector. At a village-level, farmers form primary agricultural credit societies (PACS) to make their case for credit demand at the grass root level. NABARD's annual report of 2019-20 reported 95,238 PACs, 363 DCCBs and 33 state cooperative banks in the country. Further, in urban areas, cooperative banks and cooperative credit societies focus on extending banking services to many companies or individuals that find it difficult to avail credit facilities from the general institutional credit structures. Also, there are cooperative marketing societies and cooperative housing societies operating in India. In 2020, the Centre passed the Multi State Cooperative Societies Act that allows registration of cooperative societies with operations in multiple states. Currently, banks, dairies and sugar mills that have operations spread across states mostly account for these Multistate Cooperative Societies (MSCs). Since the law was enacted, 1,479 such societies have been registered, of which Maharashtra has the highest number at 567, followed by Uttar Pradesh (147) and New Delhi (133).

The expansion of the co-operative sector speaks of the importance of the co-operatives in the process of Atmanirbhar Bharat, which however has not been optimally realized so far. The government to boost its cooperatives established a separate Ministry of Co-operation in July 2021 with its vision statement of "Sahkar se samridhi". Before the creation of this ministry, the objectives of this ministry were looked after by the Ministry of Agriculture. The aim of the ministry is to strengthen the co-operatives at the grassroots level in line with processes for 'Ease of doing businesses for co-operatives towards building an Atmanirbhar Bharat in the years to come. The emphasis is on transforming cooperatives from small entities to big enterprises, facilitated and sustained by enabling businesses to address the problem of entry and growth barriers. Furthermore, cooperatives effectively neutralize the market failures arising from market distortions, Compress the supply chain by removing intermediaries, ensuring better prices for producers and competitive rates for consumers and prevent distress sales. Just as panchayat raj institutions (PRI) carry forward decentralized rural development, cooperative societies can become the medium to cater to business requirements as clearly indicated by its two successful Business Models in dairy and fertilizers. Organic leadership, the involvement of members, techno-managerial efficiency, economies of scale, product diversification, culture of innovation, commitment to customers and sustained brand promotion are factors that has attributed for their success. These practices can be replicated for other sectors as well. 'Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)' with an economic stimulus package — worth Rs 20 lakh crores (10% of India's Gross Domestic Product (GDP) in 2019-20). The package was expected to focus on land, labour, liquidity and laws. The Self-Reliance neither signifies any exclusionary

or isolationist strategies but involves creation of a helping hand to the whole world. The Mission focuses on the importance of promoting “local” products. The Mission is based on five pillars namely, Economy, Infrastructure, System, Vibrant Demography and Demand. Rural co-operatives can play a significant role in achieving the mission of Atmanirbhar Bharat, provided the supply chain doesn't gets interrupted in procedural lags and deformities.

Sahakar Pragya' was an innovative step towards AtmaNirbhar Bharat in making the farmers associated with PACs self-reliant in terms of effective forty-five training modules for transferring knowledge, skills and organizational capacities to train about 5,000 farmers in cooperative societies in a year. The 45 dedicated training modules would equip the cooperative societies to run their affairs in professional business terms of market economy. Currently, India has a network of over 8.50 lakh cooperative societies with about 290 million members. Ninety-four per cent of the farmers in the country are members of at least one cooperative society. Cooperatives lend strength to farmers to minimize risks in agriculture and allied sectors and act as shield against exploitation by unscrupulous traders. Though the process has been set on the track, a lots of the supply chain will depend upon a smooth flow of information and co-ordination between the different units of co-operatives, state and the central government. The process has however to address some of the challenges of the co-operatives as follows:

### **Challenges Ahead**

*Mis-management and Manipulation* of the finance and accounts needs to be effectively regulated. Though the Banking Regulation (Amendment) Act, 2020 did some check, but the dominance of the rich farmers in the elections of the governing bodies corrupted the entire process and spirit of the cooperation. National Federation of State Co-operative Banks (NAFSCOB) data of 2019-20 shows that around 138 million farmers are members of Primary Agricultural Credit Societies (PACS). This indicates the linkage and importance of cooperative societies in India.

*Lack of Awareness* among the farmers and the general public about the about the objectives of the Movement, rules and regulations of co-operative institutions have often led to the little success of the cooperatives in the countryside. Lack of education, dirty politics of the village, caste-ridden elections to the offices of co-operative societies, bureaucratic attitudes of the government officers at the lower rank are some of the hurdles in spreading the correct information about the co- operative movement and in educating the people about its true character and vital role in the society. The hurdles in the implementation of the three farm laws - Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 and Essential Commodities (Amendment) Act, 2020 is a clear indication that still a lots of awareness about the socio-economic legal frameworks is the need of the hour to make the co-operative movement effective and successful.

*Political interference* should be reduced and cooperatives should not become a platform for political activity. Reforms of the registrar of cooperatives are required.

To conclude; Co-operatives play a significant role in fostering economic participation, fight against environmental degradation and climate change, generate good jobs, contribute to food security, keep financial capital within local communities, build ethical value chains, and, by improving people's material conditions and security, contribute to positive peace – a world based on values of self-help, self-responsibility, democracy, equality, equity, and solidarity and the ethical values of honesty, openness, social responsibility and caring for others, is building a better world. A journey has already begun, it needs to be timely nurtured and guided properly with adequate supports. However, it should be remembered and noted on the 100th International Day of Cooperatives, that its **WE** and not **I** can make a difference in building a better world/society fortoday and in the future which echoes with the theme of the International Year of Cooperation 2022

– **“Cooperatives Build a Better World”**

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