



Revitalizing the Cooperative Sector in India: Current Challenges and Emerging Opportunities

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Abstract : The cooperative system in India is increasingly acknowledged for its ability to alleviate the detrimental effects of globalisation. The deficiencies and inefficiencies evident in the public sector, along with the restricted impact of privatisation in rural regions, have reinforced the argument for rejuvenating the cooperative sector. The Government of India is dedicated to promoting cooperative development, recognising its fundamental advantages in tackling essential challenges including poverty reduction, food security, and employment generation. This research examines the challenges and opportunities within the cooperative industry in India utilising secondary data sources. The findings indicate numerous enduring issues, such as insufficient infrastructure, excessive governmental intervention, mismanagement and malpractice, restricted coverage, and operational inefficiencies. Based on these insights, the paper advocates for essential measures to enhance the cooperative movement: the establishment of multipurpose societies, the provision of cooperative education, the appointment of qualified and professional administrators, the broader dissemination of the cooperative model, the promotion of research, and the implementation of effective monitoring mechanisms. Urgently implementing these procedures is essential to fully use the potential of cooperatives in India's socio-economic development.

IndexTerms - Cooperative Societies, National Cooperative Union of India.

I. THE EVOLUTION AND EXPANSION OF THE COOPERATIVE SECTOR IN INDIA

Contemporary cooperatives have developed over the past two centuries and are now an integral part of the global economy, delivering crucial services that may otherwise be unattainable. Globally, cooperatives like credit unions and agricultural societies have been essential in fostering self-sufficiency, especially in emerging nations where private capital frequently encounters restricted profitability. Currently, over 700 million persons in 90 countries are affiliated with cooperative organisations, which have solidified their status as a resilient and inclusive economic model. In some countries, cooperatives have emerged as a substantial force in the national economy.

The cooperative movement in India originated during the British colonial era. Nicholson, a British officer, advocated for the implementation of the Raiffeisen model of German agricultural lending cooperatives in India, acknowledging its effectiveness. In response to this recommendation, the British government implemented the Cooperative Credit organisations Act of 1904, which enabled the establishment of agricultural credit organisations in rural regions with government support. This Act conferred legal status upon cooperatives and mandated the registration of all agricultural cooperatives in accordance with its stipulations.

The Cooperative Societies Act of 1904 was later superseded by the more extensive Cooperative Societies Act of 1912, which permitted the establishment of cooperatives beyond mere credit societies. The administrative reforms established by the Government of India Act of 1919 classified cooperatives as a provincial matter, assigning each province the responsibility for their advancement. The British government adopted the Multi-Unit Cooperative Societies Act in 1942 to regulate cooperatives operating in various provinces. Leveraging decades of experience, the Government of India enacted the Multi-State Cooperative Societies Act in 1984, abrogating the 1942 Act and establishing a contemporary framework for cooperatives functioning across multiple states.

India's primarily agricultural economy, with over 72% of the people living in rural regions, has created a conducive environment for the development of cooperatives. Since the implementation of the inaugural Cooperative Societies Act in 1904, the movement has grown substantially, boasting almost 230 million members currently. The cooperative credit system in India currently possesses the greatest global network and exceeds commercial banks in providing credit to the agricultural sector.

Village cooperative societies are vital as they furnish necessary inputs to farmers, offer consumer goods at competitive costs via consumer societies, secure improved prices through marketing cooperatives, and enhance value through cooperative processing facilities. Moreover, cooperatives play a crucial role in developing essential rural infrastructure, such as storage facilities, cold storage units, roadways, irrigation systems, energy provision, transportation, and healthcare services.

Cooperatives possess a notable presence throughout diverse industries:

Fertilisers: The Indian Farmers Fertiliser Cooperative (IFFCO) possesses more than 35% of the market share.

Cooperatives account for almost 58% of overall sugar output.

Cotton: They market and distribute over 60% of cotton.

Hand-weaving: Cooperatives comprise 55% of looms.

Edible oils: They process, market, and distribute half of India's edible oils.

The dairy cooperatives, led by the National Dairy Development Board and 15 state cooperative milk marketing federations, represent a notable success story. These cooperatives have converted India into the preeminent milk producer globally. This achievement may be primarily ascribed to “Operation Flood,” initiated in the early 1970s — the greatest dairy development initiative globally that created an integrated national milk grid and modernised dairy infrastructure.

Legislative reforms, including the enactment of the Insurance Act, have enabled cooperatives to explore new industries such as insurance, which holds significant untapped potential. IFFCO has formed a joint venture with a Japanese firm to offer general insurance services in India, demonstrating the cooperative sector's increasing ability for strategic partnerships and diversification.

Currently, cooperatives in India assume diverse functions in rural and urban settings, significantly aiding development in agriculture, small enterprises, marketing and processing, distribution, and critical services. They have exhibited exceptional adaptation and resilience, becoming a crucial component of India's socio-economic structure. Notable instances comprise Shri Mahila Griha Udyog Lijjat Papad, India's preeminent women's cooperative food brand; Amul, a globally recognised dairy cooperative celebrated as “The Taste of India”; and Adarsh Cooperative Bank, a prosperous multi-state credit cooperative association.

The cooperative movement in India exemplifies the collective strength and self-sufficiency of its populace, continually empowering communities and fostering inclusive growth throughout the nation.

II. ORGANISATIONAL FRAMEWORK OF COOPERATIVES IN INDIA

The cooperative framework in India is structured as a multi-tier system, encompassing distinct components that address diverse need nationwide.

The foundation of this organisation comprises the Primary Cooperative Societies, which provide an extensive array of services to their members. Approximately 80% of these societies participate in agricultural businesses, while over 60% concentrate only on credit provision. Thus, a substantial majority of primary societies address agricultural and finance needs. These societies generally manage tasks including credit allocation, irrigation, marketing, transportation, and others.

Primary societies are generally categorised into two principal types:

Credit Societies, and

Non-Credit Organisations.

Each of them is additionally categorised into:

Agricultural societies primarily functioning in rural regions, and

Non-Agricultural Societies (predominantly operating in urban environments).

Central Cooperative Banks and State Cooperative Banks exist to supervise and assist cooperative credit societies.

Central Cooperative Banks function at the district level or across multiple districts. They oversee the operations of primary societies, furnish them with financial support, and generate revenues through public deposits, equity capital, and loans. These banks serve as middlemen between cooperative societies and the broader money market, directing surplus cash from organisations with abundant resources to those need assistance. They also perform conventional banking activities.

The State Cooperative Bank, commonly known as the Apex Bank, holds the highest rank in the cooperative credit structure at the state level. It oversees and funds the Central Cooperative Banks, serving as a crucial intermediary between the Reserve Bank of India (RBI) and the cooperative credit framework at subordinate tiers. The capital of the State Cooperative Bank is derived from share capital donations, public deposits, and loans or advances from the state government and the Reserve Bank of India. It moreover offers direction and governance for the cooperative movement within the state.

The National Cooperative Union of India (NCUI) functions as the principal organisation advocating for and facilitating the cooperative movement nationwide.

Although these organisations primarily manage short- and medium-term loans, long-term credit requirements are fulfilled by Land Development Banks. These banks adhere to a unitary organisation, operating branches in multiple places. They generate capital by share equity, reserves, deposits, and predominantly by issuing bonds and debentures in the public market. The issuance of ordinary debentures serves as the primary source of funding for providing long-term loans to the agriculture industry and related operations.

III. OBSTACLES FACED BY THE COOPERATIVE SECTOR IN INDIA

Notwithstanding its extensive history and consistent growth, the overall efficacy of the cooperative movement in India over the past century has not met expectations. Numerous obstacles persist in obstructing its complete potential. Comprehending these problems is essential for formulating effective reforms that might rejuvenate and fortify the cooperative sector.

1) Overbearing Government Intervention

The cooperative movement, established in 1904 during British governance, has consistently functioned with substantial governmental support and regulation. Cooperatives were frequently regarded as extensions of governmental operations rather than

as independent, member-oriented entities. Even today, societies are often foisted upon communities, resulting in superficial membership growth without fostering genuine cooperation. This hierarchical strategy has led to sluggish, unstructured, and frequently erratic growth, hindering the movement from transforming into a true grassroots endeavour.

2) Ineptitude and Exploitation

Extensive mismanagement and manipulation have hindered the operations of numerous cooperative groups. This misconduct obstructs openness and accountability, impeding efficient and honest operations.

3) Insufficient Awareness

A considerable segment of the populace is uninformed about the actual aims, prospective advantages, and operational regulations of cooperative entities. Insufficient attempts have been made to educate and inform the people. Consequently, numerous individuals regard cooperatives solely as mechanisms for obtaining government subsidies and concessions. Low literacy rates, local political meddling, caste-based politics in cooperative elections, and bureaucratic attitudes among subordinate officials impede public awareness and comprehension of the movement's wider societal significance.

4) Limited Coverage

Two significant constraints have diminished the efficacy of cooperatives:

Restricted Scale: The majority of basic societies function on a diminutive scale, typically encompassing only one or two villages with a few members.

Single-Purpose Focus: Most societies function as single-purpose entities, limiting their ability to comprehensively satisfy the many demands of their members.

5) Functional Deficiencies

Since its start, the cooperative sector has had a deficiency of suitably skilled staff. The lack of specialised training institutes and the un motivating work environment in numerous nations have dissuaded skilled individuals from entering this sector, therefore sustaining inefficiency.

IV. FUTURE PROSPECTS AND STRATEGIES FOR ENHANCING THE COOPERATIVE SECTOR IN INDIA

To rejuvenate and enhance the cooperative sector, various strategic initiatives are essential. The subsequent recommendations seek to tackle current obstacles and foster a more robust, inclusive cooperative movement:

1) Restructure Primary Societies

Fragile and ineffective civilisations ought to be dissolved or amalgamated with more robust ones to create larger, sustainable entities. More extensive societies have advantages from more resources, allowing them to employ proficient personnel and function more effectively, therefore enhancing service to their members.

2) Advocate for Multipurpose Societies

Transitioning from single-purpose to multifunctional cooperatives can more efficiently meet the different demands of members. Such societies can implement a comprehensive approach to problem-solving, optimise resource utilisation, and deliver enhanced advantages to their members.

3) Facilitate Coordination Among Cooperative Levels

A comprehensive structure must be instituted to ensure efficient coordination among the primary, central, and state-level cooperative entities. Enhancing institutional connections will promote collaboration and mutual assistance instead of discord.

4) Integrate with the Comprehensive Financial System

Robust integration among cooperatives, the Reserve Bank of India, state banks, commercial banks, NABARD, and pertinent government institutions is essential for seamless financial and operational efficacy.

5) Implement Trained Administrators

Competent, trained, and dedicated individuals must be utilised to enhance operational efficiency. Administrative processes ought to be streamlined, and superfluous bureaucratic oversight must be eradicated to guarantee efficient operation.

6) Enhance Public Awareness and Education

A thorough public awareness campaign should be initiated to inform individuals about the advantages and operations of the cooperative movement. Educational institutions, mass media (radio, television, newspapers), and community outreach initiatives should be activated for this objective. The cooperative sector must be acknowledged as a separate pillar of the economy, alongside the public and private sectors, warranting sufficient support within national strategies.

7) Broaden Geographic Scope

It is imperative to expand cooperative initiatives to underserved regions, particularly the northeastern states and other disadvantaged areas, to guarantee equitable regional development.

Empower Underprivileged Groups

Marginalised groups, including Scheduled Castes and Scheduled Tribes, require targeted encouragement and support to establish cooperatives. This will safeguard them from exploitation by intermediaries and augment their economic autonomy.

Promote Research and Ongoing Surveillance

Consistent research, monitoring, and inspection are crucial for identifying and addressing developing difficulties encountered by cooperatives. Evidence-based policy modifications will guarantee that the movement remains dynamic and responsive to evolving needs.

IV. CONCLUSION

This research has analysed the challenges and opportunities for the expansion of the cooperative sector in India via secondary data sources. The cooperative system is widely acknowledged for its substantial potential to alleviate the detrimental effects of globalisation, particularly in rural regions where both public and private sectors have frequently underperformed. The shortcomings of the public sector in specific regions and the restricted impact of privatisation in rural India highlight the essential function of cooperatives in promoting inclusive development.

The Government of India is dedicated to advancing the cooperative movement, acknowledging its fundamental capabilities in tackling issues of poverty reduction, food security, and employment generation. Cooperatives are distinctly equipped to provide crucial commodities and services to marginalised communities where alternative models have not achieved sustainable impact.

This study has found multiple problems that impede the advancement of the cooperative sector in India. These encompass insufficient infrastructure, absence of quality management, excessive reliance on governmental assistance, dormant membership, irregular election processes, feeble human resource policies, and an overarching deficiency in professionalism.

In light of these findings, the study advocates for the implementation of a comprehensive strategy to rejuvenate the cooperative movement. Essential measures encompass enhancing communication and public relations to disseminate the notion of cooperation among the populace; fostering the establishment of multipurpose societies; delivering education and training to stakeholders; designating competent and trained administrators; broadening the outreach of cooperatives via awareness initiatives; promoting research; and implementing systems for ongoing monitoring and evaluation.

By tackling these difficulties via coordinated efforts, the cooperative sector in India may achieve its full potential as a significant catalyst for socio-economic development and inclusive progress.

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