

## Cooperative in India

*Mains: GS-II - Polity & Governance*

### Why in News?

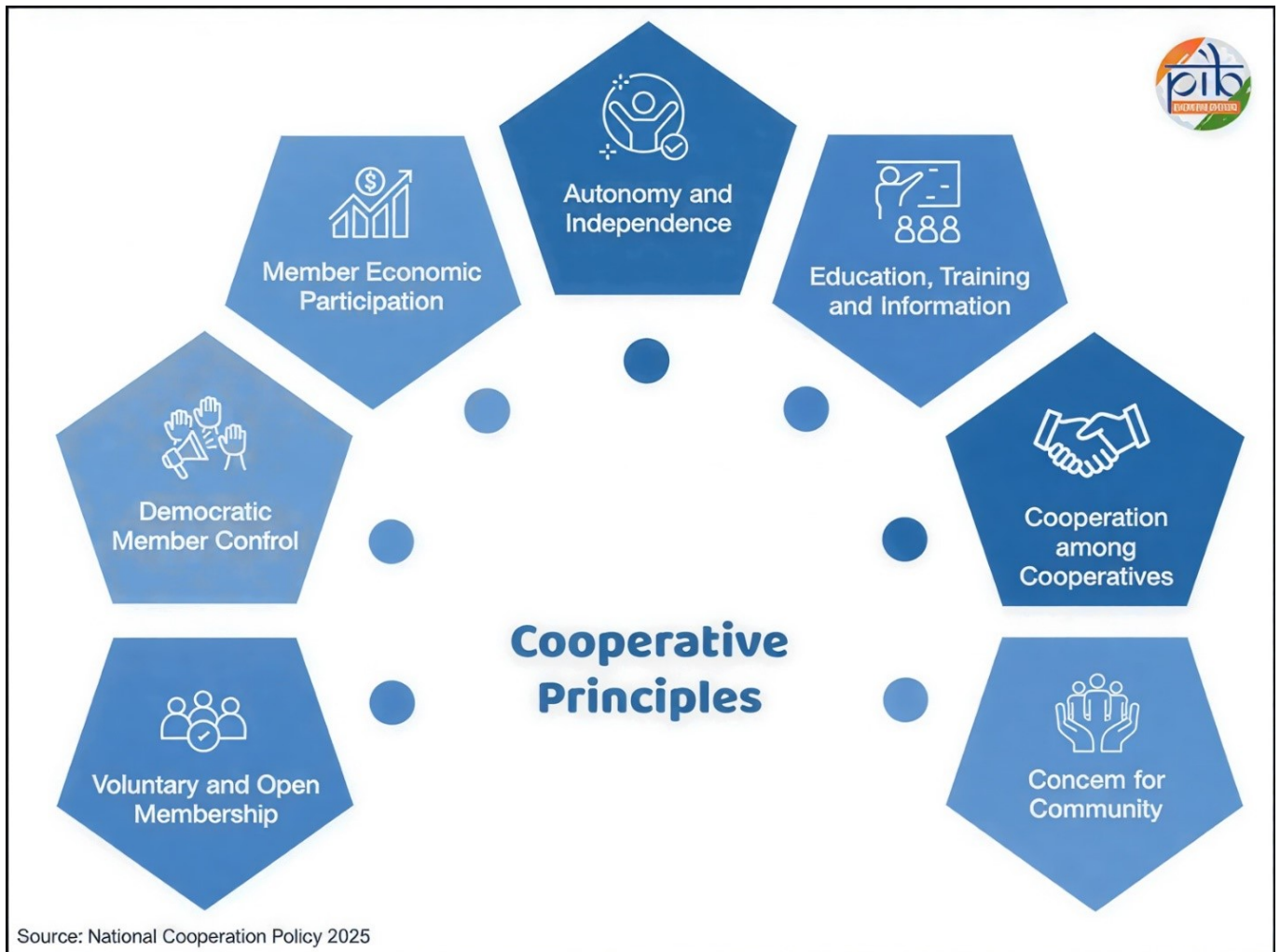
*Alongside support from the Government of India, state governments also provide financial assistance—such as grants and subsidies—to cooperatives through their own schemes, in line with state-specific rules and regulations.*

### What are Cooperatives?

- **Cooperative** - It 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 member-controlled enterprise.
- **Principle** - Founded on *principles of self-help & mutual assistance*,
- **Aim** - To serve the interests of disadvantaged sections of society rather than to generate profits.
- **Coverage** - They play a major role in India's economy, with *98% coverage in rural India*, cooperatives are the mainstay of rural economy ensuring sustainable livelihoods and income for people.
- **Diverse Sectors** - Cooperative societies in India operate across various sectors such as Agriculture, Credit and Banking, Housing, and Women's Welfare.

*Cooperatives is a State subject under the Constitution of India.*





## What is the historical evolution of cooperatives in India?

### • Pre-Independence Era

- 1904: Cooperative Credit Societies Act - first legal framework.
- 1912: Expanded scope to marketing and artisan societies.
- 1914: Maclagan Committee proposed a 3-tier cooperative banking system.
- 1925: Bombay Cooperative Society Act - provincial legislation.
- 1942: Multi-Unit Cooperative Societies Act for cross-province cooperatives.

### • Post-Independence Era

- Cooperatives integrated into Five-Year Plans for rural development.
- 1963: National Cooperative Development Corporation (NCDC) established.
- 1982: NABARD created to support rural credit.
- 1984: Multi-State Cooperative Organisations Act streamlined governance.
- 2002: National Policy on Cooperatives harmonized legal frameworks.
- 2023: MSCS Amendment Act strengthened transparency and governance.

- 2025: National Cooperation Policy

## What are the constitutional & legal framework for cooperative societies in India?

- **Seventh schedule**
  - **Entry 44** of the List I - *Union List* for objects not confined to one State.
  - **Entry 32** of the List II - *State List* for objects confined to one State.
- **Fundamental Rights** - Article 19(1)(c) deals with the right to form cooperative societies.
- **Directive Principles of State Policy** - Article 43B mentions about state policy for promotion of cooperatives.
- **Part IX B** - Introduced Articles 243ZH to 243ZT for incorporation, regulation, and winding up of cooperatives.

*Article 19(1) (c), Article 43B, part IX B were added in Constitution by 97th constitutional amendment act, 2011.*

- **Cooperative Societies Act, 1912** - The *first comprehensive law* for cooperative societies in India.
- **State Cooperatives** - Societies operating within one state are regulated by *state-specific Cooperative Societies Acts*, overseen by State Registrars.
- **Multi-State Cooperatives** - Societies operating in more than one state are governed by the *Multi-State Co-operative Societies Act, 2002*, overseen by the Central Registrar.
- **Cooperative Banks** - While registered under state or central laws, they are regulated by the RBI under the Banking Regulation Act, 1949, with supervision from NABARD.
- **Nodal Ministry** - The central Ministry of Cooperation, established in 2021, provides policy oversight.

## What is the Structure of Cooperatives in India?

### Credit vs Non-Credit Cooperatives

- **Cooperative Credit Society** - It provides financial assistance to members by accepting deposits and granting loans at reasonable interest rates.
  - **Examples** include Village Service Cooperative Society and Urban Cooperative Banks.
- **Non-Credit Cooperatives** - It provides goods/services like farming

inputs, housing, etc. Examples includes

- **Consumers' Cooperative Society** - Formed to provide consumer goods at reasonable prices, eliminating middlemen by purchasing directly from producers. Eg. Kendriya Bhandar & Apna Bazar.
- **Producers' Cooperative Society** - Supports small producers by providing necessary production items such as raw materials and equipment. Eg. APPCO & Haryana Handloom.
- **Cooperative Marketing Society** - Assists small producers in marketing their products by collectively selling on their behalf. Eg. Gujarat Cooperative Milk Marketing Federation (AMUL).
- **Cooperative Farming Society** - Small farmers form these societies to gain benefits of large-scale farming. Eg. Lift-irrigation cooperatives & pani-panchayats.
- **Housing Cooperative Society** - Offers affordable residential options by purchasing and developing land for members. Eg. Employees' Housing Societies and Metropolitan Housing Cooperative Society.

### **What are the significance of Cooperatives in India?**

- **Scale & Reach** - India is home to over 8.44 lakh cooperatives, including 2 lakh credit cooperatives & 6 lakh non-credit cooperatives across housing, dairy, fisheries, and more.

*India has more than one-fourth of the world's cooperatives.*

- **Housing cooperatives** - Approximately, 1.92 lakh societies, expanding in both rural and urban areas.
- **AMUL** - The benchmark success story, inspiring replication across sectors.
- **Grain Storage Plan** - India aiming for the *world's largest cooperative grain storage infrastructure*, with warehouses at PACS and society level.
- **"Sahkar se Samriddhi"** (Prosperity through Cooperation) **Model** - The government is fostering these institutions to turn small, disjointed farmers into empowered economic units through modernized, digitally enhanced cooperatives (like the focus on enhancing 100,000 PACS).
- **Empowerment of Women & Small Producers** - Cooperatives allow small producers to combine resources, enhancing bargaining power.
- They act as a key to empowering women through local, self-reliant economic organizations.

## What are the challenges faced by cooperatives in India?

- **Governance issues** - Lack of professional expertise leads to inefficiency, weak financial oversight, and occasional fraud or corruption.
- **Political Interference** - Excessive state control in elections and decision-making undermines autonomy and democratic functioning.
- **Financial Limitations** - Rural cooperatives often suffer from inadequate capital and restricted access to funds, limiting growth and diversification.
- **Member Participation & Awareness** - Low awareness of cooperative benefits results in poor participation and weak representation of marginalized groups.
- **Infrastructure & Technology Gaps** - The outdated facilities and slow adoption of modern technology reduce efficiency and outreach.
- **Regulatory & Legal Complexities** - The Urban cooperative banks face dual regulation (Registrar & RBI), while constitutional debates around the 97th Amendment create uncertainty over Union vs. State powers.
- **Financial Distress** - Having high levels of NPAs in urban cooperative banks erode trust and threaten long-term sustainability.

## What are the recent initiatives taken by the government to improve the cooperatives in India?

- **National Cooperative policy, 2025** - Recently formulated by the Government, which marks a strategic roadmap for revitalizing India's cooperative sector to meet the nation's goal of becoming "Viksit" by 2047.
- **UN International Year of Cooperatives** - The year 2025 was declared as the International Year of Cooperatives.
- **Union Budget 2025-26** - Ministry of Cooperation has allocated with Rs.1,186.29 crore, to emphasis on digitization, training, institutional support.
- **MSCS Amendment Act, 2023** - To strengthen governance, enhance transparency, increase accountability and reform electoral process, etc. in the Multi State Cooperative Societies.
- **Tax benefits to cooperative societies** - Benefit from reduced surcharge rates and concessional tax regimes, enhancing cooperative's income and supporting rural and farming communities.
- **Digital & Infrastructure Initiatives**
  - **Computerization of PACS** - Over 15,000 societies onboarded (aims to computerize 63,000 PACS).
  - **PACS as Common Service Centers (CSCs)** - An MoU with MeitY and NABARD enables 30,647 PACS to offer 300+ e-services to rural

citizens.

- **Diversification** - PACS running petrol/diesel outlets, PM Jan Aushadhi Kendras, and PMKSK fertilizer services.

### What lies ahead?

- Revitalizing cooperatives demands a comprehensive strategy that strengthens both their operational capacity and structural framework.
- Such an approach aligns with the goals of inclusive development and has the potential to uplift marginalized communities in India, echoing Gandhian ideals of self-reliance and self-governance.
- Building a large and robust cooperative ecosystem can firmly establish the belief that cooperation can be a vital instrument for the country's development for future generations.
- The role of the cooperative sector can be strengthened in achieving the goal of 'Viksit Bharat 2047'.

### References

1. [PIB | Grants To Cooperative Institutions](#)
2. [PIB | National Cooperation Policy 2025](#)

