

## Cooperative Societies in India

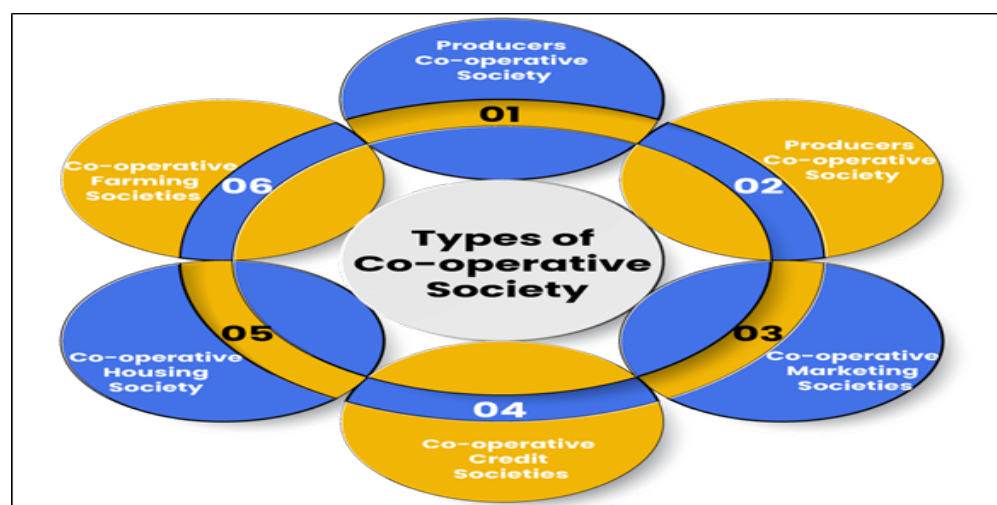
*Mains: GS2 - Governance | Constitution*

### Why in the news?

The International Day of Cooperatives was observed on July 5th, which highlights the role of cooperatives in promoting the welfare of people worldwide.

### What are cooperative societies?

- **Cooperatives** - They are a self-governed group of people who voluntarily come together to work for economic, social and cultural interests.
- **Purpose** - They are formed to help their members, who are mainly from the economically weaker sections, and will serve common interests.



### What is historical background of cooperatives societies in India?

- **Historical existence** - It is the concept of collaboration and cooperative activity that was widespread throughout India even before any legislation got established.
  - **For example** - They existed in the form of building assets like community tanks as well as community forests.
- **Spatial distribution** - Different regions had varied forms of cooperation, such as **kuris, chit funds, bhishies, and phads**.
- **Types** - It includes agricultural cooperatives, consumer cooperatives, housing

cooperatives, and banking cooperatives.

## Constitutional provisions for Co-operative Societies

- **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.

- **Articles**

- **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** - 'The Cooperative Societies' was inserted with provisions for incorporation, regulation and winding up of co-operative societies.

*Article 19(1) (c), Article 43B, part IX B were added by **97<sup>th</sup> constitutional amendment act**.*

## How did modern cooperative movement evolved in India?

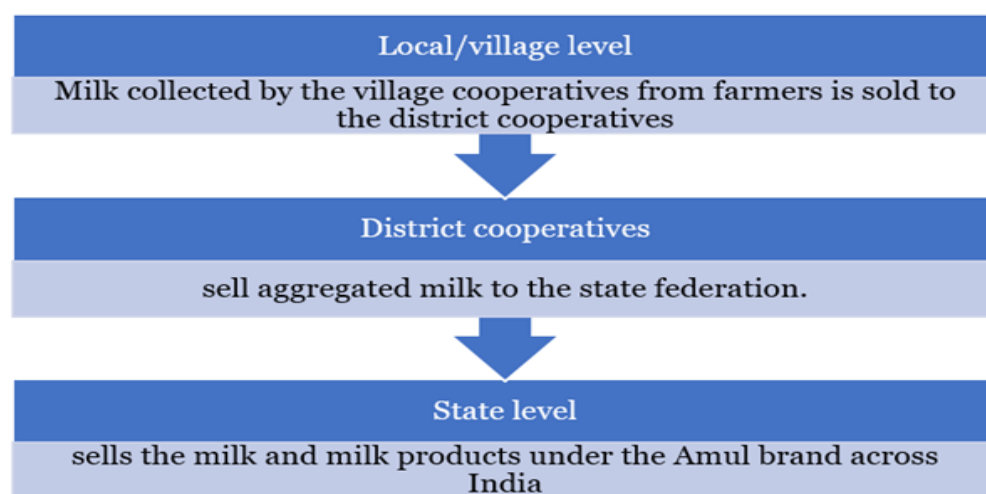
- **Industrial Revolution** - The aftermath of the Industrial Revolution shaped the modern cooperative movement in India in the late 19<sup>th</sup> centuries.
- **Government Committee** - A committee headed by Sir Edward Law enacted the **Cooperative Credit Societies Act in 1904** to address the challenges.
- It outlined the framework for establishing cooperative societies, registration, liabilities, etc.

**India's first cooperative society** was established at Tirur in Tiruvallur district of Tamil Nadu.

- **Other statutory measures** - The Cooperatives Societies Act 1912, addressed the drawbacks of the 1904 Act.
- It broadened the focus to encompass handloom weavers, marketing groups, and other artisan societies.
- **Emergence of regional societies** - The 1<sup>st</sup> Cooperative Housing Society, the Madras Cooperative Union was established in 1914.
  - Bombay Central Cooperative Institute in 1918.
  - Other establishments in Bengal, Bihar, Orissa, Punjab, and other states emerged following the 1912 Act, further fueling the impetus of the cooperative movement.

## The success story of Amul

- **Need** - Dairy industry prior to 1946 was highly unorganized.
- Milk collection and distribution were controlled by private traders and merchants exploited the poor farmers by arbitrarily fixing low procurement costs.
- **Formation of cooperatives** - Dairy farmers in the districts of Anand and Kheta came together to form cooperatives to have more control over the production and sale of milk.
- **Personalities involved** - Independence activist and lawyer *Tribhuvan Das Patel* established it, later *Dr Verghese Kurien* and *H.M. Dalaya* who expanded the scope and development..
- **Growth** - These cooperatives grew into the Gujarat Cooperative Milk Marketing Federation Ltd., later came to be known as *Amul*, marking the beginning of the *White Revolution (Operation Flood)*.
- **Core Strategy** - Establishment of a national milk grid through a cooperative model (inspired by Amul), eliminating middlemen and connecting rural producers directly to urban consumers.
- **Use of modern technology and veterinary care** - Dairy farmers provided with technology and financial mechanisms from district, state levels.
- **Establishment of a three-tier structure** - A three tier structure is established at village level, district level, state level, and to ensure efficient distribution and fair prices.
- **Impacts** - Made India the largest producer of milk in the world.
- Improved rural incomes and reduced dependency on milk imports.
- Empowered millions of rural farmers, especially women.



Dr. Verghese Kurien is the **Father of White Revolution in India**.

### How cooperative societies help rural economies in India?

- **Uplifts rural economy** - It provides connectivity to the district and state levels, removal of middlemen, cooperatives increase livelihood opportunities.
- **Fostering financial inclusion** - It give farmers access to credit and financial services and it helped farmers to manage capital shortages and ensure real-time support.
  - **For example**, Primary Agricultural Credit Societies (PACS) provides credit, input supply, and other financial services to farmers.
- **Creates jobs** - By supporting local industries, they are instrumental in the creation of jobs.
- **Skilling and Development** - Training and capacity-building initiatives helped

members to improve productivity and efficiency.

- **Promotes Social Inclusion** - It promotes participation of women, small farmers, and marginalized groups thus fosters equity and self-reliance.
- **Develops local infrastructure** - Profits are reinvested in local infrastructure, education, and health, thereby driving holistic rural development.

*With over 8,00,000 cooperative societies categorised in 29 different sectors, **India has the highest number of cooperative societies in the world.***

### What are the measures taken in India?

- **Computerisation of PACS** - The government has initiated the computerisation of Primary Agricultural Credit Societies (PACS) to improve their efficiency and transparency.
- **Tax benefits to cooperative societies** - Benefit from reduced surcharge rates and concessional tax regimes, enhancing cooperatives income and supporting rural and farming communities.
- **Participation of PACS in LPG distributorship** - PACS are being encouraged to participate in LPG distributorship, expanding their business opportunities and community reach.
- **Convergence of the PM Kusum scheme** - Enabled farmers to adopt renewable energy solutions and support sustainable agriculture.
- Further strengthening and expanding the model of cooperative network worldwide.

### What lies ahead?

- **Enhancing efficiency** - Adopting digital technologies and professional management can help to improve transparency, efficiency, and competitiveness.
- **Expanding cooperatives** - Interlinking over different sectors and ensuring inclusive participation could boost growth and empower members, especially women and youth.

### References

1. [The Hindu| Cooperative societies: Key to equitable development](#)
2. [CRCS| Central Registrar of Cooperative Societies](#)