Cooperative Societies in India

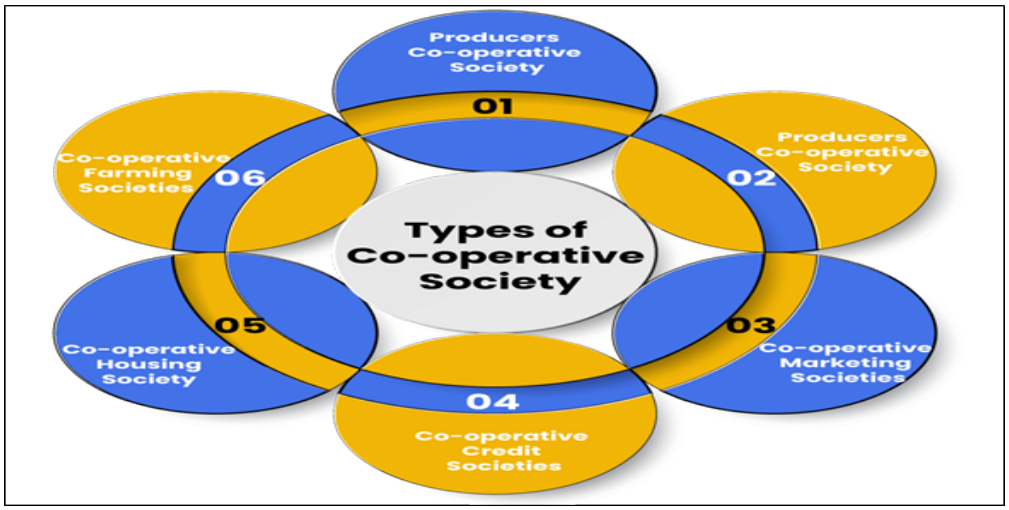
***Mains**: GS2 – Governance | Constitution*

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 ***97th constitutional amendment act.***

How did modern cooperative movement evolved in India?

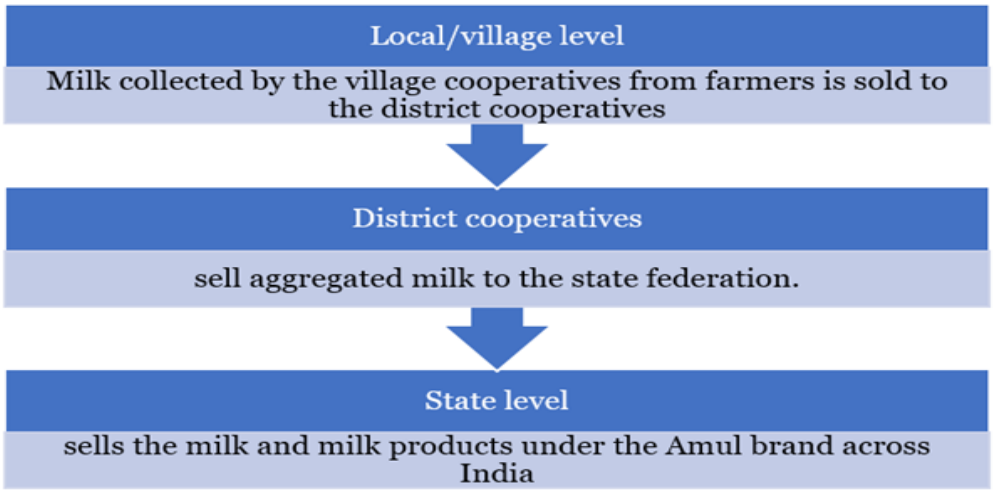
- **Industrial Revolution** - The aftermath of the Industrial Revolution shaped the modern cooperative movement in India in the late 19th centuries.
- **Government Committee** – A committee headed by *Sir Edward Law* enacted the ***Cooperative Credit Societies Act in 1904*** to address the challenges.
- 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 *1st 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 cooperativesincome 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

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