New Union Ministry of Cooperation

Why in news?

As part of the latest Cabinet reshuffle, the government announced the formation of a separate Union Ministry of Cooperation, a subject that was till date looked after by the Ministry of Agriculture.

What are the objectives?

- The Ministry of Cooperation is aimed at strengthening the cooperative movement in the country.
- It will provide a separate administrative legal and policy framework at this end.
- It will help deepen Co-operatives as a true people-based movement reaching up to the grassroots.
- The Ministry will work to streamline processes for 'Ease of doing business' for co-operatives.
- It will also enable development of Multi-State Co-operatives (MSCS).

What is the cooperative movement?

- Simply, cooperatives are organisations formed at the grassroots level by people to harness the power of collective bargaining towards a common goal.
- In agriculture, cooperative dairies, sugar mills, spinning mills etc are formed.
- Village-level primary agricultural credit societies (PACSs) formed by farmer associations are the best example of grassroots-level credit flow.
- There are also cooperative marketing societies in rural areas and cooperative housing societies in urban areas.
- As market conditions are evolving, cooperatives in States such as Kerala have got into complex operations: running IT parks and medical colleges.
- More avenues for expansion, such as insurance, remain untapped and the regulatory regime must evolve in step.
- Though not uniform across India, cooperatives have made significant contributions in poverty alleviation, food security, management of natural resources and the environment.

How are cooperative societies governed?

- The legal architecture of the sector began evolving since 1904 under colonial

rule.
- In 2002, the Multi State Cooperative Societies Act was passed, taking into account the challenges arising out of liberalisation.
- Agriculture and cooperation are in the state list.
- So, a majority of the cooperative societies are governed by laws in their respective states.
- The MultiState Cooperative Societies Act, 2002 allowed for registration of societies with operations in more than one state.
- The Central Registrar of Societies is their controlling authority. But on the ground, the State Registrar takes actions on his/her behalf.

What is the need for a new Ministry?

- **Policy focus** - Alongside the state and the market, cooperatives play a vital role in the country's development.
- But they are seldom the focus of policy planning.
- The creation of a new Union Ministry will redeem the cooperatives sector from this negligence.
- **Management** - Despite regulatory oversight by the RBI and States, there is considerable autonomy for the sector which is often misused.
- Consequently, the cooperatives sector has become an instrument of patronage and pilferage.
- Mismanagement and corruption destroyed the sector in some States.
- Cooperatives are also effective in mediating politics at the local level, outside of the parliamentary system.
- It is thus essential to restore the importance of the cooperative societies for their intended purposes.
- **Funding** - The cooperative structure has managed to flourish and make an impact only in a handful of states.
- These include states like Maharashtra, Gujarat, Karnataka etc.
- [Cooperative institutions get capital from the Centre, either as equity or as working capital, for which the state governments stand guarantee.
- This formula had seen most of the funds coming to a few states while other states failed to keep up.]
- Over the years, the cooperative sector has witnessed drying out of funding.
- Under the new Ministry, the cooperative movement would get the required financial and legal power to penetrate into other states also.

What is the way forward?

- The premise of a cooperative is that decisions are made by those affected by them.
- Thus, the case for transparency and efficiency in the sector is strong.

- That goal must be pursued not by a fearful control mechanism but by advancing the cooperative spirit.
- But there is a fear that the new Ministry would concentrate even more powers in the hands of the Centre.
- If the move is an attempt to appropriate the significant political capital of the cooperative, it would turn counterproductive.
- The new Ministry should thus be a catalyst and not turn into a command authority.

Source: The Indian Express, The Hindu

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