NEXT IAS

DAILY EDITORIAL ANALYSIS

TOPIC

HOW COOPERATIVES CAN BOOST MSME POTENTIAL?

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In Context

- On July 5, 2025, India marks both the **fourth anniversary of its Ministry of Cooperation and the International Day of Cooperatives**, during a year globally recognized as the United Nations International Year of Cooperatives.
- This convergence underscores the renewed **relevance and strategic importance of the cooperative model in India's development agenda**, particularly within the Atmanirbhar Bharat (Self-Reliant India) vision.

Contemporary Relevance

- The cooperative movement in **India is the largest in the world**, with over 8.4 lakh registered cooperatives and a membership base of nearly 29 crore citizens, reflecting deep roots in the country's socio-economic fabric.
- The **2025 International Day of Cooperatives**, themed "**Cooperatives: Driving Inclusive and Sustainable Solutions for a Better World,"** highlights the sector's role in delivering people-centered, evidence-based solutions to challenges like economic concentration, inequality, and climate change.
- The **creation of the Ministry of Cooperation in July 2021** signaled a decisive policy shift, aiming to strengthen cooperatives at the grassroots, streamline regulatory processes, and transform them into engines of inclusive growth.

Philosophical Foundation

- Indian cooperatives are rooted in **Gandhian and Lohiaite ideals of self-help**, local democracy, and swaraj, emphasizing community spirit, mutual accountability, and equitable resource ownership.
- They serve as structural counterweights to both top-down government schemes and private corporations, promoting democratic ownership, grassroots participation, and local resource mobilization.

Structural Presence & Sectoral Spread

- **Cooperatives are diversified across sectors:** about 20% are in banking/credit, while the rest span dairy, sugar, agro-processing, housing, warehousing, and more.
- **Key players** like Amul, IFFCO, KRIBHCO, and NAFED exemplify successful cooperative business models, especially in dairy and fertilizers, compressing supply chains and ensuring better prices for producers.
- Cooperatives account for **35% of India's sugar production, 30% of fertilizer distribution, and 15% of short-term agricultural credit**, and contribute to significant employment, especially in rural and semi-urban areas.

How Cooperatives Can Boost MSME Potential?

- **Resource Pooling & Shared Infrastructure:** Cooperatives enable MSMEs—especially those run by artisans, farmers, and small producers—to pool resources such as tools, technology, and workspace. This reduces individual costs, increases efficiency, and allows members to benefit from economies of scale.
- **Access to Finance:** By operating collectively, MSMEs within cooperatives can access credit, savings, and insurance more easily.
- **Market Linkages & Branding:** Cooperatives help MSMEs reach wider markets through collective branding, quality certification, and e-commerce integration. **For example, the Amul cooperative** has enabled thousands of small dairy producers to market products nationally under a unified brand, achieving both scale and recognition.
- **Skill Development & Innovation**: Cooperatives foster a supportive environment for skill training, knowledge sharing, and innovation.
    - The **PM Vishwakarma Yojana**, launched in 2023, is designed to empower traditional artisans through skill upgradation, financial access, and market integration, with cooperatives providing the ecosystem for collective access to tools, credit, branding, and digital platforms.

- **Collective Bargaining & Advocacy:** Cooperatives represent the interests of MSMEs in policy forums and negotiations, ensuring their voices are heard and their needs addressed in government schemes and regulations.
- **Inclusive & Sustainable Growth:** The cooperative model promotes self-reliance, job creation, and grassroots participation, which are essential for inclusive and sustainable economic development.
- **Risk Mitigation:** By sharing risks and rewards, cooperatives provide a safety net for MSMEs, making them more resilient to market fluctuations and economic shocks.

Challenges Facing Cooperatives and MSMEs in India

- **Poor Infrastructure:** Many cooperatives, especially at the grassroots, lack adequate physical and digital infrastructure, limiting their operational efficiency and market outreach.
- **Government Interference and Outdated Laws**: Excessive regulation and political interference undermine autonomy, transparency, and democratic functioning of cooperatives.
- **Mismanagement and Nepotism:** Weak governance, mismanagement, and nepotistic recruitment practices have eroded trust and hampered professional growth within cooperatives.
- **Socio-economic Disparities and Exclusion**: Structural inequalities persist, with marginalized communities often excluded from meaningful participation and leadership roles within cooperatives.
- **Digital & Financial Exclusion:** Many rural cooperatives and MSMEs lack digital literacy, e-payment capability, or access to online markets. For example: Lack of awareness and handholding prevents Udyam registration or linking with digital portals like GeM (Government eMarketplace).
- **Low Awareness of Government Schemes:** Even flagship schemes like PMEGP, PM Vishwakarma, SFURTI, and MUDRA see under-utilisation due to poor IEC (Information, Education, Communication) outreach at grassroots.

Way Forward

- **Reform Cooperative Governance and Autonomy:** Ensure time-bound, transparent elections in all registered cooperatives. Digitise cooperative records under e-Sahakarita Mission Mode Project for transparency.
- **Cluster-Based Development Model:** Promote activity-specific cooperatives at the block/district level under the Cluster Development Programme (CDP).
  - Integrate PM Vishwakarma beneficiaries into cooperative clusters like:
  - Tailor clusters in Tirupur
  - Pottery in Khurja
  - Handloom in Varanasi
- **Credit Access Through Tailored Financial Instruments:** Strengthen NABARD refinance schemes for PACS and agri-coops.
  - Design Cooperative Credit Guarantee Fund (CCGF) for MSME-linked cooperatives.

Conclusion: Cooperatives in the Vision of Viksit Bharat@2047

- As India aspires to become a developed nation by 2047, cooperatives are positioned as key drivers of democratic, decentralized, and inclusive growth.
- Rather than being viewed as legacy institutions, cooperatives are now recognized as vital for sustainable, community-led development, capable of integrating traditional knowledge, modern business practices, and social equity into the heart of India's economic transformation.

Mains Practice Question

[Q] Evaluate how convergence of schemes like PM Vishwakarma and cooperative societies can help achieve inclusive and sustainable development.