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**REIMAGINING COOPERATIVES IN  
INDIA**

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## REIMAGINING COOPERATIVES IN INDIA

### In Context

- With the United Nations declaring 2025 as the **International Year of Cooperatives (IYC)** under the theme “**Cooperatives Build a Better World**”, India’s cooperative sector has gained renewed global attention.

### About

- The cooperative idea in India is deeply rooted in the civilisational philosophy of **Vasudhaiva Kutumbakam**, the world as one family emphasising mutual help, shared responsibility & collective prosperity.
- According to the **International Cooperative Alliance**, cooperatives are member-owned and member-governed enterprises that pursue economic, social and cultural objectives through democratic decision-making.

### Historical Evolution

The Indian cooperative movement has transitioned through four major phases, evolving from simple credit providers to multi-sectoral economic engines.

- Experimental Phase (1904–1911):** Initiated by the Cooperative Credit Societies Act, 1904, primarily to rescue farmers from the debt traps of moneylenders.
- Expansion Phase (1912–1947):** The 1912 Act allowed for non-credit societies (marketing, housing, etc.). The 1919 Reforms made “Cooperation” a provincial subject, allowing states to tailor laws to local needs.
- State-Led Growth (1947–2020):** Cooperatives were integrated into Five-Year Plans. Landmarks included the birth of Amul (1946), the establishment of NCD (1963) for development, and NABARD (1982) for refinancing rural credit.
- Structural Transformation (2021–Present):** The creation of the Ministry of Cooperation (July 6, 2021) shifted the focus toward professionalization and “Ease of Doing Business.”



### Importance of Cooperatives in India

- Economic Impact:**
  - ♦ **GDP Contribution:** Cooperatives drive a significant portion of the rural economy, aiming to contribute significantly to India’s goal of a \$5 trillion economy.
  - ♦ **Market Leadership:** Major players like IFFCO and Amul dominate their sectors, providing high-quality fertilizers and dairy products while competing globally.
  - ♦ **Employment:** They provide direct and indirect livelihoods to over 30 crore (300 million) people, particularly in rural areas.

- **Financial Inclusion:**
  - ♦ **Affordable Credit:** PACS (Primary Agricultural Credit Societies) provide low-interest loans to small farmers, protecting them from informal moneylenders.
  - ♦ **Three-Tier Banking:** A robust network of state, district, and primary levels ensures that financial services reach the “last mile” where commercial banks often do not operate.
- **Agricultural Support:**
  - ♦ **Input Supply:** Cooperatives ensure the timely distribution of seeds, fertilizers, and pesticides at fair prices.
  - ♦ **Bargaining Power:** By aggregating produce, small farmers gain the scale needed to negotiate better prices with large buyers.
  - ♦ **Storage Solutions:** The “World’s Largest Grain Storage Plan” is creating local godowns at the PACS level to reduce post-harvest losses.
- **Social Development:**
  - ♦ **Democratic Governance:** Operated on the principle of “one member, one vote,” ensuring that decision-making power remains with the community rather than shareholders.
  - ♦ **Women’s Empowerment:** Cooperatives like Lijjat Papad and women-led dairy societies have provided millions of women with financial independence.
  - ♦ **Fair Pricing:** They act as a market stabilizer, ensuring consumers get fair prices while producers receive a majority share of the profit.
- **Modernization & Innovation:**
  - ♦ **Digital Transformation:** Over 63,000 PACS are being computerized to ensure transparency and real-time auditing.
  - ♦ **Diversification:** Beyond farming, cooperatives are now entering organic exports, seed production, and renewable energy (biogas).
  - ♦ **Multi-Service Hubs:** Village cooperatives are being converted into Common Service Centers (CSCs) and Janaushadhi Kendras to provide digital services and low-cost medicines.

### Major Initiatives Taken For Cooperatives

- **Strengthening Primary Agricultural Credit Societies (PACS):**
  - ♦ **Model Bye-laws:** New bye-laws have been adopted by 32 States/UTs, allowing PACS to expand from simple credit providers to multipurpose entities involved in over 25 business activities, including fisheries, dairy, and storage.
  - ♦ **Nationwide Computerization:** A ₹2,925 crore project is digitizing 79,630 PACS. Currently, 59,261 PACS are using a common national ERP software in 14 languages, ensuring transparency and real-time auditing.
  - ♦ **e-PACS Integration:** Over 32,119 PACS are now enabled as “e-PACS,” digitally linked to NABARD through State and District Cooperative Banks for seamless credit flow.
- **Diversification as Multi-Service Hubs:**
  - ♦ **Healthcare Access:** 812 PACS are now operational as Pradhan Mantri Bhartiya Janaushadhi Kendras, providing low-cost medicines to rural areas.
  - ♦ **Digital Service Centers:** More than 51,836 PACS now function as Common Service Centres (CSCs), delivering over 300 e-services (like Aadhaar and bill payments) to villagers.
- **Global Scaling & Specialized Apex Bodies:**
  - ♦ **NCOL (Organics):** Markets certified organic produce under the “Bharat Organics” brand, featuring 28 pesticides-tested products.
  - ♦ **BBSSL (Seeds):** An apex society for the production and branding of high-quality “Bharat Beej” seeds.

- **Major Livelihood & Storage Projects:**
  - ♦ **World's Largest Grain Storage Plan:** A pilot project has already created 68,702 MT of storage capacity in 112 PACS, reducing post-harvest losses and improving food security.
  - ♦ **White Revolution 2.0:** A 5-year plan to increase milk procurement by 50%. So far, 20,070 new Dairy Cooperative Societies have been registered.
  - ♦ **Atmanirbharta Abhiyan:** Ensures assured procurement of pulses and maize at MSP through digital platforms like e-Samyukti and e-Samridhi.
- Financial & Legislative Reforms:
  - ♦ **Tax Relief:** The cooperative surcharge was reduced from 12% to 7%, and the Minimum Alternate Tax (MAT) was lowered to 15%.
  - ♦ **Sugar Sector Revival:** Provided tax relief of over ₹46,000 crore to cooperative sugar mills and disbursed ₹10,005 crore for ethanol and cogeneration units.
  - ♦ **Banking Support:** Launched the "Sahkar Sarathi" shared service entity to support Rural Cooperative Banks with digital and audit services.
- **Education & Mobility:**
  - ♦ **Tribhuvan Sahkari University (TSU):** Established in April 2025 as India's first national university for the cooperative sector to build a professional workforce.
  - ♦ **Sahkar Taxi:** Launched India's first cooperative-led mobility platform (supported by Amul and IFFCO), currently trial-running with 1.5 lakh drivers.

### Challenges Facing the Cooperative Sector

- **Regional Imbalance:** Western India dominates and North-East and eastern states lag.
- **Governance Deficits:** Politicisation, nepotism ("Uncle Judge Syndrome"), weak accountability.
- **Infrastructure Gaps:** Storage, logistics and processing still inadequate at scale.
- **Financial Stress:** NPAs in cooperative banks; limited access to long-term capital.

### Way Ahead

- **Balanced regional expansion:** Replicate successful models of Gujarat and Maharashtra in lagging regions
- **Technology deepening:** Use AI, data analytics and blockchain for audits, traceability and fraud prevention
- **Credit-plus model:** Convert PACS into sustainable multi-service business centres
- **Global branding:** Scale "Bharat" brands in seeds, organics and agri-exports to access high-value global markets

### Conclusion

- India's cooperative movement has evolved from a narrow rural credit mechanism into a multi-sectoral pillar of inclusive growth. Backed by digital reforms, institutional innovation and policy support, cooperatives today play a vital role in strengthening rural livelihoods, deepening democracy and promoting sustainable development.

### Daily Mains Practice Question

[Q] Digitisation and professionalisation are critical to the sustainability of the cooperative sector in India.

Source: IE