



MAINS iMPACT 2025

27-07-2025

## COOPERATIVES IN INDIA

### SYLLABUS:

GS 2 > Social justice > Development Processes & Industry > Cooperatives

### REFERENCE NEWS:

- Recently, Union Home and Cooperation Minister Amit Shah unveiled the **National Cooperation Policy 2025**, aiming to **connect 50 crore people** with the cooperative sector.

### MORE ON NEWS:

- The minister said that **Dalits, Adivasis, and women** are at the core of the new cooperative policy.
- This is only the **second such policy** for the sector since Independence, with the **first being introduced in 2002** by Prime Minister Atal Bihari Vajpayee's government.
- Expressing confidence that India will become the **third largest economy by 2027**, the minister emphasised the need for the **inclusive development of 130 crore people**, noting that it is the cooperative sector that has the potential to change the lives of people.

### **NATIONAL COOPERATION POLICY 2025:**

- The objective of the National Cooperative Policy is to make cooperative institutions **inclusive, manage them professionally, prepare them for the future** and be able to **create large scale employment** and livelihood opportunities especially in rural India.
- The new cooperative policy will prove to be a milestone in the cooperative movement of India for the **next two decades from 2025-45**.
- The new policy will lay the roadmap for achieving the vision of **"Sahkar-se-Samriddhi"** and contribute to India's collective ambition of becoming **"Atmanirbhar"** and **"Viksit"** by **2047**.

### **Six Pillars of the Policy:**

- 1. Strengthening the Foundation:** Improve governance, financial health, and professional management of cooperatives.

2. **Promoting Vibrancy:** Encourage innovation, competition, and self-reliance.
3. **Preparing for the Future:** Integrate technology, digital tools, and global best practices.
4. **Enhancing Inclusivity & Reach:** Bring marginalized groups (Dalits, Adivasis, women, youth) into cooperative ownership.
5. **Expanding into New Sectors:** Move beyond agriculture to modern service and energy sectors.
6. **Preparing the Younger Generation:** Train and equip youth for leadership in cooperatives.

**National Cooperative Policy 2025**  
Future of the Policy and Its Impact  
"A Vision for 2047, Strengthened by Cooperation"

The policy will contribute to the goals of 'Viksit Bharat @2047' and Atmanirbhar Bharat.

It will accelerate **employment generation, women empowerment** and **rural development**.

It will boost **digital** and **financial inclusion**.

The **cooperative-based economic model** will become a key driver of India's future growth.

The policy will lay a strong foundation for both **economic development** and **social justice** within the cooperative sector.

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## COOPERATIVES:

- Cooperatives are **people-centred enterprises jointly owned and democratically controlled** by and for their members to realise their common economic, social and cultural needs and aspirations.
- Its aim is to serve the interest of the members, usually from poorer sections of society, through the **principle of self-help and mutual help**.
- In India, a cooperative society can be formed under provisions of the **Co-operative Societies Act, 1912**.



## HISTORY OF COOPERATIVES IN INDIA:

### **Pre-Independence Era:**

- **The Cooperative Credit Societies Act** was introduced in 1904, succeeded by the 1912 Cooperative Societies Act.
- The **National Cooperative Union of India (NCUI)** was founded in 1929 to bolster the cooperative movement.
- The **Montague-Chelmsford Reforms of 1919** allowed provinces to enact their cooperative laws.
- Land Mortgage Cooperative Banks were established in 1938 for debt relief and land improvement efforts.
- Co-operative societies received support from Jawaharlal Nehru, India's first Prime Minister.

### **Post-Independence Era:**

- The **Reserve Bank of India began refinancing State Cooperative Banks** in 1948 to aid agricultural cooperatives.
- The **National Cooperative Development Corporation (NCDC)** was set up in 1963 under the Ministry of Agriculture & Farmers Welfare.
- The Multi-State Cooperative Societies Act was enacted in 1984 to streamline cooperative laws.
- In 2002, the **National Policy on Cooperatives** was introduced by the Atal Bihari Vajpayee Government.
- The **97th Constitutional Amendment Act of 2011** granted constitutional status and protection to cooperative societies.
- The '**Ministry of Cooperation**' was created by the Union Government in July 2021 to realise the vision of '**Sahkar se Samridhhi**' (prosperity through cooperatives).

#### **97<sup>th</sup> Constitutional Amendment Act of 2011:**

- It made the right to form co-operative societies a **fundamental right (Article 19(1))**.
- It included a new Directive Principle of State Policy on promotion of cooperative societies (**Article 43-B**).

- It added a new **Part IX-B** in the Constitution which is entitled “The Cooperative Societies” (Articles 243-ZH to 243-ZT).

### **FEATURES OF COOPERATIVES:**

- **Open Membership:** Membership is open to all with a common interest, requiring a minimum of ten members to form a society.
- **Voluntary Association:** Membership is voluntary, with freedom to join, continue, or leave at will.
- **State Control:** Co-operative societies are covered under **Entry 32 of the state list** in the Seventh Schedule, leading to state-specific legislations. These societies must register, comply with member and business disclosures, and undergo government audits as regulated by state laws.
- **Sources of Finance:** Capital is raised from members, along with loans and grants from the government.
- **Democratic Management:** Managed by a member-elected Board of Directors, with one vote per member.
- **Service Motive:** Aimed at providing service over profit maximization, such as selling goods at reasonable prices to members.
- **Separate Legal Entity:** Registered under the Co-operative Societies Act, it has its own legal identity for agreements, property transactions, etc.
- **Distribution of Surplus:** Profits are shared based on participation in the society's business, not shareholding.
- **Self-help through Mutual Cooperation:** A business model based on pooled resources for mutual benefit.

### **COOPERATIVES IN INDIA:**

- At present, India has more than **8.44 lakh cooperative societies spanning 30 sectors**, including credit, housing, marketing, dairy, fisheries, and more—functioning as essential instruments for rural credit, self-employment, and collective economic strength.



- As part of the **International Year of Cooperatives (IYC) 2025** declared by the **United Nations**, the Ministry of Cooperation has launched a comprehensive **National Action Plan** to position Indian cooperatives on the global stage. The plan focuses on showcasing **India's successful cooperative models—like AMUL, IFFCO and KRIBHCO**—through international exhibitions, documentation of best practices, and digital outreach.

Some Most Successful Cooperatives in India

Cooperative	Sector	Notable Achievement
AMUL (GCMMF)	Dairy	India's largest dairy cooperative; played a pivotal role in the "White Revolution" which helped India become the world's largest milk producer; turnover above 7.3 billion.
IFFCO	Fertilizer	India's largest fertilizer cooperative and the world's largest cooperative by GDP per capita; with revenue above 7.3 billion (FY23), its remarkable growth earned it a place in Fortune India 500 list.
Karnataka Milk Federation (Nandini)	Dairy	Second-largest dairy cooperative in India; operates with 15 milk unions across Karnataka, procuring milk from primary dairy coop societies; serves both urban and rural markets, benefiting over 1,500 members.
Indian Coffee House Society	Consumer/Restaurants	Managed by a network of worker cooperatives; approx. 400 coffee outlets.
Uralungal Labour Contract Cooperative Society	Labour Cooperative Society	Oldest labour cooperative society in India; With a membership of around 1415 individuals, ULCCS has successfully completed more than 7500 projects

#### **TYPES OF CO-OPERATIVE SOCIETIES:**

- **Consumers' Co-operative Society:** Formed to make consumer goods available at reasonable prices by buying directly from producers, eliminating middlemen. E.g., Kendriya Bhandar.
- **Producers' Co-operative Society:** Aims to support small producers by providing necessary production items like raw materials and machinery. E.g., Handloom societies such as Haryana Handloom.
- **Co-operative Marketing Society:** Helps small producers/manufacturers sell their products collectively, taking on the responsibility of marketing. **E.g., Gujarat Co-operative Milk Marketing Federation (AMUL).**
- **Co-operative Credit Society:** Offers financial support to members, accepting deposits and providing loans at reasonable interest rates. E.g., Village Service Co-operative Society.
- **Co-operative Farming Society:** Allows small farmers to collaborate for the benefits of large-scale farming. E.g., Lift-irrigation societies.
- **Housing Co-operative Society:** Provides residential houses or flats to members, also offering construction loans at low interest. E.g., Central Government Employees Housing Society.

#### **ADVANTAGES OF COOPERATIVES:**

- **Inclusiveness:**

- Co-operatives support inclusivity, mirroring India's diverse society. For instance, **Amul's model is inclusive**, allowing thousands of small dairy farmers to join the cooperative, irrespective of their caste, religion, or socioeconomic status.
- **Promotes participatory governance:**
  - They encourage democratic participation. A good example is the **Uralungal Labour Contract Co-operative Society (ULCCS)** in Kerala, where members actively contribute to decision-making processes.
- **Poverty eradication:**
  - Co-ops boost community welfare by **offering essential amenities, infrastructure, and collective bargaining**, leading to better living standards. Profits are reinvested locally, enhancing community development. An example is **Lijjat Papad**, which provides sustainable employment, notably to women, contributing to poverty reduction.
- **Employment generation:**
  - Through its activities, cooperatives generate employment opportunities for the unskilled and the skilled. According to the Ministry of Cooperation, there are around 8.5 lakh cooperatives in India, with about **1.3 crore people directly attached to them**.
- **Industrial growth:**
  - Many cooperatives have emerged into major market players. **Eg: Indian Farmers Fertilisers Cooperative (IFFCO)** has around a third of the market share in fertilizers.
- **Eliminates Middlemen:**
  - Co-operatives allow **direct control over supplies by members**, cutting out middlemen to ensure fair pricing and better market access for producers, exemplified by **Amul's direct purchasing** from dairy farmers.
- **Capacity building:**
  - Co-operatives enhance their development through education and skill training for all involved, from members to managers. An example is Amul's introduction of micro-ATM services for its dairy farmers, improving banking access.

#### CASE STUDY : AMUL

- Amul, based in Anand, Gujarat, is known worldwide for its cooperative model, which was launched to **protect dairy farmers from exploitation**.
- Inspired by Sardar Patel and driven by Dr. Verghese Kurien, the initiative led to the formation of the Kaira District Co-operative Milk Producers' Union Limited.
- Its structure, known as the "**Anand Pattern**," features a **three-tiered system** of village cooperatives, district unions, and state federations, ensuring fair pay for farmers and contributing to the dairy sector's growth in India.

#### ISSUES SURROUNDING COOPERATIVES:

- **Lack of Spontaneity:** The cooperative movement in India often **lacks grassroots initiation**, predominantly **initiated by government actions** rather than from community members themselves. For example, government-initiated cooperatives

in rural areas are seen more as **top-down impositions** rather than organic, community-led initiatives.

- **Over-Reliance on Government Support:** Indian cooperatives heavily depend on **government subsidies and support**, undermining their autonomy and making them prone to political manipulation. State interventions in share capital and financial aid exemplify this dependence, leading to political influence in cooperative operations.
- **Functional Weakness:** There's a significant **gap in skilled personnel** within cooperatives due to insufficient training facilities and the sector's inability to attract skilled youth. This has resulted in **operational inefficiencies and a lack of innovation** within the movement.
- **Restricted Coverage:** Many cooperatives are limited in scope, serving only a small number of members and covering minimal geographical areas, often just one or two villages. This limitation is more **pronounced in Eastern and Northeast states compared to well-developed cooperatives in Maharashtra and Gujarat**.
- **Political Interference:** Rural cooperatives have become arenas for political manoeuvring, with political considerations often influencing the selection of beneficiaries. The **sugar cooperatives in Maharashtra** are a prime example, where their significant political influence attracts keen interest from political parties.
- **Influence of Money & Caste:** Despite the cooperative movement's democratic ethos, it has been undermined by the dominance of wealthier and higher caste members who often secure top positions within these societies. This has distorted the equitable principle of cooperatives, concentrating power among the affluent and socially privileged.

#### **WAY FORWARD:**

- **Professionalization & Digitalization:** Implement modern management practices, use digital tools for transparent operations, and ensure professional leadership to enhance efficiency.
- **Financial Autonomy:** Reduce over-reliance on government subsidies by diversifying funding sources through cooperative banks, venture funds, and member-driven capital.
- **Capacity Building:** Establish robust training programs and cooperative universities to skill youth and managers, fostering innovation and entrepreneurship.
- **Strengthening Inclusivity:** Create targeted schemes for Dalits, Adivasis, women, and youth, ensuring their active participation and representation in decision-making.
- **Regulatory Reforms:** Simplify cooperative laws, harmonize central and state regulations, and strengthen self-regulatory bodies like NUCFDC for urban cooperatives.
- **Scaling Success Models:** Replicate successful cooperative models like **Amul, IFFCO, and ULCCS** across sectors such as green energy, tourism, and digital services.

- **Global Outreach:** Leverage the **International Year of Cooperatives 2025** to showcase India's cooperative strength globally, forging international collaborations and export opportunities.

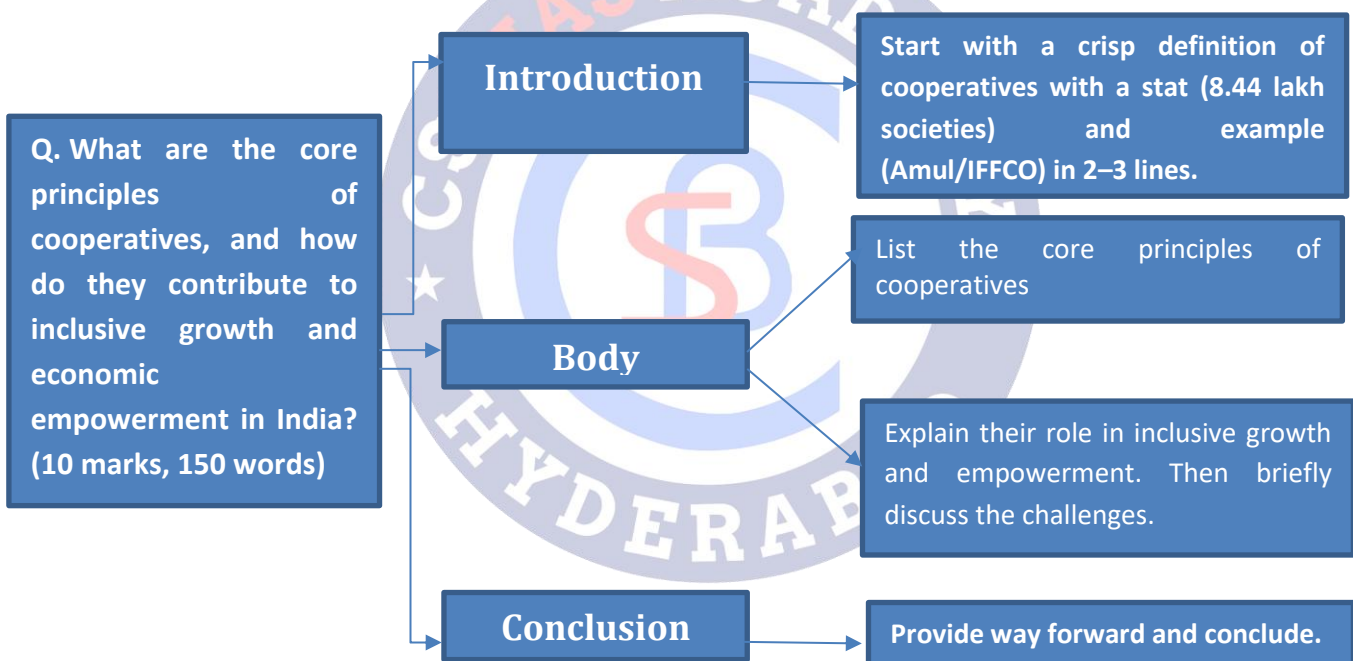
### CONCLUSION:

- Cooperatives in India have evolved from grassroots movements to critical pillars of inclusive growth, empowering millions through collective efforts. The **National Cooperation Policy 2025** marks a new era by combining inclusivity, technology, and multi-sectoral expansion. With focused reforms and active participation, cooperatives can play a transformative role in realizing India's vision of "**Sahkar se Samridhi**" and becoming a **Viksit Bharat by 2047**.

### PRACTICE QUESTION:

**Q. What are the core principles of cooperatives, and how do they contribute to inclusive growth and economic empowerment in India? (10 marks, 150 words)**

### APPROACH:



### MODEL ANSWER:

Cooperatives are **people-centric, member-owned enterprises** that operate on the principles of **self-help, mutual assistance, and democratic control**. India has **8.44 lakh cooperatives** across 30 sectors (credit, dairy, fisheries, housing) with **1.3 crore members**, serving as vital engines of rural credit, collective bargaining, and self-employment. Successful models like **Amul, IFFCO, KRIBHCO, and Lijjat Papad** highlight their role in driving social and economic transformation.

### **Core Principles of Cooperatives:**

1. **Open and Voluntary Membership** – No discrimination based on caste, gender, or class; e.g., Amul includes thousands of small farmers.



2. **Democratic Control** – Equal voting rights, ensuring participatory decision-making.
3. **Economic Participation of Members** – Members share both ownership and benefits.
4. **Autonomy and Independence** – Operate as self-help organizations with limited government interference.
5. **Education and Training** – Capacity building for members (e.g., Amul's farmer training programs).
6. **Cooperation Among Cooperatives** – Networking for larger collective benefits.
7. **Concern for Community** – Prioritizing social development over profit.

#### Contribution to Inclusive Growth and Empowerment:

1. **Economic Upliftment of Marginal Groups:** Cooperatives bring **Dalits, Adivasis, and women** into mainstream economic activities by ensuring ownership and profit-sharing. For example, **Lijjat Papad** has empowered over 45,000 women by providing sustainable income.
2. **Rural Employment and Entrepreneurship:** About **1.3 crore individuals** are directly employed in cooperatives, with additional indirect livelihood opportunities through value chains (e.g., Amul's dairy farmers).
3. **Poverty Reduction:** Co-ops promote collective bargaining and fair pricing for products, improving household incomes. **Amul's direct farmer-producer linkages** have transformed Gujarat's dairy economy.
4. **Strengthening Social Equity:** Cooperatives democratize economic power, reducing dependence on exploitative middlemen, as seen in the **ULCCS model in Kerala**.
5. **Industrial and Market Growth:** Organizations like **IFFCO**, with one-third of India's fertilizer market share, show how cooperatives contribute to **industrial output and agricultural productivity**.
6. **Capacity and Skill Development:** Cooperatives invest in education, financial literacy, and digital inclusion (e.g., micro-ATM services introduced by Amul).
7. **Community Development:** Profits are reinvested in local infrastructure, health, and education, promoting **sustainable, community-led growth**.

#### Challenges:

- **Political Interference:** Decision-making often driven by political interests, especially in rural cooperatives.
- **Over-reliance on Subsidies:** Heavy dependence on government support reduces autonomy.
- **Regional Imbalance:** Strong in Gujarat and Maharashtra but weak in Eastern and Northeastern states.
- **Financial Weakness:** Low capital reserves and poor risk management.
- **Elite Dominance:** Wealthier members monopolize leadership roles.
- **Lack of Professionalism & Tech:** Limited trained manpower and digital adoption.

**Way Forward:**

- Promote **professional management, digitalization, and transparent governance**.
- Foster **financial autonomy** through cooperative banks and member-driven capital.
- **Skill-building initiatives** for youth and marginalized communities.
- **Replicate successful models** like Amul and ULCCS across new sectors (tourism, green energy).
- **Leverage global platforms**, especially during the **International Year of Cooperatives 2025**, to highlight Indian cooperative successes.

Cooperatives are **vehicles of social inclusion and economic resilience**, offering a participatory model that balances profit with community welfare. The **National Cooperation Policy 2025**, with its emphasis on Dalits, Adivasis, and women, has the potential to make cooperatives a key pillar for achieving “**Sahkar se Samriddhi**” and building a **Viksit Bharat by 2047**.

