5. FALL OF COOPERATIVES - ECONOMY

The central government has informed Parliament that nearly half of India's cooperatives are defunct, loss-making or under liquidation

1.Introduction

1. The cooperative sector in India plays a crucial role in promoting inclusive growth, rural development, and collective economic participation.
2. However, recent data reveals deep structural distress, with a significant proportion of cooperatives either non-functional, loss-making, or under liquidation.
3. This situation highlights governance deficiencies, financial instability, and regional imbalances within the cooperative ecosystem.

2.Status of Cooperatives in India

Overall Institutional Health

1. Nearly 47% of cooperatives are either defunct, loss-making, or under liquidation, indicating a systemic institutional crisis.
2. Out of approximately 8.48 lakh cooperatives, only about 41% are profitable, reflecting weak financial sustainability.
3. Around 1.41 lakh cooperatives are non-functional, suggesting structural inefficiencies and lack of operational viability.
4. Nearly 47,688 societies are under liquidation, pointing to severe financial distress and legal complications.
5. Profit and loss data is unavailable for around 99,000 cooperatives, highlighting serious gaps in transparency and monitoring.

Regional Disparities

1. Western and southern states such as Maharashtra, Gujarat, Karnataka, and Tamil Nadu show relatively better performance due to stronger institutional frameworks.
2. Northern and eastern states lag behind, reflecting weak governance structures and lower cooperative penetration.
3. This uneven distribution underscores the need for region-specific policy interventions.

3.Sector-wise Performance and Issues

Dairy Cooperatives

1. Dairy cooperatives face declining profitability due to falling milk prices and rising input costs such as feed and logistics.
2. Climate variability and global supply disruptions have increased procurement costs, further straining margins.
3. Many units have become non-functional or are under liquidation due to sustained losses.

Housing Cooperatives

1. Housing cooperatives are affected by financial mismanagement, delayed redevelopment, and non-payment of dues.
2. Cooperative bank scams have eroded depositor confidence and disrupted financial flows.
3. Weak regulatory oversight has compounded governance issues.

Credit and Thrift Societies

1. These societies suffer from inadequate regulatory supervision and poor lending practices.
2. High-risk lending and fraudulent activities have increased defaults and financial instability.
3. Trust deficit among members has weakened the cooperative credit ecosystem.

Labour Cooperatives

1. Labour cooperatives have limited presence and face challenges such as taxation issues and lack of competitiveness.
2. Mismanagement and contractual constraints reduce their sustainability.
3. Bankruptcy risks remain high due to unstable revenue streams.

Women Welfare Cooperatives

1. These cooperatives show relatively better stability but face constraints in accessing finance and markets.
2. Low utilisation of government schemes and socio-cultural barriers hinder their expansion.
3. Institutional support remains inadequate, especially in less developed regions.

4.Key Reasons for Poor Performance

Governance and Institutional Weaknesses

1. Financial mismanagement and corruption have undermined trust and efficiency.
2. Low member participation weakens democratic functioning and accountability.
3. Lack of professional management limits operational efficiency.

Regulatory Gaps

1. Weak oversight, especially in small credit societies, allows irregularities to persist.
2. Fragmented regulatory framework creates inconsistencies across states.
3. Absence of robust audit and compliance mechanisms reduces transparency.

Economic and External Factors

1. Price volatility and climate shocks adversely affect sectors like dairy and agriculture.
2. Global disruptions increase input costs and reduce competitiveness.
3. Limited integration with markets restricts revenue generation.

Resource Constraints

1. Limited access to credit, technology, and modern infrastructure hampers growth.
2. Smaller cooperatives lack economies of scale.
3. Women and marginalised groups face additional barriers in accessing resources.

5.Government Initiatives and Policy Response

National Cooperation Policy, 2025

1. Aims to revitalise the cooperative sector and expand its outreach to nearly 50 crore people.
2. Focuses on strengthening governance, transparency, and financial sustainability.
3. Promotes modernisation and professionalisation of cooperatives.

Inclusive Growth Measures

1. Emphasises participation of women, Dalits, and Adivasis to ensure equitable development.
2. Encourages grassroots-level institutional strengthening.
3. Seeks to bridge regional disparities.

Expansion into Emerging Sectors

1. Government is promoting cooperatives in new sectors such as taxi services, insurance, and green energy.

2. Initiatives like Bharat Taxi aim to provide alternative livelihood opportunities.
3. Diversification is expected to enhance resilience and income generation.

6.Strategic Significance of Cooperatives

Role in Rural Economy

1. Cooperatives facilitate access to credit, inputs, and markets for small and marginal farmers.
2. They strengthen local economies and reduce income inequalities.
3. They act as instruments of collective bargaining and empowerment.

Contribution to Inclusive Development

1. Promote participatory governance and democratic decision-making.
2. Enable socio-economic upliftment of vulnerable groups.
3. Support sustainable and community-driven development models.

7.Way Forward

Governance Reforms and Professionalisation

1. Introduce professional management practices and strengthen internal governance structures.
2. Ensure regular audits, transparency, and accountability mechanisms.

Strengthening Regulatory Framework

1. Harmonise regulatory systems across states for uniform standards.
2. Enhance supervision of credit cooperatives to prevent financial irregularities.

Capacity Building and Technology Integration

1. Provide training and skill development for cooperative members and management.
2. Promote digitalisation for better record-keeping, monitoring, and service delivery.

Financial and Market Support

1. Improve access to institutional credit and financial inclusion.
2. Facilitate market linkages and value chain integration.

Conclusion

The cooperative sector in India stands at a critical juncture, facing structural challenges but also holding immense potential for inclusive growth. Addressing governance deficits, strengthening regulatory frameworks, and promoting innovation are essential for revival. With sustained policy support and institutional reforms, cooperatives can emerge as key drivers of equitable and sustainable economic development.

Source- https-//www.thehindu.com/news/national/cooperatives-of-india4705-of-indias-societies-defunct-under-liquidation-or-in-loss/article70768667.ece