



ROLE OF COOPERATIVES IN INDIA - GS II AND III MAINS

Q. Cooperatives have the potential to drive rural transformation and contribute to India's growth story with sufficient financial and technical support. Elucidate (15 marks, 250 words)

News: *Cooperative Sector and its Role in India*

What's in the news?

- The Prime Minister, Shri Narendra Modi inaugurated and laid the foundation stone of multiple key initiatives for the Cooperative sector at Bharat Mandapam, New Delhi. The Prime Minister inaugurated the pilot project of 'World's Largest Grain Storage Plan in Cooperative Sector', which is being done in 11 Primary Agricultural Credit Societies (PACS) of 11 States.
- The Prime Minister also laid the foundation stone for additional 500 PACS across the country for construction of godowns & other agri infrastructure under this initiative.

Cooperatives:

- Cooperatives are voluntary associations that are jointly owned and democratically controlled enterprises, addressing shared economic, social, and cultural needs. The **97th Constitutional Amendment Act** incorporated the term 'cooperatives' into **Article 19(1)(c)**, granting the right to form cooperatives, and introduced Article 43(B) in the DPSP (Part IV) to support the promotion of these societies.
- Recently, the creation of separate ministry signifies the importance our present government associate with the potential of cooperation in achieving inclusive growth through "Sabka Sath Sabka Vikas".

Significance of Cooperatives in India:

1. Employment Generation:

- Cooperatives can create employment opportunities in areas where traditional employment opportunities are limited.
- Cooperatives provide jobs for their members and their families, and often employ people from disadvantaged communities, women and youth.

2. Poverty Reduction:

- Cooperatives can contribute to poverty reduction by providing members with access to credit, training and other resources that enable them to start or expand their own businesses.
- Cooperatives can also provide affordable goods and services to their members, such as healthcare, housing and education.



3. Social Welfare:

- Cooperatives promote social welfare by providing members with a sense of community and belonging. Members work together to achieve common goals and share the benefits of their collective efforts.
- Cooperatives also promote social responsibility by supporting community development projects and by practicing ethical and sustainable business practices.

4. Promotes Sustainable Agricultural Practices:

- Cooperatives enable small-scale organic farmers to access markets that may otherwise be challenging to reach individually.
- By pooling their resources and products, cooperatives can negotiate better prices, secure bulk orders, and establish stronger market linkages.
- This enhances the economic viability of organic farming, improves farmers' income, and promotes sustainable agricultural practices.

5. Financial Inclusion:

- Cooperatives can provide financial services to people who are excluded from the formal banking system.
- Cooperatives offer a range of financial services, including savings, loans, and insurance, that enable members to meet their financial needs and build assets over time.

6. Empowerment:

- Cooperatives empower members by giving them a voice in decision-making and by promoting democratic control.
- Members have equal voting rights and participate in the management of the cooperative, which enhances their leadership skills and promotes civic engagement.

7. Provide Quality Education:

- Cooperatives play a significant role in facilitating access to education by increasing household incomes, which translates into the ability to meet educational costs.
- Where local governments have been unable to provide school infrastructure, cooperatives can fill the gap to build and support local schools.
- For example, Sahakari Shikshan Sanstha is a cooperative organization in Maharashtra managing educational institutions that focuses on quality education, skill development, and vocational training for diverse student backgrounds.

8. Ensure Healthy Lives:

- Cooperatives ensure healthy lives by creating the infrastructure for delivering healthcare services; financing healthcare and providing home-based healthcare services to people living with HIV/AIDS, among others.
- For example, Yeshasvini Rural Cooperative Health Scheme by Govt. Of karnataka.



9. Good Governance and Effective Institutions:

- Collectively members own their co-operative and through democratic arrangements they participate in its governance. Individually they have a right to information, a voice and representation.
- For example, The National Cooperative Development Corporation (NCDC) exemplifies good governance by providing financial and technical support to cooperatives, ensuring transparency and accountability in cooperative development.

Challenges in Cooperatives of India:

1. Weak Regulatory Framework:

- The regulatory framework for cooperatives in India is weak and outdated.
- This makes it difficult to monitor and enforce compliance with regulations and leaves room for fraud and mismanagement.

2. Lack of Transparency:

- Many cooperatives in India suffer from a lack of transparency in their operations and management.
- This makes it difficult for members to hold their leaders accountable and can lead to corruption and abuse of power.

3. Limited Access to Capital:

- Cooperatives often struggle to raise capital due to limited access to financial institutions and a lack of collateral.
- This makes it difficult for them to invest in new projects and expand their operations.

4. Political Interference:

- Many cooperatives in India are influenced by political parties, which can undermine their autonomy and lead to corruption.

5. Inadequate Training and Education:

- Many members and leaders of cooperatives lack the necessary training and education to manage their organizations effectively.
- This can lead to mismanagement and a lack of accountability.

Cooperatives have the potential to drive rural transformation and contribute to India's growth story with sufficient financial and technical support. The government should take necessary measures to foster a growth ecosystem for cooperatives to tackle rural challenges effectively.