



Cooperatives And Inclusive Growth In India: Challenges And Opportunities

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Abstract: Cooperatives have been a vital part of Indian socio economic landscape representing the values of collective responsibility, participatory decision making and inclusive growth. These organizations have been central to uplifting communities especially in rural areas by providing employment opportunities and supporting economic self sufficiency. Cooperatives are organizations owned and managed by their members who have equal say in decision-making processes, typically based on the principle of democratic governance. The objectives of this paper are to explore the Genesis & Evolution of Cooperative movement in India, government initiatives and role of the cooperatives in inclusive growth, to identify the challenges they face, to analyze the challenges faced by cooperatives in India, to explore opportunities that can help strengthen their role in fostering inclusive economic growth. This paper is in descriptive nature and based on the secondary data collected from the magazines, journals and periodicals etc, addressing these challenges can unlock their full capacity to contribute to India's inclusive growth.

Key words: cooperatives, inclusive growth, sustainability, e-NAM etc.

1. INTRODUCTION:

Cooperatives have been a vital part of Indian socio economic landscape representing the values of collective responsibility, participatory decision making and inclusive growth. These organizations have been central to uplifting communities especially in rural areas by providing employment opportunities and supporting economic self sufficiency. With India having recently hosted the international cooperative alliance general assembly for the first time global attention is now focused on the countries cooperative movement, additionally the designated of 2025 as the 2nd international year of cooperatives highlights the growing recognition of cooperatives as drivers of inclusive development. Cooperatives are organizations owned and managed by their members who have equal say in decision-making processes, typically based on the principle of democratic governance. In India, cooperatives have historically played a pivotal role in sectors such as agriculture, dairy, credit, and consumer goods, contributing to the socio-economic development of

marginalized communities. However, cooperatives in India face numerous challenges that hinder their growth and potential. Addressing these challenges can unlock their full capacity to contribute to India's inclusive growth.

2. OBJECTIVES OF THE PAPER:

The objectives of this paper are

To explore the Genesis & Evolution of Cooperative movement in India, government initiatives and role of the cooperatives in inclusive growth,

To identify the challenges they face, to analyze the challenges faced by cooperatives in India,

To explore opportunities that can help strengthen their role in fostering inclusive economic growth.

3. METHODOLOGY:

This paper is in descriptive nature and based on the secondary data collected from the magazines, journals and periodicals etc.

4. FINDINGS AND DISCUSSION:

4.1 Genesis & Evolution of Cooperative movement in India

The first cooperative society in India was formed in 1904 under the Cooperative Societies Act.

Indian Famine Commission (1901) led to the enactment of the first Cooperative Credit Societies Act in 1904 followed by the (amended) Cooperative Societies Act, 1912. Later Maclagan, Committee: In 1915, a committee headed by Sir Edward Maclagan, was appointed to study and report whether the cooperative movement was proceeding on economically and financially sound lines. Further Montague-Chelmsford Reforms, through the Montague-Chelmsford Reforms of 1919, co-operation became a provincial subject which gave further impetus to the movement. In post Economic Depression, 1929 times various committees were appointed in Madras, Bombay, Travancore, Mysore, Gwalior, and Punjab to examine the possibilities of restructuring the Cooperative societies. The movement gained momentum after India's independence, especially in the 1950s and 1960s when it was viewed as a solution for improving the economic condition of rural farmers and promoting equitable development. The Indian government has supported the cooperative movement through legislative frameworks and financial assistance.

4.2 Government Initiatives to Strengthen Cooperatives

RBI has accorded approval to the National Federation of Urban Co-operative Banks and Credit Societies Ltd. (NAFCUB) for the formation of an Umbrella Organization (UO) for the UCB sector, which will provide necessary IT infrastructure and operation support to around 1,500 UCBs. And to **Ensuring Transparency and Sustainability**

- **Model Bye-Laws** for PACS making them multipurpose, multidimensional and transparent entities.
- **World's Largest Decentralized Grain Storage Plan (2023)** in the Cooperative sector.
- The government aims to ensure **every panchayat has a PACS by 2029**, fulfilling Prime Minister Modi's vision of 'Sahkar se Samridhhi' (Prosperity through Cooperation).

▪ Other Initiatives:

- National Cooperative Database for authentic and updated data repository.
- Issuance of Rs 2000 crore bonds by **National Cooperative Development Corporation (NCDC)** for cooperative welfare. Inclusion of Cooperatives as 'buyers' on the GeM portal. Expansion of NCDC to increase its range and depth.
- **National Cooperative Organic Limited (NCOL)** was established to promote organic farming and ensure fair pricing. Launch of **Bharat Organic Atta. Establishment of Union Ministry of Cooperation (2021)**: Assumed responsibility for cooperative affairs, previously overseen by the Ministry of Agriculture.

4.3. Role of Cooperatives in inclusive growth:

In 2002 the National policy on cooperatives was enunciated to further bolster the sector. This policy emphasized the modernization of cooperatives ensuring their democratic functioning and enhancing their competitiveness in an increasingly globalized economy. As a result cooperatives have grown into a significant part of India's rural and agricultural economy with networks at local, regional, state and national levels which have aided in sectors like agriculture, dairy, fisheries and housing. India has one of the world's largest cooperative networks, with over 800,000 cooperatives spread across various sectors like agriculture, credit, dairy, housing, and fisheries. The cooperative sector's significant contributions include 20% in agricultural loans, 35% in fertilizer distribution, 31% in sugar production, 13% in wheat purchase, and 20% in paddy purchase. The role of cooperatives in inclusive growth organizations like IFFCO and NAFED have empowered small scale farmers by providing better access to inputs, credit and markets. IFFCO manufactures fertilizers and serves millions of farmers across India. Cooperatives have also played a significant role in improving agricultural productivity and ensuring food security. Around 8 lakh cooperatives in operation, they create substantial employment opportunities particularly in rural areas, contributing to poverty alleviation. Cooperative banks and credit societies extend essential financial services to communities often excluded by mainstream banking, thereby promoting economic participation. Cooperatives such as SEWA and various self help groups have enabled women to achieve economic independence and social empowerment reducing social gender disparities. Forestry and fisheries cooperatives adopt sustainable practices that contribute to environmental conservation. Promotion of decentralized energy solutions cooperatives support India's commitment to the Paris agreement and contribute to the nation's renewable energy targets. **Amul** revolutionized the dairy industry in India and is a model for cooperative-based growth.

5. CHALLENGES FACED BY COOPERATIVES IN INDIA:

5.1. Governance and Management Issues

Excessive interference by the state authorities compromises the independence of cooperatives undermining their democratic functioning. In many cases, cooperatives are managed by individuals who prioritize political interests over the welfare of members, leading to inefficiency and corruption. Additionally, there is

often a lack of trained professionals to manage cooperatives effectively. The absence of professional and expertise often hampers efficiency innovation and growth.

5.2. Financial Sustainability

Poor financial management and lack of internal oversight lead to inefficiencies corruption and loss of member trust. Many cooperatives face financial instability due to poor management, lack of access to capital, and limited business acumen. While some cooperatives rely on government subsidies and grants, they often fail to become financially self-sustaining, which hampers their long-term viability.

5.3. Regulatory and Legal Hurdles

The legal and regulatory framework governing cooperatives in India is often outdated and complex. The multiplicity of laws, coupled with inconsistent enforcement, makes it difficult for cooperatives to operate efficiently. The registration process is cumbersome, and compliance with government regulations can be costly and time-consuming for cooperatives.

5.4. Competition and Market Access

Many cooperatives remain small scale and struggle to compete with large private enterprises. The liberalization of markets has increased competition from domestic and global players, posing challenges to traditional cooperative models. Cooperatives often struggle to compete with larger, more efficient private enterprises. They lack the resources and infrastructure to reach broader markets and face difficulties in scaling their operations. In some cases, the market orientation of cooperatives remains weak, and their products fail to meet the demands of consumers in a competitive market.

5.5. Technological Limitations

Low adoption of digital tools for operation, marketing and member engagement become a constraint to cooperatives. Cooperatives in India are often slow to adopt new technologies, both in terms of production techniques and in their internal operations. This technology gap hampers productivity and prevents cooperatives from taking advantage of emerging opportunities, such as digital platforms and modern supply chain management systems.

6. OPPORTUNITIES FOR STRENGTHENING COOPERATIVES FOR INCLUSIVE GROWTH:

Establishment of Ministry of cooperation in 2021 this ministry is instrumental in formulating cohesive policies and providing strategic guiding to the cooperative sector. Despite the challenges, there are numerous opportunities for leveraging cooperatives in India to drive inclusive economic growth. These opportunities include:

6.1. Strengthening Governance and Capacity Building

Improving the governance structures of cooperatives is essential for ensuring their long-term success. This can be achieved through:

- Training cooperative leaders in professional management practices.
- Encouraging transparency and accountability.
- Ensuring member participation in decision-making processes.
- Reducing political interference by establishing independent oversight bodies.

6.2. Access to Finance and Capital

Cooperatives require better access to financial resources to invest in infrastructure, technology, and human capital. The following measures could improve financial sustainability:

- Providing cooperatives with easier access to credit from banks and financial institutions.
- Introducing targeted government schemes to support cooperative financing.
- Encouraging partnerships with the private sector and non-governmental organizations to attract investment.

6.3. Regulatory Reforms

Updating and simplifying the legal and regulatory framework governing cooperatives could help reduce bureaucratic hurdles and create a more conducive environment for cooperative growth. Some suggestions include:

- Reforming cooperative laws to facilitate ease of registration and operation.
- Ensuring consistency in the enforcement of regulations across states.
- Allowing cooperatives more freedom in business operations while holding them accountable for their actions.

6.4. Promoting Technology Adoption

To improve productivity and market access, cooperatives should be encouraged to adopt modern technologies. Some strategies include:

- Providing training and resources to cooperatives for adopting digital platforms.
- Investing in technology-driven solutions for supply chain management, marketing, and financial transactions.
- Encouraging partnerships between cooperatives and tech companies to integrate advanced technology into cooperative operations.

6.5. Expanding Market Linkages

Platforms like e-NAM (National agricultural Market) can revolutionized market access for farmers enabling them to secure better prices for their produce, emerging technologies like block chain offer transparency and efficiency in cooperative operations. Cooperatives can expand their market presence by improving product quality and branding. They can also leverage e-commerce platforms to reach consumers beyond traditional markets. Further community based tourism initiatives through cooperatives can promote rural economies and preserve cultural heritage.

Cooperatives are pivotal to achieving the UN sustainable development goals SDGs particularly those related to poverty alleviation, gender equality and environmental sustainability. Further Implementation of the recommendations of the vaikunth Mehtha committee will bring the professionalism in cooperative management. Strengthen accountability mechanisms and introduce transparency measures to build trust among members and stakeholders. Establishing the specialized training institute to development of managerial and operation expertise tailored to the need of cooperatives. Forge partnerships with banks fintech companies and development agencies to improve credit availability and financial sustainability. Investing digital infrastructure to modernize cooperative operations and enhance member's engagement

through technology. India's leadership in the ICA and upcoming international year of cooperatives presents an opportunity to position itself as a global leader in cooperative models showcasing their success stories and innovations. Cooperatives have immense potential to act as catalysts for inclusive and sustainable growth in India.

7. CONCLUSION:

Cooperatives have the potential to play a transformative role in India's socio-economic development. By addressing key challenges such as governance issues, financial sustainability, regulatory hurdles, and technological gaps, cooperatives can be better equipped to contribute to inclusive growth. With the right reforms, capacity-building initiatives, and support, cooperatives can foster economic empowerment, especially for marginalized and rural communities, and play a crucial role in achieving sustainable and equitable development in India.

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