

Cooperatives and Rural Livelihood

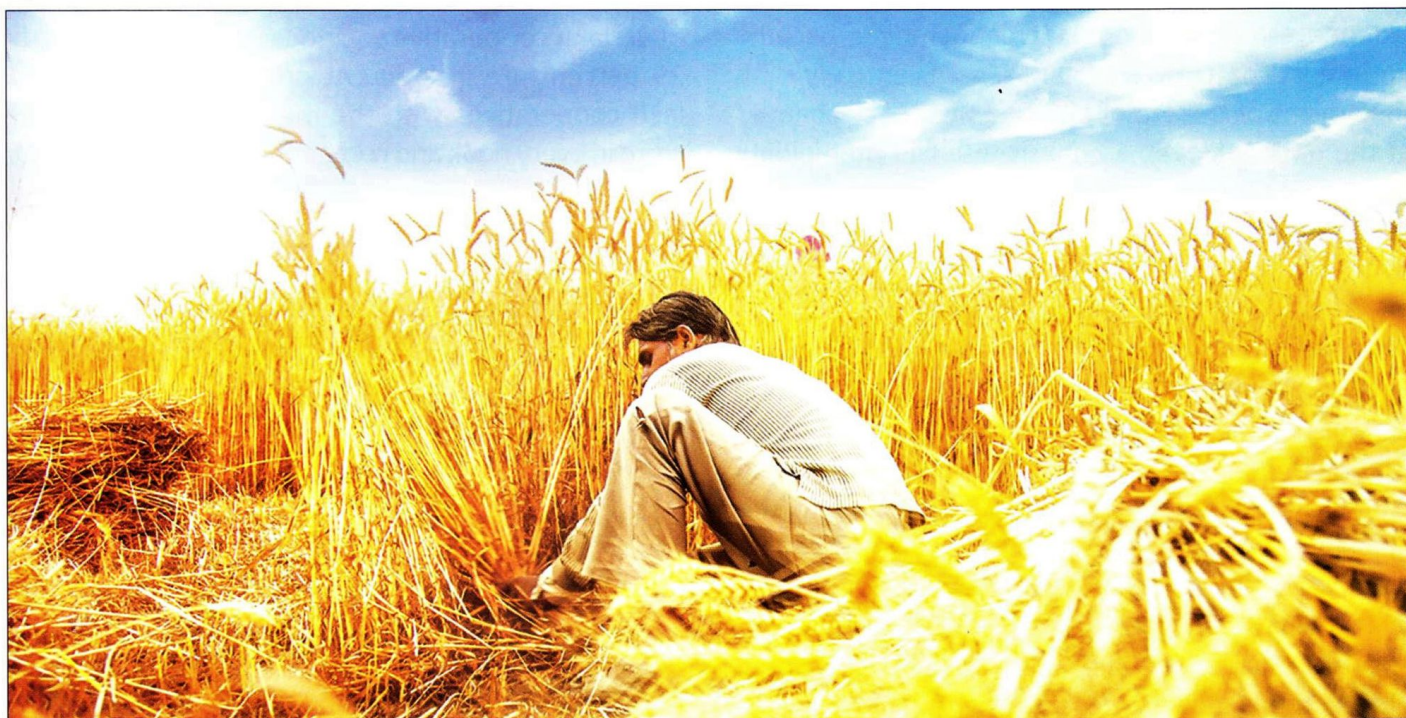
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Cooperative sector plays a significant role in ameliorating the economic lot of rural people. The cooperatives engaged in the rural sector provide the necessary credit at affordable rates to carry out various agricultural activities and for the establishment of micro, small and cottage enterprises, which are the backbone of rural economy. Keeping in view the tremendous potential of cooperatives in income and employment generation in rural areas, the Government of India has started various schemes and programmes under the newly created Ministry of Cooperation. All these schemes are oriented to ensure sustainable rural livelihood by strengthening the cooperative sector in the country. In order to keep pace with the changing time, the cooperatives need to be more vibrant and diversify their activities through the adoption of new technology and innovations.

Co-operative sector plays a vital role in the process of socio-economic development of a country like India where more than two third population and 72.4 percent of workforce reside in rural areas. The major economic problems faced by the rural people are- poverty, unemployment and inequality. The solution of these economic problems is of utmost importance for the achievement of sustainable rural livelihood and empowering the vulnerable sections of the society. The cooperatives play a major self-help role in rural areas, particularly where private entrepreneurs hesitate to make investment and public authorities are not able to provide the required services due to paucity of funds. They not only inculcate the habit

of saving but also enable the communities to pool together their resources to solve their common socio-economic problems. They are instrumental in providing opportunities for productive employment, income generation as well as offering health care, education, improved sanitation, roads and market access.

Growth of rural economy primarily depends upon infusion of capital to realise higher productivity in agriculture and allied sectors. As the gestation period of crops is quite long, farmers have to borrow from various sources to meet out their expenditure on initial investment on seeds, water, fertiliser, agricultural machinery and other agricultural inputs along with their social and religious obligations.



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The cooperative societies engaged in the rural sector provide adequate, affordable and timely credit for the production, processing, storage and marketing of agricultural crops, milk, fish, vegetables, fruits, flowers and other allied products. They encompass almost all activities of rural economy and promote production as well as of consumer activities. They encourage 'Production by Masses' instead of mass production, which is essential for inclusive and sustainable growth of the economy. The cooperatives are strongly rooted in their local area and community and thus are capable of taking care the needs and aspirations of weaker and marginalised sections of the society.

Cooperative Movement in India

Cooperative movement in India was started primarily for dealing with the problem of rural credit. The formal era of co-operative movement in India began with the enactment of "Cooperative Credit Societies Act" in 1904. The objective of this Act was to establish cooperative credit societies to encourage thrift, self-help and cooperation among farmers, artisans and persons of limited means. The Reserve Bank of India also played a pioneering role in guiding and supporting the cooperatives. After the country attained Independence in 1947, the responsibility for the development of cooperative sector was entrusted mainly upon the State Governments. During the planned era of development cooperatives became an integral part of Five-Year Plans. Eventually with the advent of the era of LPG and the policy changes at the national level, emphasis was laid on building up the cooperative movement as a self-managed, self-regulated and self-reliant institutional set-up by giving it more autonomy. It also emphasised on enhancing the capability of cooperatives for improving economic activity and creating employment opportunities for small farmers, rural artisans, labourers, scheduled castes, scheduled tribes, women etc. In 2002, the Government of India enunciated a National Cooperative Policy with the objective to ensure more autonomy, accountability and self-reliance in the functioning of cooperatives by providing necessary support, encouragement and assistance to them. The 97th Constitutional Amendment Act, 2011 granted protection to cooperative societies by giving Constitutional status to them. It aimed at encouraging economic activities of cooperatives in rural India.

Presently, there are two types of co-operatives in the country, viz. State Cooperative Societies and Multi-State Cooperative Societies. The Cooperative Societies functioning only in one state are governed by the laws of the respective State and the societies functioning in more than one state are governed by the Central law, namely, the 'Multi-State Co-operative Societies Act, 2002'. There are four major types of cooperatives in rural India: (i) Primary agricultural credit or service societies, (ii) Agricultural non-credit societies (iii) Co-operative farming societies and (iv) Other allied cooperative societies like dairy, fishery, horticulture, handloom, sericulture and bee-keeping etc.

Rural Development

The cooperative sector has been playing a crucial role in strengthening the rural economy through the disbursement of agricultural credit, providing market support to farmers, distribution of agricultural inputs and imparting cooperative education and training. It has been playing a significant role in reducing economic disparities in the distribution of income, employment, consumption and quality of life between the 'haves and have-nots' as well as alleviating regional imbalances including the rural and urban disparity. Due to the incentives given by the Government, the Indian cooperative sector has emerged to be the largest in the world in terms of number of societies and membership. Out of 30 lakh cooperative societies in the world, nearly 29 percent are in India. At present there are 8.54 lakh cooperatives with the membership of over 29 crore in every nook and corner of the country (Table 1).

Table 1: Indian Cooperative Sector at A Glance: 2016-2017

1	Total Number of Cooperatives	854,355
2	Total Membership of Cooperatives (Crore)	29.006
3	National Level Cooperative Federations	17
4	State Level Cooperative Federations	390
5	District Level Cooperative Federations	2,705
6	Multi State Cooperative Societies	1,435
7	Primary Agricultural Credit Societies (PACS)	97,961

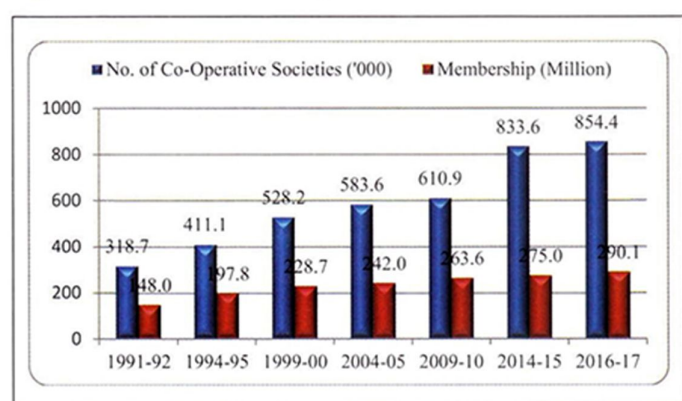
Source: NCUI, Indian Co-operative Movement A Statistical Profile, 2018.

Out of total cooperatives, there are 1,435 multi-state cooperative societies, 97,961 primary agriculture credit societies (PACS), 46,000 honey cooperative societies, 26,000 consumer societies, 1.5 lakh dairy and housing societies. Nearly 51 percent villages and 94 percent farmers are associated with cooperatives in one or the other form. There were 318,7 thousand cooperative societies in the country in 1991-92, which went up to 854.4 thousand in 2016-17 (Fig. 1). Similarly, their membership shot up from 148 million to 290.1 million during the same period. Thus, the number of cooperative societies and their membership in the country has gone up at the annual compound growth rate of 4.02 and 2.73 percent respectively during the period from 1991-92 to 2016-17 (Table 2).

Year	No. of Co-Operative Societies ('000)	Membership (Million)
1991-92	318.7	148.0
1994-95	411.1	197.8
1999-00	528.2	228.7
2004-05	583.6	242.0
2009-10	610.9	263.6
2014-15	833.6	275.0
2016-17	854.4	290.1
ACGR (%)	4.02	2.73

Source: Same as for Table-1

Figure 1: Growth of Cooperatives in India

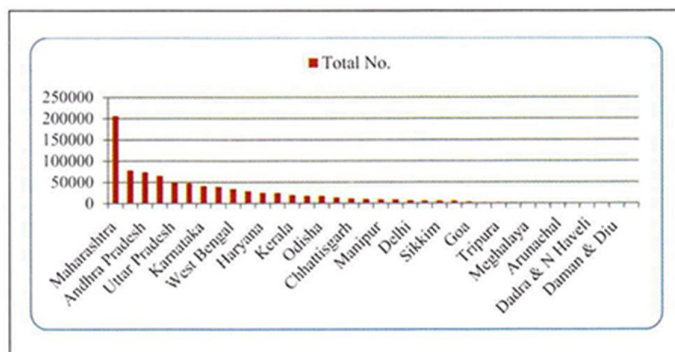


Source: NCUI, Indian Co-operative Movement A Statistical Profile, 2018.

Nearly two third of total cooperative societies are located only in seven states viz. Maharashtra, Gujarat, Andhra Pradesh, Telangana, Uttar Pradesh, Madhya Pradesh and Karnataka (Fig. 2). Maharashtra alone accounts for more than 24 percent of total

credit and non-credit societies in the country. In order to ensure their growth in an egalitarian manner, it is necessary to promote the cooperatives in the lagging states particularly the Union Territories and North-East States of the country.

Figure 2: State Wise No. of Co-operatives (2016-17)



Source: Same as for Figure-1

The contribution of cooperatives in the country's economy is immense. The cooperative sector provides 20 percent of the total agricultural credit in the country. It contributes 10 percent of milk production, 21 percent of the fish production, 25 percent of fertiliser production and 31 percent of total sugar production. Apart from this, nearly 13 percent procurement of wheat, 20 percent of paddy and 35 percent distribution of fertiliser is carried out by the cooperative sector.

NAFED, KRIBHCO, AMUL etc. are the examples of success stories of cooperatives in India which not only have ensured better price for the producers by removing the intermediaries but also made available the quality products at competitive prices to the consumers.

Challenges

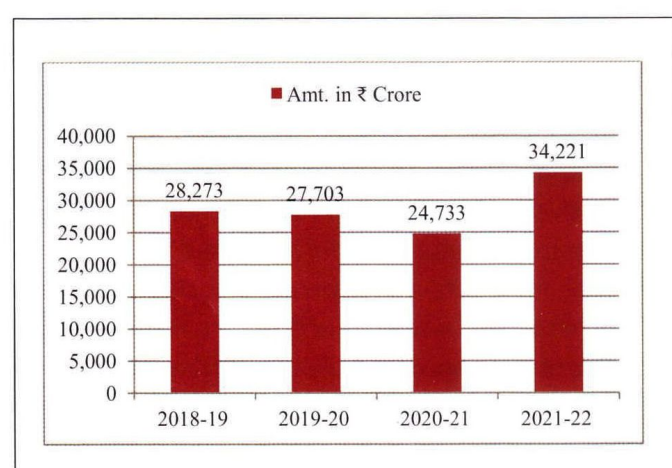
Despite witnessing a significant growth, the cooperative sector in India is not immune to certain challenges. Firstly, it has been witnessed that in many cases the members of cooperative societies are not actively involved in their functioning as they are not well informed about the rules and regulations of the society and objectives of the movement. A large number of cooperative societies are not economically viable, hence have become defunct. Most of the societies are confined to a few States spread over limited number of villages with meager membership. The participation of scheduled-casts, scheduled-tribes, women and other vulnerable sections of the society is low. It has also witnessed that the top posts

of chairman and vice-chairman etc. of the society are usually occupied by the richer farmers who manipulate the organisation for their own benefit at the cost of the poor. Moreover, the co-operative movement has been suffering from inadequacy of trained, skilled and experienced personnel.

Government Initiatives

Recognising the significance of co-operative sector in ameliorating the economic lot of rural masses, the National Cooperative Development Corporation (NCDC) was established by an Act of Parliament in 1963, to speed up cooperative movement in the country. The Government of India provides assistance to the cooperatives through NCDC for the production, processing, storage, marketing, export and import of agricultural produce, livestock, foodstuffs, industrial goods certain other commodities and services on co-operative principles. The NCDC also gives assistance to the cooperatives of weaker sections comprising of members from scheduled castes, scheduled tribes, land less labourers and women. Since its inception in 1963 to 30th June 2021, NCDC has disbursed a sum of ₹ 1.86 lakh crore to cooperatives. Out of this, ₹ 1.31 lakh crore (70 percent) has been disbursed in the last seven years. The financial assistance disbursed by NCDC to cooperatives during the last four years, has gone up from ₹ 28,273 to ₹ 34,221 reflecting ACGR of 6.57 percent per annum (Fig. 3).

Figure 3: Financial Assistance by NCDC to Co-operatives



Source: Ministry of Cooperation (GOI), PIB, 27th July, 2022.

With a view to provide financial assistance for improving the economic conditions of cooperatives, remove regional imbalances, and speed up cooperative development in agricultural

and allied sectors, assistance is provided under 'Central Sector Integrated Scheme on Agricultural Cooperation' (CSISAC) through National Cooperative Development Corporation (NCDC). The assistance inter alia, comprises supply of agricultural inputs, marketing, storage and processing of agricultural produce. Under the scheme, a subsidy varying from 15 percent to 25 percent is provided to the cooperatives depending on the category of state of their operation. To encourage youth towards cooperatives, 'Yuva Sahakar Cooperative Enterprise Support and Innovation Scheme' was launched on 14th November 2018. The scheme aims at providing mentorship and financial assistance to the enterprising youth to establish start-ups in different types of business activities under cooperative sector.

In order to give renewed impetus to cooperative movement in the country, the Union Government has created the Ministry of Co-operation on 6th July 2021, for realising the vision of 'Sahkar se Samridhhi' (Prosperity through Cooperation). It aims at providing a separate administrative, legal and policy framework for strengthening the cooperative movement in the country. After its formation, the ministry has been working incessantly on drafting a new cooperative policy and schemes to achieve co-operative based economic development in the country. The Union Government has made a budgetary provision of allocation of ₹ 900 crore to the Ministry of Cooperation for the financial year 2022-23. To provide a level-playing field between cooperative societies and companies, the minimum alternate tax (MAT) has been reduced from 18.5 percent to 15 percent for cooperatives in the budget 2022-23. A centrally sponsored project was launched on 29th June, 2022 with a budgetary outlay of ₹ 2,516 crores (over a period of 5 years) for the digitalisation of 63,000 functional PACS, so that they can diversify their business and undertake multiple activities/services. Since the creation of Ministry of Cooperation on 6th July, 2021, an amount of ₹ 73 crore has been released by the National Cooperative Development Corporation for the implementation 'Rajya Samekit Vikas Pariyojna' aiming at holistic integrated development including creation of infrastructure, cooperative cluster farming, market expansion and generation of employment avenues. A scheme for modernising and professionalising the cooperative education and training institutions across the country is also under formulation.

All these schemes and programmes/projects of Government are oriented towards revitalizing the cooperative sector in all States and Union Territories to ensure 'Sabka Saath Sabka Vikas' through 'Sahkar Se Samridhi' (Cooperation to Prosperity) with the objective to achieve inclusive and sustainable growth.

Way Forward

The cooperative sector in India is about 118 years old. Now, the time has come to overhaul and strengthen it according to the need of the hour. It is urgent to infuse efficiency, accountability, transparency in the entire system and adopt modern technology and professionalism. In a vast country like India, the cooperative movement should follow the common vision and mission throughout the country which require formulation of uniform cooperative policy with utmost prudence so that the federal structure of the country is also not impinged upon. For the uniform and harmonious spread of cooperative activities in the country, pace of growth is needed to be accelerated in the lagging states particularly the Hill States like; Arunachal, Mizoram, Meghalaya, Tripura, Himachal Pradesh, Uttarakhand etc. and all the Union Territories. Cooperatives now have to develop the competitive spirit, only then they can survive and be able to move forward. At the national level, they must emerge as vibrant economic entities capable of competing with the modern private corporate sector with the adoption of new technology and innovations. Diversification of their activities by including some new sectors such as, real estate, power, healthcare, insurance, communication, tourism and other services is needed for their revitalisation. There is also need to promote the brand of cooperatives through up-gradation and value addition in the products and services delivered by them. Revival of the defunct cooperative societies by improving their financial health is also imperative for strengthening the marginalized sections of the society. Further, the management of multi state cooperative societies is earnestly needed to be given in the hands of modern market-driven managers, capable of infusing productivity and efficiency. Last but not least, Government needs to evaluate the training needs of cooperatives, along with designing and imparting training programmes to ensure that they come at par with the current business environment.

Conclusion

Cooperative sector plays a significant role in

ameliorating the economic lot of rural people. The cooperative societies engaged in the rural sector provide timely and adequate credit at affordable terms and conditions for the production, processing, storage and marketing of agricultural and allied sector produce. They also provide the necessary credit for the establishment of micro, small and cottage enterprises, which are the backbone of rural economy. Cooperatives encompass almost all activities of rural economy and thus have tremendous potential to uplift the life of small and marginal farmers as well as weaker sections of the society. Through their sustained efforts, co-operatives have made impressive progress in various segments of Indian economy. Recognising the tremendous potential of cooperatives in income and employment generation in rural areas, Government of India has started various schemes and programmes under the newly created Ministry of Cooperation. All these schemes and programmes are oriented towards revitalizing the cooperative sector to ensure sustainable rural livelihood and inclusive growth in the country. In order to keep pace with the changing time, the cooperatives need to be more vibrant and diversify their activities through the adoption of new technology and innovations. All stakeholders including the Union and State Governments, cooperative societies, institutions, NGOs, SHGs and public at large should come forward to put combined efforts to achieve inclusive growth driven by the cooperative movement in the country.

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