

# Issue Brief

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No. 11

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**Cooperatives Need a Regenerative Movement  
More than a New Ministry**

**H.S. Shylendra**



**THE HINDU CENTRE**

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**Photo Caption:** A view of departmental store run by the Triplicane Urban Cooperative Society (TUCS) at Kilpauk in Chennai. TUCS, India's first consumer cooperative society, was formed in 1904. File photo: K. Pichumani / The Hindu.

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# Cooperatives Need a Regenerative Movement More than a New Ministry

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## ABSTRACT

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**I**n the space of two weeks in July, two decisions resurrected the policy focus on cooperatives in India. The first, by the executive, was to constitute an independent Union Ministry of Cooperation (MoC). The second, by the judiciary, was a verdict of the Supreme Court of India declaring that cooperative societies as a subject matter belong "wholly and exclusively to the State legislatures to legislate upon".

In this Issue Brief, **H.S. Shylendra, Professor, Social Science Area, Institute of Rural Management (IRMA), Anand**, draws out the legal and constitutional implications of these two developments, presents the relevance of a cooperative-based economy, and identifies the pathways for its success in the light of India's experience with cooperatives and the prevailing political economy. The best prescription, he concludes, would be a movement, more than a ministry, to support India's ailing cooperative sector proactively in diverse ways without hurting its autonomy.

## I. INTRODUCTION

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Two recent developments have brought the policy focus back on India's cooperatives. The first is the decision of the Government of India (GoI) on July 6, 2021, to constitute an independent Union Ministry of Cooperation (MoC) and the second is the judgement of the Supreme Court of India delivered on July 20, 2021, declaring that "Co-operative societies as a subject matter belongs wholly and exclusively to the State legislatures to legislate upon..."<sup>1</sup> Coming as they did from different sources, these two decisions have clear consequences on each other.

The creation of the MoC has raised hackles over the real intention of the Union government as it is perceived to open out space for the centre to interfere in the working of the cooperatives that are under the jurisdiction of State governments. The Supreme Court judgement on a writ appeal on the 97<sup>th</sup> Constitutional Amendment Act (CAA) clarifies the constitutional position on the domain over cooperatives and by virtue of that gives credence to the concerns of the States over possible meddling by centre in their domain,<sup>2</sup> be it through amendments to the law or by creating a Ministry.

The newly established MoC has also raised a debate over the potential role such a Ministry can play in promoting the cooperative sector given the current socio-economic milieu. The Government of India on its part has called the step an 'historic move' that will strengthen cooperatives as a true peoples'-based movement. The government in its press note<sup>3</sup> has emphasised that a 'Co-operative based economic development model is very relevant....' and the Ministry through its 'administrative, legal and policy framework' will streamline the processes of

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<sup>1</sup> **Supreme Court of India. 2021.** "[Union of India v. Rajendra N. Shah](#)", (p.38) *Civil Appeal Nos.9108-9109 of 2014*, July 20. [[https://main.sci.gov.in/supremecourt/2013/21321/21321\\_2013\\_32\\_1501\\_28728\\_Judgement\\_20-Jul-2021.pdf](https://main.sci.gov.in/supremecourt/2013/21321/21321_2013_32_1501_28728_Judgement_20-Jul-2021.pdf)]. Last accessed on August 3, 2021.

<sup>2</sup> **Economic and Political Weekly. 2021.** "[A New Ministry for Cooperation](#)", Vol. 56, Issue. 30, July 24. [[https://www.epw.in/journal/2021/30/editorials/new-ministry-cooperation.html?0=ip\\_login\\_no\\_cache%3D9c8b8f0e47df5cfc4513a1b7d579a36d](https://www.epw.in/journal/2021/30/editorials/new-ministry-cooperation.html?0=ip_login_no_cache%3D9c8b8f0e47df5cfc4513a1b7d579a36d)]. Last accessed on July 27, 2021.

<sup>3</sup> **Cabinet Secretariat. 2021.** "[Modi Government creates a new Ministry of Co-operation](#)", Posted by PIB Delhi, July 6. [<https://pib.gov.in/PressReleasePage.aspx?PRID=1733225>]. Last accessed on July 23, 2021.

'Ease-of-doing-business for cooperatives.' Thus, apparently, the Ministry has set a larger goal for itself of working towards a cooperative-based-economy through a multi-pronged strategy.

Those supportive of the new idea feel that it can help bring about uniform development of the cooperative movement in the country given its uneven spread<sup>4</sup> and address the much-needed inter-State coordination in the working of cooperatives<sup>5</sup>. However, sceptics are clear that in addition to compromising on the norms of federalism, the Ministry may work more as a front for dispensing political patronage<sup>6</sup>. Given such mixed concerns, it would be worthwhile to examine critically not only the legal position of such a Union Ministry but also the larger issue of promoting a cooperative-based-economy.

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<sup>4</sup> Biswas, P. 2021. "[Explained: Why a Ministry of Cooperation](https://indianexpress.com/article/explained/explained-why-a-cooperation-ministry-7395784/)", *The Indian Express*, July 15. [https://indianexpress.com/article/explained/explained-why-a-cooperation-ministry-7395784/]. Last accessed on July 23.

<sup>5</sup> Gulati, A. 2021. "[What the new Ministry of Cooperation needs to achieve](https://indianexpress.com/article/opinion/columns/new-ministry-of-cooperation-agenda-pm-modi-7410968/)", *The Indian Express*, July 19. [https://indianexpress.com/article/opinion/columns/new-ministry-of-cooperation-agenda-pm-modi-7410968/]. Last accessed on July 23, 2021

<sup>6</sup> Rajashekhar, M. 2021. "[Why Exactly Did India Need a Brand New Ministry for Cooperatives, With Amit Shah As Head?](https://thewire.in/government/ministry-for-cooperatives-amit-shah-bjp-nda-narendra-modi)", *The Wire*, July 11. [https://thewire.in/government/ministry-for-cooperatives-amit-shah-bjp-nda-narendra-modi]. Last accessed on July 23, 2021.

## II. BRIEF HISTORY LEADING TO A MINISTRY

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In the constitutional scheme of things, a clear demarcation has been drawn regarding cooperatives by placing them in the State List (List II of Seventh Schedule). The States have exclusive powers to legislate on and govern the cooperatives registered within their boundaries. Although the first cooperative societies act passed in 1904 under the colonial rule (and amended in 1912) was a central act, the 1919 administrative reforms transferred cooperatives to the provinces (GoI 2005)<sup>7</sup>. Since then Provinces and, after Independence, States have taken over the subject of cooperatives and have framed their own Acts to regulate cooperatives. In the meanwhile, the Multi-Unit Co-Operative Societies Act, 1942, was passed by the Government of India in 1942 (re-enacted in 1984 and 2002) giving the Union government jurisdiction over multi-State cooperatives. Overall, since the first Act of 1904, there has been a fair amount of clarity about the jurisdiction of the Union and the State governments over cooperatives, although the Reserve Bank of India as a federal level monetary authority could exercise some powers over the cooperative banks especially in the interest of the depositors as per the Banking Regulation Act<sup>8</sup>.

Having been assigned primacy over cooperative governance, State governments created a separate ministry or department of cooperation for administering the cooperatives. Given the importance of this sector, State-level cooperative Ministries have also enjoyed a fair amount power and autonomy. The Government of India on its part has been working with cooperatives mainly through a minor department created as a part of some major Ministry to discharge its responsibilities pertaining to multi-state cooperatives and the general development of cooperatives in the country through various developmental schemes.

The developmental role pursued by the Union government includes promotion of cooperatives, provision of financial assistance, capacity building through training of members and staff, infrastructure and technology development, and revival plans. Such schemes, framed under the Five Year Plans, were implemented through the concurrence of the respective State's cooperative

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<sup>7</sup> **Government of India. 2005.** "Report of the Task Force on Revival of Rural Co-operative Credit Institutions", Ministry of Finance, New Delhi.

<sup>8</sup> Concerns have been raised over the recent amendments made in 2020 to the Banking Regulation Act, 1949 about the possibility of RBI's role undermining the autonomy of states with regards to cooperative banks.



ministry or department. Given this two-fold role, over the years the cooperative department has been attached to or placed with diverse Union ministries such as food and civil supplies or community development or commerce or agriculture. Such linkages with a multiplicity of Ministries underscore the broader scope of the cooperative sector, combining both agriculture and non-agricultural cooperatives.

Given that agriculture has been the prominent sector for cooperatives, since 1979 the Department of Cooperation has been attached to the Union agricultural ministry. Until the creation of the new MoC, issues pertaining to cooperatives were overseen by a division within the Department of agriculture, cooperation and farmers' welfare coming under a larger ministry for agriculture<sup>9</sup>. Hence, the sudden up-gradation of a division/department with a relatively limited role into a full-fledged Union Ministry is a curious development, triggering concerns.

An argument being put-forth is that the cooperative division in the agricultural department was unable to look after adequately the cooperatives, more so with regard to such entities operating in the non-agricultural sector which in the recent days constitute a significant proportion<sup>10</sup>. However, even if the non-agricultural cooperatives have grown in numbers, a bulk of them are working under the jurisdiction of State governments (see Table 1). Such an argument, hence, may not be fully tenable. Explicating New Delhi's rationale for such a step and clarifying the concerns of the cooperative stakeholders would require going beyond the mere legal or administrative angle. Such an explanation is attempted in the following section which highlights the issues connected with the larger politics and governance about the cooperatives, and the likely compulsions that may have arisen in the sector in context of the economic reforms.

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<sup>9</sup> **Government of India. 2020.** "Annual Report: 2019-20", Department of Agriculture, Co-operation, Farmers' Welfare, Ministry of Agriculture and Farmers Welfare, New Delhi.

<sup>10</sup> Supra Note No 6.

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**Table 1: Sector-wise Distribution of Cooperatives in India (%, 2016-17)**

Sector	% (Total in numbers)
Credit & Thrift	20.79
Housing	17.83
Dairy	17.79
Labour	5.50
Agri-Allied & Livestock	3.50
Consumer	3.08
Women/Tribal/SC&ST	2.52
Textile & Handloom	2.05
Industrial	2.03
Multi-Purpose	1.75
Others	23.02
Multi-State Coops	0.15
<b>Total Cooperatives (number)</b>	<b>8,54,355</b>

**Source:** National Cooperative Union of India (NCUI), 2018.

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### III. 'EMBRACE-OF-DEATH' TO REFORMS

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India's first Prime Minister, Jawaharlal Nehru, who wanted to 'convulse India with Co-operation' was equally emphatic that government control over cooperatives is like an 'embrace-of-death' (as quoted in Dwivedi 1989).<sup>11</sup> Cooperatives, which are democratic institutions by form, have been treated as potential training grounds for developing and nurturing grassroots leaders who can then move into the larger political domain. Given the competitive politics over the decades, this double-edged intention, howsoever noble, unfortunately has degenerated into a wily strategy of political parties and leaders to capture cooperatives to advance their own prospects in the guise of cooperative development.

Ruling parties and the governments have openly made use of such opportunities to seize positions or suspend the committees of opposing groups or appoint bureaucrats to run the cooperatives under the tutelage of a government department (GoI 2009)<sup>12</sup> (Jain and Coelho 1996)<sup>13</sup>. No doubt in several places, irrespective of the political opportunities which were there for the taking at local or regional levels, many leaders have worked more broadmindedly and in a neutral manner to develop cooperatives as successful ventures for the benefit of the wider section of the membership.

Given the developmental role assigned to cooperatives under the planning process and the resources deployed for the purpose, the cooperatives sector has emerged as an avenue for dispensing patronage to the supporters of ruling parties, either by way of nomination to the governing boards or sanctioning schemes specific or common to the cooperatives. The policy of contributing to the share capital of the cooperatives and providing various financial assistance like loan and guarantees have enabled State governments, in the name of public interest, to directly intervene in the working of cooperatives which are legally autonomous. The role of the State governments has only worked to the detriment of the cooperative movement in general despite leading to some localised successes (Baviskar and Attwood 1991)<sup>14</sup>. Such a top-down approach

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<sup>11</sup> **Dwivedi, R.C. 1989.** "Jawaharlal Nehru: His Vision of Cooperatives", The Co-op Times, New Delhi.

<sup>12</sup> **Government of India. 2009.** "Report of the High Powered Committee on Cooperatives", Ministry of Agriculture, New Delhi.

<sup>13</sup> **Jain, L.C. and K. Coelho. 1996.** "In the wake of Freedom: India's Tryst with Cooperatives", Concept Publishing Company, New Delhi.

<sup>14</sup> **Baviskar, B. S. and D.W Attwood. 1991.** "Fertile Grounds: Why do Cooperatives Flourish in Western India?" *LASSI Quarterly* 9, no. 4: 82–99.

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deprived the cooperatives of their vitality in meeting the needs of their members and losing credibility in the process. The prevailing social-economic inequalities as reflected in illiteracy, poverty, and caste-differences also had not helped the cause of the cooperatives. Horace Plunkett, the pioneer of Irish cooperatives, had aptly observed: 'there is no cooperative movement in India, there is only the cooperative policy of government'<sup>15</sup>.

The poor outcomes of the state-driven interference in the cooperative movement and the emerging realities in the post-reforms era resulted in some serious policy level introspections about the cooperatives. Given also their structural constraints related to scale of operations and ability to access capital, cooperatives had struggled to thrive in the liberalised economy despite growing in physical numbers (see Table 2). For example, the share of credit cooperatives in the ground level credit disbursed which was 62 per cent in 1992-93 plummeted to 34 per cent in 2002-03<sup>16</sup>.

**Table 2: Progress of Cooperatives**

<b>Indicator</b>	<b>1950-51</b> <sup>17</sup>	<b>1991-92</b>	<b>2016-17</b>
Total Number	181190	318700	854355
Total Members (Million)	13.7	148.0	290.1
% of members to total population	3.8 %	17.5%	22.2%

**Source:** NCUI, 2018.

Although the cooperative sector had shown some hesitancy to accept economic reforms, the emerging realities forced them and the government to evolve relevant strategies to face up to the challenge. Simultaneously, there were strident calls to give autonomy to cooperatives to function more independently and to respond adequately to the signals of a market-economy. Reforming cooperatives assumed greater importance under the ongoing economic liberalisation. Some of the reforms initiated included opening-up the dairy sector to players other than cooperatives, application of prudential norms to cooperative banks, and enactment of liberal cooperative Acts by the States.

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<sup>15</sup> As quoted in “[Co-operative Societies In India \(undated\)](http://lib.unipune.ac.in:8080/xmlui/bitstream/handle/123456789/2745/10_chapter%204.pdf?sequence=10&isAllowed=y)” p.176, [http://lib.unipune.ac.in:8080/xmlui/bitstream/handle/123456789/2745/10\_chapter%204.pdf?sequence=10&isAllowed=y]. Last accessed on July 28, 2021.

<sup>16</sup> Supra Note No 7.

<sup>17</sup> Supra Note No 15, pp. 164-65

Many civil society organisations had already started organising collectives outside the cooperative laws in the form of trust or societies to avoid state control. There were also efforts to form informal cooperatives and self-help groups (SHGs) under the growing influence of the design-principles based on institutional economics (Agarwal 2010).<sup>18</sup> Many cooperative leaders wanted more liberal cooperative laws. This came in the form of the enactment of the mutually aided cooperative society Acts starting from 1995 onwards by seven State governments. Andhra Pradesh was the pioneer which had passed The Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995, considered as a path-breaking law. These new liberal laws encouraged formation of cooperatives delinked from the government patronage and control.

The second major legal measure was the amendment in 2002 to the Companies Act of 1956, to create a new kind of cooperatives called Producers' Companies' (PCs) as hybrid organisations combining the strengths of cooperatives and the corporate entities. At the same time, given the growing prominence of multi-state cooperatives in terms of their number and business, the Union government came up with a more enabling legislation called the Multi-State Cooperative Societies Act in 2004, replacing the 1984 Act<sup>19</sup>.

The next major step in the direction was the enactment of the 97<sup>th</sup> CAA in 2012, which conferred a fundamental right on formation of a cooperative, and introduced, to quote from the Statement and Objects of the Bill,

“fundamental reforms to revitalize these institutions in order to ensure their contribution in the economic development of the country and to serve the interests of members and public at large and also to ensure their autonomy, democratic functioning and professional management.”<sup>20</sup>

A major reason attributed by the Union government to justify the CAA was that despite incentivising institutional and legal reforms through cooperative revival schemes, State governments were not forthcoming proactively to change the legal framework because of their

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<sup>18</sup> Agarwal, B. 2010. "[Rethinking Agricultural Production Collectivities](https://www.epw.in/journal/2010/09/special-articles/rethinking-agricultural-production-collectivities.html)", *Economic and Political Weekly*, Vol. 45, Issue. 9, pp. 64–78, February 27. [https://www.epw.in/journal/2010/09/special-articles/rethinking-agricultural-production-collectivities.html]. Last accessed on August 3, 2021

<sup>19</sup> As per available information there were 67,755 mutually aided cooperative societies, 7374 producers' companies, and 1277 multi-state cooperatives.

<sup>20</sup> Supra Note No 1, p.6

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own compulsions (GoI 2009)<sup>21</sup>. State governments, hence, were to be compelled to change their laws in tune with uniform constitutional norms. Incidentally, it is these uniform provisions of the 97<sup>th</sup> CAA which the Supreme Court has struck down in its judgement of July 20, 2021, in their application to States whose concurrence was not taken for the same. It is now left to the State governments to decide whether they would like to retain or not the amendments made in their cooperative Acts pursuant to the 97<sup>th</sup> CAA.

Thus, both the Union and the States have made several attempts in the post-reforms period to restructure the cooperative legal framework with mixed outcomes. The former, particularly, has taken legal and constitutional measures to alter the governance scenario despite cooperatives being prominently in the State domain. In the process, while the centre saw the States as reluctant reformers, it was, in turn, perceived by States as obtruding in the guise of reforms. This gives a clear perspective as to why the formation of a new MoC is contentious, if not untenable. The State governments, in particular those ruled by opposition parties, are bound to perceive that Union government may have some other plan up its sleeve.

Although part of provisions of the 97<sup>th</sup> CAA pertaining to State-level cooperatives have been struck down by the Supreme Court, the role of Union government regarding multi-state cooperatives has been clearly recognised. The developmental role of the centre continues to be relevant even as the legal forms of cooperatives have been getting diversified. In addition, more women are coming forward to be part of the cooperative movement. The centre, no-doubt, has a prerogative to restructure its administrative framework to streamline its activities. The formation of the MoC is legally and constitutionally tenable even though the up-gradation looks disproportionate to the current level of engagement of the Union government with the cooperative sector. However, it may want to play a bigger role proactively going beyond the current mandate given the potential that the cooperative sector holds for building political constituencies. According to a newspaper report, the centre may even explore amending the Constitution to add cooperatives in the Concurrent List to enhance its mandate more legitimately<sup>22</sup>. The press note issued about the MoC, however, does not clarify many of these

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<sup>21</sup> Supra Note No 12.

<sup>22</sup> Mishra, P. 2021. “[Change of Law: Plans to bring co-ops under Concurrent List](https://www.financialexpress.com/economy/change-of-law-plans-to-bring-co-ops-under-concurrent-list/2295153/)”. *Financial Express*, July 22. [https://www.financialexpress.com/economy/change-of-law-plans-to-bring-co-ops-under-concurrent-list/2295153/]. Last accessed on July 28, 2021.

issues except identifying some hazier goals including talking about the relevance of cooperative-based economic development.

Given the common interests that are at play, the Union Government's apparent keenness to play a larger role in the cooperative sector can become relevant provided it can come out clearly with its plan and seek the cooperation of the States. In India's federal structure, establishing partnership with the States becomes necessary for this new Union Ministry to work towards building a cooperative-based economy that it has visualised.

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## IV. BUILDING A COOPERATIVE-BASED ECONOMY

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The real challenge of building a cooperative-based economy, however, lies in making cooperatives thrive on a wider basis, assuming that the Union and the States would be working together for such a cause. The more pertinent question, however, is: How to build a cooperative-based economy in a system which is moving towards strong capitalism? A cooperative-based economy could be defined as one where all major economic activities are prominently carried out by cooperatives and that cooperative way of life is the norm in the society.

India's efforts under the Five Year Plans in the post-independence period hold some lessons here. The planning era started with the goal of creating 'Cooperative Socialism' with the thrust being on 'cooperativising the rural economy' along Gandhian lines. The state had adopted a proactive approach to support cooperatives through various means. Given the fact that the economy was in a nascent stage of development, cooperatives were able to make some dent in sectors such as credit, milk, sugar, and fertilizers. The policy of favouring cooperatives in some of these sectors helped them grow significantly. Cooperatives in the dairy and sugar sectors succeeded to a considerable extent due to adoption of integrated models, which helped control the value chain and ensure member loyalty through assured price and services (Attwood and Baviskar 1988)<sup>23</sup> (Shah 1996).<sup>24</sup> However, despite some pockets of success, cooperativisation could not go the desired extent. As identified earlier, the overbearing nature of the state did not help the cause either as the field not only lost autonomy but got excessively politicised as well. Moreover cooperatives, in general, suffered from other factors that have a bearing on their sustainability, such as constraints in achieving scale, lack of professional support and lack of adequate capital. Inter-group conflicts and domination by local elite were also found to be common among cooperatives.

The arrival of reforms in the 1990s only exacerbated the inherent challenges. Private enterprises entered sectors such as dairy, sugar, and credit that were earlier dominated by cooperatives. Having lost some of their advantages and in the absence of any level playing field, cooperatives faltered

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<sup>23</sup> Attwood, D. W. and Baviskar B. S. 1988. "Who shares? Cooperatives and Rural Development", *Oxford University Press*, New Delhi.

<sup>24</sup> Shah, T. 1996. "Catalysing Co-operation: Design of Self-Governing Organisations", *Sage Publications*, New Delhi.



despite growing in numbers. Resilient cooperatives and those operating in certain sectors such as fertilisers, milk, sugar, and textiles managed to retain some significant share (Table 3), albeit dwindling over the years<sup>25</sup>. Much of the market share in all the sectors currently is held by entities other than cooperative enterprises. Cooperatives overall play only a minor role in economies like India. A global survey conducted for the United Nations in 2014 (Dave Grace & Associates 2014)<sup>26</sup> revealed that cooperatives' gross revenue to GDP in Asia was 3.25 per cent as against 7.08 per cent for Europe and 4.12 per cent for North America.

**Table 3: Sector Specific Share (%) of Cooperatives (2016-17)**

Sectors	%
Agri-Credit	13.4
Fertilizer Production	28.8
Fertilizer Distribution	35.0
Sugar Produced	30.6
Milk Procurement	17.5
Storage Capacity	14.8
Spindleage	29.3
Direct-Employment	13.3

**Source:** NCUI (2018)

Given such a situation, it would be an enormous challenge for cooperatives to regain their position and relevance. The mere slogan 'Sahakar se Samruddhi' (prosperity from cooperation) of the MoC may not help unless a radical shift takes place in the situation of the cooperatives supported by right kind of ideology and policy stance. As a policy, the announcement of MoC by the present government comes off as one that is more spontaneous like the Atmanirbhar Bharat (self-reliant India) launched in the wake of the COVID-19-induced economic crisis. Both steps – the formation of the MoC and self-reliant India – are inherently contradictory to the stated policy position and ideological commitments of the main ruling party. The present administration is

<sup>25</sup> For example, the share of Credit Cooperatives has declined from 62% in 1992-93 to 13.4 % 2016-17.

<sup>26</sup> **Dave Grace & Associates. 2014. "Measuring the Size and Scope of the Cooperative Economy: Results of the 2014 Global Census on Co-operatives"**, April.

[<https://www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf>]. Last accessed on July 23, 2021. Last accessed on July 28, 2021.

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committed more to globalisation and neoliberal reforms to deepen the capitalist footprints in the country based on private investment and entrepreneurship. A careful reading of the NITI Aayog's two policy documents viz. 'The Three-Year-Action Agenda:2017-20' (NITI Aayog 2017)<sup>27</sup> and 'Strategy for New India@75' (NITI Aayog 2018)<sup>28</sup> clearly brings out that cooperatives are nowhere in the picture of making India a \$4-trillion-economy by 2022-23, as visualised in the strategy.

Even in the agricultural sector, where cooperatives have conventionally played a significant role in some of the fields, there is focus mainly on the private investment to promote agribusiness as a way of resolving the agrarian crisis involving a majority of the small and marginal farmers. One can see only a perfunctory mention of cooperatives or farmers' producer organisations (FPOs) to play a peripheral role. The cooperatives which had struggled to blossom even in the heydays of planning are bound to shrivel in an era devoid of any ideological heft. Creation of a new ministry hence sounds rhetorical being not backed up by relevant policy and ideology to make any significant dent.

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<sup>27</sup> NITI Aayog. 2017. "India: Three Year Action Agenda,2017-18-2019-20", NITI Aayog, New Delhi.

<sup>28</sup> NITI Aayog. 2018. "Strategy for New India@75", NITI Aayog, New Delhi.

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## V. PATHWAYS TO COOPERATIVE SUCCESS

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**A**part from the ideological conviction, real pathways to the success of cooperatives would go with the following strategies. Cooperatives, despite their varied global success, remain relevant from the point of view of human welfare. Their social and economic relevance has been recognised even in capitalist economies, while they have played a significant role as part of the planning process in socialist economies. The social significance of cooperatives emerges both due to their intrinsic value and the instrumental role they can play in overcoming the social and economic crises wrought by capitalism. Solidarity among humans has become essential in view of growing challenges like alienation, atomism, inequality, and ecological rift (Ray 2021).<sup>29</sup> The logic of capitalism based on profit-maximisation and accumulation is at the root of many of these crises. As suggested by Marcel Mauss, "[c]ooperative economic organisations guarantee the perpetuation of the future society" (quoted in Nash et.al. 1976, p 3).<sup>30</sup>

Economically, cooperatives offer several advantages although they come along with certain inherent limitations. The first advantage is that they enable members with small means to reap the benefits of collective action. In the absence of such a scope, the poor and disadvantaged become highly vulnerable to potentially exploitative market forces. Cooperatives offer bargaining strengths to withstand such vulnerabilities and obtain needy services at cost (Roy 1981).<sup>31</sup> This is the primary reason as to why cooperatives are strongly advocated for the poor (Shylendra 2013).<sup>32</sup>

Similarly, for certain perishable commodities or areas crucial for livelihoods such as milk, vegetables, microcredit, and natural resources, cooperatives are seen as the ideal form of business because they enable easier mobilisation of members with scope for scale and cost reduction. Workers' cooperatives are another sector of high relevance and advantage. Moreover,

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<sup>29</sup> Ray, S. 2021. "[Birth of an Alternative Development Paradigm: Unfolding of Transformative Mode of Production](https://micamp.hypotheses.org/occasional-paper-1)", ICAS:MP Occasional Paper Series-1, [https://micamp.hypotheses.org/occasional-paper-1]. Last accessed on June 25, 2021.

<sup>30</sup> Nash, J. et al. (ed). 1976. "Popular Participation in Social Change: Cooperatives, Collectives and Nationalised Industry", Mouton Publisher, The Hague,

<sup>31</sup> Roy, E.P. 1981. "Cooperatives: Development, Principles and Management", The Interstate Printer & Publishers, Danville.

<sup>32</sup> Shylendra, H.S. 2013. "Microfinance and Cooperatives in India: Can the poor gain from their coming together?", *International Journal of Rural Management*, Vol. 9, Issue. 2, pp.151-181.

## COOPERATIVES NEED A REGENERATIVE MOVEMENT MORE THAN A NEW MINISTRY

given their focus on mutual benefit over profit, cooperatives can help moderate monopolistic tendencies to ensure fair prices and practices. This is one of the primary reasons as to why cooperatives have grown in strength even in capitalist economies. For example, cooperative membership in Europe and North America accounted for 45.6 per cent and 38.6 per cent of the population respectively (Dave Grace & Associates 2014). Thus, both socially and economically, cooperatives have merits justifying their relevance in any form of economy.

State and civil society must support cooperatives proactively in diverse ways through suitable law, education, finance, technology, and policies without hurting their autonomy. The best prescription for 'good governance' in cooperatives is to promote cooperatives actively without compromising on their basic principles. In addition to such a proactive approach, efforts must be made to help cooperatives overcome some of their structural limitations in attaining the required scale and viability.

New ways of organising cooperatives must be necessarily evolved to ensure their economic success. The inconsiderate aim of forming an independent and formal cooperative for every village or local habitation, irrespective of size, has embedded a structural hindrance to achieve the needed scale for many of the cooperatives. Hence, many cooperatives at the primary level remained unviable. Efforts to revive them through amalgamation or capital infusion has been ridden with difficulties given the top-down approach of such policies. If a cooperative remains unviable, it faces challenges of credibility and sustainability of services. The primary unit need not necessarily be a stand-alone cooperative unit always. In case of size constraint, it should try and function more as a branch of a larger unit to economise. In other words, there can be a multi-village cooperative working as a hub for remote villages having branches. One related possibility in this direction is careful selection and prioritisation of sectors and areas for cooperative formation.

Although cooperatives may be organised for specific commodities or services, wherever relevant and feasible, multi-purpose cooperatives could be organised to attain viability. In recent days a cluster-based approach is being advocated, including adoption of 'one-district-one-crop' for FPOs. However, both may work in a top-down way, resulting in the exclusion of many producers and crops falling outside such a design. The attempt should be to include all potential members needing service in the jurisdiction and overcome viability challenge through innovative design. Again, the commonly advocated three-tier structure for all cooperative sectors need not be imposed in a top-down way. A multi-tier cooperative structure may evolve more organically as

per its economic need to enable control over the value chain as well as to have clear division of functions at different levels of integration. Such integration of cooperatives into a multi-tier system must necessarily be promoted on the principle of democratic federalism which respects the mutual autonomy and accountability of each tier. Legally, cooperatives may assume any form at different levels provided they adhere to basic cooperative norms and are not discriminated by policies because of their legal form.

Another crucial area which is often neglected is the professional support for cooperatives to work efficiently in the competitive environment. Apart from having their own professionals trained for their needs, cooperatives must be enabled to access, in innovative ways, the support of empathetic professionals and technical services through collectives or social enterprises which are organised specifically for such services.

Agriculture, which is afflicted by growing fragmentation of operational holdings and ridden with innumerable crises, continues to remain a sector that is ripe for a vibrant revival movement to organise collectives. The efforts to build a cooperative-based economy can start with agriculture and extend to other sectors logically, as advocated by the late V. Kurien, the founding Chairman of the Gujarat Cooperative Milk Marketing Federation (GCMMF), which is popular internationally as Amul.

To conclude, a cooperative-based economy is the need of the times and is worthy of serious consideration, more so in the economic and social world which will emerge after COVID-19, which has put enormous pressure on existing business models. What is required is a more coordinated and planned effort involving various levels so that cooperatives can re-emerge in a bottom-up way to grow into viable and valuable social enterprises. What India needs is a real movement for cooperatives than the mere creation of a Ministry of Cooperation.



### **About the Author**

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