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# Cooperatives are effective in addressing rural inequality

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*Cooperatives are member-owned, democratically controlled institutions that pool resources for collective benefit. Rooted in the principle of "one member, one vote", they aim to empower small producers, enhance bargaining power, and ensure equitable distribution of gains. In India, where inequality arises from unequal landholdings, access to markets, and financial exclusion, cooperatives act as instruments of social and economic equity, aligning with the vision of "Antyodaya" and inclusive growth.*

***"Cooperation is not charity, but self-help made effective." — Dr. Verghese Kurien***

## Effectiveness of Cooperatives in Addressing Rural Inequality

### 1 Enhancing Economic Empowerment and Market Access

- Cooperatives enable aggregation of small and marginal producers, giving them collective bargaining power in input procurement and marketing. Example: AMUL dairy cooperative transformed Gujarat's rural economy by linking small farmers to national markets.
- Fisheries and horticulture cooperatives (e.g., Kerala's Matsyafed, HOPCOMS) provide fair prices and reduce dependence on exploitative middlemen.

### 2 Promoting Financial Inclusion

- Cooperative banks, credit societies, and Primary Agricultural Credit Societies (PACS) provide affordable credit to small farmers, artisans, and women. Example: Over 63,000 PACS and 8.5 crore members nationwide (NABARD 2023).
- These institutions bridge the rural credit gap and counter the informal money lending system, thereby reducing debt traps.

### 3 Reducing Regional and Income Disparities

- Cooperatives promote local entrepreneurship and value addition in underserved regions. Example: Lijjat Papad cooperative, run entirely by women, has empowered thousands of low-income households.
- Agro-processing cooperatives create employment in backward areas, curbing migration and regional inequality.

### 4 Empowering Women and Marginalized Groups

- Women's cooperatives and self-help groups (SHGs) enhance economic participation and decision-making.
- Example: Kudumbashree (Kerala) – one of the largest women's collectives, has over 45 lakh members, uplifting socio-economic status of rural women.

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**Strengthening Rural Resilience:** During crises (e.g., COVID-19 pandemic), dairy and credit cooperatives sustained rural incomes and ensured last-mile delivery of essentials—demonstrating social capital and resilience.

## Limitations and Gaps in the Cooperative Movement

### 1. Governance and Political Interference

- **Politicization of Cooperatives:** Many cooperatives have become extensions of local political networks, with leadership positions controlled by dominant groups. This undermines democratic functioning and inclusiveness. Example: Audit delays and nepotistic practices in sugar cooperatives of Maharashtra reflect governance erosion.
- **Weak Democratic Accountability:** Elections are often irregular or manipulated, violating the “one member, one vote” principle. Members’ participation in decision-making remains low.

### 2. Regional Imbalance and Uneven Spread

- **Geographical Concentration:** Cooperative success is largely confined to western and southern India (Gujarat, Maharashtra, Kerala, Karnataka), while northern and eastern states remain underrepresented.
- **Inter-state Disparities:** The cooperative credit network is highly developed in Maharashtra and Gujarat, but weak in Bihar, UP, and North-East, reinforcing regional inequality rather than bridging it.

### 3. Limited Inclusiveness

- **Elite Capture:** Dominant caste and class groups often control cooperative leadership, marginalizing small farmers, landless laborers, women, and SC/ST members.
- **Low Women Participation:** Only ~12% of cooperative board members are women (NCUI, 2023). Women’s cooperatives often remain underfunded and lack managerial autonomy.

### 4. Financial Weakness and Credit Constraints

- **High NPAs and Poor Financial Management:** Many cooperative banks and PACS suffer from weak balance sheets, limited capital, and high non-performing assets. Example: NABARD (2023) noted that around 20% of PACS are either dormant or loss-making.
- **Dependence on State Subsidies:** Overreliance on government support restricts autonomy and innovation.

### 5. Lack of Professionalization and Technological Deficit

- **Inadequate Managerial Skills:** Many cooperatives are managed by non-professionals or part-time administrators with limited financial expertise.
- **Low Technological Adoption:** Poor integration with digital banking, e-markets, and supply chain management systems reduces competitiveness. Example: Only 20% of PACS have adopted Core Banking Solutions (CBS) despite government push.

### 6. Weak Linkages and Convergence Gaps

- **Isolation from Development Schemes:** Limited integration with government programs like NRLM, PM-FME, PM-KUSUM, or FPO schemes reduces synergy and growth potential.
- **Lack of Value Chain Integration:** Many cooperatives focus only on primary production, not processing, branding, and marketing, limiting income gains.

## **Institutional Reforms to Improve Inclusiveness**

### **1. Democratic and Accountable Governance**

- Ensure free, fair, and transparent elections of cooperative boards.
- Introduce independent audit and disclosure norms for financial transparency.
- Limit political interference through cooperative law reforms.

### **2 Professionalization and Capacity Building**

- Encourage managerial training, digital literacy, and enterprise skills among cooperative members.
- Promote cooperative education through institutions like National Cooperative Development Corporation (NCDC) and NCUI.

### **3. Financial and Technological Modernization**

- Integrate PACS and rural cooperatives with Core Banking Solutions (CBS) and digital platforms to enhance efficiency.
- Provide credit-linked incentives and capital support under the Ministry of Cooperation's computerization scheme.
- Enable access to e-NAM, ONDC, and other e-marketplaces for fair pricing.

### **4. Inclusion Mandates**

- Mandate representation of women, SC/ST, and small/marginal farmers in cooperative boards.
- Encourage women-only cooperatives in microfinance, food processing, and handicrafts sectors.
- Provide targeted support to tribal cooperatives (TRIFED model) for inclusive rural entrepreneurship.

### **5. Legal and Policy Reforms**

- Implement the 97th Constitutional Amendment (Part IXB) effectively, ensuring autonomy and democratic governance.
- Strengthen the Multi-State Cooperative Societies (Amendment) Act, 2022, emphasizing transparency and digital governance.
- Promote the Three-tier cooperative model (PACS–DCCB–SCB) with structural clarity.

## **Conclusion**

*?Cooperatives have proven to be effective engines of rural equality, fostering economic democracy, social capital, and empowerment. However, their inclusiveness depends on institutional strength, good governance, and professional management rather than mere expansion in numbers. With the right policy support, digital integration, and participatory governance, cooperatives can evolve into inclusive engines of rural prosperity, aligning with the vision of “Sahakarse Samriddhi” and Viksit Bharat @2047.*