



**KAMARAJ IAS ACADEMY**  
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# COOPERATIVES SECTOR -THE GROWING IMPORTANCE AND THE ECONOMIC POTENTIAL IT HOLDS:

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**NEWS:** Union Minister calls for transformation of India's cooperative sector, Cooperatives must be India's economic backbone, says UNION MINISTER shah.

## COOPERATIVE SECTOR:

**DEF:** A cooperative is a **voluntary group** of individuals with **common needs** who unite to achieve **shared economic goals**.

**Aim:** Supports members, with focus on **the interest of the poorer sections of society**, through **self-help** and **mutual aid**.

Members **pool resources** and use them effectively **for mutual benefit**.

The global rise of cooperatives is partially due to the work of the **International Co-operative Alliance (ICA)**.

## Constitutional Status

- **Part IXB of the IC grants constitutional status to cooperative societies** and contains provisions for their **democratic functioning**. It was inserted by the **Constitution (97th Amendment) Act, 2011**.
- The SC, in 2021, held that **Part IXB of IC would only apply to MSCS**, as **states have the jurisdiction to legislate over state cooperative societies (SCS)**.

## Governance Structure

**Multi-State Cooperatives:** Falls under **Entry 44 of Union List of the Constitution**. Governed by the **Multi-State Cooperative Societies Act, 2002**.

**State Cooperatives:** Falls under **Entry 32 of State List of the Constitution**. Governed by respective **State Cooperative Societies Acts**.

In November 2024, India hosted ICA's **Global Cooperative Conference** for the first time.

The Theme was "**Cooperatives Build Prosperity for All**", aligning with India's "**Sahkar Se Samridhi**" vision.

## TYPES OF COOPERATIVE SOCIETY:

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- **Consumers' Cooperative Society:** Offers goods at reasonable prices (e.g., Kendriya Bhandar).
- **Producers' Cooperative Society:** Supports production (e.g., Haryana Handloom).
- **Cooperative Marketing Society:** Aids in marketing member products (e.g., AMUL).
- **Credit Cooperative Society:** Provides fair-interest loans (e.g., [Urban Cooperative Banks](#)).
- **Farming Cooperative Society:** Facilitates benefits of large-scale farming.
- **Housing Cooperative Society:** Ensures affordable housing (Metropolitan Housing Cooperative Society).

#### **Significance of Cooperatives in Socioeconomic Development:**

- **Empowering Society**
- **Equal Rights:** The "one-person-one-vote" system ensures equality.
- **Bargaining Power:** Enables collective action for better opportunities.
- **Leadership Development:** Cooperatives elect leaders democratically, helping develop leadership skills in many states (e.g., In Maharashtra many legislators are associated with cooperatives movement).
- **Promoting Financial Inclusion:** Affordable credit for farmers, reducing reliance on moneylenders. Extensive rural network boosts financial accessibility.

- **Strengthening Social Cohesion:** Cooperatives foster natural and private social bonds without third-party involvement.
- **Example:** Housing cooperatives bridge the gap between residents and urban policies, encouraging grassroots participation.
- **Reducing Wealth Inequality:** Loans at low interest rates support marginalized communities. Encourage self-employment and fair competition.
- **Instilling Moral Values:** Promote unity, trust, honesty, and cooperation, ensuring social stability.

### Challenges Faced by Cooperatives in India:

§ **Government Interference:** Regulations on borrowing, transactions, and investments limit efficiency.

§ **Politicization:** Powerful local figures influence cooperative management.

§ **Weak Audit System:** Audits are irregular, delayed, and ineffective.

§ **Lack of Coordination:** Cooperatives at different levels fail to work together.

### Functional Weaknesses

o **Lack of Scale:** Cooperatives struggle with financial, managerial, and technical limitations.

o **Skilled Workforce Shortage:** Training institutions and professional opportunities are lacking.

o **Poor Management:** Limited career development affects leadership and efficiency.

o **Lack of Familiarity with Digital Tools:** The data indicates that only 45% of cooperative members are familiar with digital tools, suggesting a significant gap in technological literacy.

### Government Initiatives to Strengthen Cooperatives

- **RBI Umbrella Support:** An RBI-approved Umbrella Organization (**Registrar of Co-operative Societies in each state**) aids urban cooperative banks (UCBs), enhancing their financial resilience.
- **Rural Storage Expansion:** Under the **Decentralized Grain Storage Plan**, 2,000 **Primary Agricultural Credit Societies (PACS)** now provide rural storage facilities.
- **PACS Digitization:** A ₹2,516 crore project digitized over 15,000 PACS, improving transparency and functionality, supported by a National Cooperative Database for record-keeping.
- **PACS Retail Expansion:** PACS are expanding into fuel and LPG distribution, further diversifying services available to rural areas.
- **NCDC Bonds and E-Services:** The **National Cooperative Development Corporation** issued ₹2,000 crore in bonds, while PACS as **Common Service Centers** now offer 300+ e-services for rural communities.
- **Organic Agriculture Support:** **National Cooperative Organic Limited (NCOL)** was set up to promote organic farming, reinforcing sustainable agriculture practices.
- [Multi-State Cooperative Societies Amendment Act 2023](#)

### NEED OF THE HOUR:

- **Implement digital platforms** for financial reporting, conduct regular audits, and encourage member participation in decision-making processes.
- **Establish cooperative development funds** with flexible collateral requirements to cater to the needs of marginalised communities. Encourage cooperatives to explore crowdfunding, social impact bonds, and other innovative financing solutions.

- *Design outreach **programs to educate** and attract members from marginalised communities, addressing specific needs and challenges.*
- *Advocate for government investment in rural infrastructure development, improving connectivity and access to markets for cooperatives*