National Cooperative Development Corporation Amendment Bill 2026: Expanding Cooperative Finance While Raising Federalism and Governance Questions

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Recent Developments:

- Parliament passed the **National Cooperative Development Corporation (Amendment) Bill, 2026**, with the **Rajya Sabha passing it on 12 August 2026**. The amendment seeks to expand the financing and functional scope of the **National Cooperative Development Corporation (NCDC)**.
- The legislation is significant because it moves NCDC beyond its earlier direct-financing framework by enabling it to provide **loans and grants directly to a wider range of cooperative societies and entities engaged in cooperative development**.
- The amendment comes against the backdrop of the **National Cooperation Policy 2025**, which seeks to create a supportive legal, economic and institutional ecosystem for cooperatives and advance the vision of **"Sahkar se Samriddhi"**. The policy was launched on **24 July 2025**.
- The reform is also linked with broader government initiatives such as **PACS computerisation, the World's Largest Grain Storage Plan, White Revolution 2.0, cooperative exports and diversification of Primary Agricultural Credit Societies (PACS)**. The Ministry of Cooperation continues to list these among its major cooperative-sector initiatives.
- NCDC's financial footprint has expanded substantially, with its assistance rising from **?5,735.51 crore in 2014-15 to ?95,182.88 crore in 2024-25**. Official government data also records total assistance of **?59,074.67 crore during 2025-26 up to 25 November 2025**.

NCDC Amendment Bill, 2026: Key Provisions:

Expansion of Direct Financial Assistance:

- Under the earlier framework, NCDC could provide **loans and grants directly to national-level cooperative societies and cooperative societies operating in more than one State**, while assistance could also be routed through State Governments.
- The amendment expands this framework by enabling NCDC to provide **direct financial assistance to a wider category of cooperative societies and entities engaged in cooperative development**, subject to prescribed conditions.
- The change creates an additional financing channel because NCDC can continue providing funds to **State Governments for financing cooperative societies** while also extending assistance directly to eligible entities.
- The provision can reduce financing delays for viable cooperative projects by reducing dependence on multiple administrative layers.

Wider Coverage of Food-Related Activities:

- The amendment expands the statutory meaning of **“foodstuffs”** to include **processed food and other food items notified by the Central Government**.
- The broader definition can bring more **food-processing, value-addition and allied cooperative activities** within the potential financing ambit of NCDC.
- This is important because strengthening food-processing cooperatives can help farmers move from primary production towards **higher-value agricultural supply chains**.

Removal of Rural Location Restriction:

- The amendment removes the earlier requirement that eligible **industrial cooperatives, cottage and village industries and allied industries** should be located in rural areas.
- This can widen NCDC support to cooperative enterprises operating in **urban, peri-urban and integrated value-chain environments**.
- The change reflects the increasing diversification of cooperatives beyond conventional rural agricultural activities.

Expanded Investment Powers:

- NCDC will be permitted, with **prior approval of the Central Government**, to participate in the **share capital of cooperatives or entities engaged in cooperative development**.
- This gives NCDC a broader role beyond conventional lending and grants by allowing it to support the **capital base and long-term financial sustainability** of cooperative enterprises.
- Equity participation can be particularly relevant for cooperatives requiring substantial capital for **processing, storage, logistics, technology and market expansion**.

Information-Sharing Powers:

- The amendment empowers NCDC to **collect and furnish credit and other information** required for efficiently discharging its functions.
- Such information may be exchanged with the **Central Government, Reserve Bank of India, banks and other notified financial institutions**.
- Better information availability can improve **credit assessment, risk management, monitoring and financial coordination** within the cooperative ecosystem.

Understanding NCDC:

Establishment and Institutional Position:

- The **National Cooperative Development Corporation** is a statutory organisation established in **1963 under the National Cooperative Development Corporation Act, 1962**.
- NCDC functions under the administrative control of the **Ministry of Cooperation**.
- It serves as a major institutional mechanism for providing financial assistance for the development and strengthening of cooperative enterprises across agricultural and non-agricultural sectors.
- Its activities cover areas such as **agriculture, processing, storage, marketing, dairy, fisheries, livestock, handloom, poultry and weaker-section cooperatives**.

Evolution of NCDC:

- The **NCDC Act, 1962** has been amended in **1973, 1974 and 2002**, progressively expanding the Corporation’s functional and financing framework.
- The present amendment represents another step in adapting NCDC to the changing requirements of the cooperative sector.

- The expansion is particularly relevant because cooperatives are increasingly being used for **value addition, exports, digital services, infrastructure development and diversified rural enterprises**.

Financial Expansion:

- NCDC's disbursements increased from **?5,735.51 crore in 2014-15 to ?95,182.88 crore in 2024-25**, representing a substantial expansion in its financial outreach.
- Official government data shows that NCDC assistance increased from **?24,733.24 crore in 2020-21 to ?95,182.88 crore in 2024-25**, indicating rapid growth over the period.
- This expansion demonstrates the increasing role of NCDC in financing cooperative-led **agricultural marketing, processing, infrastructure and allied economic activities**.

Cooperatives in India: Constitutional and Institutional Framework:

Constitutional Status:

- The **97th Constitutional Amendment Act, 2011** gave constitutional recognition to cooperative societies through three major changes.
- **Article 19(1)(c)** was expanded to include the right to form cooperative societies as a **Fundamental Right**.
- **Article 43B** was inserted into the Directive Principles of State Policy to direct the State to promote the **voluntary formation, autonomous functioning, democratic control and professional management of cooperative societies**.
- **Part IXB** was inserted into the Constitution to provide constitutional provisions relating to cooperative societies.
- However, the Supreme Court in **Union of India v. Rajendra N. Shah (2021)** held that the constitutional amendment required ratification by at least half of the State legislatures because it affected the legislative powers of States. Consequently, the provisions of **Part IXB relating to State cooperative societies** were held inoperative, while the provisions concerning **multi-State cooperative societies** remained operative.

Federal Distribution of Legislative Powers:

- **Cooperative societies whose objects are confined to one State** fall within **Entry 32 of the State List under the Seventh Schedule**.
- **Multi-State cooperative societies**, however, fall within the Union domain and are governed by the **Multi-State Cooperative Societies Act, 2002**.
- This distinction is central to understanding the federalism concerns surrounding the NCDC amendment.
- The Supreme Court has reaffirmed that **cooperative societies are principally a State subject**, making coordination between the Union and States important when national financial institutions intervene in the sector.

Significance of Cooperatives for India:

Economic Significance:

- Cooperatives provide a mechanism through which small producers can achieve **economies of scale, collective bargaining power and better market access**.
- They are particularly important in sectors such as **agriculture, dairy, fisheries, fertilisers, sugar, credit and agricultural marketing**.
- **PACS** form an important part of the rural cooperative credit architecture and are increasingly being transformed into **multi-service centres**.
- The cooperative model can reduce dependence on intermediaries and strengthen producers' participation in **value chains and markets**.

- Cooperative institutions can also support exports by aggregating production, improving quality standards and facilitating access to international markets.

Social Significance:

- Cooperatives can promote **financial inclusion and grassroots participation** by providing institutional platforms for small farmers, artisans, women and other economically weaker groups.
- Women-led cooperatives can strengthen **income generation, entrepreneurship and economic decision-making**.
- Cooperatives involving **Scheduled Castes, Scheduled Tribes and other marginalised groups** can improve access to institutional finance and productive assets.
- The model therefore has relevance for **inclusive growth, social capital formation and rural empowerment**.

Infrastructure and Technology:

- Cooperatives are increasingly involved in **storage, cold chains, processing, logistics and digital services**.
- The government's **World's Largest Grain Storage Plan in the Cooperative Sector** seeks to use PACS as decentralised storage infrastructure.
- The Ministry of Cooperation is also pursuing **computerisation of PACS**, enabling them to operate as technologically enabled and diversified service centres.
- Such initiatives can reduce post-harvest losses, prevent distress sales and improve farmers' ability to hold produce until market conditions become favourable.

National Cooperation Policy 2025: Policy Context:

Objectives:

- The **National Cooperation Policy 2025** seeks to strengthen the cooperative sector through a supportive **legal, economic and institutional framework**.
- The policy is aligned with the broader objective of achieving a **developed India by 2047** through cooperative-led grassroots development.
- It seeks to promote cooperatives that are **transparent, professionally managed, technology-driven, financially sustainable and democratically governed**.
- The policy views cooperatives as an important mechanism for connecting rural producers with **markets, technology, infrastructure and value chains**.

Policy Initiatives:

- The Ministry of Cooperation is implementing the policy through initiatives involving **PACS, dairy cooperatives, fisheries cooperatives, cooperative exports, grain storage and digitalisation**.
- The government has also established institutional mechanisms for monitoring and coordinating implementation of the **National Cooperation Policy 2025**.
- The policy therefore provides the broader institutional context within which the expansion of NCDC's financing role should be understood.

Concerns Associated with the NCDC Amendment:

Federalism:

- The principal concern is that **direct NCDC financing of State-level cooperatives** could reduce the practical role of State Governments in a sector constitutionally assigned to the States.

- Although direct financing can improve efficiency, bypassing State-level institutions could create tensions regarding **regulation, accountability and administrative jurisdiction**.
- The issue is particularly significant because cooperative societies are embedded within State-specific legal and institutional frameworks.

Coordination and Oversight:

- State Governments and State cooperative registrars continue to have important responsibilities relating to the **registration, regulation, audit and supervision** of State-level cooperative societies.
- Direct central financing without adequate coordination could create **overlapping monitoring structures**.
- A cooperative receiving funds from NCDC may simultaneously remain subject to State-level regulatory and audit requirements, making clear institutional coordination essential.

Governance and Political Interference:

- Financial expansion alone cannot guarantee cooperative success because many cooperatives face challenges involving **political interference, weak internal governance, inadequate professional management and limited accountability**.
- Greater NCDC financing should therefore be accompanied by measurable standards relating to **financial sustainability, audit quality, governance and project outcomes**.
- Funding should increasingly be evaluated not merely through the amount disbursed but through outcomes such as **income generation, employment, productivity, asset creation and market access**.

Regional Disparities:

- Cooperative development remains uneven across States and sectors.
- Strong cooperative ecosystems in some regions coexist with weaker institutional capacity in several **North-Eastern, tribal and aspirational regions**.
- Expanding NCDC's direct financing powers should therefore be accompanied by mechanisms that ensure **equitable regional access to institutional finance**.

<u>Way Forward:</u>

Cooperative Federalism:

- The Centre should use the expanded NCDC framework through **structured consultation with State Governments and cooperative registrars**.
- Clear protocols should define the respective responsibilities of **NCDC, State Governments and cooperative regulators**.
- Direct financing should complement rather than displace the constitutional and administrative role of States.

Governance Reforms:

- Cooperatives require greater **professional management, transparent elections, independent auditing and member participation**.
- Political interference and elite capture should be minimised to preserve the principle of **member-owned and democratically controlled enterprises**.
- NCDC financing should increasingly incorporate **performance-linked monitoring and outcome-based evaluation**.

Digital Transformation:

- Expansion of **computerised PACS, digital accounting, credit information systems and interoperable databases** can improve transparency and reduce information asymmetry.

- The NCDC's new information-sharing powers can contribute to better credit assessment if supported by appropriate **data protection, purpose limitation and institutional safeguards**.

Diversification:

- Cooperatives should expand beyond traditional activities into **food processing, renewable energy, logistics, tourism, digital services, fisheries and other emerging sectors**.
- Diversification can reduce concentration risks and create new income and employment opportunities in rural and semi-urban economies.

Conclusion:

- The **NCDC Amendment Bill, 2026** represents a significant attempt to modernise the financial architecture supporting India's cooperative sector by expanding direct financing, investment powers, food-related coverage and information-sharing capabilities.
- Its broader significance lies in linking cooperative finance with the objectives of **rural transformation, financial inclusion, value-chain development, technological modernisation and inclusive growth**.
- However, the success of the reform will depend on maintaining an appropriate balance between **central financial support and State-level constitutional responsibilities**.
- The preferred approach is therefore one of **cooperative federalism**, where stronger NCDC financing is accompanied by transparent governance, professional management, State coordination and outcome-based monitoring.
- In this framework, cooperatives can evolve from traditional credit and production institutions into **competitive, technology-enabled and inclusive economic organisations**, contributing to the broader objective of **Sahkar se Samriddhi**.

Value Addition for UPSC:

Constitutional Linkages:

- **Article 19(1)(c):** Right to form cooperative societies.
- **Article 43B:** Promotion of voluntary formation, autonomous functioning, democratic control and professional management of cooperatives.
- **Part IXB:** Constitutional provisions relating to cooperative societies.
- **Entry 32, State List:** Incorporation, regulation and winding up of cooperative societies within the State domain.
- **Union List:** Multi-State cooperative societies.

Important Supreme Court Judgment:

- **Union of India v. Rajendra N. Shah, 2021:** The Supreme Court limited the operation of **Part IXB** in relation to State cooperative societies because the 97th Constitutional Amendment had not received the required ratification by half of the State legislatures, while provisions relating to multi-State cooperative societies remained operative.

UPSC Mains Analytical Framework:

- **Issue:** Expansion of central financial assistance to cooperatives.
- **Opportunity:** Better access to capital, infrastructure, technology and markets.
- **Concern:** Possible centralisation and overlap with State regulatory authority.
- **Constitutional principle:** Cooperative federalism and respect for the State List.
- **Way forward:** Direct financing with **State coordination, professional governance, transparent auditing and outcome-based monitoring**.

- **Broader objective:** Transform cooperatives into **inclusive, competitive and financially sustainable institutions** supporting rural development and grassroots economic democracy

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