

# Modi Government Forms a Ministry of Cooperation

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The government announced the formation of a separate Union Ministry of Cooperation, a subject that till date was looked after by the Ministry of Agriculture. In the Cabinet reshuffle of July 7, Home Minister Amit Shah was given charge of the new Ministry. In this article, let's to know the important issues of the cooperatives in India from UPSC perspective.

**In news:** Modi government creates Ministry of Cooperation for strengthening cooperative movement

**Placing it in syllabus:** Governance

**Dimensions**

- Structure , Objective and Functions
- History of Cooperative Movement in India
- Constitutional Provisions
- Legal Architecture for Cooperatives in India
- Problems of the Cooperatives
- How will the new Ministry help?

## Content:

### Structure , Objective and Functions:

- A separate Ministry of Cooperation was created by the Government of India for realizing the vision of '**Sahkar se Samridhi**'.
- This move is also in line with the Finance Minister's announcement in the Budget 2021 speech about **setting up a separate administrative structure for cooperatives**.

***A media release from the Press Information Bureau said the objectives of the Ministry of Cooperation will be:***

- Providing a **separate administrative, legal, and policy framework** for strengthening the cooperative movement in the country.
- Making the **cooperative movement a true people-based movement** by helping it reach the grassroots level.
- Working to **streamline processes for ease of doing business for cooperatives** and enable the **development of multi-state cooperatives (MSCS)**.

### **What is a cooperative?**

- By definition, cooperatives are organisations formed at the grassroots level by people to harness the power of collective bargaining towards a common goal.
- Cooperative societies function for a common benefit with a motive to help its members.
- The Cooperatives were first started in Europe and the British Government replicated it in India to mitigate the miseries of the poor farmers, particularly harassment by moneylenders.
- In agriculture, cooperative dairies, sugar mills, spinning mills etc are formed with the pooled resources of farmers who wish to process their produce.
- **Producer cooperatives** seek to obtain the highest possible value for the goods and services supplied by farmers, fisherfolk, artisans or labourers.
- **Consumer cooperatives**, likewise, provide inputs (fertiliser, seed, credit, fuel, etc), groceries, housing, health and other services at the most economic rates to their members.
- Though not uniform across India, cooperatives have made significant contributions in poverty alleviation, food security, management of natural resources and the environment.

## **History of Cooperative Movement in India:**

### **Pre-Independence:**

- The term **cooperative Societies** came into existence when the **farmers of Poona and Ahmednagar spearheaded an agitation against the money lenders** who were charging exorbitant rates of interest.
- Hence, British government came forward and passed three acts- the Deccan Agriculture Relief Act (1879), the Land Improvement Loan Act (1883) and the Agriculturists Loan Act (1884).
- However, The Cooperative Movement in India was **formally introduced** with the promulgation of **Cooperative Societies Act in 1904**.
- Even before formal cooperative structures came into being through the passing of a law, the practice of the concept of cooperation and cooperative activities were prevalent in several parts of India. Some of them were named as Devarai or Vanarai, Chit Funds, Kuries, Bhishies, Phads.
- In 1919, **cooperation became a provincial subject** and the provinces were authorised to make their own cooperative laws **under the Montague-Chelmsford Reforms**.
- This categorization carried on to the Government of India Act, 1935.
- In 1942, the Government of British India enacted the **Multi-Unit Cooperative Societies Act** to cover Cooperative Societies with membership from more than one province.

### ***Post-Independence:***

- India's first Prime Minister Pt. Jawaharlal Nehru had strong faith in the cooperative movement. Hence, after independence cooperatives became an **integral part of Five-Year Plans**.
- In 1958, the **National Development Council (NDC)** had recommended a national policy on cooperatives and also for training of personnel and setting up of Co-operative Marketing Societies.

- In 1984, Parliament of India enacted the **Multi-State Cooperative Societies Act** to remove the plethora of different laws governing the same types of societies.
- The most illustrious success of the cooperative movement was **White Revolution** which made the country the world's largest producer of milk and milk products
- The Government of India announced a **National Policy on Co-operatives in 2002**. The ultimate objective of the National Policy is to Provide support for promotion and development of cooperatives; Reduction of regional imbalances; Strengthening of cooperative education, training and human resource development

### ***The present extent of Cooperative Sector on India:***

- In agriculture, cooperative dairies, sugar mills, spinning mills etc are formed with the pooled resources of farmers who wish to process their produce.
- The country has 1,94,195 cooperative dairy societies and 330 cooperative sugar mill operations.
- In 2019-20, dairy cooperatives had procured 4.80 crore litres of milk from 1.7 crore members and had sold 3.7 crore litres of liquid milk per day. (Annual Report, National Dairy Development Board, 2019-20)
- Cooperative sugar mills account for 35% of the sugar produced in the country.
- In banking and finance, cooperative institutions are spread across rural and urban areas. village-level primary agricultural credit societies (PACs) formed by farmer associations are the best example of grassroots-level credit flow.
- There are also cooperative marketing societies in rural areas and cooperative housing societies in urban areas.

### ***Important Cooperatives:***

- **AMUL:** India is the world's largest producer of milk, this was the achievement of White Revolution in India,

It is an Indian dairy cooperative society located in Anand, Gujarat

- **Karnataka Milk Federation (KMF):** It is the second largest milk co-operative in India. It is a federation of milk producers association working on cooperative principles.
- **Horticultural Producers' Cooperative Marketing and Processing Society (HOPCOMS):** It is a farmers' society founded in 1965. HOPCOMS comes under the jurisdiction of the Department of horticulture, Government of Karnataka. It was founded with the objective of direct marketing of farm products.
- **Indian Coffee House:** It is run by a series of worker co-operative societies. It is a chain of restaurants. By 1940's there were 50 coffee houses across the country. To run the coffee houses in India, there are 13 co-operative societies.
- **Southern Green Farming And Marketing Multi State Cooperative Society Limited(Farmfed):** It is an Agricultural society founded in 2008. Operational area of these societies is Kerala and Tamilnadu. Society's mission is Socially, economically, and ecologically sustainable community development. Society helps the farmers to get a reasonable return for their efforts in the soil by making them aware of various advanced techniques and methods of cultivation without harming the fundamental being of nature.
- **Indian Farmers Fertiliser Cooperative (IFFCO):** It is the biggest cooperative in the world by turnover on GDP per capita. IFFCO is India's largest fertiliser manufacturer. IFFCO reaches over 50 million Indian farmers, with around 35,000 member cooperatives.

**Committees related to the Cooperative Movements in India**

- All-India Rural Credit Survey Committee Report (1954)
- Chaudhary Brahm Prakash Committee (1990)
- Mirdha Committee (1996)
- Jagdish Kapoor Committee (2000)
- Vikhe Patil Committee (2001)
- V. S. Vyas Committee (2001 and 2004)

## Constitutional Provisions

- The word “cooperatives” was added after “unions and associations” in **Article 19(1)(c)** under **Part III of the Constitution**. This allows all the **citizens to form cooperatives** by elevating it to the **status of a fundamental right**.
- The **97th Constitution Amendment Act, 2011** added **Article 43B in the Directive Principles of State Policy (Part IV)** regarding the **“promotion of cooperative societies”**.
- The amendment also added a new **Part IXB** regarding the **cooperatives working in India**.
- Under **Schedule 7** of Indian Constitution, Cooperatives is a **State subject under entry 32** of the **State list**.

## Legal Architecture for Cooperatives in India

- Agriculture and cooperation are in the state list, which means state governments can govern them.
- A majority of the cooperative societies are governed by laws in their respective states, with a Cooperation Commissioner and the Registrar of Societies as their governing office.
- A majority of the cooperative societies are governed by laws in their respective states, with a Cooperation Commissioner and the Registrar of Societies as their governing office.
- In 2002, the Centre passed a **Multi-State Cooperative Societies Act** that allowed for registration of societies with operations in more than one state. These are mostly

banks, dairies and sugar mills whose area of operation spreads across states. The Central Registrar of Societies is their controlling authority, but on the ground the State Registrar takes actions on his behalf.

- The **National Cooperative Development Corporation (NCDC)** works for the promotion of the cooperative movement in India. It is tasked with planning, promoting, coordinating and financing cooperative development programs at the national level. Also, it provides financial, insurance and technical support to cooperative institutions of farmers and other weaker sections.

### **Levels of Cooperative societies:**

- At the village level, there are the village-level **primary agricultural credit societies (PACs)**, which anticipate the credit demand of a particular village and get credit from **the District central cooperative banks (DCCBs)**.
- At the apex of the rural credit lending structure is the **State Cooperative Banks (SCBs)**. It is another successful example of cooperative societies as individual farmers lack the bargaining power to make their case for credit with a bank.
- There are also **cooperative marketing societies** in rural areas and cooperative housing societies in urban areas.

In urban areas, **urban cooperative banks (UCBs) and cooperative credit societies** extend banking services to many sectors that would otherwise have found it difficult to get into the institutional credit structure.

### **Problems of the Cooperatives:**

Some of the problems and challenges that cooperatives face today according to **Report of the High Powered Committee on Cooperatives** are:

- **Inability to ensure active membership:** speedy exit of non-user members, lack of member communication and awareness building measures
- **Dual control has led to a lot of irregularities** in the functioning of the cooperative banks. While the administrative control of the cooperatives are with the states, its banking functions are regulated by Reserve Bank of India under the Banking Regulation Act, 1949 (as applicable to Cooperatives).
- **Serious inadequacies in governance** including that related to Boards' roles and responsibilities
- A general **lack of recognition of cooperatives** as economic institutions both amongst the policy makers and public at large
- **Inability to attract and retain competent professionals**
- **Lack of efforts for capital formation** particularly that concerning enhancing member equity and thus member stake
- **Lack of cost competitiveness** arising out of issues such as overstaffing a general top-down approach in forming cooperatives including the tiered structure
- **Politicization and excessive role of the government** chiefly arising out of the loopholes and restrictive provisions in the Cooperative Acts
- **Non-viability of cooperatives:** there is also a serious problem of a large number of cooperatives that are sick/non viable. As regards the problems specific to the credit cooperatives, the same have been dealt with in detail in the Vaidyanathan Committee Report.

## **How will the new Ministry help?**

Some analysts have said that it was necessary to restore the importance of the cooperative structure in the country by:

### ***Spreading Cooperatives throughout the Country:***

- Various studies conducted by institutions like Vaikunt



Mehta Institute of Cooperative Management have shown the cooperative structure has managed to flourish and leave its mark only in a handful of states like Maharashtra, Gujarat, Karnataka etc.

- Under the new Ministry, the cooperative movement would get the **required financial and legal power needed to penetrate into other states** also.

### ***Reforming and revitalising funding:***

- Over the years, the cooperative sector has witnessed drying out of funding. It is expected that under the new Ministry, the cooperative structure would be able to get a new lease of life.
- Cooperative institutions get capital from the Centre, either as equity or as working capital, for which the state governments stand guarantee.
- This formula had seen most of the funds coming to a few states such as Maharashtra, Gujarat, Karnataka while other states failed to keep up.

### ***Responsive Administration of all Cooperatives:***

- India's agriculture ministry already had a division to oversee cooperatives.
- Focusing on agriculture, however, the ministry has been poorly responsive to the needs of cooperatives.
- Cooperatives have changed as well. Most new registrations for co-operatives are not in the agriculture sector. They are now coming up in sectors like housing and labor.
- As market conditions are evolving, cooperatives in States such as Kerala have got into complex operations: running IT parks and medical colleges. More avenues for expansion, such as insurance, remain untapped and the regulatory regime must evolve in step
- Hence, a separate ministry for cooperatives is a much better option.

## Criticism

- Critics fear that this Ministry is aimed to **concentrate even more powers in the hands of the Union Government.**
- It is being seen as yet another instance by the Centre attempting to gain control over grassroots institutions, especially in Opposition-ruled states, and **undermining the principles of federalism.**

Some suspect that this move is aimed at **weakening the grip of opposition parties** on cooperatives in key states such as Maharashtra.

**Mould your thought:** Highlight the issues faced by the cooperatives in India. How can the new Ministry of Cooperation help to remedy these issues?

### ***Approach to the answer:***

- Introduction
- Briefly define cooperatives and their extent in India
- Discuss the major issues faced by the sector
- Discuss the objectives of the new Ministry
- Write about how the new ministry will help
- Conclusion