



- A Cooperative is defined as an autonomous association of persons united voluntarily to meet their common Economic, Social & Cultural needs and aspirations through a jointly owned & democratically controlled Enterprise.
- A Cooperative is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. So, it is a member-driven and democratically self-managed association of persons united voluntarily for the achievement of common goal that stands for service, joint-action, self-reliance & economic-freedom with accountability and transparency.
- Cooperative members believe in the ethical values of honesty, openness, social responsibility & caring for others.
- The system was formally institutionalized with the establishment of the International Cooperative Alliance (ICA) during 1895.

HISTORY OF COOPERATIVE MOVEMENT

- During the agrarian movement in the Deccan, the peasants revolted against the money-lenders who were charging excessive rates of Interest on the loans. The peasants confiscated the promissory notes and mortgage-deeds from those money-lenders.
- These chaotic situations gave birth to Taccavi Legislation by the government leading to the formation of the Cooperative Societies.
- Then a series of famines broke out in our country from 1875 onwards that compelled the government to form a Famine Commission for finding ways and means in view of mitigating the fury of famine over the country, and improving the economic status of the peasants.
- The pre-independence cooperative movement was more or less developed in four stages- initiation , modification, expansion and restructuring.
- The peasants of Pune & Ahmednagar organized a revolt against the moneylenders who were charging the interest that increased or accumulated the burden of repayment.
- Deccan riots attracted the attention of the govt & as a consequent Deccan Agricultural Relief Act (1879) — Land Improvement Loan Act (1883) & Agriculturist's Loan Act (1884) were framed.
- The early forms of Cooperatives were the organization of Nidhis & Chit Funds in Southern India.
- In 1892 one Civil Servant of the Madras Presidency named Sir Frederick Nicholson was sent to Europe to study the structures of Cooperatives. He recommended the formation of the Rural

Cooperative Credit Societies adopting the German pattern called Raiffeisen.

- Government formed a Law Committee in 1901 formulated a blueprint of the Cooperative Laws.
- Then the Primary Credit Societies were also formed by the Government of India with the enactment of the Cooperative Credit Societies Act 1904.
- With the Cooperative Societies Act 1912 the Government formed the non-credit Societies & also Federal Cooperative Organizations in the Country.
- The Maclagan Committee in 1915 declared that the area of operation of such a Society should be limited & small so that mutual knowledge, social cohesion and closer connection amongst its members be maintained & these were taken into consideration to be the guiding Principles.
- The Committee recommended that the Membership of a Cooperative Society should be open to all people belonging to different ethnic communities irrespective of their caste and creed.
- According to the Government of India Act 1919, the Cooperative Societies turned into a transferred subject & many provinces began to enact their own Cooperative Societies Act.
- With the Government of India Act 1935, these Cooperative Societies turned to be a State subject matter.
- In 1945 the Cooperative Planning Committee declared that the Village Primary Credit Societies should have the coverage of those activities affecting the daily life & business of the agriculturists, artisans and functioning as the Multi-purpose Societies (MPCs).
- The movement developed greatly during the period of Second World War when agricultural produces prices shot up.
- The Agriculture Finance Committee (1944) under the chairmanship of Professor D R Gadgil & the co-operative planning committee (1945) under the chairmanship of R G Saraiya gave their recommendations relating to agricultural finance.
- National Development Council adopted a policy resolution on the co-operative legislation framework. It had observed, "Many of the existing procedures impede the development of co-operation as a popular movement
- 1945 the Cooperative Planning Committee recommended the organization of Societies for fruits and vegetable growers, land reclamation, animal husbandry, fisheries, agricultural marketing and processing, small and subsidiary industry, labour, consumers, housing and urban credit

- The Reserve Bank of India in 1951, appointed the All India Rural Credit Committee (AIRCC) which submitted its Report in 1954, recommended wide areas of operation for Village Societies with a view to uplift their economic viability and felt the necessity of reorganizing small Societies by the process of merger.
- The Committee recommended govt participation in the equity of such Cooperative Societies.
- Several Committees had a view to make them powerful instruments in the socio-economic development.
- Committee recommended that, the Cooperative Societies could be made viable & vibrant by:
 - Providing financial & managerial assistance by the govt;
 - Strengthening infrastructure & development of professional skills;
 - Ensuring democratic management of professional skills;
 - Ensuring open membership.
- The RBI under the Chairmanship of B Venkatappaiah constituted All India Credit Review Committee 1966-69
- Recommended : – the multi-agency approach in the field of agricultural credit, creation of Rural Electrification Corporation, setting up of small farmers development agency, streamlining the credit policies & procedures, emphasizing the need for establishing viable co-operative societies & formation of Agriculture Refinance Corporation.
- Committee on Integration of Co-operative Credit Institutions 1975-76 under the chairmanship of Dr. R K Hazari, for studying the possibilities of integrating the two wings of the co-operative societies. It recommended single window approach
- The RBI appointed a committee on March 1979 headed by B Sivaraman, to review' the arrangements of institutional credit for agriculture & rural development (CRAFICARD).
- Its main recommendations were setting up of the National Bank for Agriculture and Rural Development (NABARD), professionalization of co-operative management, setting up of "Evaluation & Monitoring Cell" & " Recovery Cell" in each state land development bank.
- The Multi-State co-operative societies Act 1984 was enabling legislation facilitating the incorporation, regulation and winding up of Multi-State co-operative societies under the provisions of the co-operative societies act of the state concerned.
- Agricultural Credit Review Committee 1986-89 under the chairmanship of Prof. A M Khusro, to make a comprehensive review of the credit system in India – recommended setting up of a National Co-operative Bank of India; stressing on

development area approach; strengthening the short term and long term credit structure.

FUNCTIONAL DIVERSITY

- Against the quantitative positive growth, the cooperative sector is endangered with various types of constraints in areas of legislative & policy support, resource availability, infrastructure-development, institutional inadequacies, lack of awareness among members, erosion of the democratic content in management, excessive bureaucratic and governmental controls and unnecessary political interference in the operations of the Societies in our Country.
- By definition, cooperatives are organisations formed at the grassroots level by people to harness the power of collective bargaining towards a common goal.
- India has 2,28,374 village-level dairy cooperative societies and 330 cooperative sugar mill operations. (794,866 cooperative societies)
- Dairy cooperatives procured 660 lakh kg of milk per day in 2023-24 from 18 million dairy farmers – sold approximately 411.53 lakh liters of liquid milk per day as of November 2021-22(National Dairy Development Board)
- Cooperative sugar mills account for 35% of the sugar produced in the country.
- In banking & 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.
- Cooperative societies anticipate the credit demand of a village & make the demand to the district central cooperative banks (DCCBs).
- State cooperative banks sit at the apex of the rural cooperative lending structure.
- Given that PACs are a collective of farmers, they have much more bargaining powers than an individual farmer pleading his case at a commercial bank.
- There are also cooperative marketing societies in rural areas & cooperative housing societies in urban areas.

COOPERATIVE BANKS

- NABARD's annual report of 2019-20 counts 95,238 PACs, 363 DCCBs and 33 state cooperative banks in the country.
- The state cooperative banks reported a total paid-up capital of Rs 6,104 crore and deposits of Rs 1,35,393 crore, while the DCCBs' paid-up capital stood at Rs 21,447 crore & deposits at Rs 3,78,248 crore.
- The DCCBs, whose main role is disbursement of short-term loans to the farming sector (crop loan), distributed Rs 3,00,034 crore in loans.
- The state cooperative banks, which mainly finance agri-processing industries such as sugar mills or

spinning mills, disbursed Rs 1,48,625 crore in loans. (Annual Report, NABARD, 2019-20)

- In urban areas, urban cooperative banks (UCBs) & cooperative credit societies extend banking services to many sectors that would otherwise have found it difficult to get into the institutional credit structure.
- According to Reserve Bank of India data, the country has 1,539 UCBs whose total capital in 2019-20 stood at Rs 14,933.54 crore with a total loan portfolio of Rs 3,05,368.27 crore.
- Union Home and Cooperation Ministry launched an umbrella organisation for urban cooperative banks (UCB) — the National Urban Cooperative Finance and Development Corporation Limited (NUCFDC).
- A major role for the umbrella organisation is to prepare small banks for compliance with the Banking Regulation Act.
- The organisation had a collective strength of 11,000 branches with 1,500 banks, deposits of ₹5 lakh crore and loans totalling ₹3.50 lakh crore. The UCBs in the country had reduced their net non-performing assets (NPA) to 2.10% and there was a need for further improvement.

LAWS GOVERNING COOPERATIVE SOCIETIES

- Agriculture & cooperation are in the state list
- A majority of the cooperative societies are governed by laws in their respective states, with a Cooperation Commissioner & 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.
- 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.
- Cooperative institutions, elect their leaders democratically, with members voting for a board of directors. Thus, in states such as Maharashtra, cooperative institutions have served as schools for development of leadership.
- In the present Maharashtra legislature, there are at least 150 legislators who have had some connection with the movement
- The voter base of the cooperative institutions generally remains stable.
- According to the Co-operative Societies Act of each state a co-operative society registered within any State is not allowed to operate in other States

without the permission the Govt or Registrar of Cooperative Societies

- In case of multi-State co-operative society, it can operate in more than one State as a matter of right

CHARACTERISTICS OF COOPERATIVE SOCIETIES

- It is an association of persons & not of capital .
- It is an enterprise & not a charitable association.
- It's a voluntary organization , having democratic management which shares both profit and losses .
- It serves to relatively weaker section of the community.
- It encourages members to participate in joint economic action.

INTERNATIONAL COOPERATIVE MOVEMENT

- The earliest co-operatives were set-up among the weavers, who were the most affected by the development of the mercantile economy & the industrial revolution
- They set up the first co-operative in Scotland (Fenwick, 1761; Govan, 1777; Darvel. 1840), in France (Lyons. 1835). in England (Rochdale. 1844) and in Germany (Chemnitz, 1845).
- The real co-operative movement can be credited to the Rochdale Pioneers who established a co-operative consumer store in North England.
- This store can be called as first in the co-operative consumer movement.
- In Great Britain Robert Owen (1771-1858) conceived & set up self-contained semi-agricultural, semi-industrial communities.
- In France Charles Fourier (1722-1837) a commercial clerk published in 1822 his main work, a Treatise on Domestic Agricultural Association. This could be one of the first works on co-operation.
- In France Saint-Simon (1760 -1865) worked on various theories of "associations". But it was Proudhon (1796-1865) who advocated mutual aid and "Free credit" for free access to the money market
- Buchez (1796-1865) – championed the idea of inalienable collective capital & workers' production co-operative societies.
- Schulze-Delitzsch (1808-1883) was the apostle of urban credit co-operatives & cooperatives in handicrafts, while F.W .Raiffeisen (1818-1888) did the same for rural credit co-operatives.

MOVEMENT IN INDIA

- In India the idea of using co-operation for fighting rural indebtedness came from the suggestion of Mr. Frederick Nicholson, a Madras civil service officer, who after the studies of co-operative societies of Germany- recommended the establishment of co-operative credit societies in India
- On the basis of his recommendations, the co-operative credit societies Act of 1904 was passed. A distinction was made between rural and urban societies.

- The Co-operatives movement believes that in a Co-operatives system human character will change from conflict and cacophony to co-operation and camaraderie, equality will not be slogan but a reality, equity and not profit maximization will be the guiding force for conducting enterprise and men and women will be endowed with virtues that behave a 'good persons'
- The 'mutuality' is essence of Cooperation.
- In reality Co-operatives , has become a form of economic enterprise, and is one method for conducting economic activity.
- Co-operation is an attitude of mind & its essence is one's inclination to co-operate.
- With phenomenal expansion of cooperatives in almost all the sectors, signs of structural weaknesses and regional imbalances have also become apparent.
- The weaknesses are due to the large percentage of dormant membership, heavy dependence on Government assistance, poor deposit mobilization of members, lack of professional management, mounting overdue, etc.
- In order to provide greater functional autonomy & to reduce bureaucratic interference & to bring professionalism to the management , based on the recommendations of Brahm Prakash Committee and Mirdha Committee ,the Multi-State Cooperative Societies Act, 2002 was enacted
- Co-operation occupies an important place in the Indian economy. Perhaps no other country in the world has the co-operative movement as large & as diverse as it is in India.
 - 1)Agricultural Credit, Agricultural supplies , Agricultural Marketing, Agricultural Processing
 - 2) Functional co-operatives like dairy, poultry, fisheries, fruits, vegetables
 - 3) Industrial co-operatives
 - 4) Public Distribution of essential commodities through consumer cooperatives
 - 5) Urban credit Co-operatives
 - 6) Housing co-operatives.
- Co-operative movement in India is the result of a deliberate policy of the state & is pursued through formation of an elaborate governing infrastructure .
- Almost 35-40% of the total sugar production in India is contributed by sugar co-operatives & over 60% of the total fertilizer distribution in the country is handled by the co-operatives.
- The consumer co-operatives are slowly becoming the backbone of the public distribution system
- The marketing co-operatives are handling agricultural produce with an astounding growth rate.
- The National Co-operative Development Corporation (NCDC) a statutory body was set up in 1963 by the Union ministry of Civil Supplies & Co-operation, to promote the cooperative movement in India.
- The National Agricultural Cooperative Marketing Federation (NAFED) has over 5000 marketing societies - operating at the local wholesale market level & handle agricultural produce.
- In India the states of Maharashtra & Gujarat are well developed. Whereas the states of Andhra Pradesh, Rajasthan and Karnataka have shown remarkable progress in the co-operative movement
- The history of co-operative societies in India can be divided in two parts 1) Co-operative societies before independence (1947) 2)Co-operative societies after independence
- The 1904 act provided for the formation of small co-operative societies for making small short term loans for small farmers and the rural entrepreneurs outside the hold of the moneylenders.
- An important feature of the pre-independent India was its feudal character with rigid caste system. Co-operative societies were meant for those who were poor and the lower castes.
- Rigid caste system had such an effect on them that they had little faith & confidence in themselves.
- Self-reliance & self government were alien concepts to them
- At the time of independence, movement had lack of co-operative spirit. As there was lack of education, understanding of cooperative spirit
- In the post- independence period the co-operative societies enjoyed preferential treatment in terms of getting license for manufacturing, distribution of products, marketing of essential consumer articles .
- The office of the Registrar of Co-operative Societies became an all-powerful & all preamblable phenomenon.
- With cooperation becoming an instrument of state planning process, it became prerogative of the government to decide the area of operation for the co-operative societies.
- Their number, process of business & the extent of government aid became a part of the state plan and targets were fixed, which were for the government officials to achieve.
- New rules & regulations were framed to which co-operative societies were subjected to.
- This snuffed away the independent and voluntary character of the co-operative societies & the co-operative movement was transformed into a programme of the government.
- According to Irish pioneer of cooperative movement , Horace Plunkett, There is no co-operative movement in India, there is only the cooperative policy of government"
- The 4th Indian Cooperative Congress was convened in 2001 at New Delhi , recommends that Cooperative Law should provide for reservation of

at least 10% for women in the Management Committees of the Cooperatives at all levels .

- Equitable Pioneers of Rochdale had set aside 2.5% of their trading surplus towards education.
 - The Government of India has been implementing a Central Sector Scheme for Cooperative Education & Training through the National Cooperative Union of India (NCUI) and the National Council for Cooperative Training (NCCT)
 - NCCT is getting 100% grants-in-aid from the Department of Agriculture & Cooperation, for conducting Cooperative Training Programme.
 - The programme relating to cooperative education are being implemented by NCUI through the State Cooperative Unions
 - The International Co-operative Alliance has training facilities at the international level.
 - In India the National Co-operative Union undertakes this function.
 - Maharashtra State Co-operative Union takes care of the cooperative education & training.
 - In 1959, Indian Co-operative Union had conducted a seminar in New Delhi , made some observations
1. Psychologically co-operation was identified more with the govt grants & loans rather than with self-help & mutual aid.
 2. State was the main sponsor of the co-operative societies with political and partisan objectives.
 3. Organization of societies were more dependent upon the initiatives of those who are socially and economically more organized, as a result the objectives of forming them were mainly non-co-operative in nature leading to formation of large scale spurious societies.
 4. Management & supervision of societies were overwhelmingly in the hands of government machinery.
 5. The role of Registrar of Co-operative Societies was supreme. She/He exercised the power to suspend, remove or change the management of co-operative societies arbitrarily.
 6. Politicization of cooperative societies & cooperation movement .

- Minimized govt intervention affected the cooperative societies as till 1991 they were dependent on govt aid
- The government control and restrictions have been withdrawn to a great extent and flow of government funds in terms of aid and subsidy is being progressively reduced .
- In post independence era working capital per society and working capital per member increased continuously

RTI AMBIT

- Co-operative societies do not fall within the ambit of Right to Information Act, the Supreme Court has said while quashing a Kerala government circular to bring all such societies within the scope of the transparency law.
- A bench of justices K S Radhakrishnan and A K Sikri said mere supervision or regulation of a body by government would not make that body a public authority and quashed the Kerala High Court's order holding the circular valid.
- The State Government had informed the Registrar of Co-operative Societies in May 2006 that all institutions formed by laws made by State Legislature is a public authority and ,therefore , all co-operative institutions coming under the administrative control of the Registrar of Co-operative Societies are also public authorities.
- Quashing the state government's decision , the bench said that power exercised by the Registrar over the societies is merely supervisory & regulatory.
- In order to protect depositors' interests, the government approved plans to bring all urban and multi-state cooperative banks under the direct supervision of the Reserve Bank of India
- Cooperative banks came under dual regulation of the RBI and the Registrar of Co-operative Societies.
- Cooperative banks only have about 4% of the assets of India's banking system, based on 2019 data.