

Steps to reclaiming India's cooperative dream

If executed well, the plan to establish two lakh primary agricultural credit societies within five years can be the watershed moment in rural development

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A.M. JOSE , JOS CHATHUKULAM



'Historical weaknesses have hindered the potential of cooperatives' | Photo Credit: Getty Images/iStockphoto

The announcement by Union Home and Cooperation Minister Amit Shah, in December, of a target of establishing two lakh Primary Agricultural Credit Societies (PACS) within five years reflects the government's commitment to reinvigorating India's cooperative movement. The inauguration of 10,000 newly established Multipurpose Primary Agricultural Credit Societies alongside reforms in bylaws and structural frameworks, signifies a phased and ambitious approach. While this initiative holds immense potential for grassroots empowerment and rural development, it is crucial to critically

examine both the historical challenges of cooperatives in India and the safeguards necessary for their successful implementation.

India's cooperative movement has its roots in the early 20th century, which was designed to democratise credit, empower rural populations, and combat exploitative practices by intermediaries. Over time, cooperatives became instrumental in enabling agricultural credit, dairy development, and marketing. However, historical weaknesses have hindered their potential. The first is political interference. Many cooperatives became heavily politicised, often controlled by local elites with vested interests. Instead of serving the marginalised, they perpetuated inequality and corruption.

The second is inefficient management. The governance structure of cooperatives has frequently lacked professionalism, leading to poor financial management and unsustainable operations.

The third is a dependence on State funds. Cooperatives have traditionally relied on government subsidies, making them financially fragile and incapable of competing with private enterprises.

The fourth is limited inclusivity. Women, Dalits, and other marginalised groups have often been excluded from decision-making roles, undermining the equitable objectives of cooperatives.

The fifth is a fragmented approach. Most cooperatives have focused on a narrow set of activities without integrating themselves into broader supply chains, thereby failing to achieve economies of scale or market competitiveness.

The promising aspects

The government's initiative, as outlined by Mr. Shah, attempts to address some of these historical shortcomings. The key features of the plan include new model bylaws. The adoption of bylaws allowing cooperatives to operate in territories beyond their traditional core areas is a forward-looking reform. It aligns with the need for modernisation and diversification.

The second is phased rollout. Dividing the establishment of PACS into two phases, with significant involvement from the National Bank for Agriculture and Rural Development or NABARD (32,750 cooperatives), the National Dairy Development Board or NDDB

(46,000 dairy cooperatives), and the National Fisheries Development Board or NFDB (5,500 fishery cooperatives), reflects an organised approach. This ensures that resources and expertise are focused on sectors that require immediate attention.

The third is the liquidation of defunct PACS. Introducing standard operating procedures for liquidating non-functional PACS is a step towards streamlining the cooperative ecosystem. By replacing obsolete cooperatives, the government aims to create opportunities in 15,000 new villages.

The fourth is an inclusivity focus. The explicit emphasis on the participation of women, Dalits, and tribal communities is a commendable effort toward fostering social harmony and economic equity.

The fifth is integration into global supply chains. The vision of using PACS as conduits for robust forward and backward linkages in global markets addresses a long-standing gap in the cooperative model, namely, market competitiveness and scalability.

Challenges and what needs to be addressed

Despite these laudable measures, the initiative's success will depend on how effectively certain challenges are addressed:

The first is avoiding political interference. There must be strong checks and balances in place to prevent political capture of the new PACS. Clear guidelines on governance and accountability are imperative.

The second is capacity building and professional management. Providing training to PACS members on modern management practices and ensuring financial literacy is essential to improve operational efficiency.

The third is a sustainable financial model. Over-reliance on subsidies must be curtailed. PACS should be guided toward self-sufficiency through income-generating activities and effective revenue models.

The fourth is in ensuring inclusivity. While inclusivity is a stated goal, achieving it will require sustained efforts to empower marginalized groups. Quotas for women, Dalits, and other vulnerable sections in leadership roles must be mandated and monitored.

The fifth is technological integration. The new PACS must leverage digital tools for accounting, credit disbursal, and market access. Issuing micro-ATMs and RuPay Kisan Credit Cards is a positive start, but comprehensive digital infrastructure is needed.

The sixth is an effective liquidation process. Liquidating defunct cooperatives will require robust mechanisms to ensure fairness and efficiency. Mismanagement during this process could lead to legal disputes or financial losses.

The seventh is monitoring and evaluation. The government must establish independent monitoring agencies to periodically assess the progress and impact of the new PACS.

The goal of long-term success

The government's ambitious plan for creating PACS can become a watershed moment in rural development if the following measures are taken.

First, having a data-driven approach. Identifying areas where PACS are most needed through comprehensive surveys can optimise resource allocation and avoid duplication of efforts.

Second, grassroots participation. Involving local communities in decision-making and planning will foster a sense of ownership and accountability among beneficiaries.

Third, collaboration with the private sector. Public-private partnerships can provide access to modern technology and global markets, enhancing the competitiveness of cooperatives.

Fourth, policy consistency. Long-term success depends on consistency in policy implementation across different States. Cooperation between central and state governments is crucial.

Fifth, focus on value addition. PACS should not merely focus on credit. They must venture into value-added services such as food processing, cold storage, and export facilitation to boost farmer incomes.

The government's initiative to establish two lakh PACS is a bold and visionary step toward revitalising the cooperative sector. If executed thoughtfully, it has the potential to transform rural economies, enhance agricultural productivity, and empower marginalised communities. However, historical challenges remind us that such

ambitious programmes require meticulous planning, robust governance frameworks, and sustained political will.

India's cooperative movement stands at a crossroads. By learning from past failures and integrating modern practices, the new PACS can emerge as pillars of prosperity, bridging the gap between rural aspirations and global opportunities. The vision of empowering farmers, women, and weaker sections through cooperatives must translate into tangible outcomes, setting a precedent for inclusive and sustainable development.

A.M. Jose is Professor and Head, Amity School of Economics, Amity University Haryana.
Jos Chathukulam is Director, Centre for Rural Management, Kottayam, Kerala

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