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Cooperatives in India
A 56 Million Self-Employment
Opportunity by

2030

A multipronged approach to strengthen & support
cooperatives in an increasingly digital world is necessary



Cooperatives Driving India's Journey to a \$5 Trillion Economy



2024 2025 2026 2027 2028 2029 2030 2031



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Cooperatives stand as a beacon of hope and progress in India's journey toward achieving a \$5 trillion economy by 2030. With their grassroots presence and community-driven ethos, cooperatives have the unique ability to drive economic growth and social development, particularly in rural areas. This report focuses on how, by fostering self-employment opportunities and creating millions of direct jobs, cooperatives can significantly contribute to the nation's GDP, potentially adding up to 10% by 2030. This remarkable potential underscores the vital role cooperatives play in promoting economic inclusiveness and prosperity.

Cooperatives are the most prevalent form of aggregation model in rural India. The success of credit, dairy, and sugar cooperative societies has given impetus to primary societies to play an enabling role in rural prosperity. Cooperative societies have consistently surmounted the challenges of small landholdings and uneconomic volumes of produce by being member-centric organisations that manage resources, provide improved access to credit, inputs, information, and markets. This enhanced access to resources creates pathways for self-employment, entrepreneurship, and value creation.

A cooperative, with its ability to aggregate resources for production and services through a well-defined federated structure, can forge partnerships and collaborations from grassroots to a global scale when given a spirited impetus in terms of policy support.

The sector also has the potential to harness the intellect, energy, and creativity of youth, moulding them into entrepreneurial ventures while ensuring that benefits percolate down to the people, thus achieving last-mile reach.

The cooperative movement in India has a rich history of overcoming challenges and achieving success. From enhancing the livelihoods of small-scale farmers through agricultural cooperatives to empowering women and marginalised communities, cooperatives have consistently demonstrated their capacity to uplift lives and drive sustainable development. As we look to the future, it is essential to leverage government policies, favourable market conditions, and a dynamic economic environment to unlock the full potential of cooperatives. By doing so, we can create a more inclusive and prosperous India for all.

The youth of the country is an important asset for cooperatives, not only because they ensure the generational renewal of membership and will be the cooperatives' future leaders but also because they have a greater capacity for innovation and entrepreneurship and are more inclined to work with new technology. Equally important are women's cooperative societies and collectives that are breaking into the path of entrepreneurship. Financial inclusion drives have set the direction of policies to place women at the centre stage. Enabling women to be Directors and play a decisive role in decision-making will empower them to drive the economy.

The report provides a multipronged approach to strengthen cooperatives to play a key role in making India a **\$5 trillion economy**, helping unlock the true potential of the rural economy. With new paradigms and changing contours, having a separate Ministry of Cooperation and a budgetary allocation for cooperatives has spurred renewed interest in the cooperative movement in India as a priority sector for growth. The Ministry of Cooperation aims to strengthen the cooperative movement by transforming cooperatives into vibrant economic entities. The Ministry has prioritised transforming Primary Agricultural Credit Societies (PACS) from being just credit societies to multi-service societies that can act as a single window for credit and services. Enabling policies and convergence will bring business opportunities, while the computerisation of cooperatives will bring good governance, transparency, and financial inclusion.

The National Database on Cooperatives provides single-point access to information on cooperatives across different sectors and develops processes for a better understanding of cooperatives. This database shall facilitate all stakeholders in policymaking and implementation to strengthen the cooperative movement in the country. The digital technologies and expectations for cooperatives to be professionally run organisations must be backed by robust training, research, and human resource development. Capacity building and skilling rural youth will usher in professionalism and create employment through cooperatives.

To realise this ambitious vision of a **\$5 trillion economy**, strategic initiatives and policy interventions are crucial for deepening and accelerating the growth of cooperatives. Encouraging professional governance, integrating technology into cooperative operations, and ensuring active member participation are key steps toward strengthening the cooperative sector. Additionally, capital infusion, support for cooperative startups, and the establishment of e-marketing platforms can further enhance the impact of cooperatives.



This document lays down the pathways for cooperatives to drive economic growth and covers a multifaceted approach to achieving this goal. The document provides key insights and data that can further be used to devise policies for inclusive growth.

I urge all readers to actively engage in embracing these measures, ensuring that cooperatives continue to be a driving force in India's economic growth"



Empowering Communities and Economies Through Cooperatives



Ms Dipali Rastogi

Principal Secretary,
Government of Madhya Pradesh



Cooperatives have long been recognised as powerful instruments for driving economic growth and social development, particularly in rural and underserved areas. In Madhya Pradesh, the potential for cooperatives is immense, with opportunities to form new societies based on the availability of local resources, thereby generating more employment opportunities. The better integration of technology into cooperative operations, coupled with expanding the cooperative network to encompass more rural communities, presents a promising path forward. Notably, credit cooperatives in the state have had a significant impact on rural farmers, particularly small and marginal farmers. With the reach of cooperatives extending to the village level and local people actively participating in management, these societies can effectively finance agricultural term loans, consumption loans, and short-term crop loans at **0% interest rates**.

This comprehensive financial support can help farmers meet their financial needs and reduce the cost of cultivation, ultimately fostering more sustainable agricultural practices.

Despite these opportunities, cooperatives in Madhya Pradesh, and indeed across India, face several challenges. While the number of cooperatives has grown numerically, many suffer from a lack of resources, both in terms of human capital and infrastructure. The underutilisation of technology, limited access to funds compared to other financial institutions, and insufficient member participation in management activities are significant hurdles. Addressing these challenges requires a strategic approach that includes timely recruitment and training of personnel, active member involvement in daily operations, increased use of technology, and raising additional resources, with government capital infusion playing a critical role.



Looking ahead, several strategic initiatives and policy interventions are crucial for strengthening the cooperative sector in India. Encouraging professional governance and the involvement of professionals in day-to-day management, making the current three-tier cooperative structure more flexible, and amending the state cooperative law to be more participatory and inclusive are essential steps. Ensuring ease of doing business, transparency in operations, and the establishment of a network of financially and technically capable state institutions to support weaker cooperatives are also vital. Moreover, the government should consider capital infusion into the cooperative sector, similar to the approach taken with Regional Rural Banks (RRBs) and promote startup activities within the cooperative framework. Additionally, establishing an e-marketing platform for cooperative products, supporting cooperative banks through state and central government deposits, and avoiding decisions related to loan and interest waivers can create a more stable and thriving cooperative ecosystem.

Furthermore, cooperatives hold significant potential for empowering women in India. To enhance women's participation and leadership within cooperatives, it is essential to encourage the inclusion of women members in every society, with a target of one-third representation. Reserving two board of director positions for women in every society will ensure their active involvement in decision-making processes. Providing women members with easy access to loans and financial support, including reduced interest rates on loans and increased savings rates, will empower them economically. Training programs aimed at enhancing entrepreneurship and business skills among women members will further support their growth and active participation in the cooperative movement.

In summary, the cooperative sector in Madhya Pradesh and India as a whole is poised for significant growth and impact. By addressing existing challenges and implementing strategic initiatives, cooperatives can continue to drive economic and social development while empowering rural communities and women across the country.



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Executive summary



Empowering India's Future Through Cooperatives

As India strides towards its ambitious goal of becoming a **USD 5 trillion** economy by **2030**, the cooperative sector stands as a beacon of hope and potential. With one of the largest cooperative network globally, India is poised to leverage this sector's immense capabilities to drive economic growth, social equity, and inclusive development. Cooperatives are not just a segment of our economy; they are a powerful engine fuelling progress and prosperity



A Track Record of Impact

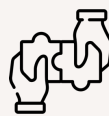
The cooperative sector has consistently showcased its transformative impact. According to the "Indian Cooperative Movement" report, cooperatives were responsible for approximately **13.3%** of total employment in the economy as of **2016-17**, demonstrating a remarkable increase from **1.2 million** jobs in 2007-08 to **5.8 million** in 2016-17 - a staggering **18.9% annual growth**. Looking ahead, cooperatives have the potential to create up to **55 million** direct jobs and **56 million** self-employment opportunities by **2030**, further elevating their role as job creators.

Beyond job creation, cooperatives have been pivotal in generating self-employment opportunities. From **15.47 million** opportunities in **2006-07** to an impressive **30 million** by **2018**, cooperatives are a cornerstone of self-employment. By maintaining a **5-6% growth** rate, this sector could generate **56 million** self-employment opportunities by **2030**. Their impact on GDP is equally compelling, with potential contributions ranging **from 3-5% by 2030**, and exceeding **10%** when considering both direct and self-employment.



Success Stories and Sectoral Diversity

India's cooperative success stories, such as Amul, highlight the sector's ability to revolutionise industries and uplift rural economies. Agricultural cooperatives have empowered small-scale farmers, while non-agricultural cooperatives have improved living standards through services like housing and consumer goods. With approximately **8.55 lakh cooperatives** spanning credit and non-credit categories, including dairy, fishery, and rural credit institutions, the sector's breadth and impact are undeniable.



The Ministry of Cooperation: A Catalyst for Change

The establishment of the Ministry of Cooperation in 2021 represents a landmark moment in advancing the cooperative sector. This ministry is set to modernise the sector, streamline policies, and promote a cooperative-based economy. Its vision of "**Sahakar se Samridhhi**" (Prosperity through Cooperation) aligns perfectly with India's growth ambitions and promises a new era of cooperative success.

Key Challenges and Strategic Recommendations

1

Capacity Building Challenges

1.1 Individual Capacity Challenges

Enhance individual skills and digital capabilities through training programs offered by institutions such as NCCT and VAMNICOM. Collaborate with industry leaders for digital workshops and integrate cooperative education into school curricula to build a knowledgeable workforce.

1.2 Institutional Capacity Challenges

Strengthen institutional capacity by advancing digital infrastructure and adopting new technologies. Leverage Krishi Vigyan Kendras (KVKs) and existing government-run facilities such as Community Service Centers (CSCs) to serve as Centers of Excellence (COEs). These centers will focus on improving digital infrastructure and enhancing digital literacy for cooperative members. Collaborate with central and state universities to offer tailored courses related to agriculture, banking, and entrepreneurship. This will support cooperatives in adopting modern technologies like digital banking solutions and cloud computing to improve their operational efficiency.

2

Addressing Branding and Ambition Challenges

2.1 National Cooperative Mission

Launch a National Cooperative Mission to share best practices and recognise successful cooperatives. Develop a portal for accessing these practices and introduce a tier system to classify cooperatives.

2.2 Marketing and Product Visibility

Implement a common logo for cooperative products and establish a Ministry of Cooperation department for logo verification. Host an Annual National Expo to boost global visibility.

2.3 NAFED Branding Initiative

Create a unique cooperative brand identity with guidelines and certification. Launch awareness campaigns and enhance digital presence through a marketing platform.

3

Addressing Technology and Market Access Challenges

3.1 ONDC Integration

Prioritise onboarding cooperatives to the Open Network for Digital Commerce (ONDC) to expand market access and streamline logistics with minimal paperwork.

3.2 Marketplace Partnerships

Form MoUs with leading online marketplaces for training and onboarding cooperatives. Provide incentives to both marketplaces and cooperatives to boost participation.

3.3 'Janani' eMarket for Women-Led Cooperatives

Invest **Rs. 5 crore** to create 'Janani,' an e-marketplace for women-driven cooperatives, targeting significant rural market access and capital growth.

Key Challenges and Strategic Recommendations

Contd.

3.4 ODOP Scheme

Promote 'One District One Cooperative' (ODOC) to increase visibility and scalability of cooperatives aligned with ODOP products.

3.5 Institutional Promotion

Establish a National Cooperative Mart and organise Buyer-Seller meets to promote cooperative products. Create an Innovation wing for digital transformation support.

4

Addressing Financing Challenges

4.1 Priority Sector Financing

Leverage the Priority Sector Lending (PSL) framework to direct funds to cooperatives, particularly Tier-1 cooperatives, through commercial banks. This financing would align cooperative activities with PSL's mandate of supporting underserved sectors like agriculture, MSMEs, and rural development.

4.2 National CSR Portal Utilisation

Develop a dedicated section on the National CSR Portal to facilitate connections between distressed cooperatives and corporations meeting CSR obligations. This platform will enable cooperatives to showcase their projects and funding needs, with robust evaluation mechanisms in place.

4.3 Public-Private Partnerships (PPPs)

Establish PPPs to jointly fund and support cooperatives. By leveraging models like the NCDC's storage facility scheme, these partnerships will provide structured funding and ensure sustainable reinvestment.

4.4 Cooperative Financing Program

Launch a Cooperative Financing Program in partnership with international development agencies to provide concessional loans, grants, and technical assistance to PACS. Introduce a phased approach with a PACS rating system, and establish a Task Force to oversee execution, ensuring effective monitoring and guidance.



Key Challenges and Strategic Recommendations

Contd.

5

Addressing Operational, Governance, and Regulatory Challenges

5.1 National Cooperative Tribunal for Dispute Adjudication

Establish a National Cooperative Tribunal and Grievance Redressal Commission to address cooperative-specific disputes more effectively. These bodies will offer a structured approach for complaint resolution, enhancing transparency and accountability. Additionally, create a 24x7 online grievance portal to facilitate easy complaint filing and tracking.

5.2 Single Regulatory Framework for Cooperative Banks

Extend the RBI's regulatory oversight to include all cooperative banks—UCBs, StCBs, DCCBs, and PACS. This will standardise regulations, ensuring consistent governance and operational standards. A phased transition will allow for legislative adjustments, complemented by capacity building to improve governance, financial management, and risk management.

5.3 Integrating an Anchor Expert for Governance

Appoint an Anchor Expert with strategic industry knowledge to guide cooperatives in governance and decision-making. This expert, selected through a transparent process, will serve in an advisory role to the cooperative's Board of Directors. The expert will also support capacity building within the cooperative by mentoring leadership and staff.

5.4 Payment Fraud Reporting Mechanism

Extend CPFIR reporting to all cooperative banks to strengthen fraud detection and transparency. The RBI should issue directives to integrate these banks into the CPFIR system, with clear protocols for reporting and addressing fraud.

5.5 Strengthening On-ground Infrastructure for the Central Registrar

Establish regional offices of the Central Registrar of Cooperative Societies to improve accessibility and efficiency in grievance redressal. Regional offices will handle local complaints, enhance coordination, and foster better relationships with cooperative societies.

5.6 Strategic Enhancements for the National Cooperative Database

Expand the National Cooperative Database to include detailed financial metrics and socio-economic impact data. Integrate advanced analytics for real-time insights and align with other government databases to provide a comprehensive view of cooperative operations and their impact.

5.7 Accelerating Initiatives through a Task Force

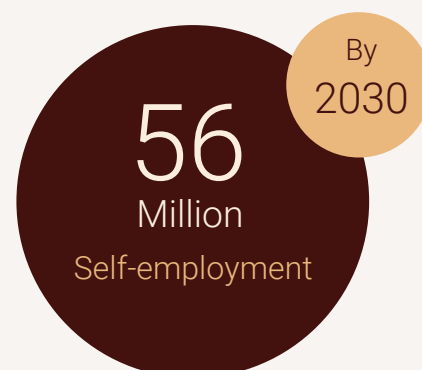
Set up a dedicated Task Force to fast-track decision-making and execution of cooperative-related initiatives. An effective monitoring and evaluation system will ensure timely progress and address potential challenges.

Cooperatives could drive up to **56 MILLION** new self-employment opportunities and contribute up to **10% to India's GDP** by **2030**, fuelling economic growth and prosperity as the nation aims for a **\$5 trillion** economy

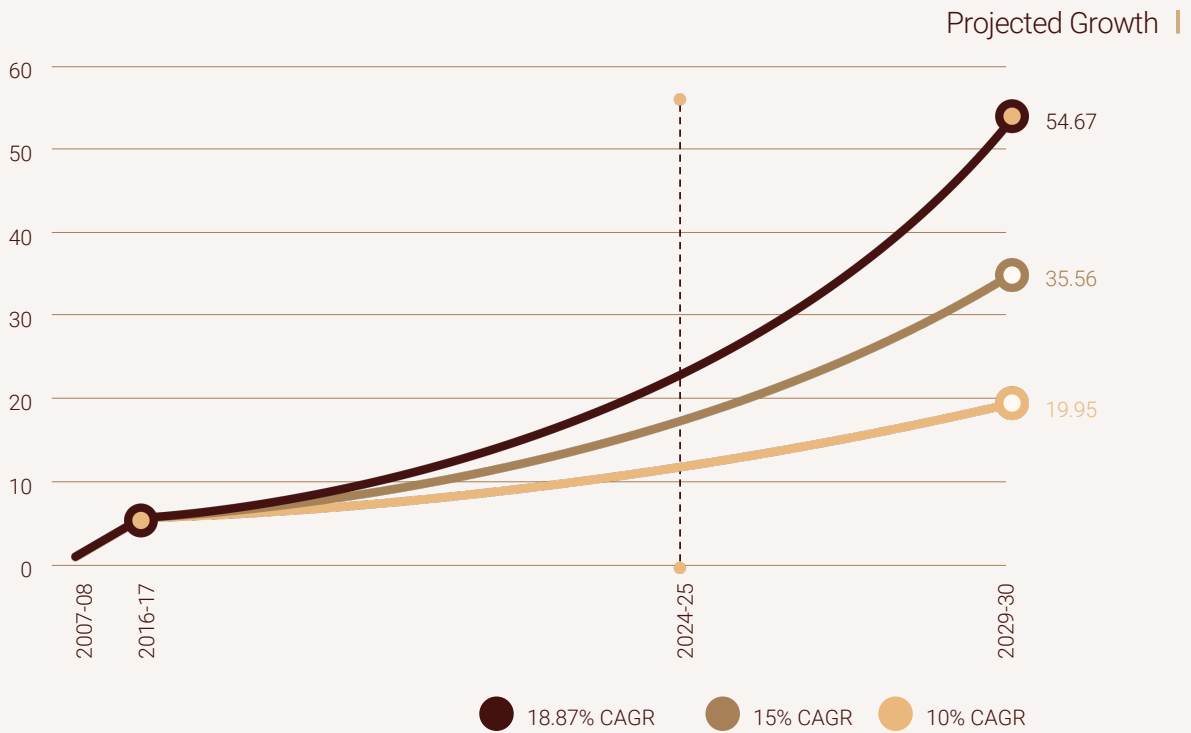
Cooperatives can add millions of new jobs and contribute between **3% to 5%** to the GDP, as India moves towards becoming a **USD 5 trillion** economy by **2030**. They have played a crucial role in promoting economic inclusiveness by creating direct jobs, self-employment opportunities, and facilitating distribution of wealth amongst people in the lower economic classes. As per the report **"Indian Cooperative Movement"** published in 2018, total direct employment generated by cooperatives in **2016-17** was around **13.30%** (around **5.8 million**) of total jobs in the economy. Direct jobs created by cooperatives have witnessed a significant jump from **1.2 million** in **2007-08** to **5.8 million** in **2016-17** registering a CAGR of about **18.9%**, highlighting the job-creating potential of cooperatives.

Cooperatives have the remarkable potential to be a driving force in job creation, with the capacity to generate up to **55 million** direct jobs by **2030**, provided we leverage supportive government policies, favourable market conditions, and a dynamic economic environment. Even if the future growth is half of the historical growth, we are looking at **36 million** direct job creations.

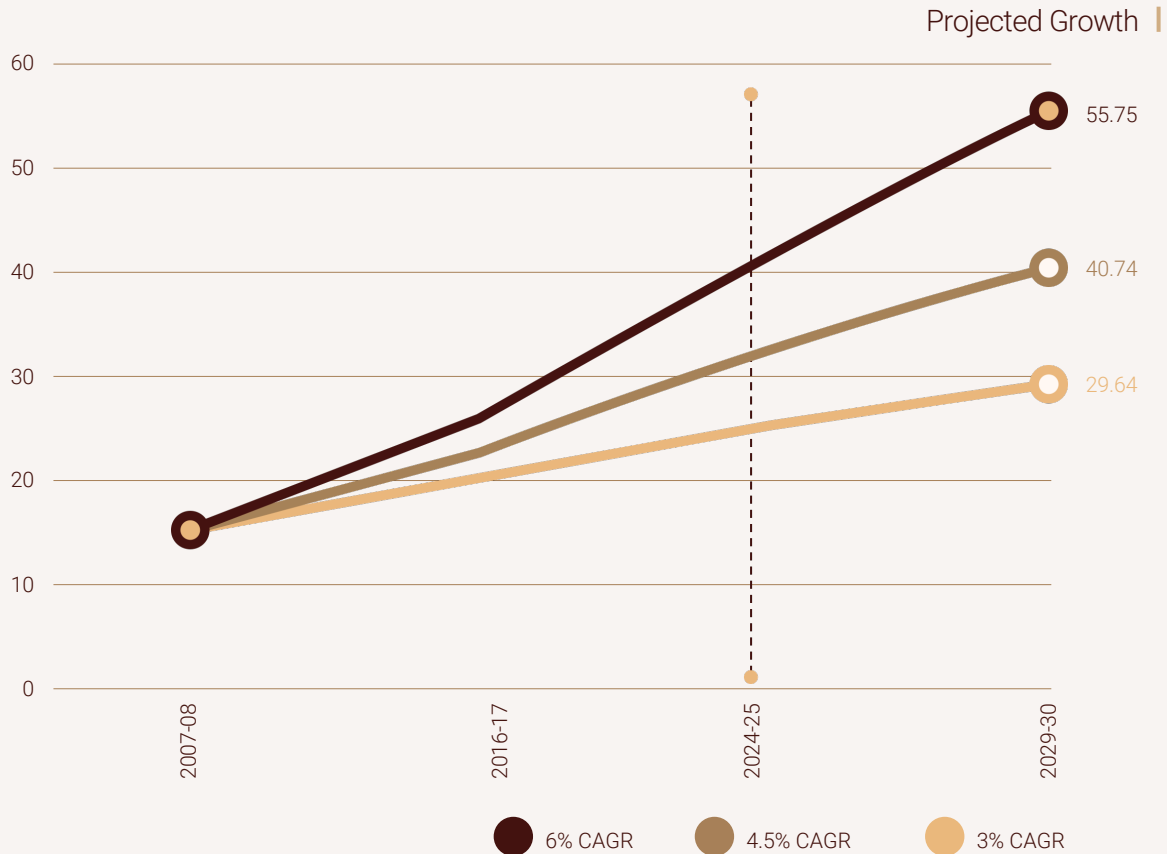
Cooperatives have proven to be instrumental in fostering self-employment prospects for a substantial portion of society. According to the **"Indian Cooperative Movement"** report published in **2009**, these cooperatives generated about **15.47 million** self-employment opportunities in **2006-07**. A revised version of the same report, issued in **2018**, indicated that cooperatives were responsible for around **10.91%** of self-employment opportunities i.e., approximately **30 million**¹. By maintaining a growth rate of **5-6%** annually, and with the government's focused efforts in this direction, cooperatives could potentially create about **56 million** self-employment opportunities by **2030**. Even if the future growth rate is half of the historical one, there could be **36 million** self-employment opportunities.



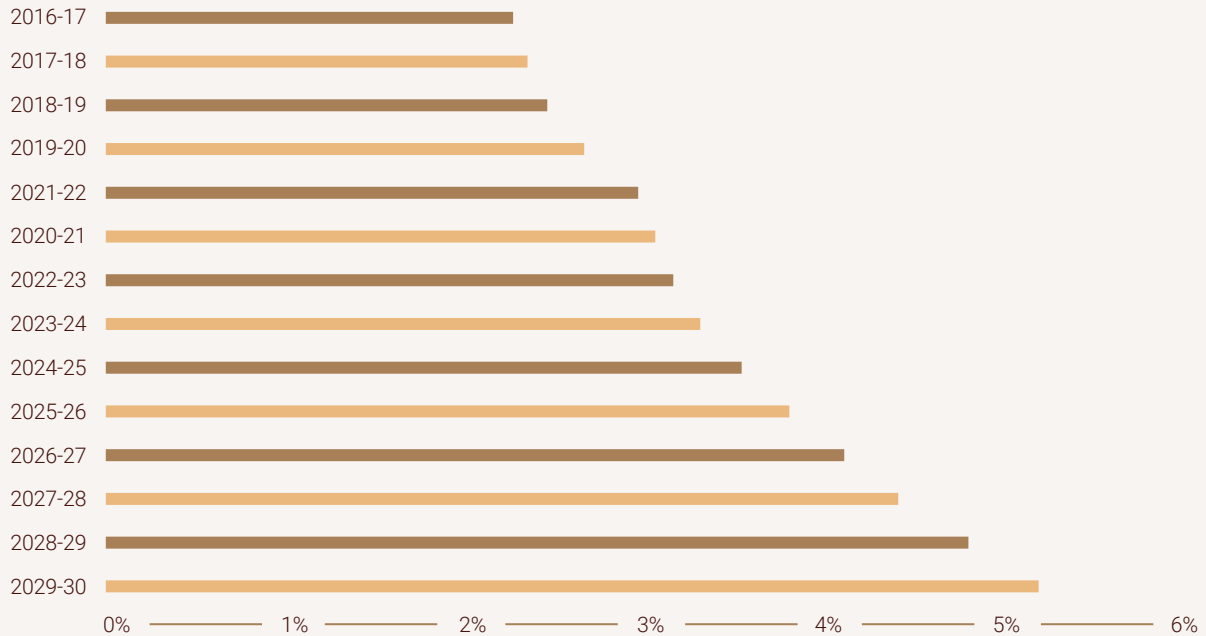
Employment (in Millions) basis different growth rates



Self Employment (in Millions) basis different growth rates



Cooperatives’s Contribution to GDP



Cooperatives also possess substantial potential to make a significant impact on the country's GDP, with projections indicating a potential contribution in the range of **3-4%** by **2030**. Notably, if we only consider direct employment, their contribution to GDP (nominal) is estimated to exceed **5%** by the same year. Furthermore, when taking into account both direct employment and self-employment, cooperatives' contribution to GDP (nominal) is expected to surpass **10% by 2030**.

In India, agricultural cooperatives, encompassing dairy and farmers' cooperatives, have made remarkable strides in elevating the income and livelihoods of small-scale farmers. A shining example of this success is the Amul dairy cooperative in Gujarat, a global leader that has significantly bolstered the rural economy in its region. Additionally, non-agricultural cooperatives, such as housing and consumer cooperatives, have been instrumental in providing essential services and elevating the living standards of their members. Harnessing the immense potential of our vast cooperative sector holds the key to realizing India's ambitious \$5 trillion economy vision. With the right policies in place, achieving this goal may even be within reach sooner than expected. The cooperative movement has the power to propel our nation to unprecedented heights of prosperity and growth.



2

Understanding Cooperatives in India



Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility as value-based enterprises routed in the communities having a unique and invaluable presence in today's world in helping to reduce poverty and generate employment



- Ban Ki-Moon, Former UN Secretary-General

The story of cooperatives in India has been a remarkable and successful one, and yet, perhaps it seems that their true potential is still not widely recognised or fully tapped. They have been instrumental in accomplishing crucial objectives, such as poverty reduction, ensuring food security, fostering social integration, and creating employment opportunities. As the global awareness grows about the importance of income equality, cooperatives emerge as a promising platform to offer solutions, particularly in large, rural, and developing countries like India.

According to the International Cooperative Alliance (ICA), a cooperative is defined as an autonomous association of persons united voluntarily to fulfil their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Thus, as the name suggests, members of the organisation work in 'cooperation' to pool resources for common benefit and progress.

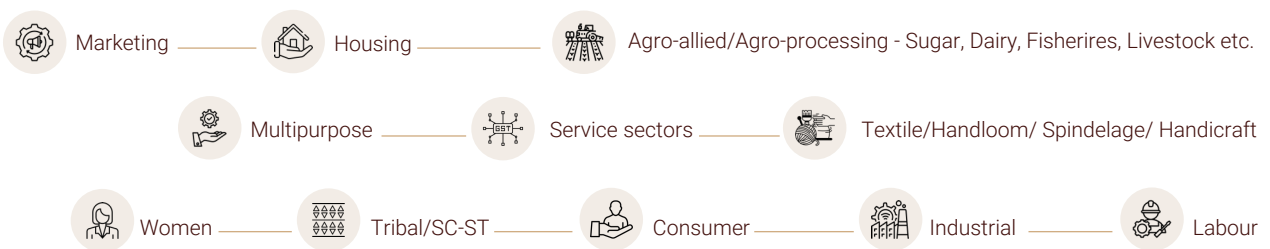


2.1 Cooperative Movement Has Expanded Across the Country and Now Covers Significant Sectors

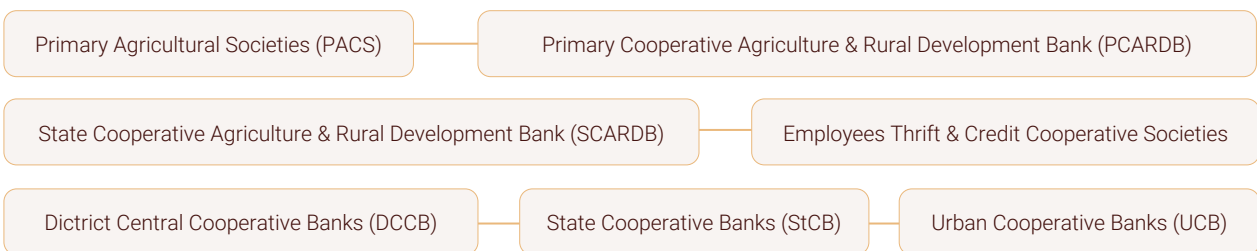
The cooperative network in India is the largest in the world. Roughly **30%** of the **30 lakh** cooperative societies in the world are in India. Out of the **8.55 lakh** cooperatives in India, **1.78 lakh** (i.e. ~20%) are credit societies, which makes it imperative that we look at cooperatives from two separate lenses- credit and non-credit.



Non-credit



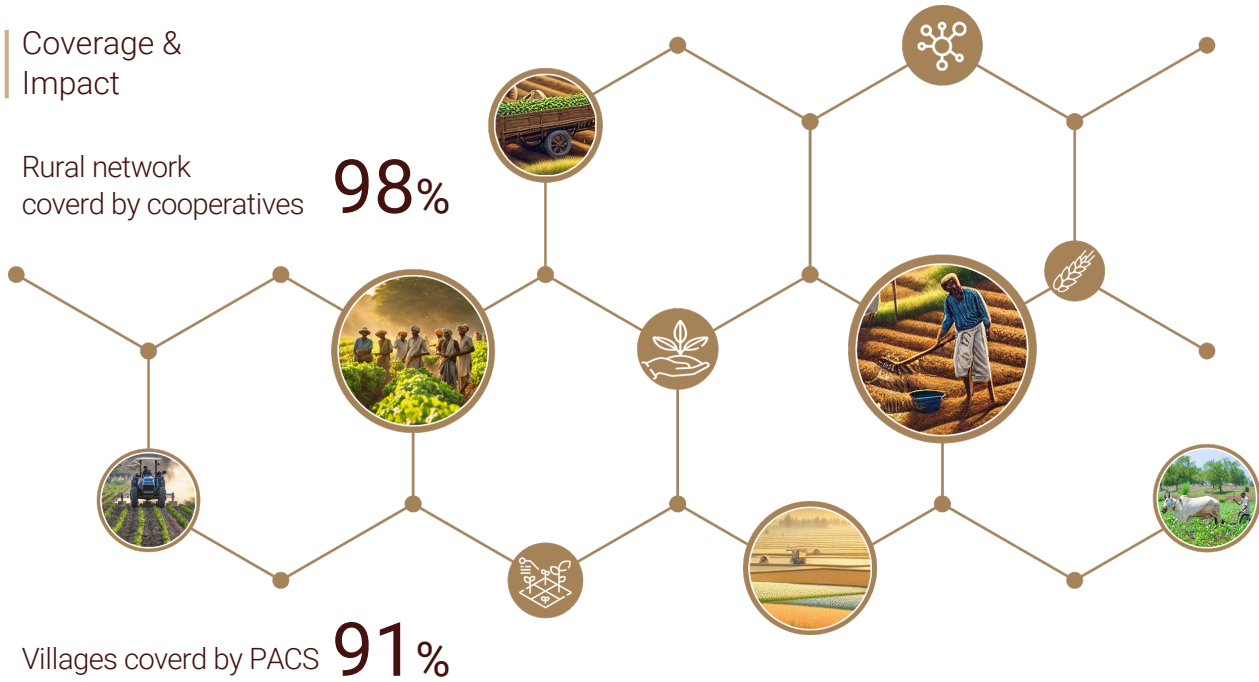
Credit



Of the credit cooperatives, the short term rural cooperative credit institutions include 34 State Cooperative Banks (SCBs) having more than 2,000 branches, 351 District Central Cooperative Banks (DCCBs) having close to 14,000 branches, and 95,000 Primary Agricultural Credit Societies (PACS).

Non-credit cooperatives include around 2 lakh primary dairy cooperative societies and over 25,000 primary fishery cooperative societies among others. All of the above are with respect to 2,55,643 Panchayats and 6,62,750 villages in the country².

Coverage & Impact



Food / Agri & Cooperative Action

Wheat procurement



Paddy procurement



Sugar Produced



Fertilizer distribution



Fertilizer Production



Retail Fair Price Shops



Fisherman



Liquid Milk Marketed out of total Milk Procured by Cooperatives



(these figures are relative to the entire procurement, production or number in India)

2.2

Cooperatives are Key to Realising the Two-Fold Objective of Driving Farmers' Income and an Atmanirbhar Bharat, While Also Achieving SDG Targets by 2030

The achievement of an inclusive growth model like cooperatives relies heavily on rural development, particularly in the agriculture sector. A thriving cooperative sector can significantly enhance agriculture and related industries by empowering farmers and providing them with access to affordable credit and broader market opportunities.

Agricultural cooperatives can play a crucial role in educating farmers about cost-effective cultivation practices, including balanced fertiliser use and improved water efficiency. They can also help establish more warehouses to prevent distress sales of produce and facilitate connections with the National E-market (e-NAM).

Additionally, cooperatives can encourage value addition and diversify allied activities like beekeeping, seaweed farming, and food processing.

Furthermore, cooperatives contribute to the realisation of a self-reliant India, as they enable people with capital to unite and operate on a larger scale across various sectors. Progress in different economic fields not only fosters local employment but also facilitates comprehensive rural development. Ultimately, cooperatives are poised to play a defining role in achieving the Sustainable Development Goals (SDGs) by 2030, acting as catalysts for socio-economic progress and promoting equality among communities.



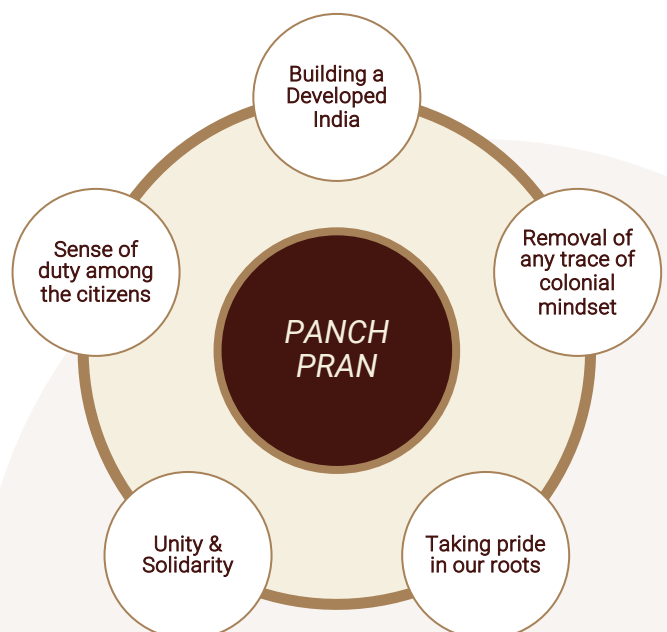
Ministry of Cooperation: A Game-Changing Idea That Needs Bold Implementation Timelines, Better State & Centre Coordination, and Key Sectoral Ministries Including Cooperatives in their Policy Design

The establishment of the Ministry of Cooperation in July 2021 stands as a groundbreaking moment, breathing new life into the cooperative movement. This significant step addresses the imperative of modernisation and paves the way for cooperative progress into the future. By providing a dedicated administrative, legal, and policy framework, it fulfils the crucial requirement to foster a thriving cooperative ecosystem in the country.

A clear vision, unwavering commitment, and transparent leadership were essential to propel the cooperative movement forward. With the new ministry now in place, these crucial elements are finally in alignment, positioning cooperatives to make great strides and reach new heights.

Since its inception, the Ministry's budget has experienced fluctuations, reflecting adjustments based on actual expenditure and evolving priorities. Throughout these years, the primary allocations have been directed towards central sector schemes and projects supporting the cooperative sector, including training and grants. The increased budget for 2024-2025 indicates a sustained commitment to strengthening cooperative structures and addressing sectoral needs.

The Ministry is guided by the Panch Pran (5 vows) of Amrit Kal given by Hon'ble Prime Minister in his speech on 15th August 2022.



3.1

Harnessing the full potential of cooperatives in India necessitates addressing critical challenges faced by cooperatives

The mandate of the Ministry, inter alia, is to deepen cooperatives as a true people-based movement cascading down to the grassroots level, develop a cooperative based economy model where each member works with a spirit of responsibility, and promote ease of doing business for cooperatives. It aims to work towards fulfilling the mantra of Sahakar se Samridhhi, i.e., from cooperation to prosperity. Having a ministry as a nodal point to drive the various initiatives will facilitate convergence of schemes and ensure their needs are being taken into consideration from the outset, at the highest level of government.

3.1.1 Capacity Challenge

- A** The capacity challenge cooperatives face relates to both human capital and institutional capacity.
- B** The person at the top of the institution plays an immensely critical role. However, people like Verghese Kurien (Amul) and Vilas Shinde (Sahyadri Farms) are more an exception than the norm.
- C** In terms of institutional capacity, despite over 100 years of exemplary history of cooperative movement across sectors, cooperatives, by and large, do not have access to the collective insights and best practices of one another. Success stories such as Lijjat Papad and Sittilingi Organic Farmers Association (SOFA) should serve as guiding lights.

3.1.2 Branding and Ambition Challenge

Cooperatives lack the requisite skills, experience, and innovation in marketing and branding of their products. A huge part of Amul's success and high recall value was the innovative advertising campaign comprising the 'Amul Girl'. Ads featuring the iconic 'Amul Girl' runs in newspapers to this day. However, there is hardly any other such success story..

3.1.3 Technology and Market Access Challenge

To bring in accountability, transparency, and efficiency cooperatives have to make effective use of digital technologies in their daily functioning with respect to governance, banking, and business. This sector is currently plagued by low adoption of technology and a general aversion to digital transformations. This not only reduces the overall performance but also limits access to markets that are increasingly going online.

3.1.4 Financing Challenge

PACS constitute the heart and soul of the rural agricultural credit system but as of today, nearly 40% of the PACS lie defunct. There is a need to revitalise these credit institutions and introduce modern banking methods so they can stay in the competition.

3.1.5 Governance and Regulatory Challenge

Governance and regulatory challenges for cooperatives in India include inadequate grievance redressal mechanisms, limited RBI oversight over various cooperative banks, and fragmented payment fraud reporting. Additionally, there is a lack of detailed financial and socio-economic data to ensure transparency and accountability.

This report aims to tackle the aforementioned challenges by providing a set of recommendations that offer practical starting points. The objective is to ensure that cooperatives have access to essential infrastructure, technology, capacity-building, and other resources necessary for their growth and prosperity in the years ahead.

4

Addressing The Challenges: Recommendations & Call for Action

4.1 Addressing the Challenges in Capacity Building



An Anchor in the ecosystem, a strong leader, someone who is **"first among equals"** can make a significant contribution to the growth of a cooperative. But not every cooperative gets a Vilas Shinde (Sahyadri). It is important to build institutional capacity in the organisation.

4.1.1 Addressing the individual capacity challenges in cooperatives

It is critical that cooperatives find the right person to lead their organisation. There could be several considerations – for e.g. educational qualifications, experience in running a business unit, exposure to organisations and technologies outside the immediate rural belt, etc. Even someone who has a large scale of operations in the same belt could potentially add more value than someone managing a small scale. For the person at the topic, the deciding criterion has to be essentially around what value can he or she bring to the organisation. Of course, natural talent has to be supplemented with training, or capacity building.

To address individual capacity challenges in cooperatives, the government has implemented several initiatives to enhance skill sets such as the NCCT (National Council for Cooperative Training)³. Educational institutes, such as VAMNICOM⁴, provide short- and long-term courses and training to senior and top-level officials, as well as non-officials, of the cooperative sector.

Mr Roshan Lal Tamak

Executive Director & CEO,
DCM Shriram LTD



The larger challenge for cooperatives is long term survival and sustainability. The ability of the management to delineate their political aspirations, vis-a-vis the pure business interest of the institution per se is indeed very critical. Cooperative institutions of the likes of Amul, Kribhco and Iffco seem to have overcome these challenges to a greater degree and could be emulated to strengthen the cooperatives.

Also cooperative sector should amend their compensation structure suitably to attract talent in parity with private sector .



However, to further improve the effectiveness of these programs for cooperatives, it's important to develop and deliver targeted training programs. Programs focusing on personal leadership for individuals running cooperatives is a must. These programs should enhance their leadership and management skills to improve the effectiveness of their cooperatives. For this, **already established institutions can be leveraged for effective training**. It is essential to effectively utilise centers like the NCCT to impart essential leadership skills and knowledge to cooperatives. Moreover, VAMNICOM can play a pivotal role in offering both short-term and long-term courses focused on leadership development, technology and branding awareness. For example, a comprehensive program spanning 60-90 days can be tailored for newly formed cooperative societies, providing them with valuable insights into cooperative functionalities and offering initiatives to enhance leadership skills during the course duration. This training will significantly contribute to upskilling these recently established cooperatives, equipping their leaders with the necessary tools and strategies to manage their organisations effectively. Similarly, this approach can also be employed to digitally upskill existing cooperative members, ensuring their proficiency in utilizing modern leadership tools and technologies. By strategically focusing on leadership development, cooperatives can thrive in an increasingly digital and competitive landscape.

VAMNICOM can also play an important role in offering courses that incorporate **industry standards and best practices**, helping cooperatives stay competitive and informed. It is worth exploring the possibility of delivering some of these programs online to increase accessibility and convenience for cooperative members, allowing for broader participation.

Additionally, **collaboration with industry leaders to enable workshops is necessary to enhance digital capabilities**. There is a need to enable quarterly workshops in collaboration with industry leaders for digital enhancement in cooperatives. These workshops can be made mandatory for employees, carrying significant weightage. A mindset shift is imperative for the cooperatives to enhance digital upskilling. Additionally, industry leaders can share their experiences and provide insights on best practices to improve digital capabilities.

To further strengthen digital capacity, a collaborative mechanism between central and state universities of the government can be established. This mechanism would introduce a **fellowship program** aimed at nurturing young students as digital capacity trainers for cooperatives. The fellowship program could span 6-10 months, with fellows actively engaging on the ground, facilitated by the ministry. Expanding this program to include young professionals from the ministry would create a pool of skilled trainers to impart digital skills to cooperative members, especially in rural areas.

Introducing cooperation as an elective subject in the school syllabus, thereby strengthening the foundation of the cooperative movement. This initiative can be implemented at the grassroots level, specifically in government schools. To facilitate this, national institutions such as VAMNICOM can be engaged to develop the training material and syllabus. This will help sensitise future generations towards the concept of cooperatives and its importance in the economic and social development of the country.

Professional training modules can be developed for the training of PACS in collaboration with international corporations like GIZ⁵. The German Society for International Cooperation (GIZ) works on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) and supports primarily agricultural cooperatives in developing countries and emerging economies. Partnering with GIZ can serve as an excellent means to provide high-quality training and gain insights into international best practices.



Case in Point

Case in Point: One successful example is the Akkain Ouargane Cooperative in Southwest Morocco, where women have joined forces to produce and market argan oil. In the past, their husbands used to sell it at the roadside, but now it is a profitable export product. GIZ has been supporting the project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) since 2013.

4.1.2

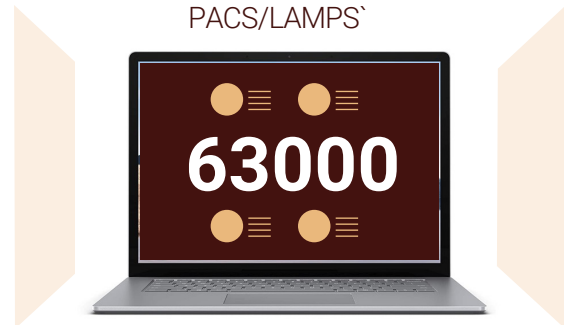
Addressing the institutional capacity challenges in cooperatives

For proper resource utilisation and recruitment of skilled labour, it is essential to have the necessary institutional digital infrastructure. Several significant measures have been put in place by the government, such as the centrally sponsored project for the **computerisation of 63,000 functional PACS/LAMPS (Primary Agricultural Cooperative Society/Large Area Multipurpose Societies)**. An initiative has also been launched where an MoU has been signed between the Ministry of Cooperation, Ministry of Electronics and Information Technology, NABARD, and CSC, to facilitate the functioning of PACS⁶ as CSCs (Common Service Centres) to improve their viability, provide e-services at the village level, and generate employment⁷.

To further address the challenges, it becomes imperative to establish **Centres of Excellence (COEs)** that can strengthen both institutional and individual capacity for cooperatives. **Existing government-run facilities, such as Community Service Centers (CSCs) and Krishi Vigyan Kendras (KVKs), can be leveraged to serve as COEs.** These centers can employ individuals proficient in basic computer and mobile applications, ensuring cooperatives can access and utilise affordable or free digital tools to streamline their operations and maintain digital records.

In light of the ongoing computerisation efforts, it may also be mandated that cooperatives maintain digital records as a prerequisite for their establishment. Central and state government colleges can further contribute by offering tailored courses in sectors relevant to cooperatives, such as agriculture, banking, and entrepreneurship, setting up departments as COEs focused on research and upskilling initiatives.

These COEs can also assist cooperatives in identifying and accessing government benefits and subsidies they are eligible for, ensuring that cooperatives can fully leverage available financial and policy support. To further strengthen in-house capacity, cooperatives can use digital means to access skill training and enhance their digital infrastructure, with existing facilities like Panchayat Ghars playing a key role in facilitating this.

Computerisation of functional PACS/LAMPS⁶

To increase the coverage of cooperatives, measures can be taken up such as introducing digital mobile banking solutions among cooperatives banks. Additionally, call centres can be set up initially to assist members in understanding the mobile/online banking system. To make internet more accessible at the grassroots level, government can introduce subsidies to enable free Wi-Fi in public areas.

Lastly, setting up a standard framework that defines the minimum standards to be maintained by cooperatives. Parameters can be established for member participation, efficient issue resolution, digital upskilling, adoption of various training programs, women leadership, and measures for adopting digital infrastructure. The framework can be based on the best practices of top-performing cooperatives in different sectors.



4.2 Addressing Branding and Ambition Challenges

Cooperatives face challenges in branding and marketing due to various factors like financial constraints, limited awareness, and skill gaps. To unleash their potential, guidance and assistance are essential, including financial support, market expertise, brand building, audience targeting, and modern market expansion strategies.

By providing tailored support and drawing inspiration from these success stories, we can empower cooperatives to drive innovation, create impact, and contribute significantly to the nation's growth and global recognition.

Case in Point

Amul

India's history showcases remarkable successes in the cooperative sector, such as the dairy cooperatives leading the 'white revolution,' exemplified by the iconic brand AMUL (Anand Milk Union Limited). AMUL's journey from turning India into the largest milk producer globally is an inspiring testament to cooperatives' power. Other notable examples include KRIBHCO and Lijjat Papad.

4.2.1 Cooperative Mission to Create National & Regional Champions

A National Cooperative Initiative can be launched with an annual thematic focus to raise awareness, share best practices, and provide recognition to cooperatives that have achieved success in specific sectors, such as handlooms, pulses, dairy, or other industries. Each year, a different theme can be highlighted, much like previous initiatives such as the Year of Millets. Successful cooperatives like Saras, Sahakari Bhandar, and Mother Dairy can be showcased as examples of strong branding and marketing within the chosen theme.

A portal where other cooperatives can access best practices of successful cooperatives can be created to provide blue-prints and help them improve marketing and branding activities.

Emerging cooperatives can be identified through annual surveys and provided with support by linking them to the regional champions in their respective sectors. The responsibility of conducting these annual surveys can be entrusted to NCUI.

A tier-based ranking system can be introduced, classifying cooperatives as Tier-1, Tier-2, or Tier-3 based on key indicators such as financial health, business performance, membership growth, social impact, governance & transparency, and innovation & adaptability.

4.2.2 Assistance for expanding marketing activities and product visibility

Marketing for organisations selling GI-tagged products in India was done via a multi-pronged approach. Elements of which can be followed for cooperatives since they require similar levels of assistance. For instance, creating a common logo for cooperative products will act as a certifying mark that will help in the ease of identification, branding, marketability, and saleability of these products.

The Ministry of Cooperation may establish a dedicated department responsible for verifying product authenticity and granting permission for the use of the Common Cooperative Logo for their products. This department will be tasked with issuing comprehensive guidelines outlining the terms and conditions for logo usage.

Additionally, extending support to marketing initiatives, such as hosting an Annual National-level Expo or Trade Fair, will have a substantial impact on elevating the visibility and branding efforts of cooperatives, serving as a distinctive gateway to the global trade market. It could be timed in conjunction with the International Cooperatives Day. This initiative will offer farmers, artisans, and cooperative members a direct avenue to engage with the global trade community and can garner support from international organisations, Ministries, State Governments, and reputable Indian cooperative bodies.

The fair will function as a dynamic platform, encompassing diverse activities such as conferences, exhibitions, B2B and C2C meetings, sales promotion, marketing, and product displays, creating an environment conducive to fostering collaboration and exploring business opportunities with cooperative organisations both within India and abroad.

4.2.3



Branding Solutions to Empower Non-Credit Cooperatives in India: National Scale Plan with NAFED as the Nodal Agency

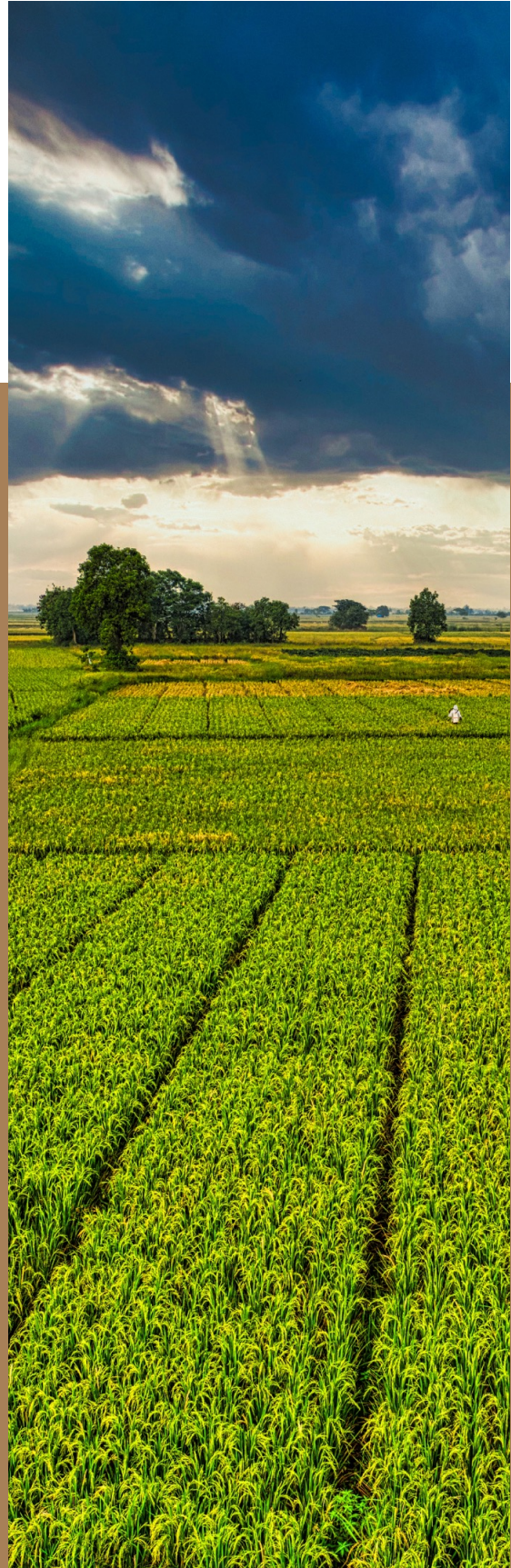
To ensure the success of the branding plan for Indian cooperatives, engagement of private players and sector experts as advisors and knowledge partners is a crucial step in the process.

NAFED, the National Agricultural Cooperative Marketing Federation, can act as the nodal agency for cooperatives in this branding initiative. To drive this undertaking effectively, the establishment of a National Cooperative Branding Task Force is essential. This task force will comprise representatives from cooperative societies, branding experts, industry associations, and marketing professionals.

Under NAFED's leadership, the task force can collaborate with entities like TRIFED and state cooperative marketing federations. The involvement of private sector players, including reputable branding agencies, agricultural universities, and marketing experts, will provide valuable knowledge and expertise, propelling the branding strategy to success.

The key elements of the branding plan include:

Developing a distinctive cooperative brand identity - As recommended earlier, a unique brand identity in the form of a logo for Indian agricultural cooperatives can be designed, emphasizing their values and commitment to farmers and rural communities. The logo would incorporate elements like farmers, crops, and cooperative principles such as unity and collaboration.





Establishing branding guidelines and standards -

Branding guidelines endorsed by NAFED will be established to ensure consistency in cooperative branding efforts, covering logo usage, colour schemes, typography, packaging design, and communication materials.

Launching regional cooperative awareness campaigns -

Cooperative awareness campaigns can be initiated by NAFED in collaboration with MyGov, influencers, and media partners, focusing on specific regions or sectors. These campaigns can highlight testimonials from cooperative farmers, success stories, and significant contributions to rural development. Additionally, cooperative brand ambassadors can be engaged to amplify the message and purpose of these initiatives within targeted communities.

Developing cooperative product certification and labelling -

Introducing a certification and labelling program will assure consumers of the quality, authenticity, and fair-trade practices of cooperative products. For instance, a certification mark such as "Cooperative Certified" can be displayed on packaging, signifying adherence to cooperative values and quality standards.

Enhancing digital presence and e-commerce capabilities -

To enhance digital presence and e-commerce capabilities, NAFED can establish a cooperative marketing platform, such as a user-friendly website and mobile app allowing consumers to make direct purchases. NAFED could also leverage the NAFED Bazaar portal, give it a facelift and merge these services for cooperatives.

Implementing a robust monitoring and evaluation system -

To ensure the effectiveness of the branding initiatives, a robust monitoring and evaluation system will be established. A committee may be set up to monitor the Key Performance Indicators such as brand recognition, consumer perception, sales growth, and market share of cooperative products will be regularly assessed.

4.3

Addressing Technology and Market Access Challenges

Mr Sanjiv Kanwar

Country Manager at Yara International



Cooperatives are the backbone of rural prosperity and resilient communities. Addressing challenges from financing to technology and market access, would unlock the full potential of cooperatives and foster a brighter, more inclusive future for all.

Empowering rural communities through cooperatives will not just provide more resources but foster self-reliance, nurture a spirit of entrepreneurship and create foundation for sustainable development.



The cooperative sector is plagued by a general aversion to digital transformation. This reduces performance and limits access to markets that are increasingly going online. The following recommendations will help in further addressing the issues being faced by cooperatives.

4.3.1 Focussed Initiative to onboard Cooperatives through ONDC

Open Network for Digital Commerce's (ONDC) democratic open API platform needs to prioritise onboarding of Cooperatives. This will be a game-changer for both sellers and buyers. Buyers will benefit from access to more options including in otherwise non-digitised sectors like agricultural and dairy products. It will encourage other non-cooperative sellers to become market efficient. It will also help cooperatives to be on the same level field as the other big players.

The open protocol will enable discovery, ordering, execution, fulfilment, and post fulfilment without mandating the provider and consumer to come to the same platform. This interoperability, not as a tech feature, but rather as a market principle, is the way to reimagine how digital cooperatives will thrive. With **90 crore buyers** in the network⁸ expected in the **next 5 years**, cooperatives' access and association with ONDC will provide them with a wider customer base and improved digitisation. Cooperatives can leverage the logistics and warehousing services provided via ONDC to enhance their delivery capabilities.

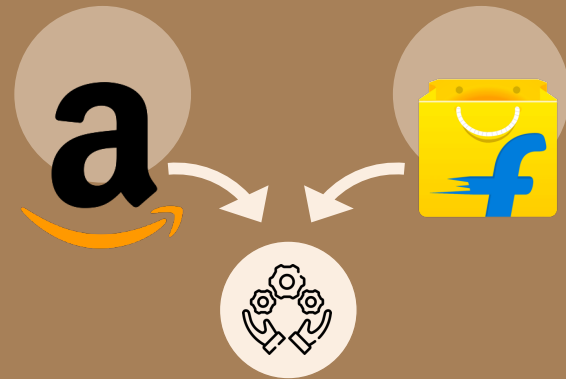
Cooperatives embedded in the ONDC platform can leverage the roles of both 'aggregator' (meaning transaction facilitator) as well as 'seller side' of the platform infrastructure.

Cooperatives can be provided with distinctive features like lesser paperwork and minimal registration procedure for an easy onboarding process. A cooperative onboarding desk can be set up to address concerns and facilitate this process with minimal friction.

4.3.2

Partnerships with & Incentivising Leading Marketplaces for presence & sales from Cooperatives

India has experienced a significant shift towards digital markets in recent years, driven by technological advancements, government initiatives, and changing consumer behaviour. The adoption of digital technologies has had a profound impact on various sectors of the economy, including retail, finance, agriculture, and services. India’s online marketplaces could be making sales worth as much as **\$350 billion** a year by 2027⁹, and roadmaps should be prepared for cooperatives to realise their full potential. The incentivisation, as stated, shall be a two-way approach:



Train
1000
Cooperatives

Incentivising the marketplaces: MoUs can be drawn with leading online marketplaces like Flipkart and Amazon to train at least **1,000 urban-centered** producer cooperatives and eventually onboard them as sellers. The training modules will be tailored based on the type of cooperative, sector, market efficiency, and demand. A Joint Chair, potentially from a skilling agency such as the National Skill Development Corporation, along with leadership from these online marketplaces, can oversee this initiative. Once the cooperatives are upskilled and onboarded, the Chair can provide guiding principles to the Ministry of Cooperation and the Department of Promotion for Industry and Internal Trade (DPIIT) on efficiently scaling cooperatives in marketplaces. They will also identify necessary policy adjustments, best practices, and areas that require further support. A pilot project can help identify challenges and refine the approach before broader implementation.

In addition to online marketplaces, traditional players like Hindustan Unilever Limited (HUL), which has a long history of engaging with rural cooperatives through programs like Project Shakti, can also be valuable partners. Through Project Shakti, women micro-entrepreneurs, known as "Shakti Ammas," are trained to expand HUL's rural outreach while creating income-generating opportunities. Similar collaborations can be formed with companies like HUL, thereby expanding the scope of cooperation with both online and traditional players.

To incentivise these marketplaces and companies, tax exemptions and the opportunity to offer exclusive sales for cooperatives' products can be provided. This will not only support cooperatives but also create a strong partnership ecosystem for sustainable growth.

Incentivising the cooperatives: For every cooperative that sells their products through a marketplace, they will receive say a **15% bonus** (based on the selling price) for a 1-year period or until they reach a total bonus amount of **5 lakh** which can be borne by the government. To encourage cooperatives to participate in the marketplace and address some inherent and possibly higher costs/challenges in establishing adequate supply chains. However, a tiered bonus structure should be considered, with higher percentages for the initial sales to encourage early adoption, tapering off as sales volume increases.



4.3.3 Create Women led Rural Cooperative eMarket 'Janani' in every state of India

A special grant of, say, **Rs. 5 crore** could be allocated to establish and form one rural e-marketplace that will house only cooperatives and focus on women driven cooperatives at the forefront. The name '**Janani**' has been assigned for the marketplace scheme, which shall start with five or six states and further scale up to other states. Janani will be a public-private collaboration involving due participation of State governments, Centre, and like-minded private entities.

A specific Janani-based roadmap is to be created that will target **50,000** women-run or women-based cooperatives, rural market access to **5 million** rural households, and **\$50 million** in capital by **2027**. Subsequent targets will be kept for every 5 years.


Focused government engagements and partnerships will be given priority to help upscale **Janani's IT infrastructure** to help bridge the gaps of the traditional 'brick and mortar' rural cooperatives markets. Self Help Groups (SHGs) and local administration's participation will also help in bridging the awareness gap with respect to digital literacy and dissemination of benefits. Such a marketplace will be financially beneficial for women-led cooperatives and help elevate the status and dignity of women in rural India.




Frontier Markets' Success Story

Frontier Markets is a social commerce platform with a mission to create 'Saral Jeevan' or an 'Easy Life' for rural households by providing them local access to high quality and gender inclusive products and services, by investing in rural women entrepreneurs.


Success Features:




India's first assisted e-commerce app designed by and for rural women.



About **50 million** products and services successfully delivered.



Multi-state expansion covering **4000** villages adding more than **22,000** total rural entrepreneurs.



Partnerships including with **UPSRLM, DoIT Rajasthan & SSP (Maharashtra)**.

<https://www.frontiermks.com>

4.3.4 Scaling Cooperatives by Leveraging ODOP Scheme

The One District One Product (ODOP) initiative can facilitate balanced regional development across all districts of the country and help cooperatives get more market access.

An exercise similar to 'One District One Cooperative' (ODOC) also needs to be undertaken to annually highlight one specific cooperative in a particular district aligned to the ODOP product. This can help in promoting lesser-known cooperatives. An annual report for cooperatives could also cover some of these cooperatives as case studies.

Cooperatives aligned to products shortlisted in ODOP will have opportunities to be showcased and promoted across the country and globally. This will help in their 'brand-building' and eventually increase their revenue.

An intra-state steering committee will be assigned to work on identifying these cooperatives and preparing a roadmap for their gradual inclination towards scalability.

4.3.5 Other Avenues of Institutional Promotion

An exclusive National Cooperative Mart must be established, possibly in collaboration with the National Cooperative Development Corporation (NCDC), and housed at the India Trade Promotion Organisation (ITPO). It will focus on promoting emerging cooperative products, including in agriculture and allied sectors, banking services, handlooms, organic produce, etc. Buyers will also receive advantages such as discounted pricing, which will be supported by the government on behalf of the showcased products.

To cater to cooperatives seeking digital transformation, an **Innovation wing** dedicated to cooperatives can be established under ITPO, focusing on enhancing outreach and support. Simultaneously, a **separate corporate wing** can be created to facilitate connections between marketplaces and interested potential cooperatives.

Over the years, NDC has played an active role in planning, promoting, coordinating, and financing cooperative development programs at the national level. Their guidance and expertise in this initiative will prove invaluable in charting out comprehensive roadmaps for success.

4.4

Addressing Financing Challenges

The financing challenges for cooperatives in India pose significant hurdles to their growth and sustainability. Limited access to capital and financial resources hinders their ability to invest in modern technologies, expand operations, and compete effectively in the market. Addressing these challenges is essential to unlock the full potential of cooperatives in driving economic development and improving the livelihoods of communities across the nation.

4.4.1

Leveraging Priority Sector Lending (PSL) for Cooperative Growth and Sustainability

To ensure autonomy, self-reliance, and democratic management of India's vast network of approximately **8.5 lakh** cooperative societies with a member base of **29 crore**, it is essential to address their funding needs and enable them to become self-sustainable. An effective solution lies in leveraging the existing Priority Sector Lending framework, which mandates commercial banks and financial institutions to provide credit to sectors such as agriculture, MSMEs, and weaker sections. Cooperatives, especially Tier-1 cooperatives, can benefit from targeted access to PSL funds, aligning their activities with the objective of supporting these priority sectors.

A focused initiative can be designed to ensure that a certain percentage of PSL funds are directed specifically towards cooperative-led projects. For example, banks can allocate a fixed portion of their PSL commitments to Tier-1 cooperatives, which can then utilise these budgets for projects that benefit agriculture, renewable energy, housing, and rural development. This will promote economic growth within the cooperative sector while fulfilling PSL's core mandate of lending to underserved sectors.

To maximize the impact of PSL funding, cooperatives could collaborate with financial institutions to develop training modules and capacity-building programs that ensure the effective utilisation of these funds. A pilot project can also be introduced to identify challenges and optimize the approach before a broader rollout. The allocation of PSL funds should be accompanied by regular monitoring, evaluation, and reporting to ensure transparency and accountability in the usage of resources.

By aligning cooperative initiatives with the PSL framework, the government can ensure that cooperatives gain access to sustainable and structured financing, thereby enhancing their contribution to key sectors such as agriculture, MSMEs, and rural development.

4.4.2

Leveraging the National CSR Portal to Mobilize Funds for Cooperatives

The Companies Act, 2013, mandates that eligible companies spend 2% of their average net profits on Corporate Social Responsibility (CSR) activities. This mandate presents an opportunity to leverage resources of the corporate sector to support distressed cooperatives across sectors and regions. The Ministry of Corporate Affairs maintains a list of eligible companies which can be used to identify potential contributors.

Firstly, a **dedicated section within the National CSR Portal** can be created to maintain a comprehensive database of distressed cooperatives across different sectors and regions, to help identify cooperatives in need of support. Cooperatives can register on the portal and provide detailed information about their financial distress, operational challenges, and funding requirements.

A matching platform can be developed on the National CSR Portal, which will connect distressed cooperatives with corporations and industry associations seeking to support causes aligned with their CSR focus areas. On this platform, cooperatives can showcase their projects and funding requirements, while corporations can browse and select cooperatives based on their interests and capacity to support. This direct engagement with major corporations and industry associations will promote support for distressed cooperatives through their CSR initiatives.

To ensure the authenticity and impact of projects proposed by distressed cooperatives, it is essential to establish a robust evaluation and verification mechanism on the National CSR Portal. Cooperatives can submit project proposals, financial statements, and impact assessment reports, which will undergo scrutiny and approval by the Ministry of Cooperation. This process will ensure transparency and accountability in the utilisation of CSR funds.

The National CSR Portal can also include a knowledge-sharing section, where successful case studies, best practices, and lessons learned from cooperatives can be shared. This will enable cooperatives to learn from each other's experiences.

It is worth noting that the CSR expenditure in rural development for FY 2020-21 alone **was Rs 1860.64 crore**, with **1630** companies contributing across 35 states and union territories. This highlights the significant potential for channelling CSR funds towards supporting distressed cooperatives and the importance of leveraging the National CSR Portal to facilitate such collaborations.

CSR
Expenditure



4.4.3

Public-Private Partnerships (PPPs) to Address Financing Challenges for Cooperatives

Public-Private Partnerships (PPPs) can play a crucial role in funding cooperatives by establishing collaborative models involving the government, private investors, and cooperatives. These partnerships can provide the necessary financial support, management expertise, and market linkages to revive and sustain distressed cooperatives.

An innovative aspect of this approach is that the buyers of cooperative products can potentially become partners in the PPP setup. By conducting basic due diligence and ensuring transparency, the government can facilitate the involvement of these buyers as key stakeholders. The government would also contribute a portion of the required funds, creating a balanced and credible partnership that benefits both the cooperatives and the private sector.

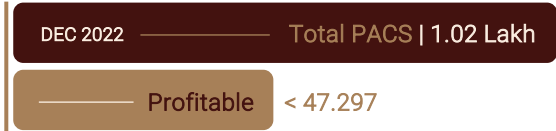
Joint projects can be proposed between the private sector and the central government, with the Ministry of Cooperation devising a model framework to enable the signing of tripartite agreements between the involved parties. For example, under the Central Sector Integrated Scheme on Agricultural Cooperation (CSISAC), the National Cooperative Development Corporation (NCDC) has been providing financial assistance for the construction and renovation of storage facilities. In such cases, the central government can contribute a major portion of the funds, while the private partner, which could include buyers, could cover the remaining portion.

Repayment of financial assistance can be structured based on the specific terms of the scheme. Cooperatives may be required to repay the assistance over time, ensuring the sustainability and continuity of the scheme. The funds repaid by cooperatives can then be reinvested in subsequent phases of the scheme or utilised to support new cooperative initiatives, creating a self-sustaining cycle of support and development.

By establishing PPPs for cooperative funding and involving cooperative buyers as potential partners, governments can tap into private sector resources and expertise while providing much-needed financial assistance. This collaborative approach allows cooperatives to improve their operations, expand their market reach, and ultimately contribute to the socio-economic development of their communities.

4.4.4

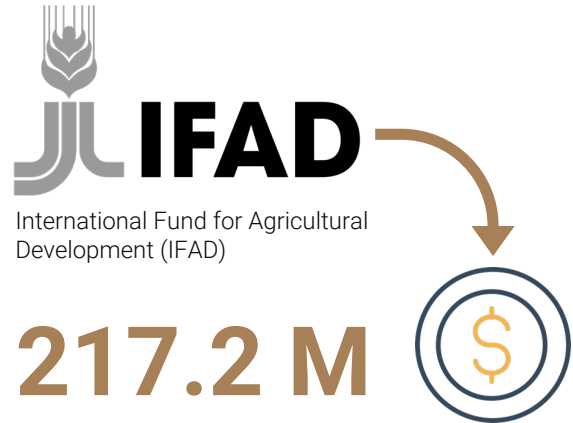
Creating a Cooperative Financing Program to Strengthen PACS with Support from International Funding and Development Agencies



A report published by the Reserve Bank of India on December 27, 2022, put the number of PACS at **1.02 lakh**. However, only **47,297** PACS (i.e. less than half) were profitable as of March 2021, according to the report. To improve financial management and governance of PACS, the Ministry of Cooperation, in collaboration with international agencies, can develop a rating system to assess and rate PACS. This system would evaluate their financial performance, governance practices, and social impact, allowing highly rated PACS to access favourable financing terms and lower interest rates. Such a system would encourage PACS to enhance their overall governance and financial practices.

Moreover, like the new credit assessment model introduced for MSMEs in the national budget 2024, PACS could also benefit from a fresh approach to credit evaluation. Instead of relying solely on traditional measures like CIBIL scores, public sector banks (PSBs) can develop in-house capabilities to assess the creditworthiness of PACS, considering factors unique to cooperatives. This would enable a more tailored credit evaluation process that better reflects the cooperative sector's specific needs and challenges. In turn, PACS can enhance their credit access, mitigate the risk of default, and improve the efficiency of loan processing.

Additionally, the Central Government can forge partnerships with international funding agencies like the World Bank, Asian Development Bank (ADB), and U.S. Agency for International Development (USAID) to establish a Cooperative Financing Program aimed at securing grants, concessional loans, and technical assistance for cooperatives including PACS. By leveraging the expertise and financial resources of these agencies, the program can effectively address the funding needs of credit cooperatives in India.



for “Competitiveness Improvement of Agriculture and Allied Sectors Project”

(JKCIP)” in Jammu and Kashmir. This not only sets a precedent but also presents an opportunity for a similar initiative for PACS on a national scale.

However, it is crucial for the Ministry of Cooperation to establish a Task Force responsible for overseeing the program's overall implementation taken up by the Implementing Committee. Additionally, it is advisable to mandate that the program gets implemented in one or two states before proceeding with large-scale expansion. These agencies can also be granted membership in the Implementing Committee or, at the very least, be allowed to serve as observers. This arrangement would ensure effective monitoring of the program's progress.

Furthermore, it is recommended that the Implementing Committee undertake a midterm evaluation of the program and submit a report to the Task Force. This evaluation will not only ensure the program's success but also serve as a catalyst for attracting more donors to collaborate in the future.

4.5

Addressing Operational, Governance, and Regulatory Challenges

The significance of India's cooperative sector continues to rise every year, yet, as with any industry, it is not immune to grievances and issues that require prompt and efficient redressal mechanisms.

4.5.1

The Need for a National Cooperative Tribunal for Effective Dispute Adjudication

Presently, registering a complaint in India requires approaching the Registrar of the Societies of the State/Central Government, such as the State Cooperative Registrars for State cooperatives or the Central Cooperative Registrar for Multi-State Cooperative Societies. Despite the presence of these mechanisms, there is an unmet need for a national grievance redressal commission and a tribunal specifically designed to handle cooperative-related cases in India.

While the Ministry of Cooperation, CPGRAMS, and several organisations like the National Cooperative Union of India (NCUI) and Sahakar Bharati offer some grievance redressal support, there is a significant gap in the formal adjudication of disputes specific to cooperatives. Although each state has its own cooperative department for overseeing the functioning of cooperatives within the state, they cannot replace the need for a formal national-level body to handle disputes.

Therefore, the **establishment of a National Grievance Redressal Commission**, like the NCDRC, for complaints valued at a certain amount and a **National Cooperative Tribunal** for effective dispute resolution would be a crucial step towards addressing this gap. These bodies would provide a more structured and efficient approach to handling complaints related to cooperatives, ensuring greater transparency and accountability.

In addition to the establishment of a national grievance redressal commission/tribunal, there is also a need for a 24x7 online grievance redressal portal for cooperatives. Such a portal would allow cooperative members and stakeholders to file complaints and track their status online, making the process more convenient and accessible.



Case in Point

Several countries, including Kenya, have already established National Tribunals for cooperatives, emphasizing the importance and effectiveness of such bodies.

4.5.2

Single Regulatory Framework for Cooperative Banks

Urban Cooperative Banks (UCBs), State Cooperative Banks (StCBs), District Central Cooperative Banks (DCCBs), and Primary Agricultural Credit Societies (PACS) in India are subject to a dual regulatory system. UCBs are regulated and supervised by the respective State Registrars of Cooperative Societies (RCS) in the case of single-state banks and by the Central Registrar of Cooperative Societies (CRCS) for multi-state banks. The RCS and CRCS exercise powers under the respective Cooperative Societies Acts concerning incorporation, registration, management, amalgamation, reconstruction, and liquidation. Concurrently, the Reserve Bank of India (RBI) oversees banking-related functions such as issuing licenses, setting interest rates, loan policies, investments, and prudential exposure norms under the Banking Regulation Act, 1949.

State Cooperative Banks (StCBs), which function as apex banks at the state level and federate District Central Cooperative Banks (DCCBs), are regulated by the RBI under the Banking Regulation Act, 1949, and supervised by the National Bank for Agriculture and Rural Development (NABARD). DCCBs, operating at the district level and serving as a crucial link between PACS and StCBs, are also under dual regulation by the RBI for banking activities and by state cooperative societies for administrative matters. PACS, operating at the grassroots level to provide short-term and medium-term credit to farmers, are primarily regulated by state cooperative societies and are not directly under the RBI's purview. This dual regulation leads to conflicts of interest, inconsistent governance, delayed interventions during crises, and inefficiencies. Rural cooperative banks, in particular, suffer from weak governance structures, inadequate professional management, external interferences, and limited capital bases, leading to financial instability and significant losses.

Extending RBI's Reach for Better Governance - To address these challenges, it is recommended that the regulatory purview of the RBI be extended to include all cooperative banks, including UCBs, StCBs, DCCBs, and PACS. This extension would standardize regulations, ensuring consistent governance, oversight, and operational standards across the cooperative banking sector.

The transition to full RBI regulation should be phased, allowing sufficient time for the necessary legislative changes and adjustments at the institutional level.

Additionally, capacity building initiatives should be implemented to improve governance standards, financial management practices, and risk management capabilities within rural cooperative banks. Strengthening their capital bases and encouraging the adoption of robust risk management practices will further mitigate financial instability, ensuring these banks can continue to play a crucial role in providing credit to rural populations and supporting economic development in these areas.

4.5.3

Strengthening Cooperative Governance in India- Integrating an Anchor Expert

Cooperatives can benefit significantly by including an Anchor Expert in their governance framework. This expert, possessing deep industry knowledge and strategic insight, would provide essential guidance to the cooperative, helping it navigate complex challenges, identify growth opportunities, and foster innovation. The Anchor Expert would serve in an advisory role to the Board of Directors, ensuring that strategic decisions are informed by professional expertise.

The selection of the Anchor Expert should follow centrally defined guidelines, established by the Ministry of Cooperation or a similar central authority, to ensure consistency, transparency, and merit-based appointments. These guidelines would outline the required qualifications, experience, and specific expertise necessary for the role. This prevents local bodies from appointing underqualified candidates and ensures that the selected experts align with the cooperative's mission and goals. Additionally, the government should allocate dedicated funds to support cooperatives in hiring Anchor Experts, ensuring that even smaller cooperatives can access top-tier expertise.

The expert's tenure should be fixed, with the possibility of renewal based on performance, and their contributions should be regularly evaluated against key performance indicators (KPIs). As a non-voting participant in board discussions, the Anchor Expert would provide valuable insights without altering the cooperative's member-driven governance model.

Amendments to State Cooperative Laws can enable a formalized role for Anchor Experts within the governance structure, with the central government defining the role and criteria for selection. Financial support from the government and other stakeholders would further enable cooperatives to hire qualified experts, ensuring that all cooperatives, regardless of size, can benefit from professional guidance.

The Anchor Expert can also focus on building the capacity of cooperative members and staff, providing training and mentorship to strengthen governance and operational capabilities. This approach ensures that the cooperative continues to thrive even after the expert's tenure ends, creating a legacy of strong, self-sustaining governance.

4.5.4

Establish a Payment Fraud Reporting Mechanism

To bolster fraud detection and enhance transparency within India's cooperative banking sector, it is recommended that the Central Payments Fraud Information Registry (CPFIR) reporting be extended to include all cooperative banks i.e., UCBs, RRBs, DCCBs and StCBs.

The Reserve Bank of India (RBI) should formalize this extension by issuing a regulatory directive or amending existing guidelines to include the specified banks under CPFIR reporting requirements. Establish clear protocols and timelines for integrating these banks with the CPFIR system. This should include technical and procedural guidelines for reporting fraud. This extension will ensure comprehensive coverage of payment fraud across all tiers of the cooperative banking system.

4.5.5

Strengthen the On-ground Infrastructure for the Central Registrar of Cooperative Societies

In order to address the limitations of the current system and ensure effective governance of MSCS in India, it is crucial to strengthen the on-ground infrastructure for the Central Registrar. Currently, there are **1585 MSCS** operating across the country, and the only office where members can seek resolution for their grievances is located in Delhi. This poses significant challenges for members residing in different states, as they have to travel to Delhi, resulting in inconvenience, increased costs, and time-consuming processes.



To improve accessibility and enhance the efficiency of grievance redressal, it is recommended to establish regional offices of the Central Registrar in different parts of the country. These regional offices would serve as local centres for addressing the concerns and grievances of MSCS members in their respective regions, to help them seek resolution more conveniently without hassle.

Establishing regional offices would improve coordination among stakeholders. Currently, state authorities have limited authority and must forward complaints to the Central Registrar in Delhi, causing delays in resolving issues. With regional offices, states can take a more active role in handling local complaints, investigating them, and taking prompt actions. Moreover, regional offices can engage with cooperative societies through meetings, workshops, and training sessions, fostering stronger relationships, trust, and cooperation between all parties involved.



4.5.6

Strategic Enhancements for the National Cooperative Database

To elevate the National Cooperative Database and maximize its effectiveness for the next phase of implementation, it is recommended to expand its data fields to encompass comprehensive financial and performance metrics. This expansion should include critical elements such as annual revenue, net profit or loss, asset quality, and adherence to regulatory norms, thereby providing a thorough view of each cooperative's financial health and operational efficiency. Additionally, integrating socio-economic data and impact metrics will shed light on how cooperatives contribute to local employment, community development, and social welfare, including metrics on job creation and community projects.

The incorporation of advanced analytics and reporting tools within the database will facilitate trend analysis, predictive modelling, and impact assessments, offering real-time insights and customizable reports at both regional and national levels. Further, integrating the database with other government databases—such as those for water bodies, livestock census, and land records—will provide a holistic view of cooperative operations and their socio-economic interactions.

To guide these enhancements and ensure alignment with broader objectives, establishing a centralized advisory committee composed of experts from the cooperative sector, data management professionals, and government officials is essential. These advancements will enable policymakers to make more informed decisions, develop effective policies, allocate resources efficiently, and implement targeted interventions that strengthen the cooperative movement throughout India.

4.5.7

Accelerating Initiatives through a Task Force

To fast-track the implementation of key initiatives, the Ministry should establish a dedicated Task Force. This Task Force, composed of experts from relevant fields, would be empowered to make prompt decisions and take necessary actions to ensure the timely execution of initiatives. By streamlining decision-making processes and centralizing responsibility, the Task Force can help avoid delays, identify bottlenecks, and prioritize actions effectively.



Case Study : The Sahyadri Farms Model of Cooperative Excellence



In the heart of rural Maharashtra, a small farmer named Mr. Vilas Shinde had a vision: to see Indian farmers as prosperous as the IT professionals in the cities they nourish. What began as a modest dream has grown into a revolutionary model of agricultural cooperation and innovation, which may be referred to as the Sahyadri Model. This case study explores the journey of Sahyadri Farms, from its humble beginnings to becoming a powerhouse in the Indian agricultural sector, transforming the lives of thousands of smallholder farmers.



Right Anchor Leader at the top

A small landowner with a passion for farming, recognized the limitations that small-scale farmers faced in accessing global markets. In 2003, he took a bold step by bringing together friends and family to create a considerable export pool for grapes. Their first attempt, exporting to the Netherlands, ended in losses, but this setback only fuelled Mr. Shinde's determination to succeed. He travelled to Europe to understand the challenges and learn best practices, laying the foundation for what would become the Sahyadri Model.

Mr Vilas Shinde

Chairman & Managing Director
Sahyadri Farms





Building Leadership and Institutional Capacity across the organisation

By 2010, the collective had expanded to **110** farmers, all driven by a shared mission: to empower Indian farmers to achieve prosperity on par with urban professionals. Understanding that nearly **75%** of Indian farmers own less than one hectare of land, Mr. Shinde realized that collective strength was key.

He likens cooperatives to public vehicles that carry small farmers, who are otherwise incapable of navigating the complex agricultural landscape on their own. However, Mr. Shinde emphasizes the importance of having a skilled driver—or an anchor—who can steer the cooperative in the right direction. This anchor could be an expert or a visionary leader who ensures that the cooperative stays on course and achieves its goals.

He encouraged farmers to think of themselves as entrepreneur-managers of their farms, leveraging the power of Farmer Producer Companies (FPCs) and cooperatives to compete in the global marketplace.

Today, Sahyadri Farms boasts a robust network of **25,000** farmers across 48 Farmer Producer Companies, with **92%** of these farmers being small and marginal landholders. This cooperative, run solely by smallholder producers, has transformed the agricultural landscape in Maharashtra and beyond.



Sahyadri is a strong brand today

With over 40,000 acres under cultivation, Sahyadri Farms exports to more than 40 countries and serves over 200 institutional clients. Initially built on a B2B (business-to-business) model, they eventually adopted B2C (business-to-consumer) model too. And they see good success even in the consumer business. Their brand has been a big contributor to their growth.



Technology and Market Access

The company's operations are fully tech-enabled, integrating the value chain for eight horticulture crops from pre-harvest to post-harvest. This global reach, combined with cutting-edge technology, has solidified Sahyadri's position as a leader in the agricultural sector.

The cooperative has ventured into Agri-tech, investing in startups that are pushing the boundaries of farming technology. In collaboration with the Indian Space Research Organisation (ISRO), Sahyadri Farms is developing advanced technology for horticulture crops. This partnership combines Sahyadri's on-the-ground farming expertise with ISRO's satellite technology and data analytics, further enhancing the cooperative's capabilities.

From Market Access perspective, Sahyadri Farms has largely targeted the exports sector with its fruits portfolio, and has successfully scaled the revenues, year after year.



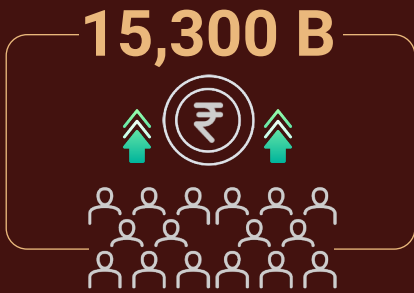


Innovative Approaches for Accessing Finance

Sahyadri Farms' success is rooted in its ability to innovate and adapt. Initially established as a producer company, Sahyadri expanded in 2022 to include a subsidiary, Sahyadri Farms Post Harvest Care Ltd. This strategic move opened avenues for funding and private capital investments, which are typically unavailable to producer companies. The subsidiary model allowed Sahyadri to attract equity funding, unlocking the next phase of rapid growth and setting the stage for a public listing.



A Remarkable Success Story



From a collective of **110** farmers to achieving **₹15,300 billion** in sales in FY2024, Sahyadri Farms has come a long way. This success story is a testament to the power of cooperation, innovation, and visionary leadership. By empowering smallholder farmers, integrating advanced technology, and expanding global reach, Sahyadri Farms has set a new standard for agricultural cooperatives in India.

The Sahyadri Model is not just a success story; it is a blueprint for the future of Indian agriculture. By organizing small farmers into powerful collectives, embracing technology, and fostering innovation, Sahyadri Farms has demonstrated that Indian farmers can not only compete but thrive in the global marketplace. Mr. Vilas Shinde's vision of making Indian farmers as prosperous as urban professionals is being realized, one harvest at a time.

For other cooperatives across India, the Sahyadri Model offers a compelling example of what is possible when farmers come together with a shared vision. By adopting similar strategies—such as focusing on collective strength, integrating technology, and exploring innovative funding structures—cooperatives can replicate Sahyadri's success. This model proves that with the right leadership, resources, and commitment, cooperatives can not only uplift individual farmers but also drive significant economic growth and social development across the country.



Seeding goodness

6

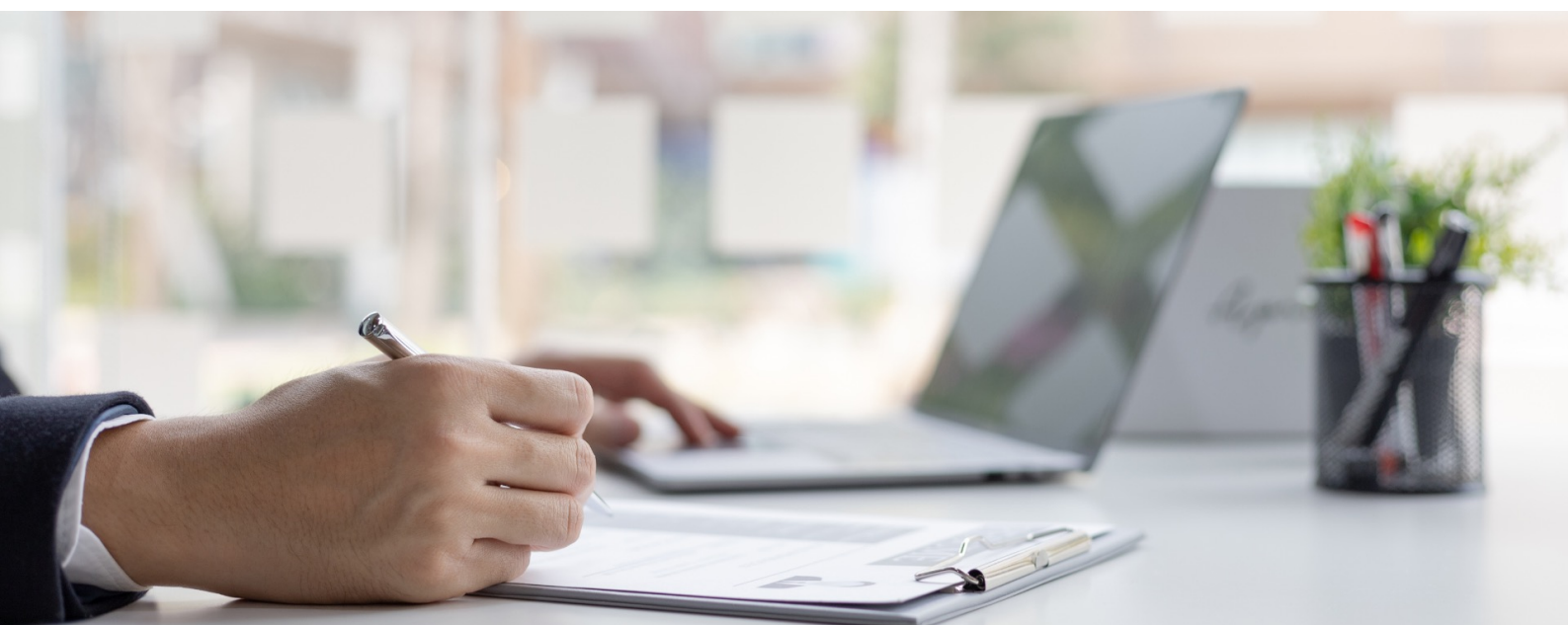
Implementing a National Smart Cooperative Development Mission

This report makes nuanced recommendations across five broad challenges. Implementing these requires financial resources and an institutional setup that brings states and ministries on the same platform and creates (and monitors) an implementation plan.

We recommend a National Mission to accomplish the objectives of the development of cooperatives. An approach we have seen work most notably in Urban with Swachh Bharat Mission and more recently announced for Hydrogen and Quantum.

The Mission's base point can be integrating the recommendation in this report with the National Policy under formation by the expert committee set up under Mr. Suresh Prabhu. This can be followed with a National Workshop and the development of detailed implementation plans (which we refer to as Project Charter), where all recommendations across all the challenges are converted into Project Charters that contain outcomes, targets, resources, implementing agencies, institutional structure, monitoring mechanism, etc., which in turn are driven and supervised by the Smart Cooperative Development Mission.

Given the long-term nature of the mission and more importantly to drive speed, avoid state-central issues and ensure convergence, the mission can be established with a Special Purpose Vehicle (SPV) that oversees the projects, including bringing representatives from diverse stakeholders.



The SPV can itself take up the following:

Shared Service Centre (SSC)

An SSC can be instituted to provide shared services critical to the functioning of cooperatives such as accounting and finance, and procurement to member cooperatives. By pooling resources and sharing services, member cooperatives can leverage economies of scale, increased efficiency, and improved service quality. The SSC should be structured to support the overall goals and objectives of the cooperative.

Online Data Repository

An online data repository that allows cooperatives to store, manage, and share data related to their operations and activities can be useful for cooperatives, as it provides a central location for members to access information and collaborate on projects.

National Learning Platform

We recommend creating a national platform that is supported or run by the government. It would include increased access to education and training, improved collaboration and knowledge sharing, and greater opportunities for personal and professional development. However, its success would depend on effective implementation, funding, and stakeholder support.

Dynamic Dashboard

A cooperative dashboard is a visual representation of key data and metrics that can help them track their performance and make informed decisions. A dashboard typically includes charts, graphs, and other visualisations that provide an at-a-glance view of important information. Some potential features of a cooperative dashboard might include- financial data, membership data, marketing data, etc.

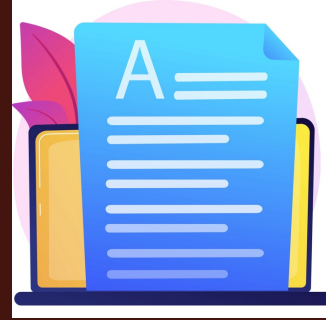


Conclusion

The remarkable history of the cooperative movement in India reveals its potential for continued success, contingent on the united efforts of government bodies, cooperative members, civil society, and stakeholders. Along its journey, Indian cooperatives have triumphed over a myriad of challenges, from branding to technology and market access, financing, capacity, and regulatory obstacles. While their accomplishments are commendable, it is vital to confront these challenges proactively to unlock the full potential of cooperatives and pave the way for India's visionary **\$5 trillion economy**.



By decisively addressing these core challenges and adopting the recommended solutions, India's cooperative sector can thrive and assume a pivotal role in realizing the ambitious economic goal. With their grassroots presence and community-driven ethos, cooperatives possess the power to ignite extraordinary economic growth and uplift countless lives, making them a driving force propelling India towards a future of prosperity and sustainability. Embracing the cooperative spirit is not just a path to success, but a transformative journey that can positively impact millions and foster a brighter, more inclusive India for all.



Appendix A - Table of Acronyms

| | |
|---------------|--|
| GDP | Gross domestic product |
| RBI | Reserve Bank of India |
| USD | US Dollars |
| e-NAM | National E-market |
| SDGs | Sustainable Development Goals |
| NCDC | National Cooperative Development Cooperation |
| FRP | Fair and Remunerative Price |
| MSCB | Multi-State Cooperative Bank |
| UCB | Urban Cooperative Bank |
| RCB | Rural Cooperative Bank |
| StCB | State Cooperative Bank |
| DCCB | District Central Cooperative Bank |
| MCV | Model Cooperative Village |
| GeM | Government e-Marketplace |
| PACS | Primary Agriculture Credit Society |
| ERP | Enterprise Resource Planning |
| NABARD | National Bank for Agriculture and Rural Development |
| NCUI | National Cooperative Union of India |
| NDDB | National Dairy Development Board |
| FPS | Fair Price Shops |
| PCARDB | Primary Cooperative Agriculture and Rural Development Bank |
| TDS | Tax Deducted at Source |

| | |
|-----------------|---|
| SOFA | Sittilingi Organic Farmers Association |
| AMUL | Anand Milk Union Limited |
| KRIBHCO | Krishak Bharati Cooperative Limited |
| GI | Geographical Indications |
| B2B | Business to Business |
| C2C | Customer to Customer |
| NAFED | National Agricultural Cooperative Marketing Federation |
| TRIFED | Tribal Cooperative Marketing Development Federation |
| ONDC | Open Network for Digital Commerce |
| ODOP | One Product-One District |
| DPIIT | Department of Promotion for Industry and Internal Trade |
| ITPO | India Trade Promotion Organisation |
| PPP | Public Private Partnership |
| SHG | Self Help Group |
| ULIP | Unified Logistics Interface Platform |
| OECD | Organisation for Economic Cooperation and Development |
| CSR | Corporate Social Responsibility |
| CSISAC | Central Sector Integrated Scheme on Agricultural Cooperation |
| ADB | Asian Development Bank |
| USAID | U.S. Agency for International Development |
| IFAD | International Fund for Agricultural Development |
| JKCIP | Competitiveness Improvement of Agriculture and Allied Sectors in the Union Territory of Jammu and Kashmir |
| NCCT | National Council for Cooperative Training |
| VAMNICOM | Vaikunth Mehta National Institute of Cooperative Management |
| GIZ | Gesellschaft für Internationale Zusammenarbeit – The German Society for International Cooperation |
| LAMPS | Large Area Multipurpose Society |
| CSC | Common Service Centres |
| NCDRC | National Consumer Disputes Redressal Commission |
| NIC | National Informatics Centre |
| SPV | Special Purpose Vehicle |
| SSC | Shared Service Centre |

Appendix: State/UT-wise Co-operatives in the country under NCD portal (as on 16.07.2024)¹⁰

| Sr. No. | Name of State/UT | Number of cooperative societies |
|---------|--|---------------------------------|
| 1 | ANDAMAN AND NICOBAR ISLANDS | 2,215 |
| 2 | ANDHRA PRADESH | 17,675 |
| 3 | ARUNACHAL PRADESH | 1,228 |
| 4 | ASSAM | 11,204 |
| 5 | BIHAR | 26,655 |
| 6 | CHANDIGARH | 476 |
| 7 | CHHATTISGARH | 10,510 |
| 8 | DELHI | 5,944 |
| 9 | GOA | 5,467 |
| 10 | GUJARAT | 82,143 |
| 11 | HARYANA | 32,860 |
| 12 | HIMACHAL PRADESH | 5,170 |
| 13 | JAMMU & KASHMIR | 9,488 |
| 14 | JHARKHAND | 11,472 |
| 15 | KARNATAKA | 45,461 |
| 16 | KERALA | 6,101 |
| 17 | LADAKH | 271 |
| 17 | LAKSHADWEEP | 42 |
| 18 | MADHYA PRADESH | 53,134 |
| 19 | MAHARASHTRA | 2,22,324 |
| 20 | MANIPUR | 11,294 |
| 21 | MEGHALAYA | 2,944 |
| 22 | MIZORAM | 1,253 |
| 23 | NAGALAND | 8,115 |
| 24 | ODISHA | 7,581 |
| 25 | PUDUCHERRY | 458 |
| 26 | PUNJAB | 19,074 |
| 27 | RAJASTHAN | 37,429 |
| 28 | SIKKIM | 3,797 |
| 29 | TAMIL NADU | 22,057 |
| 30 | TELANGANA | 60,619 |
| 31 | THE DADRA & NAGAR HAVELI AND DAMAN & DIU | 535 |
| 32 | TRIPURA | 3,142 |
| 33 | UTTAR PRADESH | 44,579 |
| 34 | UTTARAKHAND | 5,360 |
| 35 | WEST BENGAL | 31,226 |
| | Total | 8,09,303 |



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