

IMPACT OF GOVERNMENT INITIATIVES TO STRENGTHEN CO-OPERATIVES FOR RURAL DEVELOPMENT IN INDIA

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Abstract—*This research paper examines the multifaceted role of cooperatives in fostering sustainable rural development in India. As member-owned and democratically governed enterprises, cooperatives effectively bridge the service gaps left by traditional market systems, particularly in the realms of financial inclusion and poverty alleviation. The study highlights significant government interventions, such as the digital transformation of Primary Agricultural Credit Societies (PACS) and the "Sahkar-se-Samridhi" initiative, which aim to modernize the sector. Through a detailed analysis of secondary data, the paper underscores how cooperatives empower marginalized communities, including women and Scheduled Castes/Tribes, while identifying persistent challenges like governance issues and political interference. The findings advocate for a technology-driven, multi-stakeholder strategy to ensure cooperatives remain dynamic engines of social and economic transformation.*

Keywords: *Rural Development, Co-operatives, Government Initiatives & Policies, Financial Inclusion, Poverty Reduction, Empowerment.*

1. Introduction

A cooperative economy is an economic system where enterprises are voluntarily owned and democratically controlled by their members. Unlike purely profit-driven models, cooperatives emphasize the shared socio-economic needs of their members and promote the equitable distribution of profits. In India, cooperatives have historically served as the backbone of the rural economy, providing a structured platform for collective action among small-scale producers and marginalized individuals.

The Government of India, through the recently established Ministry of Cooperation, has launched several transformative initiatives to realize the vision of "Sahkar-se-Samridhi" (Prosperity through Cooperation). These efforts focus on strengthening village-level institutions like Primary Agricultural Credit Societies (PACS), integrating modern technology, and expanding the cooperative footprint to every panchayat. By providing essential services such as credit, agricultural inputs, and market linkages, cooperatives foster self-reliance and reduce rural poverty, making them indispensable to the nation's development agenda.

2. Objectives of the Study

The primary objectives of this research are:

1. To evaluate current government initiatives aimed at strengthening the cooperative sector.
2. To analyse the role of cooperatives in promoting various facets of rural development.
3. To identify the significant challenges that hinder the effectiveness of cooperatives in rural areas.

3. Statement of the Problem

Despite their vast potential, many cooperatives in India struggle with limited financial resources, weak governance, and technological backwardness. While government policies are designed to address these constraints, there remains a gap between policy formulation and measurable ground-level impact on rural well-being. This study seeks to bridge that gap by assessing how these initiatives translate into tangible improvements in social inclusion and economic empowerment.

4. Research Methodology

This study utilizes **Secondary Data** collected from authoritative sources, including:

- Annual reports from the Ministry of Cooperation and National Cooperative Development Corporation (NCDC).
- Publications from NABARD and the Reserve Bank of India (RBI).
- Peer-reviewed journals, official websites, and recent press notes (up to early 2026).

5. Review of Literature

5.1 Historical and Institutional Evolution

Research on the Indian cooperative movement has traditionally highlighted its evolution through successive Five-Year Plans. Early literature, such as the work of Gaikar (2015), emphasizes that cooperatives have transitioned from simple credit-dispensing units to multipurpose entities involved in marketing and production. The 97th Constitutional Amendment (2011) marked a legal turning point by granting cooperatives constitutional status, ensuring the right to form societies under Article 19(1)(c) and establishing governance standards in Part IXB.

5.2 Contemporary Policy Shifts

Recent scholarly work focuses on the "Sahkar-se-Samridhi" framework. The **National Cooperation Policy 2025** is cited by experts as a decadal roadmap aimed at creating 2 lakh new multipurpose PACS and establishing a National Cooperative University. Studies indicate that the Ministry of Cooperation's recent push for "White Revolution 2.0" aims to increase milk procurement by 50% over five years, significantly impacting rural livelihoods.

5.3 Socio-Economic Impact and Inclusion

Literature consistently points to the role of cooperatives in empowering women and marginalized groups. Bharti (2021) and other researchers highlight that participation in dairy and credit cooperatives leads to a significant increase in household income and social autonomy for women. Case studies on organizations like Amul demonstrate how collective bargaining can revolutionize rural economies.

6. Findings and Analysis

6.1 Government Initiatives to Strengthen Cooperatives

The government has undertaken a series of comprehensive reforms to modernize and diversify the cooperative sector. Key achievements as of early 2026 include:

- **PACS Digitalization:** A ₹2,925.39 crore project is underway to computerize 79,630 PACS. Currently, over 59,261 PACS are actively using a common ERP-based software, facilitating transparent and traceable financial services.
- **Model Bye-laws:** New bye-laws allow PACS to diversify into more than 25 sectors, including dairy, fisheries, LPG distributorship, and running Jan Aushadhi Kendras.
- **World's Largest Grain Storage Plan:** This initiative builds storage infrastructure at the PACS level to reduce post-harvest losses and transportation costs for farmers.
- **Financial Reforms:** Regulatory changes by the RBI have empowered Urban Cooperative Banks (UCBs) to open new branches and provide doorstep banking. Additionally, tax surcharges for cooperatives have been reduced from 12% to 7%, bringing them at par with corporate entities.

Table 1: Key Strategic Initiatives and Their Impact (Status 2025-2026)

Strategic Area	Key Initiative	Progress / Impact
Governance	Model Bye-laws adopted by 32 States/UTs	Standardized and transparent operations across sectors.
Technology	Computerization of 79,630 PACS	34.94 crore transactions processed digitally in 14 languages.
Infrastructure	Decentralized Grain Storage Plan	68,702 MT capacity created in initial pilot locations.
Financial Inclusion	RuPay Kisan Credit Cards (KCC)	Over 22 lakh KCCs issued with ₹10,000+ cr loans disbursed.
Market Access	National Cooperative Exports Ltd (NCEL)	Exported 13.77 LMT of commodities worth ₹5,556 cr.

Source: Ministry of Cooperation (2025). *Annual Report 2024-25*.

6.2 Role in Rural Development

Cooperatives serve as the primary vehicle for delivering economic and social benefits to the "last mile" of rural India.

- **Credit and Inputs:** By providing affordable loans, cooperatives shield farmers from high-interest informal moneylenders. They distribute 35% of the country's fertilizers and manage 31% of sugar production.
- **Income Enhancement:** Through Farmer Producer Organizations (FPOs), cooperatives improve bargaining power. Over 1,863 FPOs have been formed recently under NCDC.
- **Social Empowerment:** Nearly 10 crore women are linked to cooperatives through SHGs, fostering leadership and financial independence.

Table 2: Sectoral Contributions of Cooperatives to Rural Economy

Sector	Cooperative Contribution	Key Result
Dairy	World's largest milk producer (Amul model)	Empowerment of 3.6 million+ milk producers.
Fertilizers	IFFCO (World's largest fertilizer coop)	Essential inputs provided at competitive rates.
Banking	Cooperative Banks (30% of rural credit)	Extensive reach to unbanked rural populations.
Health	Jan Aushadhi Kendras at PACS	Affordable generic medicines at the village level.

Source: Ministry of Cooperation (2025). *Annual Report 2024-25*.

6.3 Statistical Profile of Cooperative Contributions (2025-2026)

The following table summarizes the quantitative impact of cooperatives across key economic sectors based on the latest available data as of early 2026.

Sector	Metric / Indicator	Statistical Achievement (2025-2026)
Credit & Banking	Share in total Agricultural Loans	20.0%
Agri-Marketing	Fertilizer Distribution	35.0%
	Sugar Production	31.0%
	Wheat Procurement	13.3%
	Paddy Procurement	20.4%
Dairy (Amul Model)	Total Farmer Members (GCMMF)	3.6 Million+
	Daily Milk Collection	~310 Lakh Litres
	Annual Brand Turnover	₹1,00,000 Crore+
Employment	Contribution to Direct Rural Employment	13.3%
	Contribution to Rural Self-Employment	10.91%
Digitalization	PACS onboarded to Unified ERP	59,920 Societies

6.4 Challenges Facing the Sector

Despite recent progress, several hurdles remain:

- **Governance and Transparency:** A lack of professional management and delayed elections often lead to "elite capture" of society resources.
- **Financial Viability:** Many small cooperatives remain dependent on government grants and struggle to achieve self-sustainability.
- **Technological Gap:** While PACS are being computerized, many rural members still lack the digital literacy to fully utilize these new services.

- **Political Interference:** Excessive control by local political interests can undermine the democratic nature and autonomy of these institutions.

7. Recommendations

To address the gaps identified in the "Statement of the Problem" and leverage the findings of this study, the following strategic interventions are recommended:

- **Professionalization of Governance and Management:**

To combat "elite capture" and political interference, cooperatives should transition to professional management. This includes recruiting trained graduates from the **Tribhuvan Sahkari University** and enforcing strict bye-law compliance to ensure timely elections and democratic functioning.

- **Bridging the Digital Literacy Gap:**

While the onboarding of **59,920 PACS to the Unified ERP** is a significant milestone, the government and NCDC must launch grassroots-level digital literacy campaigns. Training should focus on helping the 10 crore+ women and smallholders utilize mobile banking and RuPay KCC services effectively.

- **Scaling the Multi-Purpose Model for Viability:**

To move beyond a 20% share in agricultural loans and achieve self-sustainability, more PACS should utilize the **Model Bye-laws** to diversify. Expanding into Jan Aushadhi Kendras and LPG distribution will provide the steady, non-seasonal cash flow needed to reduce dependence on government grants.

- **Infrastructure Optimization for Perishables:**

The **Decentralized Grain Storage Plan** (currently at 68,702 MT) should be expanded to include solar-powered cold storage. This is vital for the dairy sector—which collects 310 lakh litres of milk daily—to reduce post-harvest losses and improve the shelf-life of horticultural produce.

- **Strengthening Market Linkages via NCEL:**

Cooperatives should actively integrate with the **National Cooperative Exports Ltd (NCEL)** to move beyond domestic procurement (currently 13.3% for wheat). Standardizing products under global umbrella brands like **"Bharat Organics"** will help rural producers capture higher value in international markets.

- **Inclusive Empowerment through SHG-Cooperative Linkages:**

To enhance the 10.91% contribution to rural self-employment, there should be a formal policy link between Women's Self-Help Groups (SHGs) and PACS. Replicating the **Amul model** in underdeveloped states will ensure that marginalized communities have direct access to institutional credit and marketing.

- **Legal Harmonization:**

State governments should expedite the alignment of their Cooperative Societies Acts with the **National Cooperation Policy 2025**. This will reduce bureaucratic hurdles and provide a uniform legal framework for cooperatives to operate as competitive business entities.

8. Conclusion

The cooperative sector in India is undergoing a historic transformation. By evolving from simple credit units into multipurpose service hubs, cooperatives are directly improving the livelihoods of millions of rural households. The government's proactive stance—ranging from massive digitalization projects to tax parity reforms—has provided the necessary institutional support for this growth. However, for cooperatives to remain sustainable, they must prioritize professional governance and technological adoption. With continued strategic investment, cooperatives will be the primary engine driving India toward its goal of becoming a "Viksit Bharat" by 2047.

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