

# Cooperative Policy 2021-22

- ❑ **Indian Cooperative movement being one of the largest in the world in terms of numbers and membership, needs to play a much bigger role in the Country's Economy.**
- ❑ **It touches the lives of millions OF people who form the less privileged section of society.**
- ❑ **Therefore, growth, and dominance of cooperatives should be the cornerstone of any National Cooperative policy.**
- ❑ **Faith in cooperatives means faith in people and faith in democratic values.**

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- ▶ **Cooperative movement in India is over 125 years old.**
- ▶ **We are fortunate that all the important national leaders like Mahatma Gandhi, Jawahar Lal Nehru, Sardar Patel, and others were clear about the importance of role of cooperatives in improving the lives of the countrymen, right from the day India attained freedom.**
- ▶ **Stalwarts like Tribhovandas Patel, Vaikunthbhai Mehta, Kurian, and many others at state levels were instrumental in galvanizing people to join cooperatives.**

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- ▶ **There have been number of committees over the last 100 years that have given their recommendations on cooperative sector which have been path-breaking and have shaped the cooperative policies from time to time.**
- ▶ **Most of the reports have been crystal clear in highlighting the strengths and weaknesses of the cooperative movement in general as well as of cooperatives in specific sectors.**
- ▶ **We have wealth of information as well as past experience to embark upon drafting a cooperative policy that is of contemporary relevance.**

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- ▶ **For reference of drafting a new national cooperative policy, there have been two policies formulated in the past, one in 1977 and another in 2004.**
- ▶ **Also, an important landmark has been the 97<sup>th</sup> Constitution Amendment in 2006, which has given the cooperatives the Constitutional importance they deserve.**
- ▶ **The High Power Committee constituted by Govt. of India recommended in 2009, recommended that “active membership” should be an important criterion for determining the extant of rights of a member.**

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## □ Highlights of Cooperative Policy 1977

- ▶ **Co-operative to be a major instrument of decentralization, labour intensive and rural oriented economic development to become a “shield for the weak” with involvement of millions in the movement.**
- ▶ **Co-operatives to be professionally managed autonomous, self reliant, democratic entities free from undue outside influence, excessive controls, corruption, and politicization.**

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- ❑ **(Highlights of Cooperative Policy 1977 (contd...))**
- ▶ **- Encourage formation of network of agro-processing and industrial cooperatives for establishment of direct contact between producer and consumer.**
- ▶ **- Public Distribution System to be with the cooperatives**
- ▶ **- Professionalize managements through sustained - programmes of recruitment and training.**

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## □ Highlights of Cooperative Policy of 2002

**Recognize cooperatives as autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs through jointly owned, democratically controlled enterprises.**

**- Make cooperatives as preferred instruments of execution of public policy, especially in the rural areas.**

**- Limit regulatory control of government to conduct of timely elections, regular audit of cooperatives and formulate measures to safeguard interests of members and other stake holders and not interfere in**

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- ❑ **Highlights of Cooperative Policy of 2002**
- ❑ **Ensure that the benefits of liberalization and globalization are extended to cooperatives in equal measure through suitable fiscal policies, support and protection and suitably designed investment programme.**
- ▶ **-Enact more effective regulation of cooperatives operating in the financial sector and accepting public deposits.**
- ▶ **- Recognize the need for incorporating special provisions in the cooperative societies acts with regard to banking, housing, real estate development, processing, manufacturing and infrastructure development cooperatives.**

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- ▶ **Highlights of Cooperative Policy of 2002**
- ▶ **Support and assist development of cooperative sector in cooperatively underdeveloped states and regions of the Country.**
- ▶ **Support structural reforms such as activation of idle membership, making dormant cooperatives functional and ensuring active participation of members as well as bring about electoral reforms**
- ▶ **Provide financial support of cooperatives through budget allocations by Central/state governments and national level cooperative federations and agencies engaged in development of cooperatives.**

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- **Considerations while drafting Cooperative Policy 2021-22**
- ▶ **Last Cooperative Policy was made 20 years back. The World order and way business is done has changed beyond recognition since then.**
- ▶ **The new cooperative policy should be in tune with tremendous developments in technology, business structures, social changes and changing consumer preferences.**
- ▶ **It should help the cooperatives to remain relevant and adopt to the changing environment.**
- ▶ **The Policy needs to be largely youth centric as the youth of the world are driving the new business models and environments.**

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- (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ **New Cooperative policy should address issues arising out of dual controls on cooperative societies operating in different sectors of economic activities**
- ▶ **As cooperative is a state subject in the Constitution, there should be extensive interaction with states while formulating the Policy.**
- ▶ **As has been suggested in the 2002 Policy enunciated under the Vajpayee Government, there is a need for incorporating special provisions in the cooperative societies acts with regard to banking, housing, real estate development, processing, manufacturing and infrastructure development cooperatives and few others.**
- ▶ **This is possible by introducing separate chapters for cooperatives in different areas of economic activities in the cooperative acts of states and the MSCS Act.**

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- **(Considerations while drafting Cooperative Policy 2021-22 contd..)**
- ▶ **Since different areas of economic activity like banking, finance & credit, fertilizers, sugar, dairy agriculture, & animal husbandry, fisheries, MSMEs and large industries, etc. all work within specific national policies and under sector specific regulators, the cooperatives in all these areas have to function under dual regulatory regime.**
- ▶ **The Cooperative Policy should ensure that there is no conflict due to the dual controls and it can only happen with extensive Centre-State coordination in this regard.**

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- ❑ (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ In this context, taking cue from experience of recent amendment to Banking Regulation Act, the Policy should highlight differences between laws regarding corporate and cooperatives and ensure harmonious adoption of the sector specific laws to cooperatives.
- ▶ RBI appears to have used powers that it has acquired through amendment to Banking Regulation Act in manner that undermines the cooperative character and without being sensitive to the differences between a cooperative and a company.
- ▶ The Policy should not dilute in any manner the fundamental principle of “one member one vote “ and underlying democratic character of the cooperatives.

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- (Considerations while drafting Cooperative Policy 2021-22 contd...)
- ▶ Policy should give serious consideration to the severe limitations at present of avenues of raising capital by cooperatives in an atmosphere where other forms of business entities are presented with newer avenues every day.
- ▶ Avenues and methods of capital raising should be highly innovative, technology driven and sector specific.
- ▶ Cooperatives should not be functioning in water tight compartments in this regard. The Policy should allow and encourage exploration of promoting and owning hybrid entities by cooperatives that will help them in raising capital from outside members fold, without dilution of controls.
- ▶ Policy should encourage professionalization of management with board of elected members forming policies and staying at arm's length from the operational aspects. Only then can cooperatives approach different avenues of raising capital.

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- ▶ **(Considerations while drafting Cooperative Policy 2021-22 contd..)**
- ▶ Though cooperatives are meant to be mutual in spirit and in finances, since most of them are organised for and by persons of limited means , there is a limitation of their capital raising capabilities.
- ▶ The Policy should address the need for capital support through a mechanism of promotion of funds that could be contributed by Centre and/or states as well as others under certain conditions. It could have provision for return of capital at face value when the cooperative is in a position to do so. Such funds should be meant only for cooperatives up to certain size only. Such funds could also be sector specific.
- ▶ Other than getting dividends, the Funds will not interfere in the management of the cooperative.

# Cooperative Policy 2021-22

- ❑ (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ Regulations of business entities in various sectors are becoming very stringent, complex and technology driven.
- ▶ Cooperatives, largely being small grass roots level enterprise, do not have expertise and technology to always comply with all the required regulations, which puts them in difficulties.
- ▶ It is therefore very important that the Policy provides for cooperatives to have sector specific SRO( Self Regulatory Organisation) to help all the small cooperatives in the sector to be regulatory compliant.
- ▶ SROs, besides helping the sectors, also help and provide comfort to the regulators in regulating large number of small entities

The important UCB sector of cooperatives is already in the process of organising such an SRO in the form of an Umbrella Organisation with the approval and support of the regulator, i.e. the Reserve Bank of India.

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- ▶ **(Considerations while drafting Cooperative Policy 2021-22 contd..)**
- ▶ Other issues concerning small cooperatives
- ▶ There are a large number of SHGs/JLGs which are unregistered , but which are financed by cooperative banks and credit societies. Generally on person, the leader of the group is the one who deals with the credit institutions. At times of delinquency of the SHG/JLG there is no clear resolution mechanism. The Policy should address this aspect .A clear and simple resolution method will encourage formation of more SHGs and JLGs and their financing by credit cooperatives.
- ▶ Marketing of products of small grass roots cooperatives and also procurement of their raw materials and consumables are areas where they need support. Promotion of entities that can aggregate the products of the cooperatives and as also their purchases to get them competitive prices should be addressed by the Policy

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- (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ Cooperatives by definition and structure involve large number of people and are therefore best instruments of inclusive growth.
- ▶ They ensure that increase in prosperity does not necessarily mean increase in inequality, a phenomenon that is being acutely felt in our Country today.
- ▶ Youth constitutes a large percentage of productive population in our Country, and cooperative is the best medium of collective self employment.
- ▶ Fortunately, India has already established itself as an important “start up capital of the world”, with our innovative and intelligent youth showcasing their capabilities in diverse areas.

# Cooperative Policy 2021-22

- (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ We are in the era of “start ups,” “aggregators” and technology of “big data” and “block chain”
- ▶ India has immense scope and potential for well qualified, tech-savvy innovative youth with ideas to take the lead and incubate start ups in a large areas of economic activities like agriculture, horticulture, food processing, distribution, rural and urban housing, transportation & logistics etc. and promote cooperatives, which by definition are aggregators, with membership of local beneficiary population particularly the youth.

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- ❑ (Considerations while drafting Cooperative Policy 2021-22 contd..)
- ▶ **For this, the Cooperative Policy should lay emphasis on innovation in and flexibility of cooperatives, for them to stay relevant.**
- ▶ **Policy should provide for a suitable scheme of setting up of start up cooperatives funds in all states, with contribution from Centre and the state, to subscribe to seed capital of start up cooperatives with innovative scheme that would help local population. The cooperative may be required to have say, minimum 50 persons and contribute matching capital, to begin with.**

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- ▶ **(Considerations while drafting Cooperative Policy 2021-22 contd..)**
- ▶ **Cooperative Statistics**
- ▶ A drawback of sorts, in Indian cooperative movement, has been observed by International bodies, in terms of availability of authentic statistical data, particularly for primary cooperatives at grass roots level in different sectors.
- ▶ There is also acute shortage of quality research papers coming out of the cooperative apex organisations or the universities and government entities.
- ▶ In most of the sectors, the main government reports on various sectors of economy hardly devote any part for cooperative contribution in any detail.
- ▶ Since India has the largest number of cooperative societies and membership in the World, the cooperative statistics should find important place in all reports and surveys concerning Indian Economy.
- ▶ The Policy should address this weakness and create a robust statistical wing in the Ministry as well as ask states to do so in their respective cooperative departments.

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