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## Transforming Cooperatives Sector into an Economic Powerhouse

### EN Team

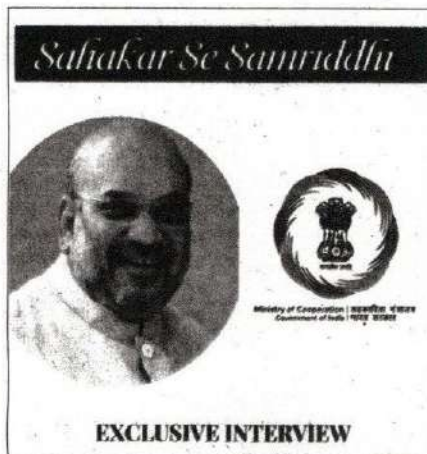
The transformative initiative 'Sahakar Se Samridhhi' aims to harness the potential of cooperatives in driving India's economic growth. Union Minister of Cooperation, **Shri Amit Shah** has been instrumental in shaping and implementing this visionary movement. In this exclusive interview with **Employment News** team, the Minister speaks about the key objectives, strategies, and impacts of the initiative, shedding light on how it is revolutionising the cooperative sector and paving the way for a more prosperous and inclusive economy.

**Q: A new cooperation policy is being formulated. What does this new policy seek to achieve and why was this new policy needed at all?**

**A:** Well, to answer this question we will have to delve a bit deeper. We will have to answer the question of why the Ministry of Cooperation was needed at all. What key role of Prime Minister Shri Narendra Modi's vision lies behind its creation?

See! In the last nine years, India has attained great feats on the economic front. Whether it is rising to the rank of the 5th largest economy from the 11th or becoming the third biggest start-up ecosystem, we have achieved great heights in a wide array of segments. The key role of Modi's economic policies that has made this stupifying success story possible is the empowerment of the Indian masses.

The vision of growth envisioned by Modi stems from



harnessing the collaborated might of the common Indian, a section of our society whose prowess was always overlooked by the previous governments.

However, there was a paradigm shift in how policy making addressed this section during the Modi government. While the financial inclusion scheme rolled out by Modi Government bolstered our financial institutions, Start-up India ignited the imagination of our

youths. I can go on and on. But that is not required here.

The formation of the Cooperation Ministry is a crucial stage of reform that is required to propel the economy to newer heights on the ladder of the global ranking. It is aimed at ensuring that every family in every panchayat or nagar palika becomes self-reliant financially by contributing to the economy through cooperatives. To achieve the same, the families need not acquire the knowledge of rocket science. They can do it merely by exploiting the opportunities and skills they already have like farming and animal husbandry. A plethora of opportunities will be opened for them to exploit the natural resources they have at their disposal in a sustainable manner.

To achieve these goals, the nation needed a well-drawn policy framework that will not only empower and enable the masses but will also assimilate their goals with that of the nation.

Despite the rich Indian history of cooperation and the inherent socio-economic potential of this sector, it could not, however, ensure a separate governance structure at the National level for the last seven decades of the independent governance system. The growing need for continuous progress and prosperity and fulfilment of public aspirations motivated our Hon'ble Prime Minister, to carve out a separate administrative Ministry.

The prevailing policy too is found wanting in that

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regard. Hence a new policy is envisioned to replace it.

**Q. Do you want to make it a point that the new policy will attempt at making the cooperative sector the backbone of the new Indian economy?**

**A:** Precisely.

**Q. But that does not seem like a far-fetched idea as of now, given the nascent stage the cooperative sector is presently in?**

**A:** I think that is what we are taught to believe. Modi government's governance model is all about shattering obsolete belief systems to replace them with new ones and pacing on the path of progress. Our government's track record shows that we not only make new policies but we also ensure their successful implementation till last mile.

Contrary to our belief, the cooperation sector is a robust component of India's growth engine. As a sector it is one of the oldest in India, with more than a century old history. It acquired recognition only after the Union Government formed a new Ministry of Cooperation dedicated to its development on July 6th 2021.

However, the contribution of the cooperative sector to the economy has always been substantial. Agricultural credit distribution contributes 19% to the economy. Similarly, 35% of the contribution is made by fertilizer distribution, 25% by fertilizer production, 31% by sugar production, 29% by spindle, 13% by purchase and production of milk, 13% by wheat purchase, 20% by paddy purchase and 21% is contributed by Fishermen's Co-operative Societies.

What it needs now is a helping hand from the government to spread its roots to every nook and corner of the country. And that is exactly what we are trying to do with the formation of the new ministry and formulation of the new policy.

**Q. Could you also enlighten our readers about the possible contours of the journey the ministry is willing to cover in a bid to make the cooperative sector the backbone of the Indian economy?**

**A:** Hon'ble Prime Minister's slogan 'Sahakar Se Samridhhi' will continue to be our guiding light on this path.

The Ministry will offer specialised attention and dedicated resources to effectively address the challenges of cooperatives by providing a separate administrative legal and policy frame work and strengthening the cooperative movement in the country. It will help deepen Co-operatives as a true people-based movement reaching the grassroots.

In our country, a Co-operative based economic development model where each member works with a spirit of responsibility, inclusivity and cohesiveness, is very relevant.

The Ministry will work to streamline processes to ensure 'Ease-of-doing business' for co-operatives. Through the identification of a facilitator, transparent and appropriate atmosphere in the cooperative space. We will create an enabling system for the formation and sustainable development of cooperatives including Multi-State Co-operative Societies (MSCS) without compromising the values and principles of cooperation.

Its key goals, inter alia, include ensuring uniform growth and spread of cooperatives across the States/UTs, promoting a cooperative-based economic development model, ensuring the effective functioning of cooperatives at the grassroots to optimise their unlocked potential and guaranteeing inclusive and sustainable growth of the nation.

The energy of the renewed collectivised efforts would largely be based on India's eternal principles of cooperation viz.

**Sahajeevan** (Living Together Harmoniously), **Swadeshi** (Make in India), **Swanibhar** (Self-Sufficiency) and **Samridhhi** (Prosperity).

**Q. Given the mandate of proliferating the cooperative movement to the grassroots, the ministry will need to go for a massive promotion drive. Could you also throw some light on the promotional measures adopted by the ministry?**

**A:** We have taken various steps to strengthen cooperative movement in the country. We are going to set up viable and vibrant PACS/dairy cooperatives in each uncovered Panchayat/village, and viable fishery cooperatives in each coastal Panchayat/village as well as Panchayat/village having large water bodies. We are also committed to strengthening the existing PACS/dairy/fishery cooperatives through the convergence of various schemes of the Ministry of Fisheries, Animal Husbandry & Dairying. We are working on identifying linkages of cooperation ministry and other ministry whereby cooperation ministry provides lowest level gross roots connect of various schemes of these ministries, which not only strengthens their programme implementation but cooperative sector also enriches itself through these linkages. In the next five years, there is a plan to create additional 2 lakh PACS, dairy, and fishing cooperatives in consultation with the National Dairy Development Board (NDDB), National Fishery Development Board (NFDB), NABARD and other allied agencies.

The Ministry of Cooperation is committed to accomplishing nine specific time-bound tasks - realisation of vision from cooperative to prosperity, strengthening the cooperative movement, deepening its reach to the grassroots, promoting a cooperative-based economic development model, which includes a sense of responsibility among its members for the development of the country and is appropriate for helping cooperatives realise their potential and creating a policy, legal and institutional framework.

**Q. Apart from other cooperatives, cooperative banks are also required to be strengthened. Especially, capital formation is seen as a major challenge due to legal constraints. Could you throw some light on the initiatives of the ministry to fortify this segment?**

**A:** The Reserve Bank of India also has introduced new measures to empower the sector by allowing it to grant more loans. As per the new rules of the RBI, now the individual housing loan limit for urban cooperative banks stands doubled. The limit has been increased from 30 lakhs to 60 lakhs for Tier-I UCBS and from 70 lakhs to 140 lakhs for Tier-II UCBS. The limit has been increased from 20 lakhs to 50 lakhs for rural cooperative banks with net worth less than 100 crores and increased from 30 lakhs to 75 lakhs for banks with net worth more than 100 crores. Similarly, the rural Co-operative Banks are permitted to lend to Commercial Real Estate - Residential Sector. Even Urban Co-operative banks are now allowed to provide door step banking to their customers at par with commercial banks. The power to sanction more loans is likely to boost economic activity in the lower strata of the society while accelerating the capital formation process in rural and semi-urban societies. The RBI's move coincides with the Credit Guarantee Fund Trust's move to be directly linked to capital formation. The trust has included Non-Scheduled Urban Co-operative Banks (NSUCBs), state co-operative banks, and District Central Co-operative Banks (DCCBs) as Member

Lending Institutions (MLIs) under a scheme that provides a guarantee for the collateral-free loans given to micro and small enterprises. Let me assure you that these new policy decisions will lead to a robust banking infrastructure in cooperative sector and will ensure that cooperative banks become backbone of Indian's banking sector and instrument of financial inclusion of every rural folk.

**Q. Coming back to the cooperative policy again.... Since the ministry is toying with the idea of overhauling the policy itself, what kind of new changes can we expect from it?**

**A:** The policy in the pipeline aims at achieving four broad objectives that can be manifested with the acronym TEAM. Here T stands for Transparency rising above politics and adopting best practices, E for Empowerment of rural-village-farmer, A means Self-reliant Agri-Banking- Making SMEs self-reliant and M represents the goal of a system equipped with modern technology and computerisation. The new policy would envisage enhancing the efficacy of the Primary Agricultural Credit Societies by computerisation of Primary Agricultural Credit Societies through computerisation. About 13 crore farmers are involved as members. I am happy to share that Uttarakhand has already achieved the target by 100% computerisation of its PACs.

Out of the KCC loans given through PACS, 95% of the loans are given to small and marginal farmers. Through this, the rural population will be connected with digital technology enabling them to avail benefits such as Interest Subvention Scheme, and Pradhan Mantri Fasal Bima Yojana. Direct Benefits can be delivered apart from serving the purpose of strengthening the financial inclusion of farmers, especially small and marginal farmers. The policy would also aim at the intensification of Cooperative Education and improving the managerial capabilities of professionals working at various levels of management in the Cooperative Sector.

**Q. As per the PM's dream of Making India a 5 trillion-dollar economy, three key sectors that is manufacturing, services and agriculture will be the pillars for making this a reality. How is the cooperative sector planning to be a part of the bandwagon?**

**A:** In order to help India, reach its objective of having a \$5 trillion economy, the cooperative sector is concentrating on three important industries: manufacturing, services, and agriculture. Cooperatives can help farmers in the agricultural sector by giving them access to capital, technology, and marketing outlets. Cooperatives can support the expansion of small manufacturing businesses by providing shared facilities and access to markets. Cooperatives will offer services like housing, healthcare, and transportation that are both affordable and accessible. Cooperatives shall embrace digital technology and innovation while enhancing governance, management procedures, and financial viability in order to participate in economic progress.

**Q. How is cooperation making a way for job creation in the country?**

**A:** Our robust policy initiatives and collaborative efforts of various stakeholders have the potential to turn around PACS into multipurpose vibrant business units capable of providing decent work, appreciable income and gainful job opportunities to young as well as experienced professionals.

There are many shining examples created by cooperatives in job creation. Amul provides jobs in milk collection, processing, and marketing. Fertilizer cooperatives such as IFFCO and KRIBHCO offer employment in manufacturing, logistics, and distribution. Credit cooperatives provide financial

services and create jobs in banking. Sugar cooperatives generate employment in sugarcane cultivation, milling, processing, and related industries. Overall, cooperatives promote rural development, empower communities, and ensure equitable benefits. In addition to these traditional avenues, under the new policy framework, new sectors are opening up for the cooperatives which are targeted at creating number of job opportunities for our youths.

**Q. You have always emphasised on empowerment of PACS and other Primary Cooperatives for economic progress. How can we achieve community-led socio-economic growth through PACS and Primary Societies in this competitive business world?**

**A:** PACS are present in 90% of the Indian villages covering almost every nook and corner of the country. They are fundamental units at the grassroots level but till very recently they were restricted to a few activities only like credit, agri-input procurements and dairying in the cases where upper tiers are supporting them to continue their marketing activities. The newly developed bylaws for the PACS would encourage the PACS to engage in 25 various commercial activities after extensive consultation with the relevant stakeholders. The computerisation of PACS on the front of digital infrastructure cost Rs.2516 Cr. which has been registered and will assist them in connecting with DCCB and State Cooperative Banks (SCBs), expanding the scope of PACS to include non-agricultural activities like water distribution, LPG/CNG/Petrol/ Diesel distributorship, short- and long-term credit, digital services, custom hiring centres, common service centres, fair price shops, community irrigation, business correspondent activities, etc. As part of the Ministry's ongoing efforts to improve cooperatives, while the budget 2023-24 provided major relief and level playing field to cooperatives by reducing tax rates for cooperatives, surcharges, cooperatives were allowed to register as buyers and sellers on the GeM portal.

**Q. Do we have the infrastructure to take care of the fundamental credit needs of the people at the grassroots level in all the villages in the country? If not, what is the plan of the government to meet such infrastructure challenges?**

**A:** It's the appropriate time to strengthen these fundamental units bolstering rural development in the country. In this regard, the centre has prepared and distributed model bye-laws for PACS after due consultation with stakeholders such as state organisations, non-profit organisations, federations, and academics. This envisages enhancing business diversification in PACS and providing them with the ability to engage in a wide range of businesses beyond farm credit. The establishment of 2 lakh new dairy-fishery cooperatives and primary agriculture credit societies (PACS) in under served/uncovered villages and panchayats over the course of the next five years has also been approved by the Union Cabinet. This would help the country's cooperative movement grow and flourish.

**Q. How do Indian cooperatives create a slot in the export basket of the country?**

**A:** The contribution of cooperatives towards economic and social development is highly recognisable. Some of them are from different states like cotton coop in Maharashtra, dairy in Gujarat and Karnataka and a few others

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are also shining internationally by exporting to various destinations. This has created a number of jobs and enhanced the community's confidence and pride. To take this up on a mass level, the Ministry of Cooperation has gone ahead with the registration of a National Multi-State Export Cooperative Society which is expected to enhance the exportability of cooperative products. Cooperative societies at State, District, and Village levels can become members of this National Export Cooperative Society. This will help in job creation for the youth and ensure a sustainable livelihood. Export-oriented cooperatives can be supported through financial assistance, skill development, market access, and trade facilitation.

**Q. How do you plan to enhance the exportability of cooperative products and encourage cooperative societies to engage in international trade?**

**A:** To boost the exportability of cooperative products and encourage their participation in international trade, the following approaches can be taken:

- Market research and product development to identify export opportunities and adapt cooperative products to meet international market demands.
- Quality assurance and certification to ensure high product quality and obtain relevant certifications to enhance credibility in the global market.
- Export training and capacity building to provide cooperative members with training on export procedures, packaging, and international marketing.
- Access to export networks and platforms to facilitate participation in trade fairs and exhibitions to connect with potential buyers.

- Export promotion assistance to extend financial support, marketing guidance, and export incentives to cooperative societies.
- Streamlined export procedures to simplify documentation and customs processes to facilitate smoother exports.
- Access to finance and insurance to provide specialized export financing options and insurance coverage.

**Q. What is your thought on the future of cooperatives 10 years down the line?**

**A:** Cooperatives will strongly support India to become self-sufficient and self-reliant in most of the sectors of the Indian Economy. Cooperatives will adopt a more uniform professional and transparent approach to their operation and development. Further, sound governance practices will be adopted, resulting in improved administration.

I am confident that the Ministry of Cooperation's efforts will help in creating more cooperative large-sized organisations like AMUL and IFFCO in the country in the years to come. Cooperatives of all types will have competent management, and trained workforces that will compete well with those of commercial firms. Finance will no longer become an impediment to cooperative businesses. Cooperatives will be self-sufficient to compete with the corporate due to their strong and transparent mechanisms of operations and governance.

To drive the cooperative movement ahead, members and leaders will be coming forward for reviewing their business models as well as their institutional management activities so as to achieve the Prime Minister's vision of "Sahakar se Samridhhi" and "Self-Reliant India".