

BEYOND THE OLD MODEL: A NEW VISION FOR COOPERATIVE DEVELOPMENT

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Abstract

The cooperative sector in India, encompassing over 8.32 lakh registered cooperative societies with more than 32.8 crore members as per the most recent National Cooperative Database, is at a pivotal juncture. These societies operate across some 30 sectors ranging from housing, dairy, agriculture, credit & thrift, to multipurpose and women-led cooperatives. Despite this vast reach and deep social footprint—nearly 20-25% of the rural households engage with or rely upon cooperative institutions for credit, marketing, storage, or input supply—the traditional cooperative model faces mounting challenges in a rapidly transforming economic and social landscape. On one hand, cooperatives continue to contribute substantially: the sector is estimated to generate approximately 5.5 crore direct jobs and 5.6 crore self-employment opportunities by FY 2030, playing a critical role in India's quest for inclusive growth and rural prosperity. On the other hand, weaknesses in governance, lack of technological adoption, and limited inclusion of youth, women, and marginalized communities threaten to limit cooperatives' future relevance and impact. Recognizing this, the article employs a conceptual-analytical methodology, drawing upon recent official government data, sectoral reports, and comparative international experiences to outline a forward-looking cooperative development model. Major themes addressed include innovation (digital transformation of primary agricultural credit societies, e-governance, MIS systems), governance reform (transparent decision-making, professional management, audit and member oversight), inclusivity (stronger participation of women, youth, disadvantaged castes), and sustainability (environmental responsibility, economic viability, integration with value chains). Key policy implications emerging from this analysis emphasize the urgent need to strengthen the National Cooperative Database for real-time and scientific mapping of cooperatives; modernize primary cooperatives through technology, capacity building, and financial reforms; enact governance reforms to

reduce political interference and increase accountability; foster networks and institutional linkages (between cooperatives, FPOs, MSMEs) to achieve economies of scale; and promote inclusive and sustainable cooperative enterprises that advance social equity while responding to market dynamics. These reforms are not only necessary for cooperatives to retain relevance but essential for them to act as engines of economic development, social cohesion, and empowerment in the coming decade.

Keywords: Cooperative Development, Inclusive Growth, Governance Reform, Innovation, Human Capital, Digital Transformation, Sustainability, Empowerment

Introduction

The cooperative movement in India has played a transformative role in shaping the country's socio-economic landscape since its formal inception through the Cooperative Societies Act of 1904. Rooted in the principles of mutual aid, democratic control, and collective ownership, cooperatives have historically empowered millions of small farmers, artisans, and rural workers. Today, India stands as the largest cooperative network in the world, with more than 8.32 lakh registered cooperative societies and over 32.8 crore members (Ministry of Cooperation, 2024). These institutions operate across 30 distinct sectors—ranging from agriculture and dairy to housing, fisheries, textiles, and credit—and have been instrumental in promoting rural development and financial inclusion. Landmark success stories like Amul (dairy), IFFCO (fertilizers), KRIBHCO (agriculture), and the vast network of Primary Agricultural Credit Societies (PACS) underscore how cooperatives have fostered self-reliance and collective entrepreneurship in India's rural economy. According to NABARD (2023), the cooperative credit structure contributes nearly 20% of the total agricultural lending, while the dairy cooperative sector accounts for 35% of India's total milk procurement, directly supporting over 1.5 crore rural households.

Despite their historical success, the cooperative sector now faces a complex set of challenges arising from globalization, digital transformation, and generational shifts. Increased market competition, private sector dominance, declining youth engagement, and the digital divide have exposed the sector's structural limitations—particularly in governance, technology adoption, and professional management. Many primary-level cooperatives continue to rely on outdated operational models, weak financial systems, and limited accountability mechanisms. In the context of India's aspirations for Viksit Bharat @2047, there is an urgent need to redefine the

cooperative purpose and process to align with the realities of a knowledge-based, innovation-driven economy. The objective of this paper is to conceptualize a new cooperative development model that emphasizes inclusivity, innovation, and institutional reform. The study adopts a conceptual-analytical approach using contemporary data, policy frameworks, and best practices to propose actionable strategies for revitalizing cooperatives as engines of inclusive growth. By focusing on governance modernization, human capital enhancement, digital integration, and sustainability, the paper aims to outline a roadmap for making cooperatives future-ready and central to India's long-term development vision.

Conceptual Framework: Rethinking Development through Cooperation

The emerging global consensus on development emphasizes a shift from narrow, growth-centric models toward human-centered, inclusive, and sustainable development, aligning with the United Nations Sustainable Development Goals (SDGs 2030). In this evolving paradigm, cooperatives represent a unique institutional mechanism that integrates economic efficiency with social equity. The International Cooperative Alliance (ICA) defines cooperatives as “autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise,” a vision that inherently promotes social capital formation and participatory democracy. In India, with more than 32.8 crore members connected through diverse cooperative societies, the sector serves as a living model of decentralized economic democracy (Ministry of Cooperation, 2024). However, the persistence of compliance-driven, bureaucratic structures has often constrained cooperatives from fulfilling their transformative potential. Many cooperatives continue to function as administrative entities rather than entrepreneurial organizations, limiting innovation and responsiveness. To remain relevant in a rapidly changing environment—defined by digital transformation, global value chains, and youth-led entrepreneurship—cooperatives must “break old moulds” and reimagine themselves as dynamic, community-driven institutions. This calls for a conceptual framework built on three interlinked pillars: People, Process, and Purpose. The People dimension emphasizes empowerment through education, skill development, gender inclusion, and leadership training—responding to the fact that less than 25% of cooperative members actively participate in governance decisions, as reported by NCDC (2023). The Process dimension focuses on transparency, technology integration, and good governance, where digital management systems, e-audits, and online member services can significantly reduce inefficiencies and

corruption. Finally, the Purpose dimension underlines the cooperative's alignment with national development goals and SDGs such as No Poverty (SDG 1), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), and Reduced Inequalities (SDG 10). Through this holistic framework, cooperatives can evolve from traditional service providers into catalysts of inclusive, sustainable, and locally accountable growth. Rethinking development through cooperation thus entails reorienting these institutions around human potential, innovation, and shared prosperity—making them vital partners in building a resilient and equitable economy for the 21st century.

3. The Traditional Cooperative Model: Strengths, Shortcomings, and Lessons:

The traditional cooperative model in India has historically been a cornerstone of rural and agricultural transformation, deeply rooted in community participation and self-help. Since the early 20th century, cooperatives have provided millions of farmers and small producers with access to credit, inputs, and markets that were otherwise inaccessible through formal or private institutions. Today, India hosts over 8.32 lakh registered cooperative societies covering more than 32 crore members, and their reach extends across over 90% of India's villages (Ministry of Cooperation, 2024). Landmark institutions such as Amul, IFFCO, KRIBHCO, and Nafed demonstrate the cooperative model's capacity to mobilize local resources and ensure fair returns to producers. The cooperative credit structure, which includes Primary Agricultural Credit Societies (PACS), District Central Cooperative Banks (DCCBs), and State Cooperative Banks (SCBs), contributes to nearly 20% of India's total agricultural lending, serving as the financial backbone of rural credit delivery (NABARD, 2023). In the dairy sector alone, cooperatives handle about 35% of national milk procurement, engaging nearly 1.5 crore rural households, while cooperative sugar mills account for over 35% of India's total sugar production (NCDC, 2023). These achievements underscore the model's enduring strength—its ability to pool collective resources for mutual benefit, promote grassroots democracy, and create inclusive value chains. However, despite this remarkable legacy, the traditional cooperative model faces multiple structural challenges. Many societies are plagued by weak financial management, poor governance, and political interference, which undermine autonomy and efficiency. Studies by the Reserve Bank of India (2022) indicate that over 40% of PACS remain dormant or financially distressed, primarily due to inadequate professional management and limited capital base. Furthermore, technological backwardness, poor record-keeping, and lack of digital adoption restrict competitiveness in a rapidly evolving market.

Member participation also remains low; less than one-fourth of members are active in policy or operational decisions, and women constitute only about 8–10% of cooperative board members nationwide. The aging leadership structure and minimal youth engagement further weaken institutional vitality. These shortcomings suggest that while cooperatives have succeeded in achieving social mobilization, they have not kept pace with the demands of modernization and innovation. The key lesson from this experience is clear: the cooperative movement must retain its foundational principles of equity and mutuality while embracing professional governance, transparency, and technological advancement to remain viable and effective in the 21st-century economy.

4. Emerging Challenges and Opportunities:

The cooperative sector in India is currently navigating through a period of profound socio-economic transformation shaped by globalization, rapid digitization, and climate change. The rise of the digital economy and integration into global value chains have redefined how production, trade, and finance operate, demanding that cooperatives become more agile and technology-enabled. Yet, many cooperatives, particularly at the primary level, still rely on manual systems, face limited access to capital, and lack digital literacy. According to NABARD's 2023 assessment, nearly 40% of Primary Agricultural Credit Societies (PACS) face operational or financial stress due to outdated practices and weak governance. The entry of corporate agribusinesses, large retail chains, and fintech platforms into rural credit and marketing has intensified competition, often sidelining small and medium cooperatives. Additionally, climate change and resource degradation threaten the very livelihoods that cooperatives serve, particularly in agriculture, fisheries, and dairy. Erratic rainfall, rising temperatures, and water scarcity are disrupting supply chains and increasing production risks. Cooperatives must now address these environmental and market vulnerabilities through diversification, resilience planning, and adoption of sustainable technologies. Moreover, demographic changes—especially rural youth migration to urban areas and declining interest in collective enterprises—pose long-term threats to leadership continuity and innovation within cooperatives.

Despite these challenges, the landscape also presents immense opportunities for cooperative renewal and expansion. The Government of India's Ministry of Cooperation, established in 2021, has initiated several transformative measures, including the Computerization of 63,000 PACS, the formation of National Multi-State Cooperative Societies for exports, seeds, and

organic products, and the promotion of Model Bylaws for PACS to modernize governance and business operations. Digitalization offers new avenues for efficient service delivery through e-governance, online banking, and integrated management systems, making cooperatives more transparent and competitive. Emerging sectors such as renewable energy cooperatives, agro-processing units, healthcare cooperatives, and service-based urban cooperatives provide opportunities for diversification and employment creation. The growing emphasis on sustainable agriculture and green energy aligns perfectly with cooperative values of community ownership and shared responsibility. Furthermore, as India envisions Atmanirbhar Bharat (Self-Reliant India) and Viksit Bharat 2047, cooperatives are positioned to play a pivotal role in achieving inclusive economic self-sufficiency by empowering local producers, strengthening rural supply chains, and ensuring equitable distribution of wealth. If effectively modernized, the cooperative movement can serve as the backbone of decentralized economic development—bridging the gap between growth and equity, tradition and innovation, and local aspirations with national goals.

5. A New Vision for Cooperative Development:

a. People-Centric and Inclusive Approach

At the heart of the new cooperative development vision lies the recognition that people—not institutions or capital—are the true drivers of sustainable growth. India's cooperative movement touches the lives of over 32.8 crore members, yet meaningful participation and representation remain limited, with only 25–30% of members actively involved in governance and decision-making (NCDC, 2024). To reinvigorate the cooperative spirit, emphasis must be placed on human capital development through systematic education, training, and leadership programs. The Ministry of Cooperation's initiative to computerize 63,000 Primary Agricultural Credit Societies (PACS) by 2027 underlines the need for capacity building to match digital transformation. Special efforts are also needed to include women, youth, and marginalized communities in cooperative leadership; currently, women represent only about 10% of cooperative board positions, despite constituting nearly 48% of India's population (MoSPI, 2023). Youth cooperatives, skill-based producer groups, and women's dairy or handicraft cooperatives can drive innovation and entrepreneurship at the grassroots. By promoting cooperative entrepreneurship through incubation centers and linking cooperatives with start-up ecosystems, employment generation can be expanded in non-traditional sectors such as

services, renewable energy, and digital marketing, fostering a new generation of empowered cooperative leaders.

b. Governance and Institutional Transformation

Strong governance and institutional accountability are essential for transforming cooperatives into efficient, transparent, and resilient organizations. Many cooperatives continue to operate under outdated statutes, with weak internal controls and limited professional oversight. According to NABARD (2023), about 40% of rural cooperatives face financial stress due to governance inefficiencies and poor record-keeping. Reforming this requires strengthening autonomy, professionalism, and accountability. Governance restructuring should introduce competency-based representation in boards—where members are selected not merely by election but based on expertise in finance, technology, or management. The introduction of digital transparency mechanisms—such as e-audits, real-time Management Information Systems (MIS), and online voting platforms—can drastically reduce manipulation and corruption. The success of cooperative digital platforms in states like Gujarat, Maharashtra, and Kerala demonstrates how digital tools can improve member communication, grievance redressal, and operational efficiency. Moreover, the establishment of a National Cooperative Database and Unified Cooperative Portal by the Government of India offers an opportunity for evidence-based decision-making and performance benchmarking across the sector. Institutional transformation should therefore balance democratic participation with professional efficiency—ensuring that cooperatives are both accountable to members and responsive to market dynamics.

c. Innovation and Technology Integration

The next frontier for cooperative revitalization lies in embracing innovation and digital technology to enhance productivity, competitiveness, and outreach. As India rapidly transitions to a digital economy, cooperatives must leverage Information and Communication Technology (ICT), mobile apps, and e-services to remain relevant. The computerization of PACS is projected to connect nearly 63,000 rural credit societies through a unified cloud-based system, enabling seamless data sharing with District Central and State Cooperative Banks (Ministry of Cooperation, 2024). Digital credit systems, online payments, and cooperative e-marketplaces can help members access credit, insurance, and marketing platforms at lower costs. Successful examples such as Amul's online supply-chain network, IFFCO's Nano Urea innovation, and e-

NAM linkages with farmer cooperatives illustrate how technology can expand market access while enhancing transparency. Furthermore, cooperatives can collaborate with start-ups for developing agri-tech, fintech, and data-driven tools, using analytics for yield forecasting, input optimization, and market intelligence. Encouraging digital literacy among cooperative members will ensure inclusivity and prevent a rural digital divide. The formation of “Smart Cooperative Clusters” integrating primary, district, and apex-level societies through real-time data sharing can further strengthen cooperative resilience and service delivery.

d. Sustainability and Social Impact

A modern cooperative vision must align with environmental sustainability and social responsibility, recognizing that economic growth cannot be pursued in isolation from ecological well-being. Cooperatives play a vital role in promoting sustainable agriculture, renewable energy, and waste management. For instance, India’s 12,000 dairy cooperatives contribute significantly to low-carbon rural livelihoods by promoting decentralized production and circular use of resources (NDDDB, 2023). Similarly, emerging solar energy cooperatives in states like Gujarat and Maharashtra have demonstrated how collective ownership models can reduce energy costs while contributing to climate resilience. Integrating circular economy principles—such as recycling, organic farming, and local resource optimization—can further reduce ecological footprints. On the social front, cooperatives strengthen local resilience by ensuring food security, fair pricing, and community welfare, particularly during crises such as the COVID-19 pandemic, when cooperative credit and dairy societies provided vital support to rural households. Embedding Sustainable Development Goals (SDGs)—especially SDG 8 (Decent Work), SDG 12 (Responsible Consumption), and SDG 13 (Climate Action)—within cooperative operations ensures that they contribute directly to both local and global sustainability agendas. Thus, the cooperative of the future must balance profitability with purpose, transforming itself into a driver of inclusive, equitable, and sustainable growth.

6. Global Experiences and Learnings:

Across the world, cooperatives have proven to be resilient, people-centered business models that balance economic performance with social responsibility, offering valuable lessons for India’s cooperative transformation. Globally, there are over 3 million cooperatives with more than 1 billion members, collectively providing employment to nearly 280 million people—about 10% of the global employed population (International Cooperative Alliance, 2023). The

Mondragon Corporation in Spain stands as a model of worker-owned industrial innovation, encompassing 95 cooperatives and over 80,000 employees, with annual revenues exceeding €14 billion (Mondragon Report, 2023). Its success lies in participatory governance, reinvestment in education, and a culture of shared innovation. Similarly, the Rabobank Group in the Netherlands evolved from small farmer credit cooperatives into one of the world's top financial institutions, maintaining cooperative ownership while serving more than 9 million clients in 40 countries. Its cooperative banking framework demonstrates that professionalism and global competitiveness can coexist with community accountability. In Japan, the Japan Agricultural (JA) Cooperatives serve over 9 million farm families, integrating input supply, production, processing, and marketing under a unified cooperative system—ensuring both efficiency and member welfare. The Cooperative Federation of Denmark (Danish Dairy Board) and Canadian Cooperatives (such as Federated Co-operatives Limited) highlight how collaboration, branding, and technology adoption can secure a strong global presence. The key lessons emerging from these international experiences emphasize the need for professional governance, continuous innovation, and reinvestment in human capital. These successful models demonstrate that cooperatives can thrive in competitive markets when they adopt transparent governance structures, modern financial management, and technology-based operations while retaining their democratic ethos. Importantly, many countries have institutionalized cooperative education—such as the Basque Cooperative University (Spain) and Cooperative College (UK)—to nurture leadership and research capacity, an area where India can learn and adapt. Furthermore, the integration of cooperatives into national digital economies through e-platforms, value chain linkages, and sustainability certification has enhanced their credibility in international markets. For India, global experiences underscore the urgency of reorienting cooperatives toward professionalism, innovation, and inclusivity. By aligning with international standards of governance and sustainable practices, Indian cooperatives can transform themselves into globally competitive, locally empowered enterprises capable of contributing both to national economic resilience and the global cooperative movement.

7. Policy Recommendations and Implementation Strategies:

To make cooperatives future-ready and resilient, a comprehensive framework for modernization, digital governance, and institutional strengthening is imperative. The modernization of the cooperative ecosystem should begin with full implementation of the

Computerization of 63,000 PACS Project, which aims to link these societies with District Central Cooperative Banks and State Cooperative Banks through a unified digital platform under the National Cooperative Database. This will enable data-driven decision-making, real-time monitoring, and transparent record management. A National Framework for Digital Cooperatives should be developed to standardize ICT adoption, data governance, and cybersecurity protocols across sectors. Furthermore, education and research institutions such as the National Cooperative Union of India (NCUI), Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), and State Institutes of Cooperative Management (ICMs) should be upgraded as *Centers of Excellence* to promote capacity building, policy research, and digital literacy. Introducing cooperative education and entrepreneurship modules in universities, especially under the National Education Policy (NEP 2020), can cultivate a new generation of cooperative leaders. Strengthening cooperative training through blended (online-offline) platforms and linking it with digital finance, marketing, and governance will help bridge skill gaps among cooperative personnel and members.

Financial and structural reforms are equally essential for cooperative sustainability. The government should encourage diversified funding models, including cooperative venture funds, CSR-based financing, and credit linkages with commercial and regional rural banks. Cooperative banking reforms must aim to improve capital adequacy, risk management, and prudential supervision—areas identified as weak by RBI and NABARD studies. Encouraging public–private partnerships (PPPs) in cooperative entrepreneurship can foster innovation in sectors like agri-processing, renewable energy, and rural logistics while maintaining cooperative ownership. Simultaneously, performance-based incentives should be introduced for cooperatives demonstrating good governance and social impact. Monitoring and evaluation systems must be institutionalized through Cooperative Management Information Systems (MIS) and Social Audit Frameworks to ensure transparency, accountability, and evidence-based policy correction. A national-level Cooperative Policy Think Tank could coordinate between ministries, states, and apex bodies to harmonize regulatory frameworks and drive innovation. By integrating technology, education, finance, and accountability, these policy measures can transform India’s cooperative movement into a modern, self-sustaining, and inclusive engine of rural and national development.

Conclusion

The cooperative sector in India today stands at a decisive crossroads—caught between the legacy of its social mission and the urgent need to adapt to the demands of a rapidly evolving economy. With more than 8.32 lakh registered societies and over 32.8 crore members, cooperatives represent the world’s largest people-owned network, touching nearly every facet of India’s rural and semi-urban life (Ministry of Cooperation, 2024). Yet, their survival and growth now depend on how effectively they can reimagine themselves as agile, innovation-driven, and inclusive institutions. Preserving the cooperative ethos of equity, participation, and mutual trust is essential, but these values must be integrated with modern management practices, data-driven governance, and technological innovation. In an era where economic systems are increasingly digital and globalized, cooperatives must embrace modernization without losing their human-centric foundation. The success stories of Amul, IFFCO, and several PACS computerization initiatives show that when cooperatives adopt transparency, innovation, and professional management, they not only sustain themselves but also emerge as models of participatory development. Reimagining cooperatives, therefore, calls for a multidimensional transformation—empowering people through education and skill development, ensuring gender and youth inclusion, promoting sustainability through green initiatives, and strengthening governance through digital tools like e-audits and MIS systems. Such reform will enable cooperatives to play a crucial role in achieving India’s vision of “Viksit Bharat @2047”, where prosperity is equitable and community-driven. Furthermore, aligning cooperative strategies with the Sustainable Development Goals (SDGs)—particularly those related to poverty reduction, gender equality, decent work, and climate action—can position India’s cooperatives as key agents of inclusive global progress. The future of the cooperative movement lies in its ability to move *beyond the old model*—from traditional, compliance-bound entities to inclusive, technologically empowered, and globally connected institutions that bridge economic opportunity with social justice. By building on their collective strength and renewing their commitment to innovation and good governance, cooperatives can truly become engines of balanced, resilient, and sustainable development, ensuring that the benefits of growth reach the last person in the value chain while upholding the democratic spirit that defines the cooperative ideal.

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