



HANDBOOK ON COOPERATIVES 2022

National Cooperative Union of India
(An Apex Organization of the Indian Cooperative Movement)

Handbook on Cooperatives

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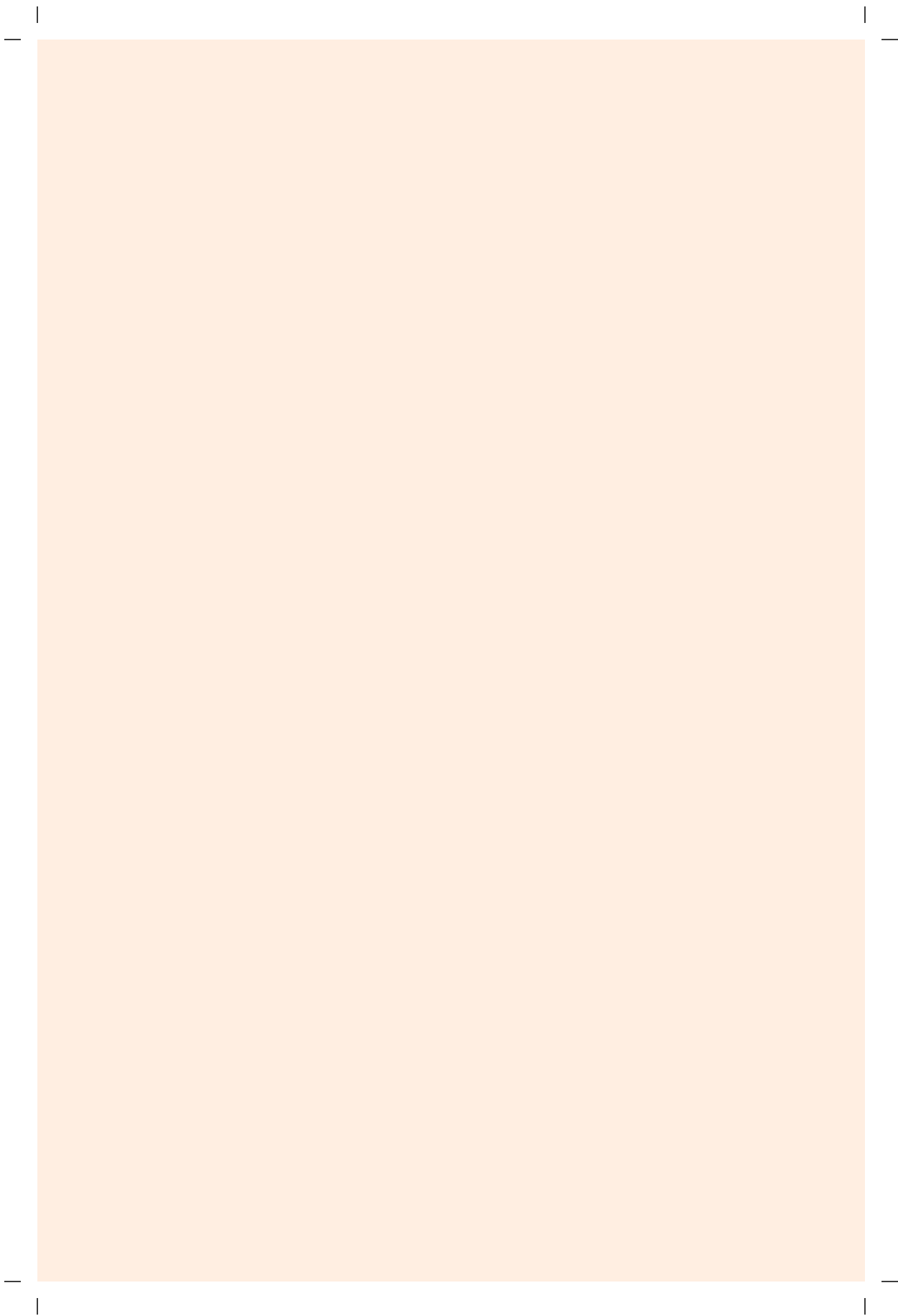




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Message

It gives me immense pleasure to share that the National Cooperative Union of India has come out with a Handbook on cooperatives to celebrate the 100th International Day on Cooperatives. The National Cooperative Union of India is the apex organization of cooperative movement in India. NCUI is working closely with the Ministry of Cooperation to provide recommendations on the upcoming cooperative policy, conduct research on the state cooperative acts and undertake grassroots interventions for building capacities of the existing cooperatives with the vision of 'Sahkaar se Samriddhi'. In the past one year, NCUI has taken many initiatives to reach out to the underprivileged sections of society and empower the lesser-known cooperatives across India.

The Handbook provides first-hand information about the features and advantages of cooperative societies, their registration process and the new initiatives taken by NCUI which will benefit the members and officials of both the new and existing cooperators. I sincerely thank Shri Amitbhai Shah Ji, Hon'ble Minister of Home & Cooperation, Government of India for agreeing to release the Handbook and guiding us to serve the needy and underprivileged sections of society.

I also congratulate Dr. Sudhir Mahajan, Chief Executive, NCUI and his team for his sincere efforts to bring out the first-of-its-kind document which will go a long way in promoting cooperative identity and intensifying cooperative development in the cooperatively underdeveloped regions.

(Dileep Sanghani)
President,
National Cooperative Union of India,
New Delhi



Preface

The word 'cooperation' means an act of a group of individuals working together for a common goal or mutual benefit. Therefore, cooperative societies provide a platform for serving their members through an enterprise model. Cooperative societies are one of the many forms of legal entities like companies and Non-Governmental Organizations. While all other forms of business are primarily profit-oriented, cooperative enterprises function to provide both services and economic benefits to their members.

The cooperative movement in India is more than a century old and it has played a key role in safeguarding the socio-economic interests of the farmers, artisans, and needy communities. Post-independence, cooperative development was highlighted in successive Five-Year Plans and state governments across the country took several measures to expand cooperative network to cover every village. As per the latest available data, almost all villages of India are covered under the cooperative network by credit, dairy and various other types of cooperative societies. However, the cooperative form of business somehow lost its ground to other forms of business in the last three decades after the advent of the era of liberalization and globalization. This is primarily because a majority of the cooperative institutions have been unable to upgrade themselves in the use of technology and adopt professional work culture and innovative approaches to enhance efficiency and outputs. Youth and budding entrepreneurs coming out of colleges and universities are not aware about the various career prospects available in the cooperative sector. National Cooperative Union of India (NCUI) has adopted an inclusive approach for cooperative development and reached out to expert institutions and resource organizations on one side and vulnerable sections of society and cooperatively under-developed regions on the other side to mobilize resources and expand the cooperative network in the country.

Through the stakeholder consultations and community interactions in various regions, we have realized that it is important to draft a simple document for

spreading awareness about the importance and relevance of cooperative societies. Therefore, being the apex organization of the cooperative movement in India, NCUI decided to come out with a Handbook on cooperative development for promoting cooperative identity and strengthening cooperative network in India. The Handbook aims to provide basic information about the cooperative sector, its advantages, registration process and functioning of the cooperatives in a simplified document which can be circulated among the youth, students, and all other interested groups. It also aims to provide information about the new initiatives taken by NCUI to the members and staff of cooperatives. This is the first-of-its-kind document which is going to be published in India and there are only a few such documents available at international level too. We have studied the literature and books available on the related topics from India and across the world. In the process, we have gone through many documents on related topics, viz. 'Handbook on Cooperatives for use by Workers' organizations' published by International Labour Organization, 'Regulations for Cooperatives', a user guide published by Department of Trade and Industry, Republic of South Africa, 'Cooperatives in Australia', a manual published by Cooperative Federation of NSW Ltd. Australia, website of the Co-operative College, Manchester, United Kingdom and a few research articles available on the internet. We have also benefited from the information available on the website of International Cooperative Alliance about cooperative values and principles. In addition to this, we have gone through the NCUI publications on topics related to the evolution of cooperative development too.

NCUI has set up five-year goals aligning with the vision and objectives of the Ministry of Cooperation, Government of India to strengthen cooperative movement and promote entrepreneurship for the professional and efficient management of cooperatives. We hope that the Handbook will serve its purpose of engaging youth and entrepreneurs and channelize their energy and expertise for the growth and development of the cooperative sector in India.

Dr. Sudhir Mahajan, IAS (Retd.)
Chief Executive, NCUI

COOPERATIVE SOCIETIES KEY FEATURES & ADVANTAGES

1

The cooperative societies provide a democratic and value based enterprise platform for providing access to services and livelihoods for the economically weaker sections of society across the world. The cooperative form of organization is recognized as an indispensable instrument of planned economic action in a democracy. Gandhiji believed¹ that cooperative societies are ideally suited organizations not only for developing village industries, but also for promoting group effort by the villagers for overall socio-political upliftment. Cooperative enterprises work for the benefit of their members who own them and manage their functioning too. Members might be in a particular geographical community or might simply have a common business or social interest. It is recognized as a distinct and integral component of the socio-economic ecosystem of the country.

WHAT IS A COOPERATIVE?

A cooperative is defined in the Statement on the Cooperative Identity² as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realize their common economic, social, and cultural needs and aspirations. The members of the cooperative can be staff, consumers, suppliers, residents of the area of operation or a combination of one or more of these stakeholders. As businesses are driven by cooperative values, not just profit, cooperatives play a key role in strengthening the rural economy across the globe. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world provide an enterprise model with a humane approach in the larger interest of society.

¹Source: NCUI publication titled 'Mahatma Gandhi And The Cooperative Movement'

²Source: <https://www.ica.coop/en>

COOPERATIVE VALUES & PRINCIPLES

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. There are seven principles³ which govern the overall functioning of the cooperatives which are described below:

- i. **Voluntary and Open Membership:** Cooperatives are voluntary organizations, open to all people able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- ii. **Democratic Member Control:** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.
- iii. **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, benefiting members in proportion to their transactions and supporting other activities for their welfare.
- iv. **Autonomy and Independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative autonomy.
- v. **Education, Training and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
- vi. **Cooperation among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- vii. **Concern for Community:** While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

³Source: <https://www.ica.coop/en/cooperatives/cooperative-identity#toc-cooperative-principles>



MANAGEMENT STRUCTURE OF COOPERATIVES

The cooperatives are democratic and member controlled enterprises. The management⁴ structure of the multi-state cooperative societies consist of the General Body, Board of Directors/Governing Council, Executive Committee, President and Chief Executive. A similar arrangement is followed in the management of cooperative societies registered under the State Cooperative Societies Acts too. The roles and functions of the General Body and the other arms of management have been discussed below.

a) General Body

The General Body of a multi-state cooperative society consists of all the individual members and delegates/representatives of the member cooperative societies. General Body is the apex authority of the cooperative enterprises and all decisions related to the planning, management and functioning of the cooperative society have to be approved by the General Body. The Board of Directors of every multi-state cooperative society calls the Annual General Meeting at regular intervals for the purpose of consideration of the audited statement of accounts; the audit report and annual report; consideration of audit compliance report and disposal of net profits; creation of specific reserves and other funds and approval of the annual budget; approval of the long-term perspective plan and other important issues.

b) Board of Directors/ Governing Council

Every multi-state cooperative society needs to constitute a Board of Directors who are responsible for managing the affairs of the cooperative as per the decisions of the General Body. The directors are elected by a resolution in the

⁴Source: <https://mscs.dac.gov.in>

General Meeting and the maximum number of directors would not exceed twenty-one. The Board may co-opt two directors in addition to the twenty-one directors. The Board may exercise all such powers as may be necessary for the purpose of carrying out its functions, e.g. powers to admit members; to make a periodic appraisal of operations; to place the annual report, annual plan and budget for the approval of the General Body; to raise funds and take such other measures as may be delegated by the General Body. The Board shall meet at least once in every quarter.

c) Executive Committee

The Board may, subject to such conditions as may be prescribed, constitute an Executive Committee and other committees or sub-committees as may be considered necessary: Provided that other committees or sub-committees, other than the Executive Committee shall not exceed three. The Executive Committee shall perform all such functions as assigned to it in the bye-laws.

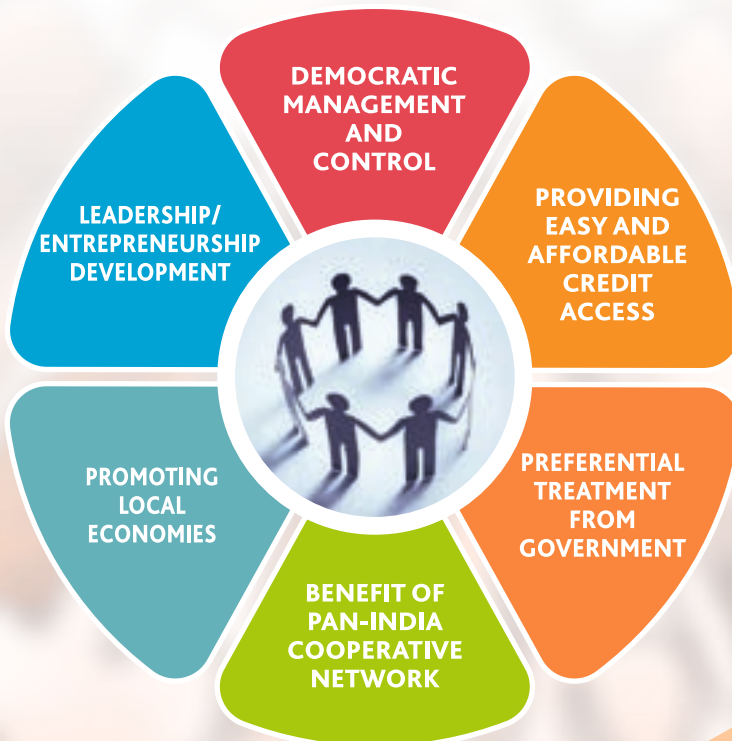
d) President

The President of multi-state cooperative society presides over the General Body and Board Meeting. He is the overall head of the cooperative society and ensures smooth coordination between the executive and other arms of the organization.

e) Chief Executive

The Chief Executive is appointed by the Board of Directors to oversee day-to-day management of the cooperative society. The Chief Executive under the direction and control of the board, exercises the powers and discharges many functions including management of the business of the cooperative society; convening meetings of the General Body, the Board and other committees and assisting the board in the formulation of policies.

ADVANTAGES OF COOPERATIVE ENTERPRISES



The major strength of a cooperative enterprise is that its business orientation is towards serving the members of small means with the flexibility to operations tailored to local conditions. The local feel and proximity to members provide a better understanding of local requirements, leading to quality of business. This leads to high loyalty of members towards cooperative due to mutuality of objectives. The salient features and advantages of cooperative enterprises are mentioned below:

1. Democratic Management and Control

One of the greatest advantages of a cooperative enterprise is the equality involved in its management and its democratic nature. Also, because each member has just a single vote, everyone has an equal footing in the business no matter how many shares they own. Cooperative businesses are owned and controlled by the members, so they are more autonomous compared to the other form of business controlled by their investors. The membership of cooperatives is open to all persons who are able to use their services and willing to accept the responsibilities of membership.

2. Providing Easy and Affordable Credit Access

Cooperative credit institutions provide an easily accessible credit platform to the needy and marginalized sections of society. For example, the thrift and credit societies managed by the needy communities help the members in accessing loans at very reasonable rates with minimum formalities.

3. Preferential Treatment from Government

Cooperatives receive financial assistance in the form of loans and grants from the government. The government often promotes a cooperative form of business to ensure holistic socio-economic development of the underprivileged communities in the form of concession in income tax, etc. Some state governments also provide initial financial support to the cooperatives in the form of grants for purchase of office furniture, equipments, etc.

4. Benefit of pan-India Cooperative Network

The cooperative network in India has got a federal structure with the primary societies at the village level to the district, state and national level federations. The nature of business of cooperative enterprises also covers a diverse range including producer and consumer cooperatives,

farming, fisheries, labour and women cooperatives. The cooperative enterprises can avail the benefits of the vast cooperative network across India to get information about the best technologies and processes required in the manufacturing, processing and marketing of their products. For example, the producer cooperatives can connect with the consumer cooperatives in other regions to sell their products which helps the consumer cooperatives in purchasing quality products at reasonable prices too.

5. Promoting Local Economies

Cooperative enterprises help in pooling resources at the local level and providing more competitive rates in the market. The surplus generated by cooperatives is distributed in part as dividend to the members and the remaining is reserved for creating assets and infrastructure for the future business growth of the cooperative society. Therefore, the cooperative enterprises play a key role in creating livelihood opportunities as well as funds for the investment at local level and promoting local economies.

6. Leadership/ Entrepreneurship Development

Due to their focus on local ownership and human resource, cooperatives act as a catalyst to trigger entrepreneurship development among the local community. The needy youth and women come together to form cooperative enterprises and further their common livelihood objectives. The members of the cooperative enterprises gain skills and experience to manage the different aspects of business which helps in inculcating entrepreneurial skills over a period of time. There are numerous examples from regions across India where a cooperative starting from a village level has grown exponentially to provide livelihoods to the needy sections of society due to the entrepreneurship development provided by the cooperative enterprises.

ORIGIN AND EVOLUTION OF COOPERATIVES

2

When we dive deep into the origin of cooperative societies in Europe and Asian countries, it is evident that the cooperative movement has been steered either by the people themselves or by the governments to promote and safeguard the interests of the workers and the underprivileged sections of society. The industrial revolution and the mechanization of the economy transformed society and threatened the livelihoods of many workers. The concurrent labour and social movements that followed subsequently gave birth to the idea of cooperatives for the socio-economic development of the needy sections of the society.



The cooperative movement began in Europe in the 19th century, primarily in Britain and France. The first documented consumer cooperative was founded in 1769 and in the decades that followed, several cooperatives or cooperative societies were formed. However, the establishment of the Rochdale Society of Equitable Pioneers⁵ by twenty-eight artisans in 1844 is considered the first important milestone in the history of the cooperative movement. The society created a set of organizational and working rules that have been widely adopted. They included open membership, democratic control, no religious or political discrimination, sales at prevailing market prices, and the setting aside of some earnings for education. The cooperative movement spread quickly among the urban working class in Britain, France, Germany, and Sweden and among the rural population of Norway, Netherlands, Denmark and Finland.

Cooperatives across the world are also contributing significantly to the realization of the Sustainable Development Goals (SDGs) of the United Nations⁶. Cooperatives play a significant role in employment creation and income generation, with more than 100 million jobs worldwide. Recent evidence has found that cooperatives are more resilient and perform better during financial and economic crises. Cooperatives contribute to food security by helping small farmers, fisher folk, livestock keepers, forest holders and other producers to solve numerous challenges that confront them in their endeavours to produce food. They are increasingly becoming major actors in facilitating access to clean water and sanitation services to make up for the failures of both the public and private sectors. Energy cooperatives are contributing to the achievement of the sustainable energy goals of energy access, energy efficiency, and reduced emissions.

⁵Source: <https://www.britannica.com/topic/adhocracy>

⁶Source: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_240640.pdf

INTERNATIONAL COOPERATIVE ALLIANCE

Due to the spread of the cooperative movement across the globe, the need for a global platform to guide the cooperative movement was necessitated. To fill this gap, the International Cooperative Alliance (ICA) was founded in 1895. ICA unites, represents, and serves cooperatives worldwide. It is the apex body representing cooperatives, which are estimated to be around three million worldwide, providing a global forum for knowledge, expertise and coordinated action for and about cooperatives.

Operating from the global office in Brussels, Belgium, the ICA is organized with four Regional Offices: Europe (in Brussels), Africa (in Nairobi), Americas (in San José) and Asia-Pacific (in New Delhi). Each regional office pursues the same goals—representing the International Cooperative Alliance in their part of the world and providing resources to its members. The ICA is also organized with eight sectoral organizations in agriculture, banking, retail, fisheries, health, housing, insurance, and industry & services. Each sectoral body provides resources to its members, as well as conducts surveys and research to document and improve the cooperative model across the world.

COOPERATIVE MOVEMENT IN INDIA

The cooperative movement in India owes its origin to agriculture and allied sectors. The birth and evolution of the cooperative movement in India has close connection with the successful cooperative models developed in Germany in the nineteenth century. In 1892, Lord Wenlock⁷, Governor of Madras, directed Mr. Frederic Nicholson, ICS, the then Collector of Madras, to study the problems of the agriculturists and submit his report. Mr. Nicholson summed up his report with two words “Find Raiffeisen” by which he suggested the formation of agricultural credit banks of German model. After independence, the cooperative movement was recognized as a vital instrument for socio-economic change and development. The problems of rural indebtedness and the consequent conditions of farmers created an environment for the establishment of cooperative societies. Sri Vaikunth Mehtaji, considered as the Father of the Indian Cooperative Movement, adopted the cooperative approach to empower the needy and strengthen the Indian economy. With the advent of the planning process, cooperatives became an integral part of the Five-Year Plans. As a result, they emerged as a distinct segment in our national economy.

⁷Source: 1915 Report on 'Cooperation in India' by Reserve Bank of India

NATIONAL COOPERATIVE UNION OF INDIA

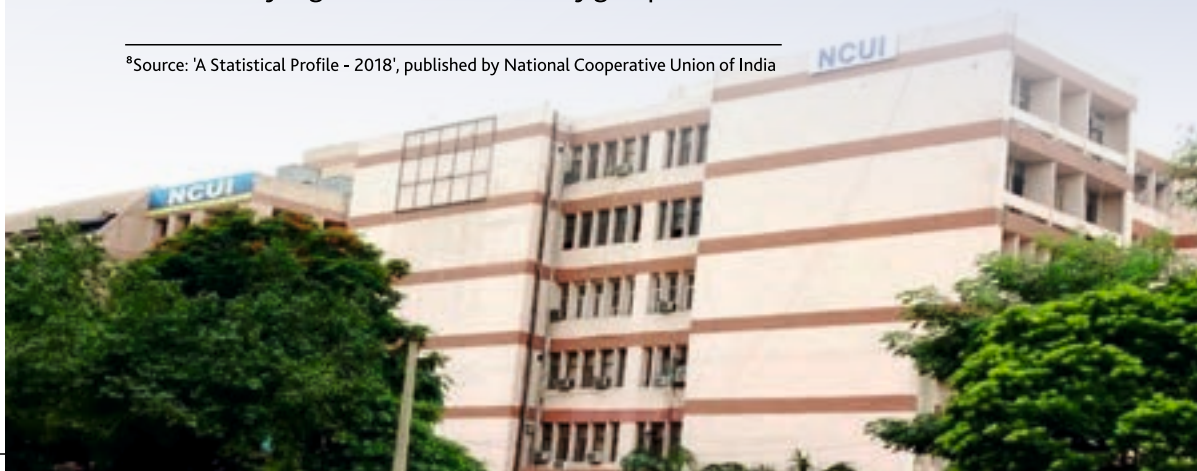
National Cooperative Union of India (NCUI) is the apex organization of cooperative movement in the country. To consolidate the entire cooperative sector, the All-India Provincial Institutes Association came into existence in October, 1929. Later, on the recommendations of Shri RG Saraiyya Committee, the All India Cooperative Union was renamed as the National Cooperative Union of India in 1961. Since 1961, NCUI has been acting as the torchbearer of the cooperative movement of India as an autonomous multi-state cooperative society.

At present, there are about thirty cooperative education field projects and four women exclusive projects being run by NCUI in various parts of the country. The membership of NCUI is broad-based comprising of State Cooperative Unions and multi-state cooperative societies representing all the major sectors of the Indian cooperative movement. Currently, over 8.5 lakh cooperative societies⁸ are part of the cooperative network touching the lives of over 30 crore people across the country.

In furtherance of the various objectives and cooperative principles, NCUI has evolved fast to carry out various activities which are outlined below:

- Expresses opinion on matters of cooperative policy and holds National Cooperative Congress, conferences, exhibitions, cooperative seminars etc.
- Organizes cooperative education and training programs and popularises the principles and practices of cooperation.
- Organizes, conducts, collaborates, and assists in carrying out research and investigation of cooperative problems and formulation of projects for cooperative development.
- Devises strategies for building linkages with the reputed government and voluntary organizations, civil society groups and other stakeholders.

⁸Source: 'A Statistical Profile - 2018', published by National Cooperative Union of India



COOPERATIVE LEGISLATIONS IN INDIA

The Cooperative Credit Societies Act, 1904 is regarded⁹ as the beginning of the cooperative movement in India. However, cooperative activities, both informal and formal, had been in existence even prior to the year 1904. With the developments in terms of growth in the number of cooperatives, far exceeding anticipation, the Cooperative Societies Act of 1912 was enacted for providing non-credit services to their members. The Act also provided for formation of federations of cooperatives. In 1919, with the passing of the Chelmsford Reforms Act, Cooperation as a subject was transferred to the provinces. To deal with the emergence of cooperatives having membership from more than one state, the Multi-Unit Cooperative Societies Act was passed in 1942. With the objective of introducing comprehensive central legislation to facilitate the organization and functioning of genuine multi-state societies and to bring uniformity in their administration and management, the MSCS Act of 1984 was enacted which was further modified in 2002. The MSCS Act, 2002 is a model act which gave all the functional powers to the Board and the General Body.

The 8th Five-Year plan (1992-1997) laid emphasis on building the cooperative movement, as a self-regulated and self-reliant institutional set-up by giving it more autonomy and democratizing the movement. The self-reliant cooperatives are generally defined as those cooperatives that have not received any assistance from the Government in the form of shares, loans, etc. to ensure their autonomy and democratic functioning without unnecessary interference in the management of a cooperative business. The first Mutually Aided Cooperative Societies Act was enacted in Andhra Pradesh in the year 1995. Many states like Bihar, J&K, Orissa, Karnataka, and Uttarakhand passed similar Acts subsequently.

⁹Source: NCUI publication titled 'Hundred Years of Cooperative Movement In India'



CLASSIFICATION OF COOPERATIVE SOCIETIES

3

Depending on the nature of work undertaken, the cooperatives can be classified into many categories. Some of the prominent types of cooperatives have been discussed below:



COOPERATIVE
CREDIT
SOCIETIES

PRODUCER
COOPERATIVE
SOCIETIES

CONSUMER
COOPERATIVE
SOCIETIES

MARKETING
COOPERATIVE
SOCIETIES

HOUSING
COOPERATIVE
SOCIETIES

LABOUR
COOPERATIVE
SOCIETIES

MULTI-
PURPOSE
COOPERATIVE
SOCIETIES

HANDLOOM
COOPERATIVE
SOCIETIES



TYPES OF COOPERATIVE SOCIETIES

a) Cooperative Credit Societies

These are urban and rural financial societies that provide loans to members at low rates of interest thereby protecting the members from the traditional money lending agencies. They have deposit schemes in the form of saving accounts, Fixed Deposits etc. The money procured is then given to the members as personal loans, agricultural loans, housing or vehicle loans, etc. Cooperative credit institutions are of two types as explained below:

i) Rural Cooperative Credit Societies

Rural cooperative credit societies have two distinct structures – the long-term cooperative credit structure (LTCCS) and the short-term cooperative credit structure (STCCS). The LTCCS comprises of State Cooperative Agriculture & Rural Development Banks at the state level and Primary Cooperative Agriculture & Rural Development Banks at the district level. These institutions focus on providing typically medium to long term loans for purchasing agricultural machinery, poultry and dairy business etc. The STCCS mostly provide crop and other working capital loans primarily for a short-term to farmers and rural artisans. Under STCCS, primary agricultural credit societies (PACS) are formed at the village level, while District Central Cooperative Banks (DCCBs) and State Cooperative Banks function at district and state level respectively.

Primary Agricultural Credit Societies (PACS) are the credit institutions at the grassroots level and their management structure is considered to be simple and farmer friendly. PACS are formed by more than ten persons from the same or neighbouring village. These societies are open to all persons in the village on payment of a nominal fee and act as the link between the actual borrower i.e. a farmer and DCCBs. The main functions of PACS include providing short-term and medium-term credit to members, supplying agricultural inputs, distributing consumer articles and arranging for marketing of produce through a cooperative marketing society.

ii) Urban Cooperative Credit Societies

The urban cooperative credit structure in India is broadly classified into urban cooperative banks and cooperative credit societies. Urban

cooperative banks are of two types, scheduled and non-scheduled, which can be further classified into multi-state and state level cooperative banks. There are over five hundred Multi State Cooperative Credit Societies registered under the MSCS Act 2002 and a majority of them are based in Maharashtra. Urban cooperative credit societies can be further classified into Thrift & Credit societies and salary earners societies.

b) Producer Cooperative Society

Also known as industrial cooperatives, these types of societies look out for the small-scale producers in a cut-throat market scenario. These producers could be farmers, handicraft or handloom producers, artisans, etc. Raw materials, ingredients, tools, processing units, etc. needed for manufacturing the goods are obtained by the members directly, provided to the producers and the final output is distributed to the buyers/non-members directly.

Producer cooperative societies in India have shown commendable success in areas like dairy, fish farming, handloom and tribal cooperatives. A dairy cooperative brings together farmers to market their milk and collectively further the economic well-being of the dairy cooperative's member-owners. Founded in 1946, the Amul dairy cooperative helped India to emerge as the largest milk producer in the world due to the vision and leadership of Dr. Verghese Kurien, who is known as the Father of White Revolution.

c) Consumer Cooperative Society

These societies are primarily for consumers who wish to buy quality household items at lower prices. The society buys goods or products in bulk amounts directly from the producer at wholesale rates and sells them to the members and others at its outlet, thus eliminating the need for a middleman. Consumer cooperatives are very popular in both cities and villages as they ensure a regular supply of goods at reasonable rates. There are over twenty-five thousand consumer cooperatives functional in India. For example, Kendriya Bhandar is a Central Government Employees Consumer Cooperative Society that has over ninety-thousand members with more than a hundred outlets in government offices and colonies of Delhi. Similarly, consumer cooperative societies are serving people in villages and remote locations of the country too.

d) Marketing Cooperative Society

Mostly for the benefit of farmers, these societies function to market the produce profitably at the best possible prices, increase the bargaining strength of the farmers and protect them from the trials of individual selling and market exploitation. The profits are distributed on the basis of the contribution of the produce. They also educate the farmers on market prices, stabilize supply against demand, help them get loans, help with grading, pooling, processing and procurement of produce and safe storage facilities.

e) Housing Cooperative Society

Housing cooperatives provide affordable housing to the middle and low-income groups. The members own a share in the cooperative, which in turn gives them a house. Such societies are commonly found in big cities. They construct housing units and provide them to the members and collect the money in installments. In other cases, they provide the land to the members who themselves construct their own houses.

f) Labour Cooperative Societies

Labour Cooperatives are the enterprises owned and controlled by its workers with the right of ownership derived inherently being the worker of the society. Labour cooperatives are for the employment of workers who get rewarded by doing profitable business activities. To be a successful enterprise, a workers cooperative must satisfy the needs of the customers through value creation. In a highly competitive business environment, workers cooperative must be innovative in product design and processes.

g) Handloom Cooperative Societies

Handloom cooperatives are formed by weavers of a particular area to take up activities such as procurement of yarn, production, marketing, and sales. These societies help them earn a fair price for their produce and improve their living standards. Handloom cooperative reduces dependence on the middlemen and ensures higher income for the members. In the era of globalization and information technology, the indigenous designs and natural dyed fabric is gaining limelight again and it has vast potential to provide livelihoods in north-east and other remote areas of the country.

h) Multi-Purpose Cooperative Societies

Multi-purpose Cooperative Society (MPCS) aims to undertake business activities in multiple areas for the economic and social development of its members. For example, people from economically weaker sections of society in cities and villages may form a cooperative society to address their multiple requirements in areas of credit, marketing, supply, processing, grocery store, etc. MPCSs provide the best option for fulfilling all these requirements under a single umbrella. Multi-purpose cooperatives combine the business activities of different cooperatives with an urge to fulfil local needs through local effort and establish mutuality of interests within the community.

Similarly, Large Area Multi-Purpose Cooperative Societies (LAMPS) set up in tribal areas to improve the social and economic conditions of tribal people have helped in protecting them from the exploitation of the middlemen and money lenders. The objectives of LAMPS include providing short-term and medium-term loans for purchase of cattle and minor irrigation purposes, to supply agricultural inputs, to provide marketing facilities and infrastructure for minor forest produce collected by the tribal members and to distribute the essential and other consumers goods to the tribal population.

There is another type of cooperative called Farmer Producer Organization which has come into existence in the recent past. FPOs may be registered under the Companies Act as well as the Cooperative Society Acts of different states. The objectives and features of these type of cooperatives have been discussed separately in the next section.



FARMER PRODUCER ORGANIZATION

Government of India has recently launched a new Central Sector Scheme titled "Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)" with a clear strategy and committed resources to form and promote 10,000 new FPOs in the country. A Farmer Producer Organization, formed by a group of farm producers, is a registered body with producers as shareholders of the organization. The FPOs deal with business activities related to the primary produce or related products and the profit is shared amongst its members whereas the remaining amount is deposited back into the FPO as reserves.

An FPO¹⁰ must be registered under any Cooperative Societies Act, including Mutually Aided or Self-Reliant Cooperative Societies Act of the State/UT concerned OR under the MSCS Act is called a Cooperative FPO. FPO is an organization of producers, specifically primary producers. All primary producers residing in the relevant geography, and producing the same or similar produce, for which the FPO has been formed, can become a member of the FPO. Cooperative FPO must have activities of higher levels in the value chain, beyond primary produce. To avail benefits under the Central Sectoral Scheme of the Government of India for formation of FPOs, three hundred members in plain areas and hundred members in hilly or northeastern region are required as per the operational guidelines of the scheme.

¹⁰Source: <https://www.ncdc.in/documents/whats-new/0311170621Registraion-Process-FPO-Coop.pdf>



COOPERATIVE FEDERATIONS

The federation of cooperative societies are formed for the promotion of their constituent members to facilitate coordination and support the member cooperatives in furthering their business growth and welfare agenda. NCUI is a federation of state cooperative unions and multi-state cooperative societies and thus represents the overall cooperative movement of India. There are other national level federations in different sectors like Tribal Cooperative Marketing Development Federation of India Ltd. (TRIFED), National Federation of Consumers' Cooperatives (NCCF) and National Federation of Urban Cooperative Banks and Credit Societies Ltd. (NAFCUB) which have got a three tier structure at national, state and district/village levels. While there are other federations like Indian Farmer Fertilizer Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO) wherein national level cooperative federations and agricultural/marketing cooperative federations at the state, district or primary level can directly become a member too. To avoid unhealthy competition and promote cooperation among the cooperatives within similar sectors, only one federation is registered for a particular sector at the district, state and national levels.



EMERGING AREAS IN COOPERATIVE SECTOR

In addition to the traditional avenues of running a cooperative enterprise, the era of technology and globalization in the twenty-first century has opened new horizons. The budding professionals and entrepreneurs are utilizing the benefits under startup schemes and other innovative platforms to start and run enterprises in various sectors. The following are key emerging areas for starting cooperative enterprises in India:

- i. **Women Cooperatives:** Though women have contributed immensely to the economy and social development, their efforts have been largely neglected by the patriarchal society. Realizing the need to provide a dedicated platform for livelihoods, the Government of India is running the National Livelihood Mission scheme in rural and urban areas called NRLM & NULM respectively. Women from economically weaker sections of society are mobilized to form self-help groups (SHGs) at neighborhood level and they are provided training and financial support to run their enterprises. There is an immense potential to utilize the SHG network under the NRLM scheme to expand and empower the cooperative network in India. Many state governments are encouraging SHGs to register their federations under cooperative society acts. As only women are part of the NRLM network, women cooperatives can be formed which will help the SHG women to promote their business through the cooperative network at state and national level.
- ii. **Youth Cooperatives:** As the youth population accounts for more than two third of India's population today, youth cooperatives can play a key role in providing livelihood and entrepreneurship development opportunities to the budding professionals and young minds. Youth cooperatives can be formed to cater to the demand of a particular industry like tourism, facility management, public transport, etc. or they can be registered under multi-purpose cooperative society acts too. Technology cooperatives focusing on software development, web designing, digital marketing and other IT related services can provide a potential enterprise model to the youth. Additionally, aggregator services in tourism and hospitality sector, home delivery of grocery, food delivery or items are new emerging areas for the cooperative sector too.
- iii. **Campus Cooperatives:** Campus cooperatives are formed with a view to provide stationary, daily use items and other facilities to the students and faculties of the respective colleges and universities. There are around eight

thousand campus cooperatives registered as consumer cooperatives and multi-purpose cooperatives in India and more than half of them are registered either in Kerala or Tamil Nadu. The number of functional campus cooperatives has declined fast in the past two decades. In the present era, campus cooperatives can be revived to cater to the emerging areas like providing technology solutions, counselling, cloud kitchen, shared library spaces, etc.

- iv. **Healthcare Cooperatives:** Healthcare is another important sector where cooperatives can be formed to provide medical services. There are over eighty functional cooperative hospitals in Kerala alone. Recently, the National Cooperative Development Corporation (NCDC) has announced a loan 'Ayushman Sahakar' scheme to promote and setup healthcare cooperatives.
- v. **Eco-tourism Cooperatives:** Eco-tourism cooperatives are emerging cooperative models which has a great potential to provide livelihoods in rural areas. As natural farming and sustainable lifestyle is becoming more popular, tourists and urban population are exploring new destinations to enjoy nature and rejuvenate themselves. Eco-tourism cooperatives can provide additional income to the farmers and artisans as they can utilize their available talent and resources to arrange hospitality and recreation services for the tourists with minimum overhead cost. The eco-tourism cooperatives can utilize the power of the internet and smartphones to promote their business on social media platforms and provide employment to the rural population.
- vi. **Service Cooperatives:** In the globalized world, the cities and urban agglomerations have become prominent centres of economic activities, and this has generated a huge demand for a variety of services. Cooperatives can be formed to cater to the requirements of the migrant and working population in areas like housekeeping, chauffeur services, catering, facility management services, etc. For example, semi-skilled women from needy sections in urban areas can form service cooperatives and start an online food delivery business for the migrant population at minimum cost. In the post-covid phase, many such startups have been launched and running successfully in Delhi and other cities.



SETTING UP A COOPERATIVE ENTERPRISE

4

Once a group of persons decide to form a cooperative, it is important to understand the process of registration. Cooperative societies must be registered under the respective state cooperative society act or Multi-State Cooperative Society Act as per the law. The process followed for registering a cooperative society under cooperative society acts of different states, is almost similar except for certain criteria like minimum membership and nature of business. Multi-state cooperative societies follow certain additional rules for membership to accommodate members from different states. The broad guidelines for registering cooperative societies under multi-state and state cooperative societies have been discussed in the next section.



REGISTRATION UNDER STATE COOPERATIVE ACTS

The general procedure followed to register a cooperative society under the State Cooperative Society Acts of different states is mentioned below:

Step 1: Forming a Core Group

The process of forming a cooperative society begins with a group of like-minded people coming together to start an enterprise. As the success of the cooperatives depends on the active engagement and contribution of the members, it is important for every member to fully understand and adhere to the cooperative values and principles. Such like-minded individuals form the Core Group and they are referred as promoters of the proposed cooperative. The promoters are authorized to sign the application of registration and other documents. The minimum number of members to form a core group for registration of a society depends on the nature of business as well as the membership limit prescribed in the state cooperative society acts of the concerned state. The name and objectives of the proposed cooperative society and bye-laws are prepared accordingly.

Step 2: Carrying Out a Feasibility Study

Once the core group has been constituted, it is important to study the economic and technical viability of the project. The viability study can be done either by the members of the cooperative if they have the required competence, or by a professional engaged by the group for the purpose. A viability report is prepared by incorporating the findings of the study, on the basis of which, business plan of the proposed society is finalized.

Step 3: Preparing a Business Plan

After completion of the feasibility study, the next step is to draw a business plan to forecast the sustainability of the business. This is done to ensure access to loans or funds for the future business growth of the society and to evaluate the different aspects of the project.

Step 4: Convening the first General Meeting

After preparing the business plan, the inaugural General Meeting of the society is convened with the participation of all members/promoters. The inaugural

meeting is important as the office bearers of the cooperative society are elected and authorized to complete all legal formalities required for the registration. The rules and regulations, as well as the business plan of the society are adopted in this meeting and a resolution is passed in this regard.

Step 5: Submitting Proposal for Registration

After the General Body Meeting, the proposal for registration of the cooperative society is submitted to the district office of the Registrar of the Cooperative Societies of the concerned state. The proposal contains a copy of the resolution passed in the inaugural General Meeting, copies of the bye-laws and the business plan of the society.

Step 6: Approval and Commencement of Business

Once the Registrar is satisfied with the objectives and the authenticity of all the submitted documents, s/he approves the registration of the society and issues a certificate of registration with which the society becomes a legal entity to start the business. Thereafter, the office bearers assume their role and start recruiting the staff for the efficient functioning of the society as per the business plan.



REGISTRATION UNDER MSCS ACT, 2002

Cooperative societies with objects not confined to one state and serving the interests of such societies from more than one state must be registered under the Multi-State Cooperative Societies Act, 2002. The philosophy, organizational setup and functioning of multi-state cooperative societies are similar to the cooperative societies registered under the State Cooperative Society Acts. There are certain additional criteria related to the membership under MSCS Act which are mentioned below:

- i.) in the case of a multi-state cooperative society of which all the members are individuals, by at least fifty persons from each of the state concerned.
- ii.) in the case of a multi-state cooperative society of which the members are cooperative societies, by duly authorized representatives on behalf of at least five such societies as are not registered in the same state; and
- iii.) in the case of a multi-state cooperative society of which another multi-state cooperative society and other cooperative societies are members, by duly authorized representatives of each of such societies: Provided that not less than two of the cooperative societies referred to in this clause, shall be such as are not registered in the same state.
- iv.) in the case of a multi-state cooperative society of which the members are cooperative societies or multi-state cooperative societies and individuals, by at least
 - a. fifty persons, being individuals, from each of the two states or more; and
 - b. one cooperative society each from two states or more or one multi-state cooperative society.

In addition to the regular members, there is a provision for admitting nominal/associate members to promote the interests of the cooperative society. Such member shall, however, not be entitled to any share, in any form, whatsoever, in the assets or profits of the society. As per the MSCS Act, no member of any multi state cooperative society can hold a share value more than twenty percent of the total share value of all the members. The same norms are stipulated by the state cooperative society acts too.

REGISTERING AUTHORITY

Every state government in India has a Department of Cooperation and an office of Registrar, Cooperative Societies under that department. The office of the Registrar, Cooperative Societies has a presence invariably in all district headquarters. The roles of the Registrar of cooperative societies has been prescribed in the respective cooperative society acts which primarily include the registration of new cooperative societies, promote cooperative business, regulate and supervise the functioning and settle disputes of cooperative societies, conduct audit and timely election of the management committee and supervision of the existing societies. Many state governments have introduced an online system of registration to ease the registration process.

For registering a cooperative society under the MSCS Act, 2002, an application should be submitted to the office of the Central Registrar of Cooperative Societies in New Delhi under the Ministry of Cooperation, Government of India. A cooperative society may, by an amendment of its bye-laws, extend its jurisdiction to other states and convert itself into a multi-state cooperative society too. The complete information about the registration procedure, lists of existing multi-state societies, reports and circulars, documents required for registration, etc. can be accessed at <https://mscs.dac.gov.in>.



FUTURE-PROOFING OF COOPERATIVES IN INDIA

5

The business environment has changed at a fast pace in our country due to rapid urbanization and technology revolution in the twenty-first century and the lesser-known cooperative societies are struggling to sustain their business. Some of the challenges of the cooperative sector include inadequate training infrastructure for members and staff of cooperatives, scarcity of a centralized database detailing the nature and number of cooperatives functioning in different sectors, insufficient skill set and lack of professionalism among members and staff, very low usage of ICT tools in operation and management of cooperatives, insufficient market linkages and lack of appropriate processing and value addition technologies. The key steps and policy initiatives taken by the central government and NCUI for strengthening the cooperative movement in India have been discussed in the next section.



INITIATIVES BY THE GOVERNMENT OF INDIA

Ministry of Cooperation

The Government of India created a separate Ministry of Cooperation in July, 2021 to provide a separate administrative, legal and policy framework for strengthening the cooperative movement in the country. It aims to deepen cooperatives as a true people-based movement reaching up to the grassroots and develop a cooperative based economic model where each member works with a spirit of responsibility. The principal activities of the Ministry include streamlining processes for 'Ease of doing business' for co-operatives and enabling the development of Multi-State Cooperative Societies. It lays emphasis on strengthening the cooperative network and making every village prosperous with the mantra of '*Sahakar se Samridhhi*' (prosperity through cooperatives).

The Government of India is in the process of formulating a new National Cooperative Policy that will look into issues related to registration, transparency, and coordination among cooperatives and strive to bring equality through dialogue. It will also focus on exploring new dimensions, reaching every village, creating a credit society, doubling farmers' income and making cooperative institutions financially strong. The development of a new cooperative policy will allow innovation and flexibility of cooperatives in the current technological environment and strengthen the cooperative movement across the country.

National Cooperative Development Corporation

NCDC¹¹, which was founded in 1963, is a single statutory organization that serves as a finance and developmental institution for cooperative sector businesses. It supports and promotes agriculture, dairy, poultry, cattle, fisheries, cotton ginning and spinning, sugar, and notified services such as hospitality, transportation, rural housing, hospitals/health care centres, and so on. The organization fosters cooperatives comprised of large, small, and marginal farmers. NCDC is the most preferred financial institution for organizations, and it works on the Mission of New India 2022 development strategy.

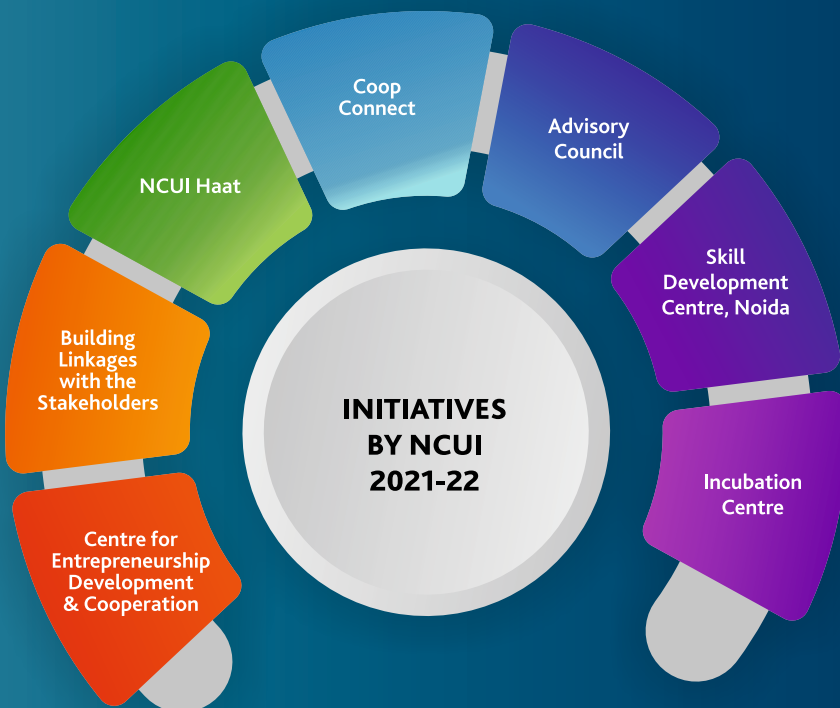
NCDC has started many schemes for empowering cooperative societies through

¹¹Source: <https://www.ncdc.in/>

easy and affordable credit access and incentives for running cooperatives in selected areas. A scheme called 'Yuva Sahakar Yojana' launched recently, provides financial support to the cooperative startups at low interest rates. NCDC has created a special fund with permissive characteristics that allow young people to participate in the plan. NCDC also provides financial assistance to cooperatives for tourism, healthcare, hospitality, transport and rural housing programmes through other schemes.

INITIATIVES BY NCUI

Being the apex organization of the cooperative movement in India, NCUI has taken many new initiatives to promote cooperative identity, strengthen the cooperative movement and contribute to socio-economic developments across the country. The details of the various interventions executed by NCUI are mentioned in the next sections.



Centre for Entrepreneurship Development & Cooperation

The cooperative entrepreneurship model offers flexibility for generating employment, enabling individuals to work collectively on projects whilst shaping their own careers. To devise strategies for strengthening the cooperative network and empowering the lesser-known cooperatives with the latest technologies and to inculcate the spirit of entrepreneurship among the members of cooperatives, NCUI has established a dedicated Centre for Entrepreneurship Development & Cooperation (CEDC). CEDC aims to provide technical and consultancy support to the cooperatives and associated SHGs and identify innovative processes and technologies for running skill development programs for members and staff of cooperatives. The CEDC is also working to develop partnerships with expert institutions and social organizations for expanding the cooperative network in the country.

In the last one year, CEDC has been successful in building linkages with various international and national level institutions, strengthen cooperative network in Delhi and reaching out to the vulnerable sections of the society. Some of the key areas of interventions of CEDC and their corresponding impact have been discussed in the next sections.

Building Linkages with the Stakeholders

In the past one year, NCUI has reached out to the potential stakeholders to solicit their support in building the capacities of the SHGs and cooperatives. NCUI has collaborated with German Development Cooperation (GIZ), Rainmatter Foundation and Art of Living organizations to execute various interventions for the empowerment of farmers and artisans. NCUI has collaborated with the Rural Technology Action Group (RuTAG) of IIT Delhi to provide technology solutions to the farmers and cooperatives and promote cooperative identity among the budding professionals and entrepreneurs. NCUI has signed MoUs with the India HIV/AIDS Alliance and the National Association of Street Vendors of India to promote cooperative identity among transgenders and street vendor communities respectively too.

To empower artisans and lesser-known cooperatives through design and technology interventions, NCUI has collaborated with the Fashion Design Council of India and the National Institute of Fashion Technology last year. Through the collaboration, NCUI is facilitating interaction between artisans of cooperatives

with the students of NIFT to upgrade the quality and appeal of the existing products. MoUs have been signed with the National Institute for Entrepreneurship and Small Business (NIESBUD) and the Agricultural and Processed Food Products Export Development Authority (APEDA) to promote entrepreneurship and skill development and promote agri-products grown and processed by cooperatives.

NCUI Haat

NCUI has started a novel initiative named 'NCUI Haat' in August, 2021 to empower lesser-known cooperatives and connect the people of Delhi with the artisans and craftsmen from rural India. The objective of NCUI Haat is to empower the needy SHGs and cooperatives by providing them visibility and access to a free-of-cost selling space at a premier location in Delhi and through other facilities. NCUI Haat also supports circular economy and promotes the use of healthy and eco-friendly products in urban classes. Since its inception, NCUI Haat has received an overwhelming response from visitors, residents of Delhi and employees working in the nearby institutions. NCUI has also become a member of the Export Promotion Council for Handicrafts to further the NCUI Haat network in the overseas community.

Coop Connect

NCUI has constituted a special cell "Coop Connect" to orient the school and college students with the cooperative philosophy and how they can benefit by providing employment opportunities for themselves as well as others by forming and running their own cooperative societies. In the last one year, around hundred events in physical and online mode have been conducted under the Coop Connect programme covering more than six thousand faculty members, staff, and students of colleges of management, science and other streams and government schools.

In addition to this, CEDC has devised an Internship Program for engaging young minds to promote cooperative entrepreneurship among the youth and student community. The students from the reputed universities and colleges have been engaged with CEDC to assist NCUI leadership in conceptualizing and executing awareness programs for cooperative development. They played a key role in organizing cultural events during the NCUI Haat Cooperative Week Fair 2021 and over eight hundred students from various universities and colleges in Delhi visited NCUI and participated in the event. Many online events and competitions are also being organized to raise awareness about the cooperative enterprises.

Advisory Council

NCUI has recently constituted an Advisory Council of experts coming from premier institutions and streams like the National Dairy Development Board, National Academy of Agricultural Research Management, Women Entrepreneurs and Padma Shree Awardees in the field of agriculture to devise strategies for revamping the structure of field projects and empowering associated coops and SHGs. The Advisory Council is working actively with NCUI to deliberate on the various challenges faced by cooperatives in business development and market linkages and suggest suitable interventions for the same.

Skill Development Centre, Noida

NCUI has established a state-of-the-art Skill Development Centre to build capacities of members and staff of cooperatives and cope up with the emerging challenges in the market and grab new avenues of business. NCUI has started a consultation process with State Cooperative Federations, Chambers of Commerce & Industry and various other Industry Federations at the national and state level to understand the nature and quantum of the demand for a skilled workforce in the country.

Incubation Centre

Keeping into account the needs of the SHGs and needy youth living in Delhi, NCUI has established an Incubation Centre to empower the needy communities through skill development programs. The primary objective of the Incubation Centre is to identify appropriate product options and solutions to the challenges by the lesser known cooperatives in packaging, branding and marketing stages of the production. The project also aims to inculcate the spirit of self-help and entrepreneurship in the youth and women coming from the needy sections of society. The training curriculum also includes motivation and games designed to provide emotional support and develop self-confidence among the trainees. The Incubation Centre has got infrastructure and training support from the Rural Technology Action Group (RuTAG) of IIT Delhi and Peepal Tree Foundation to leverage their expertise in promoting innovative technologies, vocational training, and entrepreneurship development. In a short span of two months, the Incubation Centre has received an encouraging response from many stakeholders and many cooperative federations have approached NCUI to provide similar training programs to their members.





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