

Road to \$5 Trillion Economy: The Cooperative Way

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Introduction

India is one of the fastest growing economies in the world and is poised to expedite this growth path by becoming a \$5 trillion economy. There are several underlying strengths that are indicative of the potential of the economy such as, investment in infrastructure, promoting digital technology, improving business environment, and notably its demographic status. India has a large working age group population with median age being 29 years, which serves as a valuable human resource. The country also has a burgeoning middle class, experiencing a rapid rise in per capita income, thus creating a huge market for goods and services. However, in

order to tap the latent potential of economic growth, it must be recognized that the public and private sector are not the only forms of economic organization which can achieve the \$5 trillion target. An important third business enterprise which offers a promising solution to expedite not only economic growth but also socio-economic cultural development are cooperatives which are recognized as a major institutional machinery for maintaining India's mandate of growth with social justice.

Agricultural Cooperatives: A Catalyst for Promoting Growth

The history of cooperatives in India which dates back to colonial rule, clearly reveals that

the cooperative movement was triggered by the need to provide credit to the farm sector. Post-independence in the planning era, cooperatives were viewed as the panacea to the problems of rural credit. Accordingly, the Primary Agricultural Credit Societies (PACS) became one of the largest rural financial systems, perhaps worldwide. Till date, there are 1.02 lakh PACS with a membership of 13.7 crores, even reaching the rural hinterland with their accessibility to the marginal and small farmers. However, despite a huge membership, the number of borrowers from PACS is only 5.36 crores, and about 70.7% of the societies are viable while 17.7% are potentially

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viable. About 46% of PACS are making profits, 36.5% are in losses, 2.3% are dormant while 1.08% are defunct. The newly formed Ministry of Cooperation realizing the importance of PACS as a major stimulus to the rural economy, has undertaken several measures to revitalize the PACS. A major initiative is to computerize the PACS with a strong conviction that digitization will bring in transparency in the working of PACS and will significantly increase public trust in functioning of PACS. The activities of PACS have also been diversified by permitting them to function as Common Service Centres, and undertake dealership for LPG distributorship, petrol pumps, fertilizer distribution Centres and open centres for generic medicines, etc. As the scope of their activities is increasing, PACS will be able to generate more revenue, and serve as a stimulus to the economy at the grassroot level. This will bring about increase in rural incomes which will have a multiplier impact by creating demand for industrial goods and services. Hence the secondary and tertiary sector and thus the economy as a whole will get stimulated.

Agriculture and allied activities is the largest sector of the economy with a huge potential for employment generation. This sector has huge potential to contribute to the target of achieving \$5 trillion economy. While this sector contributes barely 18% to the Gross Domestic Product (GDP), this share can be easily increased through

a slew of measures. While Indian agriculture has gone through several revolutions such as green, white, yellow, etc. which have greatly contributed to increasing the productivity of major crops, there is still much scope to increase production through scientific farm practices. The marginal and small farmers, who constitute 85% of the landholdings, are very. Co-operative farming can benefit these farmers as they can collectively purchase inputs at lower costs, mechanize their farms, avail the benefits of government schemes and overall reap the advantages of economies of scale, which in turn, will increase farm incomes.

With respect to high value horticultural crops, the focus in agriculture has shifted from production to marketing. India's agro-climatic conditions are favorable for the production of a large variety of fruits and vegetables, making the country one of the top horticultural producers in the world. However, the full potential of this sector is not realized due to marketing challenges in the form of poor logistics and fragmented supply chain. There is weak post-harvest infrastructure as clearly visible in the areas of sorting, grading, waxing, pre cooling, post-harvest disease control, packaging, storage, cold chains, warehouses, etc. This leads to huge post-harvest losses which reduces the returns from farmers' produce. The government, however, is not complacent to these issues and is promoting several schemes through subsidies and extension services to exploit the full potential of agriculture.

In order to minimize losses in agricultural produce and prevent distress sales, the government has approved the world's largest food storage scheme in the cooperative sector.

A 2002 Amendment to the Companies Act 1956, created space for farmers to operate as companies and a new corporate entity, Farmer Producer Company (FPC), was created. Though Indian agriculture is getting commercialized, the holdings are dominated by marginal farmers who have small land holdings, due to which they have weak bargaining power. Hence FPCs, conceived as a hybrid variant of the cooperative and corporate system, has the potential to create a huge network of farmers which can collectively address the problems of procurement, marketing and distribution of farmer's produce and thus increase their returns. FPCs can also put in place backward linkage such as providing technical inputs and knowhow to the farmers. Besides domestic markets, the FPCs can leverage export markets and thus enable the farmers to benefit from higher prices. The PACS through government initiatives are now permitted to undertake economic activities related to agriculture as FPOs. Another major boost to promote agri exports was through the establishment of the National Cooperatives Exports Limited (NCEL) on 25th January 2023 as an umbrella organization for the cooperative sector registered under the Multi State Cooperative Societies Act, 2002. All cooperatives from primary to apex level, who aim to export their agricultural

produce including handlooms and handicrafts, are now eligible to become members of NCEL. The main objective of NCEL is to promote export activities by strengthening every activity in the supply chain such as procurement, storage, processing, marketing, branding, labeling, packaging, certification as well as R&D.

All measures such as increasing production and marketing of agricultural produce will certainly help to increase the contribution of agricultural sector from \$0.6 trillion to much higher levels.

Synergy with Agriculture and Industry

The agricultural sector can also stimulate the industrial sector as it serves as an input for agro processing units. About 45% of sugar mills in the cooperative sector are playing a major role in the sugar economy in terms of not only producing sugar, but also manufacturing products which can find good markets. They are also generating huge employment. India is one of the top producers of cotton in the world. The textile industry offers tremendous scope to expand the industry through formation of cooperatives for spinning, weaving, handlooms, etc. India's handloom sector dates back to the swadeshi movement and signifies a rich cultural heritage. Organic cotton also has a huge international demand. Promoting these products through cooperatives can be a stimulus for enhancing income in the agriculture as well as industrial sector. Cooperatives, which process horticultural produce, can help in creating an integrated supply chain so that returns

to members are maximized. Horticultural Producers' Cooperative Marketing & Processing Society (HOPCOMS) which was established as early as 1965 is an example of integrated supply chain organization created for the benefit of farmers. In fact there are several horticultural cooperatives and commodity organizations which must be scaled up so that the full potential of high value horticulture is realized.

Seed is a decisive input for sustained agricultural production as the potential of other yield increasing inputs such as fertilizers and water can be fully realized only if the seeds are certified. The use of spurious seeds is often the cause of crop failure. Realizing the importance of certified seeds which have huge domestic and export markets, the government established the Bharitya Beej Sahakari Samiti Limited (BBSSL) as a national level multi state cooperative society, to act as an umbrella organization for advanced and traditional seed research along with production, marketing and creating an entire value chain for the seed sector. Promotion of organic produce is also encouraged which will enhance income of farmers.

The allied sector in agriculture such as dairy has clearly revealed the success of the cooperative movement in India. There is still scope to expand this sector through increasing milk productivity and diversifying by coming up with more milk products. India with a huge population, offers a domestic market for dairy products, which will enhance nutritional security. The government is

also promoting the formation of fisheries cooperatives and aquaculture as viable economic activities to stimulate the growth of the allied sectors of economy.

Industrial Sector

The industrial sector can increase the scope of industrial cooperatives by taking advantage of schemes such as Make in India and Production Linked Incentive. The government has announced that new manufacturing cooperative societies commencing manufacturing operations by 31st March 2024, will be taxed at a flat rate of 15% as against the existing rate of up to 30% with surcharge. This will encourage the formation of new cooperative societies in the manufacturing sector which will generate employment and increase the GDP in the industry sector. The cash withdrawal limit of cooperative societies without deduction of tax has also been enhanced which will increase their liquidity. The government also launched the on boarding of cooperatives on the GeM portal so that they can increase their markets and hence scale of business.

The Micro, Small & Medium Enterprises (MSME) sector has emerged as a highly dynamic sector of the economy in terms of generating employment as well as contribution to Gross Value Added (GVA). The share of MSME in total manufacturing GVA is about 38.47% (2020-21). The cooperatives have tremendous scope to enter into partnership with various boards created to promote the MSME sector, which can enable them to increase the scale of their business and thus income.

Service Sector

The service sector in India presently contributes to about \$ 1.61 trillion to GDP and is the largest contributor having a share of 53%. It is important for this sector to scale new heights of growth so that the target of \$5 trillion GDP is achieved. The service sector is characterized by the predominance of informal employment and forming various cooperatives in this sector will go a long way in regulating and formalizing this sector.

In India, digitization has brought about a revolutionary change. Technology is being used as a weapon to empower people. Data cooperatives can enable the pooling of resources, create jobs, facilitate market access, and even promote social inclusion. The other sectors where cooperatives have huge presence are in the field of health, tourism, hotels, etc. India has a huge population and while the government is undertaking measures for universal health care, there is immense scope for forming health cooperatives, comprising all the stakeholders in the health sector. The health cooperatives can diversify their business operations in various areas like diagnostics, insurance, etc. They can work in accordance with the principles of cooperatives which emphasize economic and social welfare. India is also a tourist destination

and promoting cooperatives in the tourism sector can provide stimulus to the growth of service sector not only by attracting domestic but also foreign tourists which can serve as a source of foreign exchange earnings. In view of the huge youth population in the country, there is tremendous scope to promote education through cooperatives.

The cooperative banks can make a major contribution to the service sector by increasing their loans and advances. The state cooperative banks, as well as some major urban cooperative banks (UCBs), are major institutions of the cooperative sector. With the increase in the scale of their operations; they can make significant contribution to the service sector. The government initiatives in this direction like allowing UCBs to open new branches to increase the scale of their business; providing one-time settlement of outstanding dues; giving additional time for priority sector lending; providing door step banking services to the customers; increasing the individual housing loan limit for Rural and UCBs; and permitting rural cooperative banks to lend to commercial real estate, will definitely strengthen the cooperative sector. With these expanded business activities permitted by the government, the cooperative banks will have considerable scope to enlarge

their contribution to GDP.

Conclusion

Cooperatives serve as an important form of economic organization for achieving a \$5 trillion economy by tapping the inherent potential of all three sectors -agriculture, industry and service. Revitalizing all sectors through cooperatives will generate not only income but also create employment. The female labor force rate in the country is barely 27.5%. As cooperatives expand in size and structure, women workers will get more opportunities to enter the workforce which will again trigger the growth of economy. The government, realizing the major role of cooperatives can in strengthening the economy, established a separate Ministry in July 2021 to promote cooperation and took several initiatives which aimed at rejuvenating the cooperative sector. Efforts to strengthen Multi-State Cooperative Societies Act, 2002 through amendments aimed at improving governance, increasing transparency, accountability etc. will go a long way in expanding the reach of cooperatives across states thus enhancing the scale of their business. As these initiatives begin to bear fruit, the cooperatives will become more vibrant, and their contribution to \$5 trillion economy will be immense. ■