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Cooperation Ministry rejuvenates the sector



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Cooperatives are now ready to play their pivotal role in achieving the aims of self-sufficiency and self-reliance

India's economic resilience lies in the reach of the cooperatives. In the past several decades, the cooperatives have done stellar jobs in empowering the rural parts of the country. With Minister of Cooperation Amit Shah at the helm, there is a new energy in the sector which had been ignored for decades. Now, the cooperatives are bracing up to play their designated role in driving the economic growth of the country.

According to the Economic Survey 2022-23, there are 8.5 lakh cooperatives in the country. Their membership base is 29 crore. Roughly, every fourth person in the country has some or other connections with cooperatives. Also, mostly the people from the marginalised and lower income groups in rural areas are connected with the cooperatives. It's also estimated that 98 per cent of the villages in the country are covered by Primary Agricultural Cooperatives (PACs).

The reach of the cooperatives make the institution central in the policy push to drive the rural economy and hasten the economic buoyancy by promoting rural entrepreneurship. Prime Minister Narendra Modi by carving out a separate Ministry for Cooperation filled a vacuum, which for long existed in the absence of the appreciation of the critical role played by such entities.

Under the guidance of Shah, a new national cooperation policy is being formulated, involving the relevant stakeholders such as experts, representatives from national, state, district, and primary-level cooperative societies, officials from the Union ministry of cooperation, and the state governments. This will address the demands of the stakeholders for the capacity building and necessary support ecosystem so that the cooperatives can contribute to realise the aim of India becoming a \$5 trillion economy soon, and also reaching the fourth largest economy status in a short span of time.

Minister of Finance Nirmala Sitharaman in the Budget has provided for a major push for cooperatives. Budget proposals have the potential to qualitatively change the scope and impact of the cooperatives in the overall economy of the country. A concessional tax of 15 per cent to promote new societies focusing on manufacturing has been provided for in the Budget. A higher limit of Rs 3 crore for TDS on cash withdrawal has also been spelt out in the Budget. Additionally, proposals have been laid in the Budget for the creation of decentralized storage capacities. A plan to set up a massive decentralised storage capacity, which will help farmers store their produce and realise remunerative prices by selling the commodity at an appropriate time, is also being worked out in the ministry on the direction of Shah to ensure that there is no distress selling of the agricultural produce.

Notably, Sitharaman said in her



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(The author is a policy analyst)

Budget speech that a new cooperative society (formed after April 1, 2023) which commences manufacturing by March 31, 2024, and does not avail of any specified incentive or deduction will be allowed to pay tax at a concessional rate of 15 per cent. This is a step in the right direction, as it provides parity of the cooperatives with the new manufacturing units.

The Budget has also provided an opportunity for the sugar cooperatives to claim the payments made to cane farmers for the period before the assessment year 2016-17 as expenditure, which is expected to provide sugar cooperatives with a relief of almost Rs 10,000 crore. The government will amend the relevant section of the Companies Act to ensure cash loans or transactions in cash, amounting to less than Rs 2 lakh for the cooperatives. For farmers, especially small and marginal farmers, and other marginalised sections, the government is promoting a cooperative-based economic development model.

The government will facilitate the setting up of a large number of multipurpose cooperative societies, primary fishery societies and dairy cooperative societies in uncovered panchayats and villages over the next five years. The government has already initiated the computerisation of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of Rs 2,516 crore. In consultation with all stakeholders and states, model bye-laws were formulated enabling them to become multipurpose PACS, besides a national cooperative database is

being prepared for country-wide mapping of cooperative societies.

At a time when over 10,000 farmers producers organisations (FPOs) are being set up in the country as part of the vision of the prime minister for self-reliance of the rural population and also their economic empowerment, the Budget has provided for an economic architecture, which may bring buoyancy in the rural landscape in India. The Ministry of Cooperatives is also executing several initiatives for ensuring financial resilience of the cooperatives by looking into their existing capacities. The ministry has put in place the financial support system to hand-older the weaker cooperatives.

Now that the startup successes have taken the entrepreneurship to the tier-II and tier-III cities, it's very much possible that they will spread out to the rural parts of the country soon where the cooperatives will play a key role in supporting them. This is in addition to a series of scams in the cooperatives seen during the rule of the UPA government led by former Prime Minister Manmohan Singh during 2004-14. The cooperatives were maligned. Their reputations were destroyed. The people had even begun losing trust in them.

But the advent of participative governance led by Prime Minister Narendra Modi brought in the much needed transparency and regulation of the cooperatives so that they meet the desired prudent norms. It is in this context that the Ministry of Cooperation has shown a remarkable turnaround for the sector in the last few years.

With Shah leading from the front, the Ministry of Cooperation has overseen setting up of new sugar factories by providing investment loans. Also, the Ministry has helped in the modernization, expansion and diversification of existing sugar factories. In addition, the Ministry has also overseen establishment of new spinning mills, besides carrying out modernization and expansion of existing mills.

The Ministry in recent years also saw establishment of modern cotton ginning and pressing units in the small and medium scale agriculture and allied sector processing units. The Ministry is guiding the cooperatives to play roles of mentors by hand holding units in the areas of pre and post loom processing, garment and knitting units, besides also helping in the setting up of other processing units, such as foodgrains, oilseeds, plantation crops, fruits and vegetables.

Cooperatives are now ready to play their pivotal role in achieving the aims of the country to gain self-sufficiency and self-reliance in edible oil by promoting the adoption of the Central Government's policies. Also, the cooperatives are in the driver's seat in India scaling up its stake in the global food market by scaling up the processing and post-harvest management by promoting the adoption of technology and the necessary management know-how.

It's evident that the Ministry of Cooperation was the need of the hour which the Modi Government fulfilled timely to bring rural resilience in the country.
