Cooperative spirit

The new Ministry should seek to be a catalyst, and not the command centre, of the sector

Alongside the state and the market, cooperatives play a vital role in the country's development but are seldom the focus of policy planning. The creation of a new Union Ministry to oversee the cooperatives sector will redeem it from negligence, according to the Government. Critics fear that this Ministry is purposed to concentrate even more powers in the hands of the Centre. Cooperatives are dominant in agriculture, credit and marketing, but not limited to those. Some are big – IFFCO has around a third of the market share in fertilizers. In milk, cotton, handlooms, housing, edible oils, sugar and fisheries, they are formidable. As market conditions are evolving, cooperatives in States such as Kerala have got into complex operations: running IT parks and medical colleges. More avenues for expansion, such as insurance, remain untapped and the regulatory regime must evolve in step. The legal architecture of the sector began evolving since 1904 under colonial rule, and in 2002, the Multi State Cooperative Societies Act was passed, taking into account the challenges arising out of liberalisation. Considering the fact that cooperatives fall in the State list of the Constitution, the Centre will have to innovate to provide legal sanctity for the new Ministry. A separate Ministry can marshal the diffused capacity of the sector, however.

That said, this move will turn disastrous if the attempt is to appropriate the political capital of the sector, which is significant. Cooperatives are not meant to operate by the market logic of maximising profits but to share the benefits to all stakeholders equitably. Though not uniform across India, cooperatives have made significant contributions in poverty alleviation, food security, management of natural resources and the environment. True, the sector has become an instrument of patronage and pilferage. Mismanagement and corruption destroyed the sector in some States. The potency of cooperatives as an apparatus of political control is personally known to Minister-in-charge Amit Shah, once president of a district cooperative bank. Besides serving localities and segments that markets might ignore, cooperatives are also effective in mediating politics at the local level, outside of the parliamentary system. Despite regulatory oversight by the RBI and States, there is considerable autonomy for the sector which is often misused. The remedy is not an overarching Ministry and diktats from Delhi. The premise of a cooperative is that decisions are made by those affected by them. The case for transparency and efficiency in the sector is strong; that goal must be pursued not by scaring the very soul of the sector but by advancing the cooperative spirit. The new Ministry could indeed be a catalyst, but it must not fashion itself as a command authority.