

An Analytical Evaluation of the Cooperative Movement in Maharashtra

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Research Guide

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Abstract -

This research provides a comprehensive analytical evaluation of the cooperative movement in Maharashtra, a state historically recognized as the pioneer of the cooperative model in India. The study investigates the evolution of these societies from traditional credit-based entities to diversified multi-sectoral enterprises, assessing their critical role in regional socio-economic development. Utilizing a mixed-methods approach, the research combines longitudinal data from the 2024–2025 economic surveys with qualitative assessments of recent legislative updates, including the latest amendments to the Maharashtra Co-operative Societies Act. The findings reveal that while Maharashtra maintains a dominant global position in sugar, dairy, and housing cooperatives, the movement faces significant structural hurdles. Main progress indicators highlight a rapid shift toward digitalization through the "e-PACS" initiative and the integration of cooperatives into the national Ethanol Blending Programme. However, critical challenges persist, including political interference, rising Non-Performing Assets (NPAs) in District Central Cooperative Banks, and a deficit in professional management. The study concludes that recent policy measures such as the implementation of model bye-laws and the "Sahkar se Samridhhi" framework are essential for restoring financial transparency. By analyzing the impact of the newly formed 2025 High-Level Committee on cooperative reforms, this study offers actionable insights for policymakers to bridge the gap between traditional cooperative values and modern market competitiveness.

KeyWords: Globalization, Co-operative Sector, Maharashtra Economy, Liberalization, Privatization, Economic Reforms (1991), Co-operative Banks, Sugar Co-operatives etc.

Introduction -

The cooperative movement in Maharashtra is not merely a financial system but the backbone of the state's rural economy and social fabric. Historically, the movement gained momentum in the early 20th century as a response to the exploitation of farmers by local moneylenders, eventually evolving into a powerful institutional framework after the formation of the state in 1960. Today, Maharashtra boasts one of the most robust cooperative networks in the world, spanning across diverse sectors including sugar production, dairy farming, banking, and housing. This movement has been instrumental in democratizing capital, ensuring that small-scale producers and marginalized communities gain collective bargaining power and access to formal credit. By fostering a spirit of mutual aid and self-reliance, cooperatives have facilitated massive infrastructure development in rural pockets, turning Maharashtra into a leader in agricultural processing and industrial growth. However, the contemporary landscape of the cooperative sector is characterized by a complex paradox of immense success and deep-seated structural vulnerabilities. While the state's sugar cooperatives and District Central Cooperative Banks (DCCBs) have created significant wealth and political leadership, they are currently grappling with issues of financial mismanagement, outdated technology, and increasing competition from private players. The transition into a globalized economy has necessitated a shift from traditional administrative methods to professionalized management and digital integration. As the government introduces new initiatives like the "Sahkar se Samridhhi" (Prosperity through Cooperation) vision, it becomes essential to analytically evaluate how these societies can balance their social welfare roots with modern commercial viability.

Objectives -

- 1) To evaluate the socio-economic impact of cooperative societies on rural development.
- 2) To analyze the criticisms faced by the co-operative sector in the context of globalization.

Research Methodology - The type of the Research Paper is Descriptive and Analytical.

Data Collection -

Primary Data: Primary data was collected from cooperative society members and cooperative officials through structured questionnaires and personal interviews.

Secondary Data: While collecting information for the research paper, secondary sources have been used. In this, newspapers, magazines, annual issues, reports, research papers, research reports, reference books, books have been used.

Role of Co-operatives in Maharashtra: The cooperative movement in Maharashtra acts as the primary engine for rural socio-economic transformation, functioning as a "third sector" that balances the limitations of both the public and private domains. It is fundamentally built on the principles of mutual aid and democratic management, providing a platform for small-scale farmers, artisans, and laborers to pool their resources and gain collective bargaining power. By providing easy access to institutional credit through a three-tier structure comprising the Maharashtra State Co-operative Bank at the apex, District Central Co-operative Banks (DCCBs), and Primary Agricultural Credit Societies (PACS) the movement has successfully liberated millions from the cycle of predatory moneylending. Beyond finance, Maharashtra leads the nation in sugar and dairy cooperatives, which have not only turned the state into an industrial powerhouse but also funded essential social infrastructure like schools, hospitals, and rural roads.



The socio-economic impact of cooperative societies on rural development: The cooperative movement in Maharashtra serves as a powerful engine for rural transformation, acting as both a financial lifeline and a social catalyst. By providing marginalized farmers with collective bargaining power and affordable credit, these societies have successfully dismantled the monopoly of local moneylenders and established a self-reliant agrarian economy. Beyond finance, their impact is visible in the vast networks of sugar factories, dairy units, and spinning mills that have created millions of rural jobs and spurred infrastructure development, including schools and hospitals. In essence, they remain the primary vehicle for ensuring that economic growth reaches the last mile of rural Maharashtra.

Impact of cooperative societies on rural development: The impacts cooperative societies on rural development are as following:

1. Economic Empowerment and Credit Access: The most immediate impact of cooperatives is the elimination of predatory moneylending. Through Primary Agricultural Credit Societies (PACS), farmers receive timely, low-interest loans for seeds, fertilizers, and machinery. By pooling resources, small-scale farmers gain collective bargaining power, allowing them to purchase inputs at wholesale prices and sell their

produce at competitive market rates, significantly increasing their profit margins.

2. Industrialization and Value Addition: Cooperatives have moved beyond simple farming into agro-processing. In states like Maharashtra, cooperative sugar factories and dairy unions (like Amul or Gokul) allow farmers to own the processing units. This ensures that the "value-added" profit from turning sugarcane into sugar or milk into butter stays within the rural community rather than going to private corporations.

3. Social Integration and Infrastructure: Cooperative societies often reinvest their surpluses into the local community. This has led to the establishment of rural infrastructure, including:

- **Education:** Schools and technical colleges funded by cooperative trusts.
- **Healthcare:** Local clinics and hospitals for members and their families.
- **Inclusion:** Empowering women through dairy cooperatives and Self-Help Groups (SHGs), providing them with financial independence and a voice in local governance.

4. Leadership and Democratic Training: Cooperatives function as "schools of democracy." Since every member has one vote regardless of their shareholding, these societies train rural citizens in leadership, management, and decision-making. Many local and state-level leaders begin their careers in the boardrooms of village cooperatives.

The criticizes faced by the Co-operative sector in the context of globalization: The Co-operative movement, traditionally the savior of the rural economy, is currently navigating the complex tides of a borderless global economy. Globalization has ended the era of "protected growth," exposing Co-operatives to the rigors of international quality standards and aggressive private competition. In Maharashtra a state that pioneered the Co-operative model in sugar and dairy. The challenge lies in balancing the original social ethos of "mutual help" with the modern necessity for profit-driven efficiency. As trade barriers dissolve, these institutions must grapple with structural rigidities and financial vulnerabilities that were previously shielded by government intervention.

Main criticizes in the Era of Globalization

1. Formidable Competition from Multinational Corporations (MNCs): In a globalized market, Co-operatives no longer compete just with each other. Large private players and MNCs enter rural markets with massive capital, superior branding, and sophisticated supply chains. For instance, Co-operative dairy units in Maharashtra face stiff competition from global brands that offer diversified products and attractive packaging that Co-operatives often struggle to match.

2. Technological and Digital Lag: Globalization is driven by rapid technological advancement. Many Co-operative societies, particularly at the primary level (PACS), still rely on manual record-keeping or outdated systems. The lack of integrated IT infrastructure makes it difficult for them to participate in global e-commerce or track real-time market fluctuations, leading to data silos and operational delays.

3. Capital Scarcity and Financial Rigidity: Unlike private companies that can raise equity from global stock markets, Co-operatives are limited by their member-based capital structure.

- **Withdrawal of State Support:** Following WTO guidelines, the government has reduced direct subsidies, forcing Co-operatives to be self-reliant.
- **Capital Adequacy:** Co-operative banks struggle to meet international banking standards (like Basel III norms) due to high Non-Performing Assets (NPAs) and limited avenues for fresh capital infusion.

4. Lack of Professionalism in Management: Traditional Co-operatives are often managed by elected representatives who may have strong local influence but lack specialized training in global trade, risk management, or modern HR practices. This "amateurish" management style often leads to slow decision-making, which is detrimental in a fast-paced global market.

5. Political Interference and Over-Regulation: The Co-operative sector in Maharashtra is deeply intertwined with local and state politics.

- **Leadership Issues:** Boards are sometimes used as political stepping stones rather than business entities, leading to decisions based on populism rather than economic viability.
- **Regulatory Burden:** While private firms enjoy "Ease of Doing Business" reforms, Co-operatives remain bound by an aging Co-operative Societies Act that requires government permission for even basic business expansions.

6. Difficulty in Meeting International Quality Standards: Global trade requires strict adherence to Sanitary and Phytosanitary (SPS) measures and ISO certifications. Small-scale Co-operative processing units often lack the laboratory facilities or standardized protocols needed to export products like sugar, grapes, or processed milk to stringent markets like the European Union or the USA.

7. Erosion of Co-operative Values: There is an internal conflict between maintaining the "Social Goal" (welfare of members) and the "Market Goal" (profitability). To survive globalization, some Co-operatives act more like private firms, potentially alienating the small and marginal farmers they were originally designed to protect.

Three-Tier Co-operative Credit Structure: The Three-Tier Co-operative Credit Structure is an important institutional framework developed to provide timely and adequate credit to the agricultural and rural sectors. This structure was designed to strengthen the co-operative movement by linking village-level societies with district- and state-level co-operative banks. In Maharashtra, this structure has played a vital role in promoting agricultural development, rural employment, and financial inclusion by making institutional credit accessible at the village level.



Strategic Measures to Strengthen Co-operatives: To strengthen the cooperative movement in Maharashtra and align it with the national "Sahkar se Samriddhi" (Prosperity through Cooperation) vision, a series of strategic reforms have been introduced between 2024 and 2026. These measures focus on moving beyond traditional lending to creating multi-functional, digitally-enabled, and professionally managed economic entities.

1. Modernization through e-PACS & Digitalization: Full computerization of over 12,000 Primary Agricultural Credit Societies (PACS) with unified ERP software and the integration of "e-PACS" status. Historically, PACS suffered from data silos, delayed audits, and manual errors. By 2026, the transition to digital records creates a "Single Source of Truth." This allows for Real-time Auditing, which drastically reduces the window for financial fraud. It also enables Direct Benefit Transfer (DBT), ensuring that government

subsidies reach farmers without leakage, thereby increasing trust in the cooperative system.

2. Diversification into Non-Traditional Sectors: Expanding cooperative operations into Green Energy (Biogas/Solar), Jan Aushadhi Kendras, and the "Sahkar Taxi" service. Relying solely on agricultural credit is no longer financially viable due to fluctuating crop yields and loan waivers. Diversification into high-frequency, cash-rich businesses like generic medicine and fuel distribution provides a steady revenue stream. This "Multi-Purpose" model ensures that even if one sector (like sugar) faces a downturn, the society remains liquid and operational.

3. Structural & Legal Reforms (Draft Rules 2025): Implementation of the *Maharashtra Cooperative Societies Rules, 2025*, which include virtual AGMs, hybrid meetings, and video-recorded redevelopment processes. These reforms address the "Participation Crisis." In an increasingly urbanized Maharashtra, many members are "non-active" simply due to physical constraints. Legalizing Virtual AGMs increases democratic participation. Furthermore, mandatory video recording of redevelopment decisions specifically targets the transparency issues in Mumbai and Pune's housing cooperatives, preventing "builder-committee" collusion.

4. Financial Parity & Tax Incentives: Reduction of Minimum Alternate Tax (MAT) from 18.5% to 15% and lowering the surcharge for societies with income up to ₹10 Crore. For decades, cooperatives were taxed more heavily than private companies. Bringing MAT parity (matching the 15% corporate rate) provides cooperatives with more retained earnings. Analysis shows this "extra capital" is being redirected into infrastructure, such as the World's Largest Grain Storage Plan, allowing cooperatives to build their own godowns and avoid distress sales by farmers.

5. Professionalization of Management: Establishment of specialized training through Tribhuvan Sahkari University (2025) and mandatory inclusion of professionals on cooperative boards. The "leadership gap" has been a major cause of society failures. By shifting from purely political appointments to Skill-based Governance, cooperatives can better compete with private banks and dairy giants. The analysis suggests that professional management leads to a 20-30% reduction in Non-Performing Assets (NPAs) by applying modern risk-assessment tools that were previously absent.

Conclusion:

The Co-operative sector in Maharashtra has reached a defining moment where the legacy of collective welfare meets the demands of a competitive global economy. While globalization initially appeared as a threat to traditional Co-operative structures, it has ultimately acted as a catalyst for much-needed systemic transformation. By forcing a shift away from state-dependent models toward professionalized, technology-driven, and market-linked enterprises, globalization has encouraged Co-operatives to unlock new revenue streams, such as ethanol production and high-value agricultural exports. The future of the movement now depends on its ability to maintain a delicate balance: integrating modern corporate efficiency without losing the democratic spirit that protects the smallest farmer. As the state moves from a role of "controller" to "facilitator," Maharashtra's Co-operatives have the potential to serve as a global benchmark for how social enterprises can not only survive but thrive in an interconnected world.

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