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National Cooperation Policy 2025: Transforming India's Cooperative Sector

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National Cooperation Policy 2025: Transforming India's Cooperative Sector


PIB Special Features Chapter 2 · 4 min read ·

WHY IN NEWS

The Government of India launched the **National Cooperation Policy (NCP) 2025** on July 24, 2025 — the first dedicated national policy for the cooperative sector in decades. Built on 6 strategic pillars and 83 recommendations, it aims to transform India's 8.5 lakh+ cooperatives from dormant entities into engines of rural economic growth.

BACKGROUND: INDIA'S COOPERATIVE SECTOR

India has one of the **largest cooperative movements in the world**, yet its potential remains severely underutilised:

INDICATOR	DATA
Registered cooperatives	8.5 lakh+
Total membership	29 crore+
Primary Agricultural Credit Societies (PACS)	1.07 lakh
PACS with losses	~30% (dormant or defunct)
Share in agricultural credit	~16% (NABARD data)

Core problems plaguing cooperatives:

- Elite capture by local political and economic interests
- Poor governance and lack of professional management
- Weak audit and accountability mechanisms
- Most cooperatives limited to a single activity (credit or dairy or sugar)
- Digital exclusion — most PACS had no computerised records

CONSTITUTIONAL FRAMEWORK FOR COOPERATIVES

97th Constitutional Amendment Act, 2011

A landmark amendment that gave cooperatives constitutional status:

PROVISION	CONTENT
Article 43B (new DPSP)	State shall endeavour to promote voluntary formation, autonomous functioning, democratic control of cooperatives
Article 19(1)(c) (amended)	Added “cooperative societies” to right to form associations
Part IXB (new)	Articles 243ZH to 243ZT — detailed provisions on cooperative elections, audits, membership, and supersession

*Part IXB (cooperative societies) was challenged in courts. The Supreme Court in **Union of India v. Rajendra N. Shah (2021)** struck down certain provisions of Part IXB as they applied to state cooperatives (as cooperatives are a State List subject — Entry 32, List II), but upheld the rest.*

NATIONAL COOPERATION POLICY 2025 — KEY FEATURES

6 Strategic Pillars

- 1 Governance Reform** — Professional management boards, independent directors, standardised audit
- 2 Financial Strengthening** — NABARD linkage, credit guarantee mechanisms, micro-lending via PACS
- 3 Technology Integration** — PACS computerisation, digital transactions, real-time data on cooperative health
- 4 Market Linkage** — FPO-cooperative convergence; National Cooperative Export Limited (NCEL) for agri-exports
- 5 Organic & Natural Farming** — National Cooperative Organics Limited (NCOL) to mainstream organic produce
- 6 Human Resource Development** — Training cooperatives’ leadership; cooperative education in universities

Key Numbers

FEATURE	DATA
Strategic pillars	6
Policy objectives	16
Recommendations	83
PACS computerisation budget	₹2,925 crore
New bodies created	NCEL (exports), NCOL (organics)
Target	Multipurpose cooperatives in every panchayat

MINISTRY OF COOPERATION — A NEW INSTITUTION

The **Ministry of Cooperation** was created in **August 2021** — the first time a separate ministry was dedicated exclusively to the cooperative sector. Previously, cooperatives were handled by the Agriculture Ministry.

Significance:

- Signals political will to revive cooperatives as instruments of rural development
- Enables focused policy attention, separate budgetary allocation
- Facilitates coordination between Centre and states (cooperatives are State List but multi-state cooperatives are Central)

PACS COMPUTERISATION — DIGITAL BACKBONE

PACS (Primary Agricultural Credit Societies) are the grassroots units of the three-tier cooperative credit structure:

National Level → NABARD (apex)

State Level → State Cooperative Banks (StCBs)

District Level → District Central Cooperative Banks (DCCBs)

Village Level → PACS (1.07 lakh units)

The **₹2,925 crore PACS computerisation project** aims to:

- Create a national software for all PACS (one common platform)
- Enable real-time financial reporting and audit

- Link PACS to DBT (Direct Benefit Transfer) for government schemes
- Reduce cash-based transactions and elite capture

MULTI-STATE COOPERATIVE SOCIETIES (AMENDMENT) ACT 2023

CHANGE	IMPACT
Strengthened Central Registrar powers	Better oversight of multi-state cooperatives
Electoral reforms	Timely elections, reduced political interference
Concurrent audit	Mandatory concurrent audit for large cooperatives
Board composition	Functional directors (experts) mandated

UPSC ANGLE

- **GS2 — Governance:** Cooperative federalism, 97th Amendment, Centre-State division on cooperative regulation (State List vs multi-state), Part IXB judicial controversy.
- **GS3 — Economy:** Rural credit, PACS, NABARD, agricultural marketing, Amul model of cooperative success.
- **GS2 — Social Justice:** Cooperatives as instruments of rural inclusive growth, women's SHG-cooperative linkage.
- **Mains Q:** "The 97th Constitutional Amendment was a necessary but insufficient step for cooperative revival. Discuss in light of NCP 2025."

Prelims-ready facts:

- NCP 2025 launched: July 24, 2025
- Ministry of Cooperation created: August 2021
- PACS computerisation: ₹2,925 crore
- New bodies: NCEL (exports), NCOL (organics)
- 97th Amendment: Article 43B (DPSP) + amended Article 19(1)© + new Part IXB
- Cooperatives in State List: Entry 32, List II

FACTS CORNER

NCP 2025 launch date: July 24, 2025

Framework: 6 pillars | 16 objectives | 83 recommendations

India's cooperatives: 8.5 lakh+ registered; 29 crore+ members; 1.07 lakh PACS

PACS computerisation: ₹2,925 crore project for digital transformation

New bodies: National Cooperative Export Limited (NCEL) + National Cooperative Organics Limited (NCOL)

Ministry of Cooperation: Created August 2021 — first separate ministry for cooperatives

97th Amendment (2011): Article 43B (DPSP) + Article 19(1)© + Part IXB (Articles 243ZH–243ZT)

Cooperative subject: State List Entry 32 (multi-state cooperatives: Union List)

Amul model: Anand Pattern — three-tier cooperative in dairy — the gold standard for cooperative success

NABARD: Apex body for cooperative credit financing at national level



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