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**ICMAI**  
**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**



**भारतीय लागत लेखाकार संस्थान**

Statutory Body under an Act of Parliament

(Under the Jurisdiction of Ministry of Corporate Affairs)



# ICMAI

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### Vision Statement

“The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.”

### Mission Statement

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

### Institute Motto

असतोमा सद्गमय  
तमसोमा ज्योतिर् गमय  
मृत्योर्मा मृतं गमय  
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth  
From darkness, lead me to light  
From death, lead me to immortality  
Peace, Peace, Peace

Behind every successful business decision, there is always a **CMA**

# THE COUNCIL (2023 - 2027) OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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# Contents



## INSIDE

1. From the President's Desk 1
2. From the Chairman's Desk 3
3. About the Institute 5
4. Cooperative and NPO Development Board 7

## ARTICLES

5. Building Financial Resilience in Co-operatives: The Strategic Role of Insurance 11
6. PACS in Transition: Key Initiatives and Emerging Taxation Challenges 19
7. Women Mentorship In Finance: A Study of Mahila Urban Cooperative Banks 24
8. Youth and Cooperatives – A Pathway to Self-Employment 32
9. Cooperatives as Engines of Social Equity and Economic Growth: A Global Perspective 41



# From the President's Desk

CMA TCA SRINIVASA PRASAD

**President**

The Institute of Cost Accountants of India



*Dear Esteemed Readers,*

**W**arm and heartfelt congratulations to the Cooperative and NPO Development Board on the release of the latest issue of the Quarterly Journal “CMAs Cooperative Digest”. The recent renaming of the Board as the Cooperative and NPO Development Board marks a significant and progressive step, reflecting its broader vision and enhanced mandate. This transformation reflects a strengthened resolve to advance both the cooperative sector and the non-profit ecosystem, recognizing their vital contribution to inclusive growth, community empowerment and sustainable development.

At a time of swift economic transformation and increasingly complex social challenges, the cooperative and non-profit sectors continue to play a pivotal role in fostering inclusive

development, strengthening grassroots institutions and creating sustainable socio-economic impact. Publications of this nature serve an important purpose by disseminating knowledge, showcasing best practices, and encouraging meaningful dialogue among practitioners, policymakers, academicians and other stakeholders.

The role of Cost and Management Accountants (CMAs) has evolved far beyond traditional financial stewardship. Today, CMAs are strategic partners in ensuring transparency, accountability, governance and financial sustainability within mission-driven organizations. Their expertise contributes significantly towards strengthening institutional frameworks and enabling these entities to achieve their developmental objectives effectively.

It is hoped that this journal will continue to serve as a valuable knowledge resource and guiding platform for professionals and stakeholders dedicated to enhancing the socio-economic contribution of the Cooperative and NPO sectors.

Sincere appreciation is extended to the Cooperative and NPO Development Board under the Chairmanship of CMA Navneet Kumar Jain for his continued commitment, vision, and leadership in steering the Board towards newer milestones and greater accomplishments.

Wishing all readers an enriching and insightful reading experience.

Jai Hind!

With best regards,



**CMA TCA Srinivasa Prasad**

**President**

**The Institute of Cost Accountants of India**

# *From the Chairman's Desk*

CMA NAVNEET KUMAR JAIN

**Chairman**

Cooperative & NPO Development Board  
The Institute of Cost Accountants of India



*Dear Professional Colleagues,*

It gives me immense pleasure to present the 7th Quarterly Issue of “CMA’s Cooperative Digest”, a thoughtful compilation of insights and practical perspectives on the evolving landscape of the cooperative sector. This journal continues to serve as a vital platform for knowledge sharing, capacity building, and professional engagement among stakeholders committed to inclusive and sustainable development.

In this issue, we have brought together a diverse range of articles that reflect both the depth and breadth of the cooperative movement.

The contributors have thoughtfully examined contemporary challenges, governance practices, financial sustainability, and the role of technology in strengthening cooperatives.

The article underscores the **critical role of insurance**

in protecting cooperative assets and member livelihoods against operational, financial, and climate-related risks. Focusing on the transformative power of collective action, this piece details how cooperatives provide rural women with “balance-sheet sovereignty”. Through a case study of the Vardhaman (Mahila) Co-operative Urban Bank, this research demonstrates the success of women-focused urban cooperative banks. It highlights how these institutions outperform traditional banks in accessibility and speed of credit for women entrepreneurs while emphasizing the need for robust governance and digital adoption. The article on Youth and Cooperatives addresses the global challenge of youth unemployment, positioning cooperatives as practical platforms for innovation and collective entrepreneurship. Collectively, they provide valuable perspectives for professionals, policymakers, and practitioners working towards strengthening cooperative institutions and enhancing their socio-economic impact.

I am also pleased to share that the Cooperative Development Board has now been renamed as the Cooperative and NPO Development Board. This change signifies an important expansion in our vision and mandate. While we continue to remain deeply committed to the promotion and development of cooperatives, we are now equally focused on supporting and strengthening the Non-Profit Organization (NPO) sector. The inclusion of NPOs reflects our recognition of their critical role in nation-building, social transformation, and community empowerment. The Board aims to create a robust ecosystem through research, advocacy, professional development, and capacity building initiatives for both cooperatives and NPOs.

As we conclude, I express my heartfelt gratitude and appreciation to each author for their valuable contribution that enriches our journal and adds significant insights to our field.

Wishing all our readers an enjoyable reading experience.

Warm regards,



CMA Navneet Kumar Jain

**Chairman**

**Cooperative and NPO Development Board**

**The Institute of Cost Accountants of India**



# About the Institute

## THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (ICMAI)

- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- The Institute of Cost Accountants of India is a premier professional body of Management Accountants in the country established on 28th May, 1959 under the Cost and Works Accountants Act, 1959 enacted by the Parliament in 1959 as ICWAI to regulate the profession of Cost and Management Accountancy in India.
- The Institute has been recognized by the Parliament as The Institute of Cost Accountants of India, w.e.f. 1st Feb, 2012.
- The Institute is governed by a Council in accordance with the provisions of the Cost and Works Accountants Act, 1959 as may be amended from time to time and Rules and Regulations framed thereunder.
- The Institute as a part of its obligation to regulate the profession of Cost and Management Accountancy, enrolls students for Cost Accountancy course, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programme in the field of Cost and Management Accountancy.
- The Institute is having 112 Chapters, 11 Overseas Centres and 4 Regional Councils under the administrative control of Ministry of Corporate Affairs, Government of India.
- Over the years the Cost and Management Accountancy profession has registered a tremendous growth and has occupied a prominent role in our economy and society. The Institute has more than 6,00,000 students and more than 1,00,000 qualified members.
- The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.
- The Institute is the largest CMA body in the Globe.

### Objectives of the Institute

- To develop the Cost and Management Accountancy function as a powerful tool of management control in all spheres of economic activities.
- To promote and develop the adoption of scientific methods in Cost and Management Accountancy.

- To develop the professional body of members and equip them fully to discharge their functions and fulfil the objectives of the Institute in the context of providing financial leadership of enterprises globally.
- To keep abreast of development in Cost and Management Accounting principles and practices, to incorporate such changes as essential for creating value for the industry and other economic activities.
- To exercise supervision over the entrants to the profession and to ensure strict adherence to the best ethical standards by the professionals.
- To organize seminars and conferences on the subjects of professional interest in different parts of the country for cross fertilization of ideas for professional growth.
- To carry our research activities covering various economic spheres and the publishing of books and booklets for disseminating information of professional interest to members in industrial, commercial and educational units in India and abroad.

## CMA PROFESSION

### Professional Avenues

- In today's interconnected global landscape, organizations rely on professionals like Cost and Management Accountants (CMAs) who possess specialized expertise in business strategy and value creation. Serving as the bedrock of enterprises, the comprehensive education and training provided by the Institute equip Cost and Management Accountants with multifaceted skills. CMAs play a pivotal role across diverse economic activities, serving as value creators, enablers, preservers and reporters.
- The demand for CMAs spans various sectors including government, private enterprises,

banking and finance, developmental agencies, education, training, research, as well as service and public utility sectors. Leveraging their specialized knowledge and training, CMAs often assume top management positions in both public and private enterprises, such as Chairman cum Managing Directors, Managing Directors, Finance Directors, Chief Financial Officers, Cost Controllers, Marketing Managers, Chief Internal Auditors and other significant roles.

- Entrepreneurial CMAs managing their own businesses effectively assume the roles of managers and accountants, enabling them to control and grow their ventures. The career trajectory for a CMA offers ample opportunities for advancement, with sustained demand for qualified and experienced professionals in India and abroad across various industries and government departments. Many Institute members also engage in providing professional cost consultancy services and teaching cost and management accountancy in reputed universities and colleges.
- Cost accountancy surpasses financial accounting by promoting the study and implementation of scientific methods to maximize efficiency in industrial, commercial and other domains. Unlike financial accounting, which primarily relies on retrospective data analysis, cost accounting facilitates real-time monitoring and regulation of production operations and processes, enhancing management and strategic decision-making.
- Within organizations, CMA members of the Institute serve as integral members of management teams, fulfilling roles as Cost Auditors, Internal Auditors, Auditors for GST, Excise, SEBI, NSDL, and other regulatory bodies, as well as serving as advisors and consultants in practice.



# Cooperative and NPO Development Board

## Introduction

In a landmark move to broaden the scope, relevance and effectiveness of the Board, the *Cooperative Development Board* of the Institute renamed the specialized board to the Cooperative and NPO Development Board. Far more than a change in name, this rebranding marks a strategic evolution—an unwavering commitment to fostering a seamless social business ecosystem and realizing the national vision of ‘Sahakar se Samriddhi’. It aligns with the evolving professional, regulatory and developmental requirements of the Cooperative and not-for-profit (NPO) sectors. The proposed change is also in line with the structure of the Committee on Cooperatives and NPOs of the South Asian Federation of Accountants (SAFA).

While cooperatives have long been the backbone of rural credit and agriculture, NPOs represent a massive ecosystem of social service, advocacy, and community development. The Non-Profit Organization (NPO) sector—also called the nonprofit, voluntary, or third sector—is made up of organizations that operate to serve a public or community benefit rather than to generate profit

for owners or shareholders. According to the data linked to the NGO Darpan portal of NITI Aayog, there are a total of **548,624 Darpan IDs** registered on the platform.

## Constitutional Provisions for NPOs

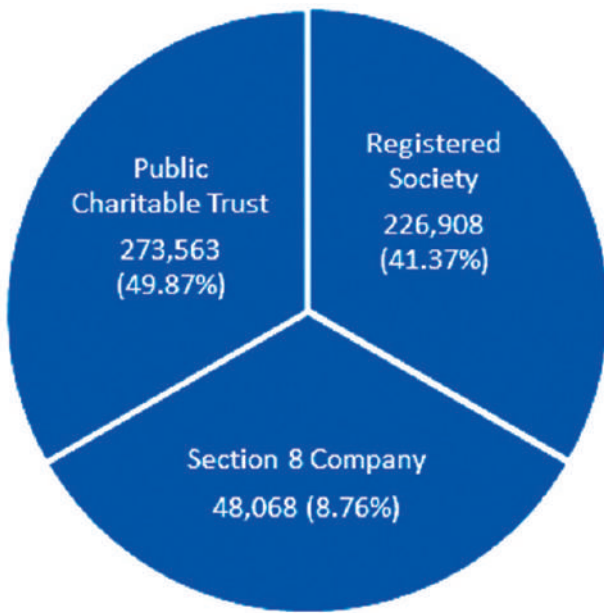
The **constitutional foundation for Non-Profit Organizations (NPOs) in India** lies in provisions that safeguard the freedom to form associations and advance social welfare objectives. The key provisions include:

- **Article 19(1)(c):** Ensures that every citizen has the fundamental right to form associations, unions, or co-operative societies.
- **Article 43B (Directive Principles of State Policy):** Directs the State to encourage the voluntary formation, autonomous functioning, democratic governance, and professional management of co-operative societies.
- **Seventh Schedule:** Matters related to charities, charitable institutions, charitable and religious endowments, and religious

institutions fall under the Concurrent List (Entry 28), which empowers both the Central and State governments to enact laws on these subjects.

## Types of NPOs

NPOs in India primarily adopt one of three legal structures, each governed by distinct statutes and regulatory authorities. The registered NPOs are categorized into three main types:



- Public Charitable Trust is governed by Indian Trusts Act, 1882 (or State-specific Acts).
- Registered Society is governed by Societies Registration Act, 1860.
- Section 8 Company is governed by Companies Act, 2013.

## Importance of NPOs in India

Non-Profit Organizations (NPOs) play a crucial

role in fostering inclusive development and act as an important link between the government and communities at the grassroots level.

- **Provides Services Where Government or Private Sector May Not:** NPOs often operate in remote or underserved areas where government or private organizations may have limited presence. They help deliver critical services such as rural education, community health programs, and disaster relief.
- **Drives Social Innovation:** NPOs experiment with creative solutions to address social challenges. Many successful models such as self-help groups and community development programs have emerged from non-profit initiatives.
- **Economic Impact:** The social sector in India has emerged as a major contributor to the economy. Recent estimates indicate that social sector funding reached around ₹25 lakh crore in FY 2024, generating employment and supporting service delivery across multiple sectors.
- **CSR Implementation:** NPOs serve as key implementation partners for Corporate Social Responsibility (CSR) programs mandated under Section 135 of the Companies Act, helping corporations channel their resources into impactful social initiatives.
- **Supports Vulnerable Populations:** NPOs work to assist marginalized groups such as the poor, women, children, and persons with disabilities. They provide essential services

like healthcare, education, and livelihood support, helping reduce social and economic inequalities.

- **Strengthens Democracy and Community Participation:** NPOs promote transparency, accountability, and citizen participation in governance. They empower communities to voice their concerns and contribute to decision-making processes.

## Advantages of NPOs

- **Tax Incentives:** Under Sections 12AB and 80G of the Income Tax Act, NPOs benefit from income tax exemptions, while donors can claim tax deductions on their contributions, thereby encouraging philanthropic giving.
- **Trust and Credibility:** The non-distribution principle—prohibiting the payment of dividends—ensures that all resources are directed toward fulfilling the organization’s mission, enhancing public trust.
- **Operational Agility:** Compared to government institutions, NPOs have greater flexibility to respond swiftly to emerging local needs, such as disaster relief or community emergencies, with minimal bureaucratic constraints.
- **Access to Funding:** NPOs are eligible to receive both domestic and international grants, funding opportunities that are generally not available to for-profit organizations.

## Challenges of NPOs

Despite their significant contributions, NPOs operate within an increasingly stringent regulatory landscape and face several operational challenges:

- **Rising Compliance Requirements:** Frequent amendments to regulations such as the Foreign Contribution (Regulation) Act (FCRA) and evolving Income Tax provisions necessitate specialized professional expertise to ensure compliance.
- **Heightened Scrutiny and Transparency Concerns:** Perceived gaps in accountability within certain segments of the sector have resulted in closer monitoring by authorities such as the Ministry of Home Affairs and the Income Tax Department.
- **Uncertain Funding Streams:** Dependence on grants and CSR allocations often leads to fluctuations in funding, making long-term planning and project sustainability more challenging.
- **Human Resource Constraints:** Limited financial resources can restrict the ability of NPOs to recruit and retain skilled professionals, including finance and compliance specialists.

## Way Forward

As the non-profit sector continues to professionalize, the role of **Cost and Management Accountants (CMAs)** is becoming increasingly vital.

- **Digitalization and Transparency:** The adoption of the Social Stock Exchange (SSE) framework for listing NPOs will require standardized reporting systems and rigorous social impact audits.
- **Implementation of New Tax Framework:** With the proposed Income Tax Act, 2025 expected to come into force in April 2026, NPOs will need to adapt to a more integrated registration and compliance structure.
- **Social Impact Assessment:** There is a growing demand for CMAs to undertake Social Audits, including the measurement

of Social Return on Investment (SROI), to demonstrate measurable impact to donors, regulators, and government agencies.

- **Strengthening Governance:** Enhancing internal controls, financial discipline, and cost optimization will help ensure that every rupee of donated funds is used efficiently and transparently.

In this evolving landscape, the **Cooperative and NPO Development Board** plays a pivotal role in guiding professionals and institutions, helping the sector move toward greater accountability, professionalism, and sustainable social impact.

# Building Financial Resilience in Co-operatives: The Strategic Role of Insurance

## Introduction

India's socio-economic growth is reliant on co-operative societies. Co-operatives have improved the lives of millions of individuals in agriculture, credit, housing, dairy, fisheries and rural industry through their frameworks of democratic management, mutual support and collective sustainability. The role of co-operatives is to improve financial access for rural communities, increase job opportunities, and strengthen communities.



**OM PRAKASH PRASAD**

CMA, M Com, MBA(F), FIII

Co-operatives operate in high-risk environments, such as crop losses, loan defaults, property or product losses, and market volatility, which make insurance essential to co-operative societies. Insuring co-operatives help protect co-operative assets and safeguard the interests of co-operative members, while enhancing asset security, strengthening co-operative governance, and contributing to the sustainable growth of co-operative organisations.

### The Co-operative Sector in India: An Overview

India has one of the largest co-operative movements around the world. Based on Government figures, over 8 lakh co-operative societies have been registered in India, covering a wide variety of areas, including:

- Agricultural credit
- Development of dairy
- Construction of new housing units
- Production and distribution of goods to consumers
- Production and distribution of fish from the ocean
- Crafts and craft production
- Multi-State Co-operatives
- Banks and other Financial Institutions that allow individuals, groups and Corporations to form co-operatives

Collectively, co-operatives serve many millions of individuals in both rural and semi-Urban locations. Co-operative societies are

based on several principles, namely Voluntary Membership, Democratic Control, Economic Participation, Autonomy and Concern for the Community.

## Understanding Risk in Co-operative Societies

### Types of Risk in Co-operative Societies

Depending on the co-operative type and operational structure, co-operatives are exposed to a range of risk types, for example:

- **Operational Risks**

Operational risks can include damage caused by internal processes, fraud, equipment failures, human error, and management inefficiencies. For example, a co-operative bank is likely to be exposed to cyber risk, while an interruption in its supply chain may impact a dairy co-operative.

- **Financial Risks**

Credit co-operatives and co-operative banks are exposed to capital losses due to credit defaults and liquidity risks. Interest rate risk can also threaten the co-operative's financial soundness.

- **Asset Risks**

A large number of co-operatives own physical assets. In addition to warehouses and processing facilities, this may also include vehicles and office buildings. If a co-operative experiences any form of physical loss (e.g., theft or fire) or a physical event such as a flood or a vehicle accident, these

losses can have a significant impact on the co-operative's financial stability.

- **Natural & Climate Change Risks**

Agricultural co-operatives are particularly vulnerable to natural phenomena such as droughts, floods, pest infestations, and localised climatic variations. All of these risks can have significant adverse impacts on production and incomes for co-operative members.

- **Liability Risks**

Any co-operative is liable for legal claims that arise out of employee accidents, product defects, and public liability.

Systems for effective risk management will help co-operatives develop a systematic approach for safeguarding the assets of both the co-operative itself and co-operative members. To help manage these risks, co-operatives rely on insurance policies.

## Importance of Insurance in the Co-operative Sector

Insurance is a contractual arrangement in which an insurer agrees to compensate the insured for specified losses in exchange for a premium. It functions by pooling risks across multiple policyholders and distributing losses across the pool.

The following items describe the importance of insurance to co-operative organisations:

- **Transfer of Risk**

Insurance provides a means of transferring

the financial impact of an unanticipated event from a co-operative organisation to an insurance company; therefore, co-operatives can focus on their day-to-day operations.

- **Financial Security**

The insurance policy of a co-operative organisation will also provide a measure of protection for the co-operative's Capital Base and help insulate it from sudden financial shocks.

- **Protection for Co-operative Members**

The majority of the members of a co-operative organisation are small-scale farmers, artisans, and labourers. Insurance ensures that the livelihoods of co-operative members are protected.

- **Business Continuity**

In the event of unfortunate occurrences (e.g., Fire, Natural Disaster), prompt receipt of an insurance payment enables a speedy return to the co-operative's original operations.

- **Institutional Credibility**

When co-operatives carry adequate insurance, they become credible entities, thereby instilling confidence among their members, lenders, and regulators.

## Types of Insurance Relevant to Co-operative Societies

Different forms of insurance support the functioning of co-operatives depending on their sector and risk exposure.

- **Property Insurance** protects co-operatives against the loss of buildings (including warehouses), machinery, vehicles and office equipment from fire, theft, flood, and natural disasters.  
An example of this would be a sugar mill or dairy processing co-operative insuring its plant and equipment through a comprehensive industrial policy.
- **Crop Insurance** Crop insurance, such as the Pradhan Mantri Fasal Bima Yojana (PMFBY), is particularly beneficial to agricultural co-operatives, as these policies compensate farmers for crop losses due to natural disasters, pest infestations, or disease.  
When farmers have access to crop insurance, their financial viability is strengthened, helping them create a stable source of income.
- **Livestock Insurance** Co-operatives that raise livestock (dairy and beef) rely on cattle and livestock as economic assets. Livestock insurance protects farmers from potential losses incurred due to disease, accidents or the death of an animal.  
Livestock insurance allows milk producers to maintain milk production continuity and provides income stability for dairy and livestock co-operative producers.
- **Credit Insurance** The majority of credit co-operatives and co-operative banks lend money to their members. Credit insurance protects lenders against the risk of principal loss due to borrower default when unforeseen circumstances prevent repayment.
- **Health Insurance** Health insurance policies and benefits for co-operative organisation members have grown tremendously due to the increasing number of people in need of health care; co-operative organisations are now also able to provide group health insurance for their members.
- **Employee Insurance** Co-operative organisations employ paid staff and part-time workers to carry out the co-operative's daily operations. Employee insurance programs protect employees and assist co-operatives in managing potential liability arising from work-related injuries.
- **Liability Insurance:** Some co-operatives, especially manufacturer and service co-operatives, need public or product liability insurance to protect their assets from lawsuits.
- **Marine and Transport Insurance** Producer co-operatives engaged in export or shipping services will likely need marine insurance to protect goods in transit.

## Challenges in Insurance Adoption among Co-operatives

Despite its importance, insurance penetration within the co-operative sector remains limited due to several factors.

- **Lack of Awareness**  
Many co-operative members are unaware of available insurance products or their benefits.

- **Affordability Concerns**

Small farmers and low-income members may find insurance premiums expensive.

- **Administrative Complexity**

Insurance documentation, claim procedures, and regulatory compliance may discourage participation.

- **Delays in Claim Settlement**

Delays in claim processing can undermine trust in insurance mechanisms.

- **Inadequate Risk Assessment**

Some co-operatives fail to conduct proper risk assessments and therefore remain underinsured.

## Role of Cost and Management Accountants in Insurance Management

Co-op insurance is best supported by Cost & Management Accountants (CMAs).

- **Identifying Risk:** Through their analytical capabilities, CMAs can identify co-ops' financial and operational risk exposures.
- **Insurance Planning:** CMAs provide information and recommendations regarding the appropriate types and amounts of insurance to purchase based on an analysis of a co-op's asset values and risk exposures.
- **Cost-Benefit Analysis:** CMAs can compare insurance premiums with potential losses to determine the appropriate level of insurance coverage.

- **Establishing Internal Control Systems:**

CMAs help co-ops develop the proper internal controls and documentation necessary for compliance with risk management regulations.

- **Claim Documentation:** CMAs support co-ops in preparing all documentation needed to support the claim process by providing the appropriate financial records, asset values and loss assessments to finalise the claim.

- **Advisory Support:** CMAs advise co-op boards on the importance of integrating insurance into their long-term financial planning and sustainability strategy.

## The Future of Insurance in the Co-operative Sector

Emerging trends will continue to shape and influence insurance practices in the co-operative sector.

- **Digital Platforms and Technologies**

Digital technologies will enable co-operatives to effectively enrol members, manage their policies, and track the status of their claims.

- **Parametric Insurance Products**

A parametric insurance product is a type of insurance that automatically pays out based on a defined set of weather events (flooding, drought, etc.) or third-party-sourced satellite imagery.

- **Microinsurance Products**

Microinsurance products designed for the

smallholder farmer, informal worker, and the globally vulnerable population will enable greater coverage.

- **Cooperation with Financial Services**

Co-op insurance will likely continue to integrate with co-op banking, lending and agricultural value chain services.

- **Climate Risk Insurance**

Increasingly volatile climate change risks will drive demand for climate-oriented insurance products within agricultural co-operatives.

## Policy Framework Supporting Insurance in Co-operatives

The Indian government, along with the regulatory authorities for insurance and the co-operative development agencies, has established an institutional framework that supports co-operative institutions by developing new insurance mechanisms for their members, while preserving the financial stability and sustainability of these co-operative enterprises by further enhancing member risk protection.

- **Government Policy Initiatives**

The federal government has developed various initiatives to strengthen risk protection for farmers and rural communities through project and program activities, many of which are implemented via co-operatives that act as intermediaries between the insurer and the beneficiary. One example of such a program is the Pradhan Mantri Fasal Bima

Yojana (PMFBY), which provides insurance for crops affected by natural calamities, pests, and disease. Co-operatives support farmers through the enrollment process, premium collection, and claim management. Additionally, the Ministry of Fisheries, Animal Husbandry and Dairying provide Livestock Insurance schemes that cover the livestock owned by dairy co-operatives to safeguard their assets.

- **Role of the Co-operative Development Institutions**

The National Bank for Agriculture and Rural Development (NABARD), as an example of a co-operative development agency, has facilitated rural credit, the development of farming co-operatives, and financial inclusion. NABARD educates co-operative banks and rural institutions on best practices in risk management and on facilitating the integration of insurance with other programs. The International Co-operative Alliance promotes the principles of co-operatives globally and encourages and supports co-operative enterprises in implementing financial sustainability initiatives through insurance mechanisms.

- **Regulatory Oversight of Insurance**

The Insurance Regulatory and Development Authority of India (IRDAI) is the regulatory body for the insurance sector in India. The IRDAI regulates insurance companies to ensure their solvency, protect policyholders, and promote the development of inclusive insurance products. The IRDAI has also

been active in establishing micro-insurance regulations to facilitate the availability of affordable micro-insurance for rural communities and co-operative members.

- **Collaboration between Public Agencies, Co-operatives, and Private Insurance Providers**

The expansion of the insurance sector often depends on collaboration among government agencies, co-operatives, and private insurance providers. Co-operatives serve as distribution channels, while the insurance providers provide the underwriting experience and claims management services.

## Policy Recommendations for Strengthening Insurance in Co-operative Societies

Insurance helps protect co-operative institutions from financial risk, but many co-operative sectors do not have the same level of insurance adoption. The overall enhancement of insurance coverage will require a collective effort by governments, regulatory authorities, co-operative leaders, and financial professionals.

- **Increasing Financial Literacy, Awareness, and Capacity Building to Support Adoption of Insurance:**

A significant barrier to co-operative members adopting insurance is their lack of knowledge of insurance products and the associated advantages. Governments, co-operative federations, and insurance companies need to undertake training

programs and awareness campaigns to help co-operative members understand how to manage their risks and protect themselves through insurance. The National Bank for Agriculture and Rural Development (NABARD) can assist in developing the capacity of co-operatives and rural financial institutions through programmes to improve their knowledge of the insurance market.

- **Affordable Microinsurance for Everybody:**

Many co-operators are smallholder farmers, artisans, or informal workers who lack access to high-cost insurance products. If low-cost products were offered to co-operators through simplified enrolment and premium payment procedures, then insurance coverage would increase for those who are economically vulnerable. The Insurance Regulatory and Development Authority of India has encouraged insurers to develop insurance products tailored to the needs of rural communities.

- **Building and Improving the Digital Frameworks of Co-operatives:**

Digital platforms facilitate enrolment, premium payment, and claim tracking. By aligning the operations of co-operatives, banks, and insurers, co-operatives will reduce administrative inefficiencies and increase transparency in the insurance process.

- **Review and Update Insurance Service Offerings to Co-operatives:**

Linking insurance to co-operative banks and

agricultural loans can increase insurance coverage while reducing the co-operative's risk.

- **Accelerate Claim Settlement Process and Establish New Partnerships:**

By using digital documentation and technologies such as satellite images, claims can be settled more quickly. Establishing public-private partnerships (PPPs) to promote insurance availability in rural areas by building relationships among government agencies, co-operatives, and insurers can further expand insurance access.

Through such partnerships, insurance services can become more accessible and affordable for co-operative members.

## Conclusion

The activities of the Co-operative Society greatly enhance India's socio-economic growth. They are instrumental in creating job opportunities for people in rural areas, increasing the financial inclusion of rural workers, and empowering communities through co-operative business. Unfortunately, the environment in which Co-operatives operate is highly susceptible to a variety of risk events, including natural disasters and financial collapse; therefore, to manage risk, Co-operatives must have access to a comprehensive risk management programme and insurance.

Insurance Products, including but not limited to

Crop Insurance, Livestock Insurance, Property Insurance, Credit Insurance, and Liability Insurance, provide an essential means for Co-operatives to strengthen their financial position, build trust with their members, and enable the continued operation of their Co-operative.

Government support, policy initiatives, regulatory guidance and institutional collaboration contribute to expanding the amount of available Insurance coverage to Co-operatives throughout the country, as well as to their ability to retain and engage members.

To make insurance an integral part of Co-operative Development, it will take the combined efforts of Policymakers, co-operative leaders, and Financial Professionals.

Finally, it can be said that "Future-Ready Co-operatives Are Risk-Ready."

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# PACS in Transition:

## Key Initiatives and Emerging Taxation Challenges

### ABSTRACT

The establishment of the Ministry of Cooperation has renewed focus on strengthening Primary Agricultural Credit Society (PACS) through governance reforms, digitalization, and diversification. This article examines their transition into Multi-Purpose PACS (MPACS) in response to financial and structural challenges, and reviews key taxation initiatives aimed at improving ease of doing business.

It highlights major tax issues such as the taxability of non-credit income, limitations under Section 80P, and the impact of TDS on interest income under Section 194A(3)



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(v), which creates liquidity and compliance challenges. The study emphasizes the need for policy alignment through extended tax relief and TDS exemption to support PACS in becoming viable and sustainable institutions driving rural development.

**C**ooperatives have gained renewed prominence following the establishment of the Ministry of Cooperation (MoC), which has introduced several initiatives aimed at strengthening Primary Agricultural Credit Society (PACS), including reforms in governance, digitalization, and business diversification. These measures are designed to improve their operational efficiency, expand their scope of activities, and enhance their role as viable and sustainable grassroots institutions in the rural economy. The amendments in income tax provisions—long demanded by the cooperative sector—provide much-needed support and are expected to significantly strengthen and energize cooperatives across the country.

## PACS as MPACS

PACS in India, originally established to provide short-term agricultural credit, now face multiple challenges affecting their viability, including erosion of own funds, weak deposit mobilization, high dependence on borrowings, poor recovery performance, and limited business diversification. Structural issues such as small area of operation, low member participation, lack of trained staff, and increasing competition from commercial banks have further reduced their profitability, leading many PACS to incur

losses or become dormant. In this context, diversification has become essential, as reliance on seasonal agricultural credit alone is no longer sustainable. Expanding into activities like input supply, storage, and marketing helps generate stable income, improve resource utilization, and meet evolving rural needs.

Recognizing these challenges, the MoC has promoted the transformation of PACS into Multi-Purpose PACS (MPACS) by introducing Model Bye-laws and encouraging business diversification, including development of storage infrastructure. At the end of April, 2026, there were 9769 MPACS newly registered in India under MoC initiative. As a result, PACS are evolving into multi-functional grassroots institutions, making them more viable, self-reliant, and capable of supporting rural economic development.

## Key Taxation Initiatives Affecting PACS

The MoC has, in a short span of time, undertaken several initiatives to strengthen the cooperative sector. Out of the 115 major initiatives introduced so far, a number of measures relate to tax benefits and reductions. These reforms are aimed at improving ease of doing business for cooperatives and providing a level playing field with other business entities. The following are some of the key tax-related measures supporting the growth and efficiency of cooperative institutions.

### 1. Enhanced Cash Withdrawal Limit

Section 194N earlier limited cash

withdrawals by cooperative societies to ₹1 crore, beyond which 2% TDS was applicable. In practice, PACS often withdrew cash from District Central Cooperative Banks (DCCBs) multiple times during the year to meet members' credit needs, frequently exceeding this limit. To address such operational challenges, the threshold has been increased to ₹3 crore for all cooperative societies, including PACS. Accordingly, TDS under Section 194N will now apply only when aggregate annual cash withdrawals exceed ₹3 crore from a bank.

## 2. Deposits Accepted in Cash by PACS

The Finance Act 1984 introduced Section 269SS and Section 269T to curb black money by restricting cash transactions in deposits and repayments. Earlier, cooperative societies, including PACS, were not permitted to accept or repay deposits in cash of ₹20,000 or more, which posed operational challenges. Recognizing the grassroots role of PACS and their engagement with small depositors, the government enhanced the limit to ₹2 lakh and extended the benefit to PCARDBs. This allows them to accept and repay deposits in cash up to ₹1,99,999, thereby improving ease of doing business and operational flexibility.

## 3. Reduction in Surcharge

The surcharge on cooperative societies has been reduced from 12% to 7% for income between ₹1 crore and ₹10 crore. The reduction in surcharge directly lowers the overall tax liability of cooperatives

including PACS, thereby increasing net surplus. This additional retained income can be used for strengthening reserves, expanding business activities, improving member services, and supporting community development initiatives.

## 4. Condonation of Delay

Section 119(2)(b) permits condonation of delay in filing returns to claim deductions under Section 80P. PACS are eligible for full deduction of net profit from their credit activities; however, as per Section 80AC(ii), such deduction is available only if income tax returns are filed on time. In practice, delays often occur due to lack of awareness, staff shortages, and late finalization of accounts, resulting in loss of this benefit. To address this, Section 119(2)(b) provides relief by allowing condonation of delay upon submission of a valid justification. This enables cooperatives, including PACS, to claim the deductions they would otherwise forfeit.

## Income tax issues concerning PACS

PACS enjoy income tax deductions on profits derived from their credit activities under Section 80P(2)(a)(i) and further amendment under Section 80P(4). However, income earned from non-credit activities is taxable. PACS often undertake diversified activities such as consumer stores, medical shops, petrol bunkers, etc and the profits from these businesses are subject to income tax, though a standard deduction of ₹50,000 is allowed. Where income is partly

exempt and partly taxable, proportionate expenses attributable to taxable activities must be deducted to arrive at the net taxable income, as held in Kota Cooperative Marketing Society vs. CIT (1994). Further, judicial rulings have clarified that selling goods on credit or on hire-purchase basis does not qualify as “providing credit facilities” under Section 80P. Therefore, such activities are treated as non-credit business and are taxable. PACS can claim deduction under Section 80P(2)(e) only when income is derived from letting out godowns or warehouses for storage, processing, or facilitating the marketing of commodities. If such properties are let out for other purposes—such as to institutions, shops, or commercial establishments—the rental income does not qualify for deduction, as clarified in Ahmedabad Maskati Cloth Dealers Cooperative Warehouses Society Ltd. (1986). Thus, although PACS enjoy tax exemptions on their core credit activities under Section 80P, a significant portion of their diversified and ancillary income remains taxable, limiting the overall tax benefit available to them.

## Ensuring Full Tax Deduction for PACS

The MoC has taken focused steps to develop PACS into Multi-Purpose PACS (MPACS) and to encourage newly formed societies to operate on similar lines. In this direction, PACS have been provided with training, guidance, and identification of 25 viable business activities along with Model Byelaw to enhance their sustainability. Earlier, when PACS were largely confined to credit activities, they enjoyed income

tax deductions; however, with diversification into non-credit businesses, the profits from such activities are now taxable at around 30% under the old tax regime. Moreover, since PACS avail deductions under Section 80P, they are not eligible to opt for the concessional 22% tax rate available under the new tax regime. This creates a disincentive for diversification, as a significant portion of their earnings is absorbed by taxes. Therefore, there is a strong need for extending full tax deduction to all business activities of PACS so that the initiatives aimed at strengthening them as viable institutions are not diluted and sufficient surplus remains available for community-oriented and developmental activities.

## Exempting PACS from TDS

Section 194A(3)(v) of the Income tax Act earlier provided that interest paid by one cooperative society to another was exempt from TDS, enabling PACS to receive interest on deposits from DCCBs without tax deduction. However, the Finance Act 2020 amended this provision by making TDS applicable where the paying cooperative society (DCCB) has a turnover exceeding ₹50 crore in the preceding financial year. Since PACS generally park substantial funds, including reserves, with higher-tier cooperative banks, the interest paid by such banks now attracts TDS. In Kerala, several PACS challenged this provision through writ petitions against the Kerala State Cooperative Bank (KSCB), but the courts dismissed these petitions, and accordingly, the KSCB is now required to deduct TDS on interest payments

made to PACS. Although this income may ultimately be eligible for deduction, PACS must first face reduced liquidity and then undergo the process of claiming refunds, leading to administrative burden and delays. This situation particularly affects smaller PACS by blocking working funds that could otherwise be used for lending and operational activities. Exempting PACS from TDS under Section 194A(3)(v) would help maintain their liquidity and avoid unnecessary blockage of working funds. Since their income is largely eligible for deduction under Section 80P, such an exemption would reduce compliance burden and support smoother credit operations at the grassroots level.

## Conclusion

Overall, while PACS are being actively transformed into vibrant Multi-Purpose institutions through the initiatives of the MoC, existing taxation provisions continue to pose challenges to their diversified growth.

The current framework, which taxes non-credit business income and mandates TDS on interest income under Section 194A(3)(v), has resulted in liquidity constraints, refund delays, and increased compliance burden for PACS, thereby affecting their operational efficiency. These issues may discourage the very diversification and financial strengthening efforts being promoted. Going forward, there is a strong need for policy alignment by extending broader tax relief, including exemption from TDS on inter-cooperative interest and full deduction for legitimate business activities, along with clear guidelines to remove ambiguity. Encouragingly, the cooperative-led model is already contributing to inclusive growth and community development; however, to fully realize the vision of “Sahkar Se Samridhi” envisioned by the Hon’ble Prime Minister, sustained policy support, capacity building, and governance reforms are essential to make PACS self-reliant, competitive, and impactful institutions in the rural economy.

# Women Mentorship In Finance: A Study of Mahila Urban Cooperative Banks

## ABSTRACT

**T**he focus of this research is on the Mahila Urban Cooperative Banks (MUCBs) within the Indian urban cooperative banking framework, specifically the case study on Vardhaman (Mahila) Co-operative Urban Bank Ltd., Hyderabad. Women focus cooperatives aim to meet the banking and financial service needs of women by offering customized deposit/credit products and financial empowerment, integrating social empowerment, and the governance structure of the cooperatives promotes women's active involvement in banking. The study uses Vardhaman's audited



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annual reports for financial years 2019–20 to 2023–24. Vardhaman demonstrates steadily growing deposits and advances, and profitability, with outreach to women members growing. Improved risk management, digital servicing, regulatory and industry collaboration, micro-entrepreneur focused product and service provision, and financial literacy are all suggested areas for strategic focus.

**Keywords:** Mahila Urban Cooperative Bank; Financial inclusion; Women empowerment; Vardhaman Bank; Urban Cooperative Banks; Microfinance; Cooperative governance.

## Introduction

Urban Cooperative Banks (UCBs) provide localized credit facilities in India, serving small businesses, traders, and urban households. The Reserve Bank, in its 2023-24 Trends & Progress report, pointed to the steady recovery and improvement in the sector’s asset quality while mentioning UCBs governance and risk management defenses. MUCBs (UCBs focusing on women and women issues) are a sub-segment whose mission deals with the provision of UCB services aimed at the economic empowerment of women through the integration of UCB services with savings mobilization, micro and small enterprise loans, and tailor-made financial literacy and support services. As mentioned in the report at the sector level, the RBI supervision evidence points to the improvement and continuing UCB sector vulnerabilities (governance, unsecured lending). Vardhaman

Bank (Vardhaman (Mahila) Co-op Urban Bank Ltd.) has grown since its inception in 1990 into a notable MUCB in Hyderabad with multiple branches and sustained financial performance; its audited 2023–24 annual report provides a transparent 5-year performance series that is ideal for study analysis.

## Literature Review

- Comparative evidence on MUCBs vs traditional banks (Ramanbhai, 2025). Ramanbhai analyses MUCBs in North Gujarat and finds MUCBs outperform traditional banks in terms of accessibility (lower collateral demands), speed of credit, and tailored products for women entrepreneurs; the study recommends improved digital adoption to scale impact. This provides recent empirical support for the idea that MUCBs meet gender-specific needs better than standard commercial channels.
- Sectoral risks and socio-economic effects of UCB crises (Shruthi et al., 2024). Shruthi and co-authors examine the UCB crisis in India, focusing on socio-economic and psychological effects on depositors. The paper highlights governance lapses and inadequate risk controls as root drivers while underlining the severe trust and livelihood impacts on customers—this underscores the urgency of robust governance for MUCBs as well.
- Job satisfaction and internal HR aspects

in women-centric UCBs (Shekhawat & Solanki, 2024). This empirical study of the Udaipur Mahila Samridhi Urban Co-op Bank documents how organizational culture, salary/benefits and governance affect employee satisfaction and consequently service delivery. It suggests MUCBs must attend to internal HR practices to sustain customer service and outreach.

- Microfinance and women's entrepreneurship (Mengstie, 2022). A broader literature synthesis and empirical review show microfinance institutions (MFIs) significantly aid entrepreneurship, income and asset accumulation among women; however, effect heterogeneity exists by context and complementary services (training, market linkages) matter. This provides theoretical grounding for MUCBs' potential role beyond simple credit.
- RBI national perspective on UCBs (Trend & Progress 2023–24). The RBI report provides the sector context: combined UCB balance sheets expanded in 2023–24, asset quality improved for the third consecutive year, but certain risks (e.g., unsecured lending and need for governance improvements) persist. The report's findings guide policy recommendations for MUCBs to improve risk controls and adopt technology.

## Research Methodology

This study adopts a case study approach focusing on Vardhaman (Mahila) Co-operative Urban

Bank Ltd., Hyderabad. The analysis is based on secondary financial data from the bank's audited annual reports over the last five years (FY 2019–20 to FY 2023–24). The study employs trend analysis and visual representation through charts to examine key indicators such as total deposits, advances, number of women beneficiaries, and net profit. The methodology aims to provide a clear, visual understanding of the bank's financial growth, operational performance, and its impact on women's financial inclusion and empowerment.

### Objectives of the study

1. To analyze the role of Vardhaman Mahila Co-operative Bank in promoting financial inclusion among urban women.
2. To evaluate the bank's financial performance and growth trends over the last five years.
3. To identify the challenges faced by the bank in delivering services effectively and sustainably.

### Limitations of the study

1. The study is limited to a single bank, so findings may not generalize to all Mahila Urban Cooperative Banks in India.
2. Only secondary financial data from the last five years is used; detailed borrower-level data is not available.
3. The study does not include quantitative surveys of a large population, limiting broader statistical inference.

## Data Presentation

Financial year	No. of Members	Total Deposits (₹. in lacs)	Total Advances (₹. in lacs)	Working Capital (₹. in lacs)	Net Profit (₹. in lacs)
2019–20	9,834	41,743.43	29,425.83	46,286.96	753.90
2020–21	8,335	43,659.12	25,853.40	49,224.27	632.01
2021–22	8,233	47,080.41	24,421.77	54,192.36	529.92
2022–23	8,778	51,667.84	32,263.94	58,461.72	766.14
2023–24	9,215	52,305.41	33,760.58	59,326.65	738.85

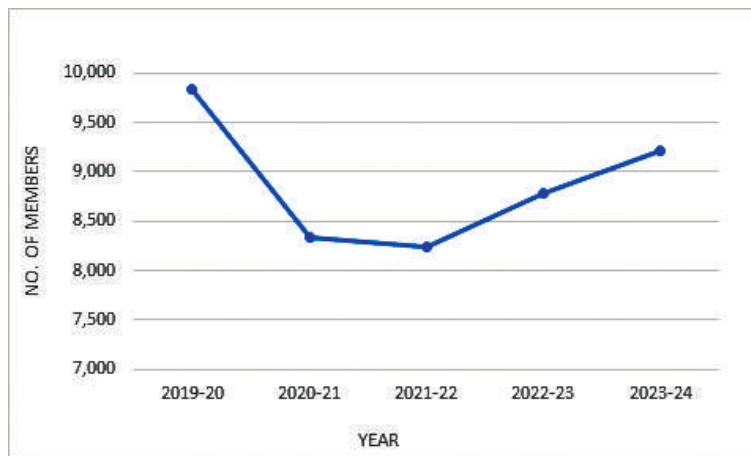
Source: Vardhaman (Mahila) Co-operative Urban Bank Ltd., Annual Reports 2019–20 to 2023–24.

## Data Interpretation

**Table: 1. No. of Members**

Financial year	2019-20	2020-21	2021-22	2022-23	2023-24
No. of Members	9,834	8,335	8,233	8,778	9,215

**Chart: 1.**



The number of members in the Vardhaman (Mahila) Co-operative Urban Bank exhibits a varied trend over the five years period. In the year 2019–20, the bank was associated with 9,834 members which shows the initial successful dissemination and engagement among urban women. But, during two consecutive years of

2020–21 and 2021–22, membership fell to 8,335 and 8,233 respectively, probably, a consequence of external factors like the COVID-19 pandemic, limited branch accessibility, and a temporary drop in members. Since 2022–23, membership has been on the rise and has reached 9,215 in 2023–24. Such a rebound can be attributed to the

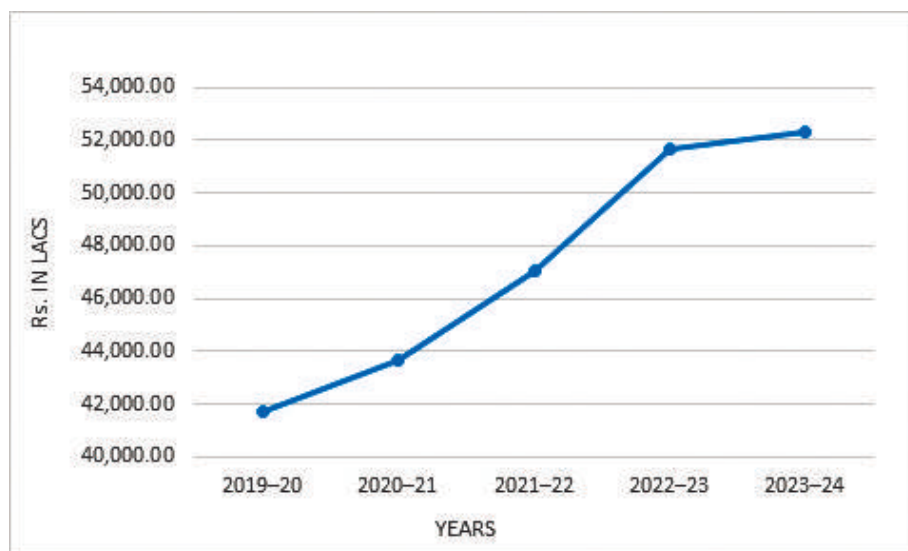
better outreach strategies, amplified engagement initiatives, and the restoration of confidence of women in the bank's services. The membership

trend is a clear indication that the input of the proactive engagement is necessary not only to retain but also to enlarge the beneficiary base.

**Table: 2. Total Deposits (₹. in lacs)**

Financial year	2019-20	2020-21	2021-22	2022-23	2023-24
Total Deposits (₹. in lacs)	41,743.43	43,659.12	47,080.41	51,667.84	52,305.41

**Chart :2.**



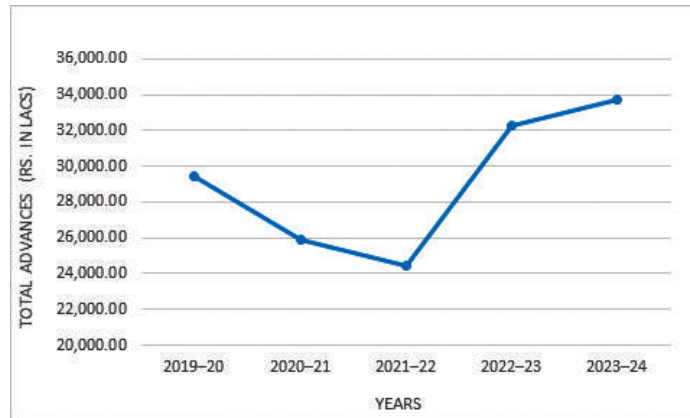
The total deposits represent the bank's capability to collect savings from its members and the general community. Deposits have been on the rise gradually from ₹.41,743.43 lacs in 2019-20 to ₹.52,305.41 lacs in 2023-24. The growth in 2020-21 (₹.43,659.12 lacs) only, in spite of the pandemic situation, reveals that the members have retained their trust and preference for safe savings avenues. After the pandemic,

the growth speeded up especially in 2022-23 (₹.51,667.84 lacs) which is a clear indication of the bank's successful deposit mobilization and women-oriented outreach programs. In fact, the uninterrupted increase in deposit volumes is a positive signal of the bank's strong liquidity, the confidence of its members, and its ability to finance advances while ensuring financial stability.

**Table:3. Total Advances (₹. In lacs)**

Financial year	2019-20	2020-21	2021-22	2022-23	2023-24
Total Advances (₹. in lacs)	29,425.83	25,853.40	24,421.77	32,263.94	33,760.58

Chart:3.



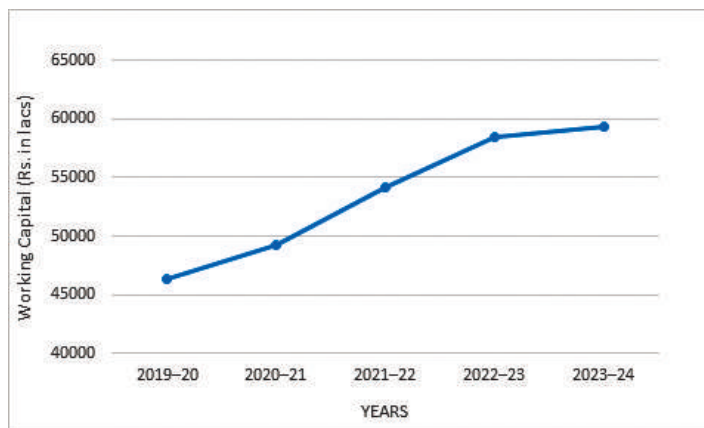
Advances reflect the bank’s lending activities, especially to women entrepreneurs and urban micro-enterprises. The period 2019–20 saw advances reaching ₹.29,425.83 lacs which is a clear indication of the provision of active credit support. Unfortunately, the period 2020–21 and 2021–22 witnessed the contraction of the bank’s advances to ₹.25,853.40 lacs and ₹.24,421.77 lacs, respectively. This move is understandable as the bank probably decided to adopt a cautious approach in its credit extension in response to

the pandemic-induced economic slowdown. The year 2022–23 is marked by the sharp comeback of the bank’s advances to ₹.32,263.94 lacs, and in 2023–24, there was an upward trend as the figures rose to ₹.33,760.58 lacs. Therefore, the bank’s confidence in the lending operations and the recovery in the demand for credit is evident from during these years. Such a trend is the bank credit portfolio’s resilience and a reminder that the bank has been there as a source of women’s entrepreneurship through tough economic times.

Table:4. Working Capital (₹. In lacs)

Financial year	2019–20	2020–21	2021–22	2022–23	2023–24
Working Capital (₹. in lacs)	46286.96	49224.27	54192.36	58461.72	59326.65

Chart:4.



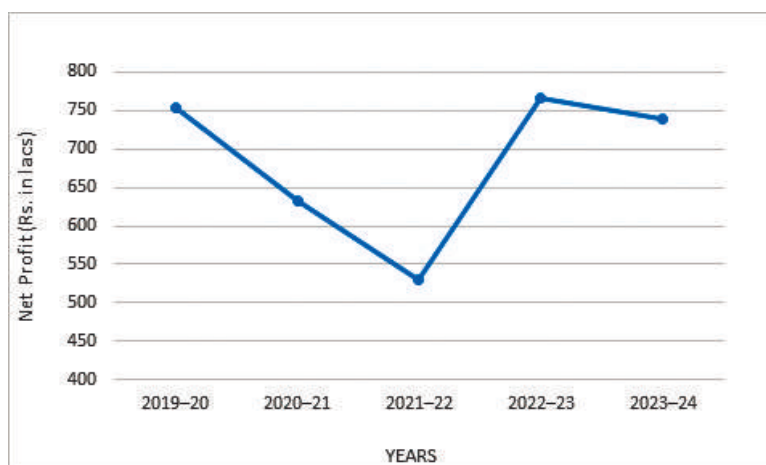
Working capital is the bank’s operational liquidity that allows it to meet its short-term obligations and continue its lending activities. The working capital has been increasing gradually from ₹.46,286.96 lacs in 2019–20 to ₹.59,326.65 lacs in 2023–24. Such a steady growth is a clear indication of the bank not only increasing the deposits but also engaging in a prudent financial management practice. The

growing working capital shows that the bank was able to maintain the required liquidity to meet the fluctuations in deposits and advances and at the same time, support its operational needs and possible expansion. Moreover, a solid working capital foundation enhances the bank’s capacity to extend credit to members in a timely manner, thus deepening its involvement in the process of financial inclusion.

Table:5. Net Profit (₹. In lacs)

Financial year	2019–20	2020–21	2021–22	2022–23	2023–24
Net Profit (₹. in lacs)	753.9	632.01	529.92	766.14	738.85

Chart:5



Net profit is a clear indication of a bank’s operational efficiency and its ability to sustain itself over time. In the period of 2019–20, the bank was able to make a net profit of ₹.753.90 lacs. Unfortunately, the profitability of the bank went down in 2020–21 and 2021–22 (₹.632.01 lacs and ₹.529.92 lacs) respectively, as a result of the negative economic impact of the pandemic which might have caused the rise in provisions and decrease in credit demand. The

bank’s profit went up again to ₹.766.14 lacs in 2022–23 and was slightly changed to ₹.738.85 lacs in 2023–24, thus indicating the successful operational recovery, the presence of a prudent management and the continuation of lending and deposit mobilization. The net profit pattern is a testament to the bank’s resilience and ability to uphold financial sustainability while it keeps on serving its women members effectively.

## Conclusion

**V**ardhaman (Mahila) Co-operative Urban Bank exemplifies the critical role Mahila Urban Cooperative Banks play in promoting financial inclusion and women's economic empowerment in urban India. The bank's financial performance over five years demonstrates both stability and growth, while its targeted products and services support women in managing savings, accessing credit, and developing entrepreneurial activities. The temporary slowdown during the pandemic underscores the need for robust risk management and adaptive strategies, yet the bank's recovery highlights resilience and effective governance. Overall, the study affirms that MUCBs like Vardhaman can achieve a dual mandate of financial sustainability and social impact, contributing significantly to inclusive urban finance.

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# Youth and Cooperatives – A Pathway to Self-Employment

## ABSTRACT

In the face of rising global youth unemployment and underemployment, cooperatives have emerged as a promising, inclusive, and sustainable model for engaging young people in meaningful economic activities. With over 1.2 billion youth worldwide, and youth unemployment rates significantly higher than adult rates—as much as 17.3% among youth aged 15–29 in India—there is a pressing need to explore alternative pathways for income generation and skill development. This paper explores how cooperatives can serve as a viable vehicle for youth self-employment, especially in developing economies.



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Rooted in democratic values and community ownership, cooperatives are uniquely positioned to address many barriers faced by young entrepreneurs. The International Cooperative Alliance (ICA) outlines seven core principles—voluntary membership, democratic control, member participation, autonomy, education, cooperation among cooperatives, and concern for community—which form the foundation of cooperative enterprise. These principles resonate deeply with youth aspirations for participation, equity, and social impact. Cooperatives also lower the entry barrier for youth with limited capital by allowing shared investment, risk mitigation, and collective access to resources and markets.

This article highlights various types of cooperatives suitable for youth, including agriculture, dairy, IT services, digital platforms, and artisan producer groups. National case studies such as AMUL's youth engagement model, Kudumbashree's youth network, and digital cooperatives in rural India illustrate how cooperatives are already transforming lives. Internationally, successful models like Mondragón Corporation in Spain, youth-led agribusiness cooperatives in Africa, and social cooperatives in Italy showcase the adaptability and effectiveness of the cooperative model across geographies and sectors.

Despite these successes, the paper identifies several challenges that limit youth participation in cooperatives. These include lack of awareness, inadequate cooperative education, bureaucratic hurdles, difficulty in accessing

finance, and social preference for individual entrepreneurship. To overcome these barriers, the article recommends actionable policy measures such as incorporating cooperative education in formal curricula, strengthening institutions like NCDC, NABARD, and NCUI, and launching youth-specific cooperative incubators. The article also advocates for promoting digital and platform-based cooperatives, which align with the skills and interests of the modern youth demographic.

In conclusion, the cooperative model aligns strongly with the vision of the United Nations' International Year of Cooperatives (IYC)—"Cooperative Enterprises Build a Better World." By integrating cooperative enterprise into youth development strategies, countries can not only reduce unemployment but also build more equitable, participatory, and resilient economies. This requires the collective effort of governments, educational institutions, cooperative federations, and youth themselves. When adequately supported, youth-led cooperatives have the power to drive innovation, sustain livelihoods, and foster social transformation in both rural and urban contexts.

### Keywords:

Youth Employment, Cooperatives, Self-Employment, IYC, Cooperative Entrepreneurship, Democratic Enterprise, Youth Cooperatives, AMUL, Kudumbashree, Mondragón, NCDC, NABARD, NCUI, Skill Development, Social Inclusion, Sustainable Development.

## Introduction

Youth unemployment is a critical global challenge, affecting both developed and developing countries. According to the International Labour Organization (ILO), over 73 million young people worldwide were unemployed as of 2023, with a global youth unemployment rate of 12%, nearly three times the rate of adult unemployment. In India, where over 65% of the population is below the age of 35, youth unemployment remains a pressing issue—recorded at 17.3% for the 15–29 age group in 2023, as per the Periodic Labour Force Survey (PLFS). Despite growing educational attainment, millions of young people face difficulty in securing formal jobs due to a mismatch between skills and market demands, economic uncertainty, and the limitations of traditional employment sectors. This calls for a paradigm shift towards promoting self-employment and entrepreneurship as viable pathways for youth livelihood and empowerment.

Cooperatives offer an inclusive and sustainable solution to this problem by enabling youth-led, member-driven enterprises based on mutual support and shared ownership. Unlike conventional business models focused on maximizing individual profit, cooperatives are democratic, value-based organizations that reinvest profits for the benefit of their members and communities. This approach not only creates jobs but also nurtures leadership, participation, and solidarity among young people. Recognizing this potential, the United Nations declared

2012 as the International Year of Cooperatives (IYC) with the global slogan: “Cooperative Enterprises Build a Better World.” The IYC emphasized the role of cooperatives in fostering inclusive economic growth, poverty reduction, and social integration, especially for vulnerable groups such as youth, women, and marginalized communities. Evidence from countries like Italy (where over 60,000 cooperatives employ 1.5 million people) and India (with more than 8.5 lakh registered cooperatives employing 25 crore people directly or indirectly) highlights the capacity of cooperatives to generate widespread employment and economic resilience. In the context of youth, cooperatives can serve as platforms for skill-building, innovation, and collective entrepreneurship, particularly in sectors like agriculture, digital services, renewable energy, and creative industries. Thus, investing in youth cooperatives not only addresses unemployment but also advances the IYC vision of building a better, fairer, and more cooperative world.

## Understanding Cooperatives

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The International Cooperative Alliance (ICA) defines and guides cooperatives through seven core principles: (1) Voluntary and Open Membership, (2) Democratic Member Control, (3) Member Economic Participation, (4) Autonomy and Independence, (5) Education,

Training and Information, (6) Cooperation Among Cooperatives, and (7) Concern for Community. These principles distinguish cooperatives from for-profit enterprises and ensure that they serve member interests and community welfare. Globally, cooperatives play a significant role in employment and livelihood generation. According to the ICA, over 1 billion people are members of cooperatives worldwide, and cooperatives provide direct or indirect employment to around 280 million people, accounting for 10% of the global employed population.

For young people, cooperatives can be built across various sectors. Agricultural cooperatives support young farmers through shared tools, credit, training, and market linkages. Service cooperatives, such as those in transportation, education, or health, offer community-based employment opportunities. Producer cooperatives help young artisans, weavers, or small manufacturers market their products collectively. Consumer cooperatives allow young people to engage in sustainable and ethical business by meeting local consumer needs affordably. Additionally, digital cooperatives—including freelance platforms, tech startups, and e-commerce ventures—are emerging as popular spaces for youth entrepreneurship in urban and semi-urban areas. The cooperative model offers several strategic advantages to young entrepreneurs: it allows resource pooling (e.g., equipment, capital, skills), thereby lowering entry barriers. Its democratic governance structure encourages participation, leadership, and equity, which is essential for empowering

youth. Moreover, cooperatives distribute risk among members, making ventures more resilient to market or economic shocks. Importantly, they foster community support and mentoring, creating a culture of solidarity and mutual growth. For example, in India, successful youth-led cooperative initiatives in states like Maharashtra and Kerala (e.g., Kudumbashree's youth collectives) have shown how collective enterprise can improve employment and social capital. In this way, cooperatives offer not just jobs, but a holistic, values-based path to entrepreneurship and empowerment for the youth.

## Why Cooperatives are a Solution for Youth Self-Employment

Cooperatives offer a practical and inclusive model for addressing the self-employment needs of youth, particularly those with limited financial resources. Unlike traditional businesses that often require significant capital, cooperatives lower the entry barrier by enabling shared investment among members. Young people can pool resources—such as tools, workspace, knowledge, or funds—to launch small enterprises collectively. This collective ownership also distributes financial risk, making it more manageable for first-time entrepreneurs. For example, in India, Primary Agricultural Credit Societies (PACS) and Fisheries Cooperatives have helped youth in rural areas establish small-scale farming or fishing businesses without large individual investments.

Similarly, worker cooperatives in Spain, Italy, and Latin America have successfully absorbed youth into productive employment, particularly in manufacturing, construction, and service sectors. These models also cultivate a strong sense of ownership and shared responsibility, leading to better performance and sustainability.

Cooperatives also serve as powerful platforms for skill development, leadership training, and mentorship. They involve young members in decision-making, financial management, marketing, and business strategy—building entrepreneurial competencies that formal education often fails to provide. Organizations like the International Cooperative Alliance Youth Network (ICA-YE) and national entities such as NCUI Youth Cooperative Development Programmes are actively promoting such capacity-building initiatives. Cooperatives also improve access to credit and markets, which is typically a major barrier for youth in both urban and rural settings. Institutions like NABARD and NCDC in India offer specialized schemes for cooperative ventures, making finance more accessible. Moreover, cooperatives support social inclusion, allowing women, marginalized communities, and differently-abled youth to participate in meaningful economic activities. A notable example is the Kudumbashree Youth Network in Kerala, which has created thousands of self-help-based micro-enterprises led by young women. In urban areas, digital cooperatives and platform-based gig co-ops are empowering educated but unemployed youth to enter sectors like IT services, content creation, logistics, and education. These new-

generation cooperatives encourage innovation, adaptability, and enterprise—helping youth respond to modern challenges like climate change, digital disruption, and unemployment. Thus, cooperatives not only provide income but also foster dignity, inclusion, and long-term sustainability in youth employment.

## Success Stories and Case Studies

In India, the cooperative movement has played a transformative role in generating youth employment across sectors such as dairy, IT, and agriculture. Youth-led dairy cooperatives in states like Gujarat and Karnataka have helped young farmers access training, veterinary services, and assured markets. For instance, under the umbrella of AMUL, young members are encouraged to participate in milk collection, processing, and logistics. AMUL has also started internship and orientation programmes for youth, linking them with cooperative values and business practices. Moreover, in Maharashtra and Tamil Nadu, youth IT service cooperatives have emerged where rural youth trained in digital skills offer services like data entry, website design, and digital marketing through cooperative models. These small but growing enterprises demonstrate how young people, when supported with technology and collective frameworks, can access income opportunities even in non-traditional cooperative sectors.

Another national success model is Kudumbashree in Kerala, which, although primarily a women-led mission, has recently initiated a Youth

Network to engage unemployed youth through group-based micro-enterprises and cooperative activities. Youth under Kudumbashree are involved in agro-based ventures, food processing, sanitation services, and digital kiosks. These initiatives promote a culture of self-reliance, entrepreneurship, and social equity. Several youth self-help groups have formally registered themselves as cooperatives, enabling them to access government schemes, banking services, and cooperative financing. Likewise, in northeastern India, especially in states like Nagaland and Manipur, tribal youth producer cooperatives are emerging in the handicraft and organic farming sectors, allowing them to preserve indigenous skills while creating viable livelihoods.

Internationally, worker cooperatives in Spain and Italy have long demonstrated the power of cooperative enterprise in solving youth unemployment. Spain's Mondragón Corporation, one of the world's largest cooperative groups, employs over 80,000 people and includes cooperatives focused on engineering, education, retail, and manufacturing. Mondragón promotes youth entrepreneurship through educational institutions like Mondragón University, which integrates cooperative education and innovation. In Italy, youth-led social cooperatives provide employment in services like elder care, education, and tourism. These cooperatives offer flexible, inclusive, and socially valuable work, particularly in regions with high youth unemployment.

In Africa and Latin America, youth cooperatives are also growing in scope and impact. For

example, in Kenya and Uganda, young people have formed agribusiness cooperatives focusing on modern farming, beekeeping, and dairy, supported by organizations like the ICA-Africa and local government programs. In Colombia, post-conflict youth cooperatives have provided alternative livelihoods to former child soldiers and displaced youth, focusing on agriculture, craft production, and community services. These examples underscore that with adequate support, youth cooperatives can become engines of peace, stability, and economic growth, especially in vulnerable communities. Globally, these success stories affirm that youth, when empowered through the cooperative model, can not only create sustainable self-employment but also contribute meaningfully to social transformation and nation-building.

## Challenges Faced by Youth in the Cooperative Sector

One of the foremost challenges faced by youth in joining or forming cooperatives is the lack of awareness about the cooperative model. Despite the presence of a large cooperative network in countries like India, many young people are unfamiliar with how cooperatives function, their potential for economic self-reliance, or the democratic values they promote. School and college curricula rarely cover cooperative business structures or their role in development. As a result, youth often view cooperatives as outdated or limited to agriculture and rural banking, missing out on their diverse applications in fields like IT, manufacturing, services, and retail. This knowledge gap acts as

a major deterrent to youth participation in the cooperative movement.

Adding to this is the issue of limited training and education in cooperative entrepreneurship. While there are institutions like the National Cooperative Union of India (NCUI) and Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM) that offer cooperative training, their reach is limited. Most youth, especially in remote or underprivileged regions, lack access to structured programs that can equip them with skills in cooperative management, financial literacy, governance, or digital tools. Moreover, the absence of mentorship or incubator support means many aspiring youth-led cooperatives fail to move beyond the planning stage. Without targeted educational efforts, it becomes difficult to build confidence and competence among youth to lead or innovate within cooperative structures.

The bureaucratic and legal complexities involved in registering a cooperative society also serve as a significant barrier. The registration process is often lengthy, paper-based, and varies from state to state. Youth—especially first-time entrepreneurs—find it difficult to navigate legal formalities, understand cooperative law provisions, or deal with the compliance requirements post-registration. In comparison, registering a private company or startup is often easier through digital platforms like Startup India or MCA21. This disparity discourages young innovators from choosing the cooperative route, even when it may be more suitable for community-based or shared-resource ventures.

Lastly, there exists a societal bias that favors individual entrepreneurship over group or collective models. Media narratives, academic focus, and policy discourse often glorify individual startups and unicorn founders while giving less attention to successful cooperatives. This influences young minds to aspire to solo success stories rather than shared prosperity models. Moreover, families and communities sometimes view cooperatives as unstable or politically influenced, further dissuading youth participation. Overcoming these perceptions and building a culture that values collective entrepreneurship and social enterprise is essential to truly unlock the potential of youth in the cooperative sector.

## Policy Recommendations and Way Forward

To unlock the full potential of youth in the cooperative sector, it is crucial to embed cooperative education within formal academic curricula at the school, college, and vocational training levels. Currently, cooperative learning is marginal or optional in most institutions. Introducing basic knowledge of cooperative principles, governance, and business models into subjects like economics, entrepreneurship, or social studies can help sensitize youth early. According to the International Cooperative Alliance, only a small percentage of youth globally are aware of the cooperative business model, despite its presence in over 100 countries. In India, institutions such as NCUI, VAMNICOM, and IIM-A's

Centre for Management in Agriculture can play a larger role in outreach and training. Moreover, state cooperative training centres and KrishiVigyanKendras (KVKs) should be mobilized to offer youth-centric cooperative entrepreneurship workshops, especially in rural and semi-urban areas.

To facilitate actual youth participation, support institutions like NCDC, NABARD, NCUI, and state cooperative departments must be empowered and digitized. Simplifying cooperative registration—preferably through an online single-window system—can significantly reduce entry barriers. Youth-specific cooperative schemes, including startup incubators and innovation grants, should be launched at both central and state levels. These can support cooperatives in agri-tech, clean energy, education services, digital solutions, and platform-based gig work. The NCDC's YuvaSahakar Scheme, which provides up to ₹3 crore as assistance to young cooperative entrepreneurs, is a strong step but needs greater promotion and uptake. Additionally, policies must promote digital cooperatives, which allow youth to form tech-enabled service models such as freelance collectives, e-commerce platforms, and knowledge-sharing networks. Countries like Canada and the UK have already piloted successful digital worker cooperatives; India too can foster such models under the Digital India and Startup India missions. Lastly, public campaigns, social media, and mainstream media must be used to rebrand cooperatives as innovative, future-ready, and youth-friendly institutions. A combination of legal reform,

education, financial support, and visibility can ensure that youth view cooperatives not as a fallback, but as a first-choice enterprise model for sustainable, inclusive self-employment.

## Conclusion

Youth are the driving force behind any nation's future economic and social development. With over 1.2 billion people globally between the ages of 15 and 24, the youth demographic represents immense potential for innovation, productivity, and entrepreneurship. However, widespread unemployment and underemployment threaten to derail this potential, especially in countries like India, where nearly one in five youth remains unemployed. In this context, cooperatives emerge as a practical, inclusive, and empowering solution that offers not just jobs, but a dignified path to self-employment rooted in democratic values, collective ownership, and community well-being.

Cooperatives provide a unique space where young people can create sustainable livelihoods, access skills and resources, and engage in meaningful economic activity while also building solidarity and resilience. By aligning youth development strategies with the cooperative model, governments and institutions can address multiple challenges simultaneously—unemployment, inequality, and lack of access to capital or markets. This aligns perfectly with the vision of the International Year of Cooperatives (IYC), which emphasized that “Cooperative Enterprises Build a Better World.” However, for

this potential to be fully realized, there must be collective action: governments need to reform laws and ease access to finance; cooperative federations must innovate and support youth-friendly models; educational institutions should integrate cooperative learning; and

most importantly, youth themselves must be encouraged, educated, and empowered to take initiative within this sector. When these stakeholders work together, cooperatives can become a powerful engine for inclusive growth, innovation, and youth empowerment in the 21st century.

# Cooperatives as Engines of Social Equity and Economic Growth: A Global Perspective



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## ABSTRACT

**C**ooperatives have emerged as pivotal institutions in promoting social equity and driving inclusive economic growth worldwide. Rooted in democratic governance and collective ownership, cooperatives operate across diverse sectors including agriculture, finance, retail, housing, and energy, contributing significantly to employment generation, local development, and wealth redistribution. With over 3 million cooperatives serving 1.2 billion members globally, these organizations play a critical role in empowering marginalized populations such as women, rural communities,



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indigenous peoples, and informal sector workers. This paper explores the global landscape of cooperatives, their socio-economic contributions.

## Introduction

The cooperative movement has evolved significantly since its origins in the 19th century as a response to economic and social injustices faced by workers, artisans, and farmers. What began as localized initiatives rooted in mutual aid and self-help has now expanded into a global socio-economic force that contributes meaningfully to sustainable development. Today, there are over 3 million cooperatives operating across diverse sectors such as agriculture, finance, housing, retail, healthcare, and energy, collectively serving more than 1 billion people worldwide. These cooperatives range in size and scope from small rural savings groups to large industrial cooperative conglomerates each guided by a set of universal principles emphasizing self-reliance, democratic governance, mutual benefit, and community empowerment.

In an era marked by growing income inequality, social polarization, and economic uncertainty, cooperatives provide an alternative institutional model that centres on people rather than profit. As member-owned, democratically controlled enterprises, cooperatives embody a participatory ethos where each member has an equal voice in governance and a share in the outcomes. This structure challenges the traditional capitalist framework, which tends to concentrate decision-making and profit among a few shareholders. In

contrast, cooperatives promote shared prosperity through equitable distribution of surpluses, reinvestment in communities, and access to affordable goods, services, and credit.

Importantly, cooperatives are increasingly recognized as instrumental to achieving the United Nations Sustainable Development Goals (SDGs) particularly those related to decent work and economic growth (SDG 8), reduced inequalities (SDG 10), and sustainable communities (SDG 11). Their ability to operate in both formal and informal economies enables cooperatives to bridge development gaps by reaching marginalized populations, including small-scale farmers, women, youth, and indigenous communities.

Furthermore, cooperatives have demonstrated remarkable resilience in the face of global economic crises. During downturns, they tend to prioritize employment retention and community support over short-term financial gains, offering a model of stability and solidarity. This capacity for collective action and mutual support reinforces the idea that cooperatives are not merely economic actors, but also agents of social transformation.

Thus, in both theory and practice, cooperatives emerge as engines of social equity and inclusive economic growth, making them a vital component of equitable development strategies globally. This paper seeks to explore the theoretical foundations of cooperatives, analyze their contributions to equity and economic development, and offer insights into how the cooperative model can be further leveraged for global sustainability and justice.

## Global Overview of Cooperatives

Cooperatives have established themselves as a globally recognized model of collective enterprise, operating successfully across a wide array of sectors and regions. They are active in both developed and developing economies, proving adaptable and effective in responding to diverse socio-economic challenges. From small-scale rural cooperatives to large multinational cooperative conglomerates, these organizations span industries such as agriculture, finance, retail, housing, energy, and healthcare, providing goods and services that are essential to both livelihoods and well-being.

The International Cooperative Alliance (ICA) and other global institutions have underscored the magnitude of the cooperative movement's impact. According to ICA's 2023 report, there are more than 3 million cooperatives operating globally, serving a combined membership base of over 1.2 billion individuals. These cooperatives are not only significant in number but also in economic scale and employment generation. Together, cooperatives provide employment to over 280 million people, accounting for approximately 9.5% of the world's total employed population. This positions cooperatives as one of the largest employment-generating sectors globally, surpassing many multinational corporations and public institutions.

### Multisectoral Presence

- **Agriculture:** Agricultural cooperatives

are dominant in many rural economies, especially in countries like India, Brazil, and Kenya, where they provide small farmers with access to markets, inputs, and credit.

- **Finance:** Credit unions and cooperative banks offer financial services to millions, particularly those underserved by traditional banks, promoting financial inclusion and savings mobilization.
- **Retail and Consumer Services:** Retail cooperatives operate supermarket chains and distribution networks based on member ownership, ensuring fair pricing and quality assurance.
- **Housing:** Housing cooperatives offer affordable, secure, and collectively owned housing units, especially in urban areas struggling with rising costs.
- **Energy:** In many parts of Europe and North America, renewable energy cooperatives are empowering communities to manage their own energy resources.
- **Healthcare and Social Services:** Health cooperatives provide accessible and affordable medical care, particularly in underserved or remote regions.

These sectors highlight the flexibility and scalability of the cooperative model. Whether in local subsistence economies or high-income urban contexts, cooperatives demonstrate a shared commitment to democratic governance, member participation, and long-term sustainability.

Table No - 1: Global Cooperative Statistics (2023)

Indicator	Value
Total number of cooperatives	3 million+
Total cooperative members	1.2 billion+
Total cooperative employment	280 million+ (9.5% of global employed population)
Countries with cooperative presence	150+
Global contribution to GDP	~USD 2.4 trillion (approx.)

Source: International Cooperative Alliance (ICA), 2023

The statistics in Table 1 demonstrate that cooperatives are not marginal economic actors, but rather integral to the global economic fabric. Their estimated USD 2.4 trillion contribution to global GDP reflects their productivity, resilience, and widespread reach. This impact is particularly profound in rural and semi-urban areas, where cooperatives often fill the void left by formal institutions and corporate service providers.

Furthermore, cooperatives operate in more than 150 countries, reflecting their universal relevance and adaptability to diverse cultural, economic, and legal contexts. This wide distribution also supports the notion that cooperatives are locally rooted yet globally connected, embodying glocalization a theory that merges global efficiency with local responsiveness.

The global overview not only reflects the quantitative scale of the cooperative movement but also reinforces the qualitative principles that underpin its success: voluntary membership, democratic control, member economic participation, autonomy, education, cooperation among cooperatives, and concern for community. These principles have allowed

cooperatives to withstand economic crises, natural disasters, and market fluctuations better than many conventional enterprises.

As the world grapples with increasing inequality, climate change, and social fragmentation, cooperatives are proving to be institutional innovations capable of delivering both economic viability and social justice on a global scale.

### Cooperatives and Social Equity

Cooperatives have long been recognized not just as economic enterprises, but as social institutions that embody the values of equity, justice, and inclusion. Unlike profit-maximizing firms that often prioritize shareholder interests, cooperatives operate under a democratic and participatory model that places people and communities at the centre of development. In doing so, cooperatives contribute to the reduction of economic disparities, social stratification, and systemic exclusion. Their governance structure, resource distribution mechanisms, and participatory ethos make them effective instruments for promoting social equity, particularly in contexts where market and state failures perpetuate inequality.

The idea of social equity involves more than just equal opportunity; it encompasses fairness in resource allocation, representation, and access to decision-making. Cooperatives, by their very nature, institutionalize these ideals in both their operational and governance structures.

#### (a) **Inclusive Ownership and Governance**

At the heart of every cooperative lies the principle of “one member, one vote,” regardless of a member’s capital contribution. This ensures democratic participation, making cooperatives fundamentally different from corporations where voting power is based on shareholding. This inclusive governance model gives every member an equal voice in strategic and operational decisions, promoting fairness and reducing the dominance of elite or powerful individuals.

Such democratic structures are essential in societies where hierarchies based on class, caste, gender, or wealth have historically excluded large sections of the population from decision-making roles. In cooperatives, all members whether they are low-income farmers, workers, or small-scale entrepreneurs have equal say, thereby embedding equity in institutional design.

This participatory model aligns with deliberative democracy theories, where collective decision-making fosters a sense of ownership, accountability, and empowerment. It also supports the development of social capital, which is crucial for trust-building, civic engagement, and community resilience.

#### (b) **Wealth Distribution**

One of the most tangible ways cooperatives promote social equity is through equitable distribution of surplus. In contrast to profit-driven enterprises where returns are distributed in proportion to capital invested, cooperatives share profits among members based on their level of participation such as purchases, sales, or labour contributions. Alternatively, surpluses are often reinvested in community development projects, educational programs, or member welfare schemes.

This model of shared prosperity serves to reduce income disparities and empower individuals economically, particularly those who are marginalized by the mainstream financial and labour markets. By retaining profits within the community and prioritizing member welfare over capital accumulation, cooperatives act as engines of redistributive justice.

Furthermore, cooperatives provide members with economic stability through access to affordable services, lower costs, and reduced dependency on exploitative intermediaries. These characteristics echo Amartya Sen’s Capability Approach, which emphasizes expanding people’s capabilities and freedoms through equitable access to economic and social resources.

#### (c) **Empowerment of Marginalised Groups**

One of the most significant contributions of cooperatives to social equity is their role in empowering marginalized communities. Unlike traditional enterprises that

often exclude the underprivileged from ownership or decision-making roles, cooperatives are designed to be inclusive, giving equal opportunities to those who have historically been sidelined in economic processes. This includes women, indigenous populations, small

farmers, informal workers, and low-income households.

The following table presents the regional impact of cooperatives in empowering marginalized groups based on female participation, rural outreach, and inclusion of low-income members.

**Table 2: Social Impact of Cooperatives by Region (2023)**

Region	% Female Membership	% Rural Membership	% Low-income Members
Africa	45%	70%	65%
Asia	40%	60%	58%
Latin America	52%	50%	60%
Europe	48%	30%	35%

Source: ILO Global Cooperative Impact Report, 2023

These figures highlight the inclusive nature of the cooperative model across various contexts. Particularly in the Global South, cooperatives reach a large proportion of rural and low-income populations, who are otherwise underserved by formal economic institutions.

### Cooperatives and Economic Growth

Cooperatives are not only agents of social transformation but also catalysts of sustainable economic development. Their contribution to local, national, and global economies is multifaceted, ranging from job creation and capital formation to enterprise development and market stabilization. While their structure diverges from traditional capitalist firms, cooperatives have proven to be economically resilient, efficient, and innovative, particularly in underserved or economically stagnant regions.

Unlike corporations that aim for maximized shareholder returns, cooperatives reinvest

earnings into member services and local development. This ensures that economic benefits are recycled within communities, generating long-term, inclusive growth. The cooperative model, therefore, presents an alternative framework of economic development, grounded in equity, democracy, and sustainability.

### (d) Job Creation and Income Generation

Cooperatives are major global employers, providing livelihoods to over 280 million people, which constitutes nearly 9.5% of the world's employed population. They offer employment across sectors such as agriculture, finance, healthcare, retail, and energy. Importantly, many of these jobs are created in rural or economically marginalized areas, where formal employment opportunities are limited.

In regions with high unemployment or underemployment, particularly in the Global South, cooperatives act as vehicles

of self-employment and enterprise creation. They enable individuals to pool resources, share risks, and access markets that would otherwise be inaccessible. The cooperative's commitment to decent work conditions, fair wages, and job security further enhances the quality of employment offered.

This aligns with the International Labour Organization's (ILO) Decent Work Agenda, promoting employment that is productive, provides a fair income, and ensures dignity and equality. Moreover, cooperatives reduce reliance on exploitative labor arrangements, informal work, or seasonal migration.

#### (e) **Local Economic Development**

Cooperatives are deeply embedded in local contexts and are often founded to address specific community needs. By sourcing locally, hiring locally, and investing profits into local infrastructure, cooperatives become engines of endogenous economic growth. They stimulate demand for goods and services, enhance local supply chains, and reduce capital flight by ensuring that income generated in a region stays within it.

This local economic multiplier effect creates circular economies, where production and consumption are interlinked within a community framework. Cooperatives also encourage entrepreneurial activity among small producers, artisans, and service providers by integrating them into organized economic systems through collective marketing, processing, or finance.

The territorial approach to development, advocated by development economists, finds practical application in cooperatives, where growth is place-based, participatory, and context-specific.

#### (f) **Resilience During Economic Crises**

One of the key economic strengths of cooperatives is their ability to withstand financial and social shocks. During economic downturns such as the 2008 global financial crisis or the COVID-19 pandemic, many cooperatives demonstrated superior resilience compared to investor-owned firms. Their risk-sharing mechanisms, diversified income structures, and community orientation allow them to continue operations, retain employees, and offer essential services during crises.

For instance, agricultural cooperatives provided uninterrupted food supply chains during the pandemic, while credit cooperatives supported small borrowers and businesses when commercial banks became risk-averse. This counter-cyclical nature makes cooperatives valuable stabilizers in volatile economic environments.

Economic resilience is further enhanced by their long-term orientation, low debt exposure, and embedded trust networks. Scholars of institutional economics have highlighted how non-market coordination mechanisms, such as mutual support and community solidarity, strengthen cooperative resilience.

**(g) Support for Small and Medium Enterprises (SMEs)**

Cooperatives often serve as collective platforms for SMEs and micro-entrepreneurs to pool resources, reduce transaction costs, and gain market access. In many countries, agricultural and marketing cooperatives enable small farmers to overcome scale disadvantages and negotiate better terms in input and output markets.

By offering shared services such as processing, storage, branding, and transportation, cooperatives help micro and small producers compete with larger entities. Moreover, financial cooperatives (e.g., credit unions) provide essential capital for SME growth, especially in

areas underserved by commercial banks.

This fosters inclusive industrialization, supports value chain integration, and reduces barriers to formalization critical for transitioning informal businesses into the mainstream economy.

**(h) Contribution to National and Global GDP**

Although cooperatives are not always captured adequately in national statistics, estimates by the International Cooperative Alliance (ICA) suggest that cooperatives contribute approximately USD 2.4 trillion to the global GDP annually. In countries like Kenya, Finland, and India, the cooperative sector contributes between 5% and 20% of national GDP.

**Table No - 3: Economic Impact of Cooperatives in Selected Countries (2023)**

Country	% Contribution to GDP	Major Cooperative Sectors
India	19%	Agriculture, Credit, Dairy
Kenya	10%	Savings & Credit, Agriculture
Finland	14%	Retail, Banking, Insurance
Brazil	8%	Agriculture, Housing, Healthcare
Italy	8.5%	Social Services, Retail, Housing

Source: ICA Global Cooperative Impact Report, 2023

These figures illustrate the growing importance of cooperatives not just as community actors, but as macro-economic contributors. Their economic impact spans employment, capital formation, value addition, and tax revenues, underscoring their systemic relevance.

**Conclusion**

Cooperatives are powerful tools for fostering inclusive economic development and advancing social equity across the globe. Their democratic structure,

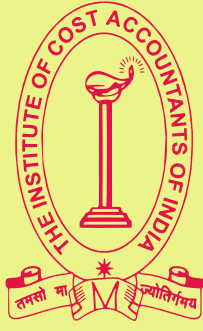
people-centered approach, and equitable profit-sharing mechanisms enable marginalized groups including women, smallholder farmers, indigenous communities, and informal workers to actively participate in economic life. By prioritizing collective ownership and decision-making, cooperatives help dismantle traditional barriers to access, empower local communities, and promote equitable distribution of resources and opportunities.

As the global economy grapples with rising inequality, climate challenges, and social fragmentation, cooperatives offer a sustainable and participatory alternative to conventional economic models. With the right support from governments, international organizations, and civil society, cooperatives can be further scaled and institutionalized as engines of social equity and economic growth. Their expansion holds immense potential for creating a fairer, more resilient, and inclusive world where economic progress is not limited to the few, but shared by all.

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