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## History of Cooperative Societies in India: Evolution, Growth and Transformation

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### ABSTRACT

The cooperative movement in India represents one of the most significant socio-economic experiments aimed at promoting collective welfare, democratic participation, and economic empowerment. Rooted in the principles of mutual assistance and self-help, cooperative societies have played a vital role in addressing the needs of farmers, artisans, labourers, consumers, and marginalized communities. The movement has evolved from traditional community-based cooperation to a structured institutional framework supported by legislation and constitutional recognition. This article traces the historical evolution of cooperative societies in India from ancient times to the contemporary era. It examines the pre-independence foundations of the movement, legislative developments under British rule, post-independence expansion, constitutional recognition, and contemporary challenges. The article highlights the contribution of cooperative societies in promoting inclusive growth and strengthening grassroots democracy.

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### 1. Introduction

Cooperation is one of the oldest principles governing human society. Long before the emergence of modern states and markets, individuals worked collectively to fulfil common needs and achieve shared objectives. Cooperation implies voluntary association, mutual assistance, collective responsibility, and democratic participation.



The concept of cooperation is derived from the Latin word *Co-operari*, meaning "to work together." Throughout history, cooperation has enabled communities to overcome economic hardships, manage common resources, and ensure collective welfare. In India, the spirit of cooperation has existed since ancient times and has manifested itself through village communities, guilds, collective farming practices, and mutual aid systems.

The modern cooperative movement emerged as an organized socio-economic institution during the colonial period and gradually became an important instrument of rural development, poverty alleviation, and economic empowerment.

## **2. Ancient Roots of Cooperation in India**

The cooperative spirit is deeply embedded in Indian civilization. Historical evidence suggests that ancient Indian society practiced various forms of collective organization.

The village community served as the primary unit of social and economic life. Villagers collectively undertook activities such as irrigation, maintenance of roads, construction of public wells, temples, and community buildings. Agricultural activities often involved collective labour and mutual support among farmers.

Ancient texts such as the *Rig Veda* emphasize collective action and harmonious cooperation among members of society. Similarly, Kautilya's *Arthashastra* provides references to organized guilds and associations that regulated trade, production, and economic activities. These guilds functioned on principles similar to modern cooperative organizations.

Thus, while modern cooperative societies are relatively recent institutions, the underlying philosophy of cooperation has ancient origins in India.

## **3. Emergence of the Modern Cooperative Movement**

The modern cooperative movement originated in Europe during the nineteenth century as a response to the social and economic inequalities generated by the Industrial Revolution.

The establishment of the Rochdale Equitable Pioneers Society in England in 1844 is widely regarded as the foundation of the modern cooperative movement. The Rochdale pioneers formulated principles such as voluntary membership, democratic control, limited return on capital, and equitable distribution of surplus, which later became the basis of cooperative organizations worldwide.



These developments significantly influenced policymakers and reformers in colonial India, who sought institutional mechanisms to address rural indebtedness and economic exploitation.

#### **4. Socio-Economic Conditions During British Rule**

The late nineteenth century witnessed severe agrarian distress in India. Farmers faced chronic indebtedness due to:

- Dependence on moneylenders;
- High rates of interest;
- Recurrent famines;
- Fragmented landholdings;
- Lack of institutional credit facilities.

The Deccan Riots of 1875 exposed the vulnerability of rural farmers and highlighted the urgent need for alternative credit institutions. Despite several legislative measures, rural indebtedness remained a major problem.

Recognizing these challenges, the British administration began exploring cooperative credit systems that had already proven successful in Germany and other European countries.

#### **5. The Nicholson Report and Early Recommendations**

A major turning point came with the appointment of Frederick Nicholson in 1892 to study agricultural credit systems.

After examining rural conditions, Nicholson recommended the establishment of small village-based cooperative credit institutions. He advocated the principle:

**"Find Raiffeisen."**

This recommendation referred to the successful German cooperative credit model developed by Friedrich Wilhelm Raiffeisen, which emphasized self-help, mutual responsibility, and local participation.

Nicholson's recommendations laid the intellectual foundation for cooperative legislation in India.



## 6. Cooperative Credit Societies Act, 1904

The first formal legislative milestone in India's cooperative history was the enactment of the **Cooperative Credit Societies Act, 1904**.

This legislation was introduced following the recommendations of the Edward Law Committee and aimed to provide legal recognition to cooperative credit institutions.

### Key Features

1. Registration of cooperative credit societies.
2. Promotion of thrift and self-help.
3. Provision of affordable credit to rural populations.
4. Democratic management of societies.
5. Appointment of Registrars for supervision.

The Act led to the rapid establishment of rural credit societies throughout India and marked the formal beginning of the cooperative movement.

Although limited to credit activities, the Act successfully demonstrated the effectiveness of cooperative organization in addressing rural financial problems.

## 7. Cooperative Societies Act, 1912

The success of the 1904 Act revealed the need for broader legislation.

Consequently, the **Cooperative Societies Act, 1912** was enacted to expand the scope of cooperative activities beyond credit.

### Significance

The Act:

- Allowed formation of non-credit cooperative societies;
- Recognized cooperative unions and federations;
- Facilitated cooperative marketing and production;



- Encouraged diversification of cooperative activities.

This legislation significantly strengthened the cooperative movement and laid the foundation for sectoral cooperatives across India.

## **8. Cooperative Movement During the Freedom Struggle**

Between 1912 and 1947, the cooperative movement expanded steadily across India.

National leaders viewed cooperatives as instruments of:

- Rural reconstruction;
- Economic self-reliance;
- Social justice;
- Democratic participation.

Several committees studied cooperative development during this period, emphasizing the need for stronger institutions, better management, and member education.

The cooperative movement became closely associated with India's broader struggle for economic emancipation from colonial exploitation.

## **9. Cooperative Development After Independence**

Following Independence in 1947, India adopted planned economic development. The cooperative sector was assigned a crucial role in achieving social and economic objectives.

The Government regarded cooperatives as vehicles for:

- Agricultural modernization;
- Rural credit distribution;
- Poverty alleviation;
- Employment generation;
- Community development.



Successive Five-Year Plans provided significant support to cooperative institutions.

## **10. Expansion of Cooperative Institutions**

The post-independence period witnessed the emergence of various forms of cooperatives:

### **Agricultural Cooperatives**

Provided seeds, fertilizers, irrigation facilities, and marketing support.

### **Credit Cooperatives**

Extended institutional credit to farmers and rural households.

### **Dairy Cooperatives**

Revolutionized milk production and marketing.

### **Housing Cooperatives**

Facilitated affordable housing development.

### **Consumer Cooperatives**

Protected consumers from exploitation by middlemen.

### **Marketing Cooperatives**

Enabled collective sale of agricultural produce.

### **Industrial Cooperatives**

Supported small-scale industries and artisans.

These institutions significantly contributed to India's rural transformation.

## **11. White Revolution and Cooperative Success**

One of the greatest achievements of the cooperative movement was the **White Revolution**.

The cooperative dairy model pioneered in Gujarat transformed India from a milk-deficient country into the world's largest milk producer.



The success demonstrated how cooperative institutions could combine democratic governance with commercial efficiency while benefiting millions of small producers.

The dairy cooperative movement became a global example of successful grassroots economic organization.

## 12. Constitutional Recognition of Cooperatives

A landmark development occurred through the **97th Constitutional Amendment Act, 2011**.

This amendment:

1. Added the words "**co-operative societies**" to Article 19(1)(c);
2. Introduced Article 43B in the Directive Principles of State Policy;
3. Inserted Part IX-B relating to cooperative societies.

The amendment recognized cooperative societies as important democratic and economic institutions deserving constitutional protection.

## 13. Multi-State Cooperative Societies

As economic activities expanded across state boundaries, specialized legislation became necessary.

The **Multi-State Cooperative Societies Act, 2002** was enacted to regulate cooperative societies operating in more than one state.

These organizations facilitate:

- National-level marketing;
- Agricultural procurement;
- Credit and finance;
- Dairy production;
- Consumer services;
- Housing development.



Multi-State Cooperative Societies have become significant contributors to India's cooperative economy.

#### **14. Contemporary Challenges**

Despite remarkable achievements, the cooperative movement faces several challenges:

##### **Political Interference**

Excessive governmental control often affects autonomy.

##### **Governance Issues**

Weak management and inadequate accountability reduce effectiveness.

##### **Financial Constraints**

Many societies suffer from poor capitalization and mounting liabilities.

##### **Technological Deficiencies**

Limited digital adoption hampers competitiveness.

##### **Member Participation**

Declining member engagement weakens democratic functioning.

##### **Regulatory Complexities**

Overlapping jurisdictional issues create administrative difficulties.

Addressing these challenges is essential for revitalizing the cooperative sector.

#### **15. Conclusion**

The history of cooperative societies in India reflects a remarkable journey from traditional community-based cooperation to constitutionally recognized democratic institutions. Beginning with ancient village organizations and evolving through colonial legislation, post-independence expansion, and constitutional reforms, the cooperative movement has become an indispensable component of India's socio-economic framework.

For more than a century, cooperative societies have empowered farmers, workers, consumers, artisans, and marginalized communities by providing access to credit, markets, employment opportunities, and



collective bargaining power. They have strengthened grassroots democracy, promoted social justice, and contributed significantly to national development.

The future of the cooperative movement depends upon preserving its core values of self-help, mutual assistance, democratic governance, and economic participation while embracing innovation, professionalism, transparency, and technological advancement. A vibrant cooperative sector remains essential for achieving inclusive and sustainable development in India.

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