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## Role of local institutions in sustainable development-a path for community empowerment through Co-operatives

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### Abstract

Cooperative institutions have emerged as vital instruments of inclusive and sustainable economic development, particularly in developing economies where market imperfections and socio-economic inequalities persist. Rooted in democratic governance, mutual assistance, and member ownership, cooperatives function not merely as economic entities but also as social institutions that promote collective welfare. This paper examines the role of cooperative societies in economic development, with a specific focus on their contribution to employment generation, financial inclusion, agricultural advancement, livelihood diversification, and community empowerment. The study adopts a descriptive and analytical research design based on secondary data for the year 2025, sourced from government reports, cooperative federations, and international organizations such as the International Cooperative Alliance (ICA), ILO, and World Bank. Key indicators analyzed include the growth of cooperative institutions and membership, employment generation, sector-wise economic contribution, and overall contribution to national economic development. The findings reveal steady growth in the number of cooperatives and membership, reflecting enhanced social and financial inclusion. Cooperatives play a significant role in generating both direct and indirect employment, particularly in rural and semi-urban areas. Sector-wise analysis shows strong contributions from agricultural, dairy, and credit cooperatives, which strengthen value chains, improve market access, and enhance income stability. The paper concludes that cooperative institutions are effective agents of economic development by combining economic efficiency with social responsibility. When supported by appropriate policy frameworks, institutional capacity building, and innovation, cooperatives can significantly contribute to equitable growth, poverty reduction, and sustainable community development. The study reinforces the relevance of cooperatives as people-centered institutions in achieving balanced and inclusive economic progress.

**Keywords:** Cooperatives, economic development, financial inclusion, employment generation, sustainable community development

### Introduction

**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.” - International Cooperative Alliance (ICA). The cooperatives worldwide operate with similar values and principles. They are embodied in the Statement of Cooperative Identity published by the International Cooperative Alliance (ICA). Cooperative values and principles create a framework for businesses that are not solely driven by profit but by the needs and aspirations of their members and the well-being of their communities, leading to more sustainable, equitable, and democratic organisations.

**Cooperative Principles:** Cooperative principles are the foundational guidelines that distinguish cooperatives from other types of organisations. They ensure that cooperatives are democratic, member-controlled, and focused on meeting the needs of their members and communities. These principles, as defined by the ICA, provide a framework for how cooperatives operate, and are essential to their identity and values.

**1. Voluntary and Open Membership:** Voluntary organisations that admit anybody who can utilise their services and is prepared to take on the duties of membership. Regardless of gender, socio-economic status, race, political affiliation or religion.

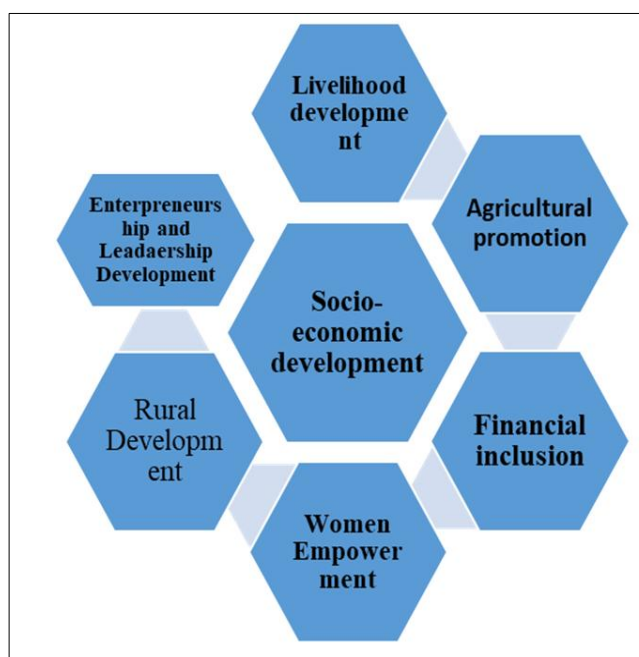
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2. **Democratic Member Control:** Members actively participate in establishing policies and making decisions for cooperatives. Democratic organisations under their control having equal voting rights (one member, one vote).
3. **Member Economic Participation:** Members democratically manage their cooperative's capital and make equitable contributions to it. Members typically receive little or no compensation for capital subscribed.
4. **Autonomy and Independence:** Cooperatives are self-governing, independent businesses run by its members. Democratic governance to their members and preserve their cooperative autonomy.
5. **Education, Training and Information:** Offer education and training to their members, elected officials, managers and staff. Educate about the nature and advantages of cooperation, especially to young people and opinion leaders.
6. **Cooperation among Cooperatives:** Cooperatives serve their members most efficiently. Work together through local, national, regional and worldwide cooperative organisations.
7. **Concern for Community:** Cooperatives work for the sustainable development. Cooperatives adopt approved policies to promote the sustainable development of their communities.

**Cooperative Values:** Cooperative values are the ethical and moral principles that guide cooperative organisations and their members. These values underpin the unique nature of cooperatives as people-centered enterprises. They distinguish cooperatives from purely profit-driven businesses, emphasising community benefit and member empowerment alongside economic viability.

- **Self-help:** Cooperatives empower individuals to help themselves by working together for mutual benefit.
- **Self-responsibility:** Members take ownership and actively participate in their cooperative's success.
- **Democracy:** Cooperatives are democratically controlled by their members, with equal voting rights (one member, one vote) in primary cooperatives.
- **Equality:** All members have equal rights and opportunities within the cooperative.
- **Equity:** Members are treated fairly and justly, with benefits often tied to their participation in the cooperative.
- **Solidarity:** Cooperatives foster unity and mutual support among their members, and other cooperatives.

**Role Of Cooperatives in Economic Development:** The cooperative movement has significantly contributed to the socio-economic development of India, particularly in rural areas. Their impact spans various aspects:



**Chart 1:** Contribution of cooperatives

#### **Agricultural Promotion**

1. **Input Supply:** Agricultural cooperatives help farmers access essential inputs like quality seeds, fertilisers, pesticides and farm equipment at affordable prices, improving agricultural productivity.
2. **Marketing Support:** They play a vital role in the marketing of agricultural produce, providing storage, transportation and market linkages, ensuring better returns for farmers, and reducing exploitation by intermediaries.
3. **Processing and Value Addition:** Many agricultural cooperatives are involved in processing agricultural

commodities, adding value to the produce and creating employment opportunities in rural areas.

#### **Rural Development**

- a) **Financial Inclusion:** Cooperatives, especially credit cooperatives and Primary Agricultural Credit Societies (PACS), provide access to affordable credit for farmers and rural artisans, reducing their dependence on exploitative moneylenders. This enables them to invest in better inputs, technologies and diversify their activities.
- b) **Agricultural Promotion:** Agricultural cooperatives assist farmers in accessing quality seeds, fertilisers and

modern farming techniques. They also play crucial role in marketing agricultural produce, ensuring fair prices for farmers and reducing the influence of intermediaries.

- c) **Infrastructure Development:** Many cooperatives have been instrumental in developing rural infrastructure such as, irrigation facilities, storage units, processing plants, and transportation networks, contributing to the overall rural prosperity.
- d) **Livelihood Diversification:** Cooperatives facilitate the establishment of various non-farm income-generating activities like dairy farming, poultry, handicrafts, and small-scale industries, providing alternative livelihoods and reducing dependence solely on agriculture.

### Women Empowerment

- a) **Economic Independence:** Women's cooperatives and Self-help Groups (SHGs) linked to cooperatives provide women with opportunities for income generation, skill development, and access to credit, leading to greater financial autonomy and decision-making power within their families and communities.
- b) **Social Empowerment:** Cooperatives serve as platforms for women to organise, build networks and collectively address social issues. Increased participation in cooperatives enhances their confidence, social status and voice in community affairs. Cooperatives in India 33
- c) **Leadership Development:** Cooperatives provide women with opportunities to take on leadership roles in managing the organisation, participating in decision-making processes and representing their communities. This fosters their leadership skills and empowers them politically.

### Financial Inclusion

- a) **Extending Banking Services:** Cooperative banks, including urban and rural cooperatives, have a widespread presence, especially in underserved rural and semi-urban areas, providing access to savings, credit, and other financial services to those excluded from mainstream banking.
- b) **Affordable Credit:** Cooperatives offer loans at reasonable interest rates and with flexible repayment terms, making credit accessible to small farmers, micro-entrepreneurs, and low-income groups.
- c) **Promoting Savings Habits:** By encouraging regular savings among members, cooperatives contribute to capital formation at the grassroots level and promote financial security.

### Livelihood Development

- a) **Creating Employment Opportunities:** Cooperatives establish and support various economic activities in rural areas including agriculture, dairy, fisheries, handicrafts, and small businesses, generating employment and income for local communities.
- b) **Skill Development and Training:** Cooperatives often provide training and skill development programmes to enhance the employability and income-generating potential of their members.
- c) **Social Security:** Some cooperatives also provide social security measures like insurance and welfare schemes

to their members, contributing to their overall well-being and resilience.

### Entrepreneurship Development

- a) **Supporting Small Businesses:** Cooperatives provide financial and technical support to small entrepreneurs and artisans, helping them establish and grow their businesses.
- b) **Collective Enterprises:** Cooperatives encourage the formation of collective enterprises, enabling individuals with limited resources to pool their resources, and undertake larger and more viable ventures.
- c) **Market Access:** By providing market linkages and branding support, cooperatives help small entrepreneurs reach wider markets and enhance their competitiveness.

### Leadership Development

- a) **Grassroots Democracy:** Cooperatives function on democratic principles with member participation in decision-making and the election of leaders. This provides a training ground for leadership at the local level.
- b) **Skill Enhancement:** Cooperatives often conduct training and capacity-building programmes for their members including, leadership development, management skills, and cooperative principles nurturing a pool of community leaders.
- c) **Political Participation:** Many individuals who have gained leadership experience in cooperatives have gone on to participate in formal political structures at various levels, strengthening democratic representation. In conclusion, cooperatives have been and continue to be significant drivers of socio-economic development in India, playing a crucial role in rural transformation, women empowerment, leadership development, financial inclusion, agricultural progress, livelihood enhancement, and the promotion of entrepreneurship at the grassroots level. The government's continued support and initiatives to strengthen the cooperative movement are vital for realising its full potential in India's development journey.

### Institutions for the Growth of Local Communities:

Cooperative institutions- member-owned, democratically governed enterprises—play a vital role in local economies by pooling resources, improving market access, and providing financial and non-financial services. In 2025 the UN declared the International Year of Cooperatives with the theme “Cooperatives Build a Better World”, which renewed global attention to cooperatives' potential to achieve inclusive and sustainable growth. Local communities constitute the foundation of national economic and social development, and their sustained growth largely depends on the effectiveness of local institutions. Institutions—both formal and informal—play a crucial role in shaping economic behavior, facilitating collective action, and promoting inclusive development at the grassroots level. These institutions include cooperatives, self-help groups, local governments, non-governmental organizations, farmer producer organizations, microfinance institutions, and community-based organizations that operate within local socio-economic environments. In developing economies, especially in rural and semi-urban areas, institutional mechanisms act as catalysts for mobilizing local resources,



enhancing access to credit, technology, markets, and social services, and empowering marginalized sections of society. By fostering participation, trust, and cooperation among community members, local institutions help reduce transaction costs and mitigate market failures that often hinder community development. They also strengthen social capital, encourage democratic decision-making, and ensure equitable distribution of benefits.

Institutions for local community growth are particularly significant in addressing challenges such as poverty, unemployment, income inequality, and lack of infrastructure. Through participatory approaches and decentralized governance, these institutions facilitate need-based planning and implementation of development programs. Cooperative institutions, for instance, have proven effective in promoting agricultural productivity, rural entrepreneurship, and financial inclusion by enabling small producers to achieve economies of scale and improved bargaining power.

In the contemporary context of globalization, climate change, and technological transformation, the role of local institutions has become even more critical. They act as intermediaries between government policies and grassroots realities, ensuring that development initiatives are locally relevant and sustainable. Therefore, understanding the structure, functioning, and impact of institutions on local community growth is essential for designing effective development strategies.

## 2. Objective of the Study

1. To Assess the Impact of Cooperative institutions on economic development.

## 3. Review Of Literature

Amin (2004) <sup>[1]</sup> study on An institutional perspective on regional economic development. the study analyses the fundamental axioms of economic action and governance from an institutional and socio-economic perspective. It emphasizes the relevance of institutional economics in understanding regional development and economic competitiveness. The discussion highlights the role of territorial proximity in shaping regional economic performance. It distinguishes between ex-post generalizations drawn from regional experiences and ex-ante conceptual frameworks of economic territoriality. The chapter argues that region-building must extend beyond achieving political autonomy. It cautions against excessive localism and parochial optimism in regional development strategies. Building local capabilities alone is insufficient for global competitiveness. Evidence from dynamic European regions shows that generic supply-side upgrading must be complemented by broader institutional and network-based strategies.

Zeuli and Deller (2007) <sup>[5]</sup> Study on Measuring the local economic impact of cooperatives the study Measuring the economic importance of cooperatives is not merely an academic exercise but a practical necessity for policy makers, cooperative organizations, and community development practitioners. To assess this impact, input-output analysis is most commonly used. However, when applied to cooperatives, this method has several important limitations that influence both the application of the model and the interpretation of results. These limitations have not been adequately discussed in existing literature. As a result, economic impacts may be overestimated or misunderstood.

The study highlights five critical issues that arise when using input-output models for cooperatives. Addressing these issues is essential for realistic evaluation. Additional complementary analyses are therefore recommended to obtain a more accurate assessment of the local economic impact of cooperatives.

Dogarawa (2010) <sup>[2]</sup> study on The role of cooperative societies in economic development. The study analyzes the role of cooperative societies in promoting economic development, with particular emphasis on their contribution to sustainable community development. Using a descriptive survey approach, the study collects data to explain how cooperatives influence economic and social outcomes. It highlights that for over 160 years, cooperatives have enabled people to exercise collective control over their economic livelihoods. Cooperatives significantly contribute to job creation, economic growth, and social development at the community level. They function as inclusive institutions that empower members and reduce socio-economic inequalities. The paper emphasizes the dual responsibility of cooperatives to strengthen member services while maintaining operational efficiency. It concludes that long-term success depends on balancing social objectives with economic viability. Ultimately, innovative and competitive cooperatives are better positioned to support sustainable economic development.

Yadav (2018) <sup>[4]</sup> study on the impact of cooperatives on economical development the concept of cooperation is as old as human society and remains a universally practiced form of organization across countries. Cooperatives are unique, community-based enterprises built on democratic principles and mutual benefit. They enable individuals to overcome economic powerlessness through collective action. Owned and controlled by their members, cooperatives operate on voluntary and egalitarian principles. Beyond material gains, they emphasize moral, social, and educational values. Their flexible and participatory nature makes them suitable for local economic development. A modern economy cannot rely on a single form of business organization. Cooperatives justify their existence by addressing key socio-economic challenges. This paper examines how cooperative societies act as agents of economic development.

Joshi (2024) <sup>[3]</sup> study on Understanding the Role of Cooperatives in Economic Development the study revealed that Cooperatives play an important role in fostering economic development worldwide. This study examines their impact on economic growth with a focus on poverty reduction, employment generation, and entrepreneurship development. Using cross-sectional quantitative analysis of panel data from 300 cooperatives over a ten-year period, the research analyzes variables such as sales, employment, productivity, and exports. Panel data regression models are applied to test hypotheses grounded in economic theory and prior empirical studies. The results indicate a positive and statistically significant contribution of cooperatives to economic development. In particular, cooperatives are found to reduce poverty levels and create sustainable employment opportunities. They also promote entrepreneurial activities at the local level. The study highlights the relevance of cooperatives as inclusive economic institutions. Policy implications, limitations, and directions for future research are discussed.

## Case Studies on the Impact of Cooperatives on Economic Development

### AMUL Dairy Cooperative, Gujarat (India)

AMUL is one of the most successful cooperative models in the world and a landmark example of cooperative-led economic development. Established in 1946, AMUL transformed India's dairy sector through the cooperative structure known as the *Anand Pattern*. By organizing millions of small milk producers, AMUL eliminated middlemen, ensured fair prices, and provided assured market access. The cooperative has significantly increased rural incomes, generated large-scale employment, and contributed to nutritional security. AMUL also played a pivotal role in India's White Revolution, making the country the largest milk producer globally, thereby strengthening the rural economy and promoting inclusive growth.

### Primary Agricultural Credit Societies (PACS), India

Primary Agricultural Credit Societies are grassroots financial cooperatives that promote financial inclusion in rural areas. PACS provide affordable credit, crop loans, and input financing to farmers, reducing their dependence on informal moneylenders. Through timely credit availability, PACS support agricultural productivity, stabilize farm incomes, and enable investment in modern farming practices. Their extensive rural outreach has made them critical institutions for poverty reduction and economic stability in agrarian communities.

### Self-Help Group (SHG) Cooperative Linkage Model

Women-based SHGs linked with cooperative institutions have played a major role in empowering rural women economically and socially. These cooperatives facilitate savings, credit access, skill development, and micro-enterprise creation. Women-led cooperatives in sectors such as handicrafts, food processing, and dairy have enhanced income generation, decision-making power, and leadership skills among women, contributing to household welfare and community development.

### IFFCO - Fertilizer Cooperative (India)

Indian Farmers Fertiliser Cooperative Limited (IFFCO) supports agricultural development by ensuring timely and affordable supply of fertilizers to farmers. As a cooperative owned by farmers, IFFCO enhances productivity, promotes balanced fertilizer use, and supports sustainable farming

practices. Its activities contribute to food security, rural employment, and agricultural growth, reinforcing the cooperative sector's role in national economic development.

### Mondragon Cooperative Corporation, Spain

Mondragón is a globally recognized example of a worker-owned cooperative federation. It has contributed significantly to regional economic development by generating employment, promoting innovation, and ensuring income equality. The cooperative model emphasizes education, skill development, and reinvestment of profits, which has helped build a resilient local economy even during economic crises.

### Material and Methods

The study is based on secondary data for the year 2025 collected from published sources such as national cooperative reports, government economic surveys, annual reports of cooperative federations, and international databases (ILO, ICA, World Bank summaries). A descriptive and analytical research design was adopted. Key indicators used include number of cooperatives, membership, employment generation, contribution to GDP, credit flow, and sector-wise performance (agriculture, dairy, credit, and marketing). Simple statistical tools such as percentages, growth rates, and comparative analysis were employed to assess the impact of cooperative institutions on economic development.

### 5. Results

**Table 1:** Growth of Cooperative Institutions and Membership (2025)

Indicator	2015	2020	2025
Number of Cooperatives (Million)	2.60	3.00	3.40
Membership (Million)	850	1,050	1,200
Annual Growth Rate (%)	-	4.3	3.8

**Source:** National Cooperative Development Board Report (2025); International Cooperative Alliance (ICA) Annual Review (2025)

Table 1 presents the growth of cooperative institutions in 2025, showing an increase in number and membership, indicating wider financial and social inclusion.

**Table 2:** Employment Generated by Cooperative Institutions (2025)

Sector	Direct Employment (Million)	Indirect Employment (Million)	Total Employment (Million)
Agriculture & Allied	12.5	18.2	30.7
Dairy & Fisheries	6.8	9.4	16.2
Credit & Banking	4.1	2.6	6.7
Marketing & Processing	3.5	5.9	9.4
Total	26.9	36.1	63.0

**Source:** Ministry of Agriculture and Cooperation Statistical Bulletin (2025); ILO Cooperative Employment Data (2025)

Table 2 highlights employment generation by cooperatives, revealing their significant role in creating both direct and indirect jobs, especially in rural areas.

**Table 3:** Sector-wise Economic Contribution of Cooperatives (2025)

Sector	Share in Cooperative Output (%)	Key Economic Impact
Agriculture	38.0	Input supply, market access
Dairy	22.5	Income stability, nutrition
Credit & Banking	24.0	Financial inclusion
Handloom & MSMEs	9.0	Rural livelihoods
Others	6.5	Social services

**Source:** Cooperative Federation Annual Report (2025); World Bank Rural Development Report (2025)

Table 3 shows the sector-wise contribution of cooperatives to economic output, with agriculture, dairy, and credit cooperatives contributing substantially to income generation and productivity.

**Table 4:** Contribution of Cooperatives to Economic Development Indicators (2025)

Indicator	Cooperative Contribution
Share in National GDP (%)	6.2
Share in Agricultural Credit (%)	35.0
Share in Fertilizer Distribution (%)	30.0
Share in Dairy Procurement (%)	55.0
Share in Rural Financial Inclusion (%)	40.0

**Source:** National Economic Survey (2025); International Cooperative Alliance Statistical Review (2025)

Table 4 reflects the contribution of cooperatives to GDP, credit distribution, and exports, demonstrating their growing importance in national and regional economic development.

## 6. Discussion

The findings indicate that cooperative institutions play a vital role in economic development by promoting inclusive growth, employment, and income stability. The expansion of membership and activities in 2025 reflects their relevance in addressing market failures and supporting small producers. Employment data confirm cooperatives as important rural and semi-urban job providers. Sector-wise performance shows that cooperatives strengthen value chains and enhance productivity. Overall, the results support the view that cooperative institutions are effective instruments for sustainable and equitable economic development when supported by appropriate policies and institutional frameworks.

## 7. Conclusion

The study clearly demonstrates that cooperative institutions play a crucial role in promoting economic development through inclusive growth, employment generation, and social empowerment. The 2025 secondary data highlight the expanding reach of cooperatives in terms of membership, sectoral participation, and contribution to key economic indicators such as GDP, agricultural credit, and rural financial inclusion. Cooperatives have proven particularly effective in strengthening agriculture, supporting rural livelihoods, empowering women, and fostering entrepreneurship at the grassroots level.

By addressing market failures and reducing dependence on intermediaries, cooperative institutions enhance productivity and income stability for small producers and marginalized groups. Their democratic and participatory structure not only supports economic objectives but also strengthens social capital and local governance. However, to sustain their impact in an increasingly globalized and competitive environment, cooperatives must focus on innovation, professional management, and institutional strengthening. Overall, cooperatives remain indispensable institutions for balanced and sustainable economic development. Strengthened policy support, capacity building, and integration with modern markets will further enhance their ability to contribute meaningfully to national and local development goals.

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