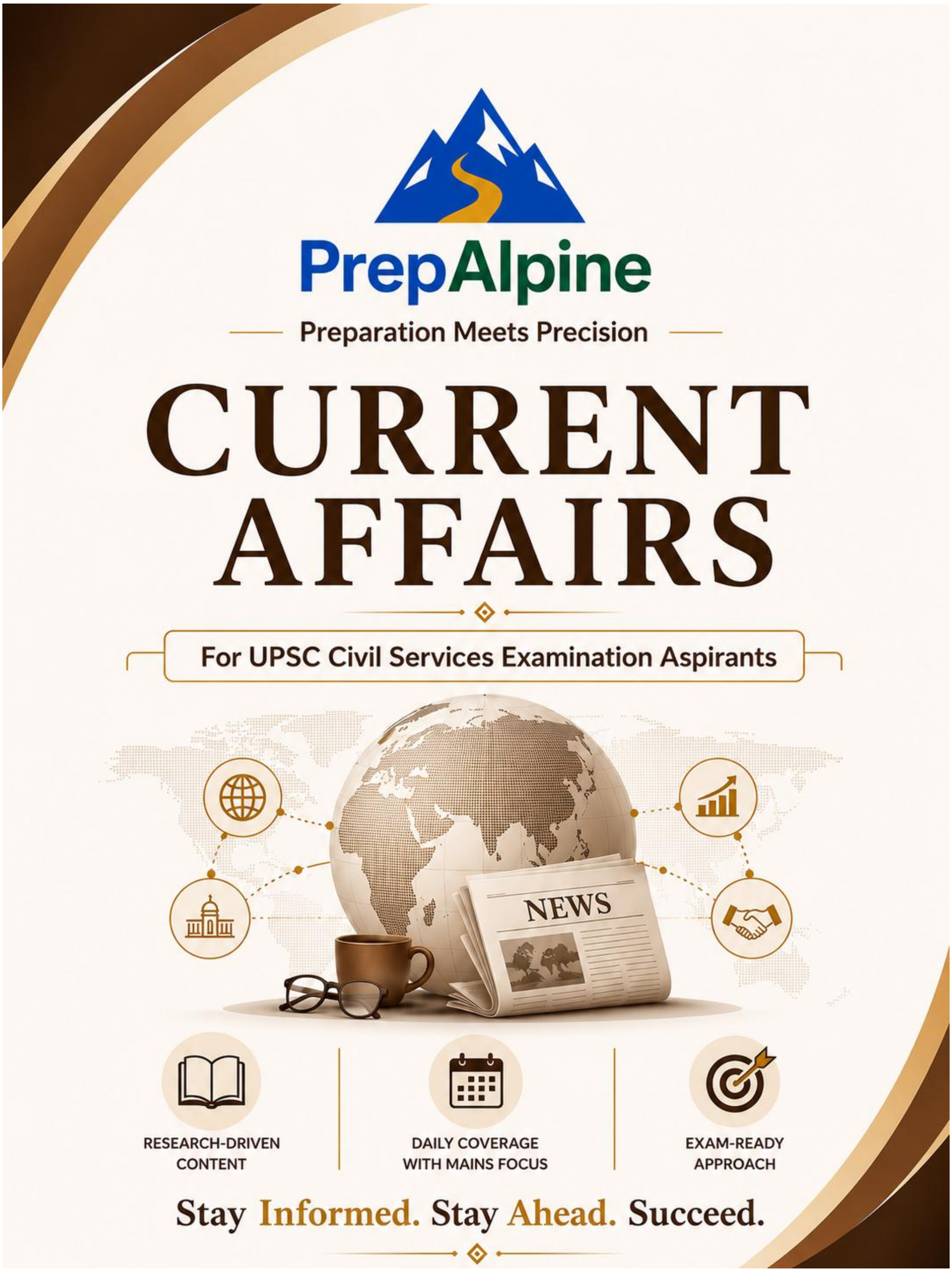
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# DAILY CURRENT AFFAIRS DATED 13.08.2026

## GS Paper II: Current Affairs

### 1. National Cooperative Development Corporation (Amendment) Bill, 2026

**a. Introduction**

Parliament has passed the National Cooperative Development Corporation (Amendment) Bill, 2026, expanding the role of the National Cooperative Development Corporation (NCDC), particularly by enabling it to provide loans and grants directly to cooperative societies and widening the activities eligible for support.

Cooperatives are important institutional mechanisms for collective economic activity, rural credit, agricultural marketing and inclusive development. NCDC was established under the NCDC Act, 1962 to support programmes relating to production, processing, storage and marketing through cooperatives.

**OLD NCDC vs AMENDED NCDC (2026)**

| DIMENSION | EARLIER FRAMEWORK (OLD NCDC) | AMENDMENT 2026 (NEW NCDC) |
|---|---|---|
| FINANCIAL SUPPORT | Development support through existing framework | DIRECT LOANS + GRANTS to cooperatives |
| ACCESS | More intermediary / procedural layers | POTENTIALLY MORE DIRECT ACCESS |
| ELIGIBLE ACTIVITIES | Existing definition | BROADER "FOODSTUFFS" COVERAGE |
| VALUE CHAIN | Production, processing, storage, marketing | GREATER SCOPE FOR PROCESSED / VALUE-ADDED PRODUCTS |
| EXPECTED IMPACT | Cooperative development | FASTER FINANCE + VALUE ADDITION + MARKET INTEGRATION |

**b. Key Changes**

- **Direct financing:** NCDC's role is expanded to allow loans and grants directly to cooperative societies, potentially reducing intermediary layers in access to development finance.
- **Expanded coverage:** The definition of "foodstuffs" is broadened to include processed food and other food items notified by the Centre.

The reform assumes significance given India's large cooperative ecosystem—over 8 lakh cooperative societies with more than 30 crore memberships, according to the government.

**c. Analysis/ Observations**

**Direct financing can improve last-mile access**

Cooperatives frequently face constraints in accessing affordable institutional finance. Direct NCDC assistance can:

- reduce procedural layers and delays;
- improve availability of capital for viable cooperatives;

- facilitate modernisation and expansion;
- support value addition, processing and storage; and
- strengthen farmer and producer organisations at the grassroots.

It can therefore improve the ability of cooperatives to move from primary production towards higher-value economic activities.

**Cooperatives can strengthen inclusive growth**

Unlike conventional enterprises, cooperatives aggregate the economic power of numerous small producers.

Small producers → Collective institution → Economies of scale → Better bargaining power → Improved market access

Strong cooperatives can consequently reduce transaction costs, strengthen farmers' bargaining position and enable participation in processing, branding, storage and marketing value chains.

**Potential to deepen agricultural value addition**

Expanding the meaning of foodstuffs to include processed products recognises the changing nature of India's rural economy.

Supporting cooperatives beyond primary commodities can encourage:

Agriculture → Processing → Value addition → Branding → Markets

This can increase producers' share in the final value of agricultural products while generating rural non-farm employment.

**Key Concern: Cooperative Federalism**

The Bill has generated concerns regarding the expanding role of the Union government in a sector historically associated closely with States.

Under the Constitution, "co-operative societies" fall within the State List, although Parliament has jurisdiction over multi-State cooperative societies.

The Supreme Court in Union of India v. Rajendra N. Shah (2021) also reinforced the constitutional significance of State legislative competence over cooperatives by striking down parts of the 97th Constitutional Amendment insofar as they applied to State cooperatives without the required State ratification.

Thus, greater Central support raises an important institutional question:

**How can national financing and standard-setting strengthen cooperatives without weakening State autonomy over their governance?**

The objective should therefore be cooperative federalism in cooperatives, rather than administrative centralisation.

### d. Other Governance Challenges

- **Moral hazard:** Easier direct finance must not encourage lending to financially weak or politically influenced cooperatives.
- **Professional capacity:** Many grassroots cooperatives lack managerial, technological and accounting expertise.
- **Political capture:** Cooperative institutions can become vulnerable to elite or political control.
- **Accountability:** Expansion of public financing requires stronger auditing and disclosure mechanisms.
- **Uneven capacity:** Better-managed cooperatives may capture a disproportionate share of NCDC assistance unless weaker regions receive capacity support.

**e. Way Forward**

- Develop transparent and objective criteria for direct NCDC financing, linked to financial viability and development outcomes.
- Maintain close Centre–State coordination in financing State-level cooperative societies.
- Combine credit with professionalisation, digitalisation and governance-capacity building.
- Strengthen independent audits, member participation and disclosure to prevent political or managerial capture.
- Prioritise cooperatives that strengthen processing, storage, market linkages and rural value addition.
- Respect the constitutional distribution of powers while using NCDC as a development-finance institution rather than a mechanism of administrative control.

**Conclusion**

The amendment can strengthen cooperatives by improving direct access to development finance and enabling greater participation in value-added activities. However, its success will depend on combining financial empowerment with professional governance and accountability, while preserving the federal principle that India's cooperative movement must remain rooted in member participation and State-level institutional autonomy.

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- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

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