

Rejuvenation of PACS: Initiative by Government of IndiaShivani Sharma¹Dola Singh²**Abstract**

India is a big country and agriculture is predominant sector of its economy. Approximately, two third of the total population of India depends upon agriculture and allied activities for livelihood. Agriculture plays an important role in the contribution towards India's GDP and around 20% of India's GDP comes from agriculture sector. Thus, there is need to give more importance and impetus to agriculture sector in a developing country like India. Cooperative institutions because of their large presence in rural areas are playing an important role in the development of agriculture. Govt. of India has taken many steps to improve productivity in agriculture by promoting cooperatives, crop diversification, support provided for mechanisation and creation of the Agriculture Infrastructure Fund (AIF). In this competitive and dynamic environment, technology plays a vital role for the survival and growth of any business unit. In order to keep pace with the changing times, the Govt. of India has taken Computerization of Primary Agriculture Cooperative Societies (PACS) as one of the major initiatives enabling PACS to meet future challenges and move ahead with time.

Key Words: PACS, Panchayats, Government initiation

Introduction

The Indian cooperative sector has completed more than 100 years of its existence. The first Primary Agriculture Credit Society (PACS) was formed in the year 1904. In 1912, another Cooperative Societies Act was passed to rectify some drawbacks/shortcomings of the earlier law. Since then, there have been so many changes in Cooperative Movement, especially after 1947 India's independence. India is primarily an agrarian community and cooperative sector encourages various income generating activities through agriculture and allied activities. Primary Agriculture Cooperative Societies (PACS) are working at grass root level. In middle level there are 352 District

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Central Cooperatives function in 20 states and UTs with 13610 number of branches. At apex level there are 34 State Cooperative banks functioning with 2078 number of branches.

This short-term credit cooperative structure is functioning reasonably well in India. The cooperative banks and societies have been playing a very important role in the agriculture development of the country. As per a study report published by Reserve Bank of India on December 27, 2022, there were around 1.02 lakh PACS in March 2021 and out of these only 47,297 were in profit. In the same report it was revealed that PACS had reported huge lending amounting to ₹ 1,43,044 crore with NPAs of Rs.72,550 crores.

Agriculture sector's performance has been impressive during the last few years, reporting a compounded annual growth rate (CAGR) of 3.7% between FY 2018 and FY 2022. The net receipt from crop production has increased by 22.6% as compared to financial year 2013. India is one of the major agri-exporters countries in the world with continuous emphases on agriculture and related products exports. Government of India has envisaged the doubling of the farmers' income by 2023. In order to ensure doubling farmers income, cooperative societies and FPOs have an important role to play and could be linked to agri-export zones/cluster. Further robust infrastructure such as, pre and post-harvest handling facilities, storage, processing facilities and linkage of roads etc. plays a very important role in enhancing the agriculture exports. Thus there is need to provide world class facilities to the cooperative sector for strengthen of agriculture exports.

The contribution of cooperatives will have multiple effect on Indian agriculture and allied sector. The Government has taken various steps for reforms in cooperatives sector, especially Primary Agriculture Cooperative Societies (PACS) during last few years. There is need to encourage participation of youth in cooperative sectors. This will help generate employment in India and also help to increase the number of PACS to 3 lakh in the next five years. In this competitive era it is very important to be more vibrant and diversify activities through adoption of new technology and introduce new schemes for sustainable growth and development of cooperative sectors. In this context Govt. of India has started various schemes and programme under the Ministry of Cooperation.

Primary Agriculture Cooperatives Societies (PACS)

Primary Agriculture Cooperatives Societies, generally known as PACS, are working as ground level cooperative credit institutions, which used to fulfil the needs of short term as well as medium term financial needs of agriculturists for their various agricultural and allied activities. The main function of the Primary Agriculture Cooperative Societies (PACS) was to raise capital and provide loans to the members at reasonable interest rates. However, in current scenario the other Primary Agriculture Cooperative Societies are also working in different areas according to needs of the members. Now the PACS have become multifunctional societies and provide a variety of services like banking, marketing of produce, warehousing services etc. to its members. In addition to short term and medium-term credit Primary Agriculture Credit Societies (PACS) are also providing other input services like seed, fertilizer, pesticide distribution etc to its member farmers. In view of important role played by these primary level cooperative societies there is need to take some effective steps to make these societies sustainable and strengthen the cooperative movement in the country.

Computerisation of Primary Agriculture Cooperative Societies (PACS)

In present day environment of technological advancement in computerisation, and its adoption in day to day working everywhere, it is imperative that working of PACS is computerized. Computerisation of PACS will increase their efficiency, transparency and reliability of data. It will also facilitate uniform accounting system for Primary Agriculture Cooperative Societies (PACS). The computerisation of PACS has already been taken by few States. However, majority of Primary Agriculture Cooperative Societies (PACS) have so far been not computerised and are still functioning manually. There is no harmony in the software being used by PACS and they are not linked with the District Central Cooperative Banks and State Cooperative Banks, which result in delay in fund transfer provided by the Govt. to farmers. Therefore, it is very important to computerise all the PACS throughout the Country and common accounting system should be implemented for PACs in their day to day working.

Primary Agriculture Cooperative Societies (PACS) are working as base of cooperative short term credit structure, comprising of approximately 13 crore farmers as its members and are backbone for the development of the rural economy. Computerisation of Primary Agriculture Cooperative

Societies (PACS) will help various financial functions and transactions such as Direct Benefit Transfer (DBT), Interest Subvention Scheme (ISS) etc. more expeditiously. It will also ensure timely disbursement of loans to members. In this context Government of India has announced ₹ 2516 crore for computerisation of 63,000 Primary Agriculture Cooperative Societies (PACS) over the next 5 years.

Government e-Marketplace (GeM)

The cooperative societies are providing a wide range of facilities and inputs for the production of goods and services. To carry out these operations, the cooperative societies need to purchase goods and services from the open market. Most of the cooperatives usually do not have any marketing skills. Sometimes it becomes very difficult to cooperatives to manage these tasks. Thus, a need was felt to provide a platform to cooperatives to avail competitive prices through a transparent and efficient mechanism resulting in benefits to the members of the cooperative societies.

The Government of India has approved the registration of cooperative Societies as 'Buyers' on Government e-Marketplace (GeM) platform. This will enable cooperative societies to access more vendors on a single platform for procurement of common-use goods and services at competitive prices in a transparent and efficient manner. It will also save time and help in reduction of administrative expenses.

Opportunities through Dairy and Fishery Cooperatives

In order to ensure the viability of PACS by way of diversification of their business activities and to make them vibrant economic entities the Government of India formulated a plan to establish viable PACS in each Panchayat. As a step in this direction, initially 2 lakh Primary Agriculture Cooperative Societies (PACS) - Dairy and Fishery cooperatives - will be established in the country during the next five years. The action plan for implementation of the project should be prepared by NABARD, National Dairy Development Board (NDDB) and National Fishery Development Board (NFDB).

This move is significant to establish new PACS, Dairy and Fishery Cooperative societies. It will generate employment opportunities in the rural areas resulting multiplier effect on the Indian economy. This will also help cooperative societies to enhance their income as also other services at village level.

Strengthening the Cooperative Sectors

In order to strengthen & facilitate ease of doing business for cooperative sector and to strengthen the grass root level of the cooperative sector, the Ministry of Cooperation, GOI, since its formation in July, 2021 has taken various other initiatives.

- **Model byelaws of PACS:** In order to increase the viability and business diversification of PACS activities to make them active economic entities at grassroots level, model byelaws of PACS have been prepared by the Ministry after consultation with all the stakeholders. These model byelaws have been circulated for their adoption as per respective State Cooperatives Act to enable PACS to undertake more than 25 business activities which, *inter alia*, include dairy, fishery, setting up godowns, procurement of food grains, fertilizers seeds, LPG/CNG/Petrol/Diesel distribution, Common Services Centres etc.
- **PACS as Common Service Centres (CSC):** MoU has been signed between Ministry of Cooperation, Ministry of Electronics and Information Technology, NABARD and CSC-SPV to facilitate functioning of PACS as CSC. As a Common Service Centre, PACS will be able to carry out 20 different activities including water distribution, storage, bank mitra etc. This step will provide e-services to the farmers at village level and also help to generate employment in the rural economy of the country.
- **National Cooperative Database:** A national cooperative database is also being prepared by Ministry of Cooperation. Purpose of preparation of an authentic and updated data repository of cooperatives in country started to facilitate stakeholders in policy making and implementation. This exercise also would provide a list of Panchayats and villages not served by PACS, dairy and Fishery Cooperative Societies. This would be utilized for real time monitoring of the formation of new cooperative societies.
- **National Cooperative Policy:** In order to introduce a new National Cooperative Policy by reviewing the two-decade old policy, a national level committee comprising of experts and stakeholders drawn from all over the Country was constituted to formulate the New

Cooperation Policy to create an enabling ecosystem to realize the vision of 'Sahakar-se-Samriddhi'.

- **Amendment of MSCS Act, 2002:** To bring accountability, strengthen governance and enhance transparency the Govt. of India introduced bill in the Parliament to amend the centrally administered MSCS Act, 2002 to incorporate provisions of 97th Constitutional Amendment. This will help Multi State Cooperative Societies in creating professional management structure.
- **Relief in Union Budget 2023-24:** Surcharge reduced from 12% to 7% for cooperative societies having income between ₹ 1 to 10 Crore. Minimum Alternate Tax (MAT) has also been reduced for cooperatives from 18.5% to 15%. To increase cash withdrawal limit for cooperatives from ₹ 1 crore to ₹ 3 crore per annum, without being subjected to TDS. Union budget also announced to charge flat lower tax rate of 15% compared to current rate of upto 30% plus surcharge, for new cooperatives commencing manufacturing activities till March 31, 2024.
- **New National Multi-State Cooperative Export Society:** New apex national multi-state cooperative export society being established under the MSCS Act, 2002 as umbrella organization to give thrust to exports from cooperative sector.

The Way Forward / Conclusion

There are still 1.6 lakh Panchayats without PACS in India. In view of the important role played by these Primary level cooperative societies in the development and growth of rural economy of the country, there is need to take effective steps to ensure sustainability of cooperative sectors. To give new dimensions and to further promote the cooperative sector in the country, Govt. of India has taken many initiatives in this regard. Implementation of these initiatives at ground level properly and transparently is of utmost importance for future success and growth of cooperative sector.

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