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Agri credit societies

Indispensable lifeline for small and marginal farmers

THE Union Cabinet has approved the setting up of two lakh Primary Agriculture Credit Societies (PACS) and dairy-fishery cooperatives over the next five years. The move, which comes a year and a half after the Centre formed the Ministry of Cooperation, is aimed at bolstering the cooperative movement and generating job opportunities in rural areas. PACS provide short-term loans to farmers, who have to meet their requirement of seeds, fertilisers, pesticides and other inputs at the start of every cropping season. Farmers need to repay these crop loans at a very low rate of interest as both the Central and state governments chip in with their contributions. Timely repayment of loans entitles them to an incentive in the form of interest subvention.

With around 1.6 lakh panchayats still without PACS and about two lakh panchayats having no dairy cooperative society, the Cabinet's decision will help in ensuring last-mile coverage of these societies, which have crores of farmers as their members. The ground situation, however, is not very encouraging. More than one-third of the nearly one lakh existing PACS in the country are non-functional. According to an RBI report released last year, one-fourth of the 63,000-odd functional societies are running into losses, with the PACS's non-performing assets amounting to over Rs 72,000 crore. These sobering figures indicate that all is not well with the functioning of agriculture credit societies. With farmers being a major vote bank, political and electoral considerations adversely impact the recovery of loans. Lending societies remain under pressure to go soft on the defaulters or write off debts.

Last year, the Centre had initiated the computerisation of PACS in a bid to enhance their efficiency and bring transparency and accountability in their operations. There is also a dire need to strike a balance between sustaining credit flow in the agriculture sector and maintaining the financial health of the PACS. Plugging the gaps in the loan repayment mechanism is a must for strengthening the time-tested cooperative model and ensuring the viability of the credit societies, which are an indispensable lifeline particularly for small and marginal farmers.
