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THIS WORD MEANS

PACS

The Budget has given a Rs 2,500-cr boost to village-level cooperative credit societies that serve as the last link in the three-tier cooperative credit structure

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THE UNION Budget has announced Rs 2,516 crore for computerisation of 63,000 Primary Agricultural Credit Societies (PACS) over the next five years, with the aim of bringing greater transparency and accountability in their operations and enabling them to diversify their business and undertake more activities.

What are PACS?

PACS are village level cooperative credit societies that serve as the last link in a three-tier cooperative credit structure headed by the State Cooperative Banks (SCB) at the state level. Credit from the SCBs is transferred to the district central cooperative banks, or DCCBs, that operate at the district level. The DCCBs work with PACS, which deal directly with farmers.

Since these are cooperative bodies, individual farmers are members of the PACS, and office-bearers are elected from within them. A village can have multiple PACS.

PACS are involved in short term lending — or what is known as crop loan. At the start of the cropping cycle, farmers avail credit to finance their requirement of seeds, fertilisers etc. Banks extend this credit at 7 per cent interest, of which 3 per cent is subsidised by the Centre, and 2 per cent by the state government. Effectively, farmers avail the crop loans at 2 per cent interest only.

A report published by the Reserve Bank of India on December 27, 2022 put the number of PACS at 1.02 lakh. At the end of March 2021, only 47,297 of them were in profit. The same report said PACS had reported lending worth Rs 1,43,044 crore and NPAs of Rs 72,550 crore. Maharashtra has 20,897 PACS of which 11,326 are in losses.

Why are PACS attractive?

The attraction of the PACS lies in the last mile connectivity they offer. For farmers, timely access to capital is necessary at the start of their agricultural activities. PACS have the capacity to extend credit with minimal paperwork within a short time.

With other scheduled commercial banks, farmers have often complained of tedious paperwork and red tape. For farmers, PACS provide strength in numbers, as most of the paperwork is taken care of by the office-bearer of the PACS.

In the case of scheduled commercial banks, farmers have to individually meet the requirement and often have to take the help of agents to get their loans sanctioned. NABARD's annual report of 2021-22 shows that 59.6 per cent of the loans were extended to the small and marginal farmers.

Since PACS are cooperative bodies, however, political compulsions often trump financial discipline, and the recovery of loans is hit. Chairpersons of PACS participate in electing the office-bearers of DCCBs. Political affiliations are important here as well.

Where is computerisation needed?

Dr Hema Yadav, director of Pune-based Vaikunt Mehta National Institute of Cooperative Management pointed out that while SCBs and DCCBs are connected to the Core Banking Software (CBS), PACS are not. Some PACS use their own software, but a compatible platform is necessary to bring about uniformity in the system.

Computerisation of PACS has already been taken up by a few states, including Maharashtra. The Maharashtra State Cooperative Bank has plans to directly lend to PACS in districts where the DCCBs are either financially weak or have lost their banking licence. In such a scenario computerisation of PACS would help.

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Process to set up national seed co-op begins

PNS ■ NEW DELHI

Following approval from the Cabinet, the Union Cooperation Ministry has initiated the process to set up a national-level multi-State seed cooperative society which will act as an apex organisation for production, procurement, processing, branding, labelling, packaging, storage, marketing and distribution of quality seeds in the country.

A few weeks ago, the Cabinet had given the nod for setting up of such a central entity and also for strategic research and development; and to develop a system for preservation and promotion of indigenous natural seeds; through various cooperative societies in an array of sectors.

A senior official from the Ministry said that the proposed central level multi-State seed cooperative also aims to help increase the seed replacement rate, varietal replacement rate, ensuring the role of farmers in quality seed cultivation and seed variety trials, production and distribution of certified seeds with a single brand name, by utilizing the network of all levels of cooperatives.

Increasing the productivity per unit of cultivated land in India to increase agriculture production, help farmers in production, procurement, branding, packaging and selling of quality seeds and to increase the capacity of cooperative societies will be its major task.

Besides, it will incorporate all types of cooperative structures to ensure cultivation of quality seeds and increasing the role of farmers in seed variety testing, production and distribution of certified seeds.

Last but not the least; Multi State Cooperative Seed Society will help develop a system for conservation and promotion of indigenous natural seeds as well as help in new research and development, added the official.

The country's three leading cooperatives, including IFFCO, KRIBHCO and NAFED along with NDDB and NCDC have come forward to jointly help set up the central body in the seed sector with an authorized share capital of Rs 500 crore.

The Ministry feels that 29 crore members of 8.54 lakh cooperative societies who are largely from the farming communities, marginalised and lower income groups in the rural areas in all likelihood join the new society to boost their income, thus helping achieve the Government's vision of "Sahakaar se Samridhi Tak."

As per reports, the direct contribution of quality seeds to production in India is about 15-20% which can be increased up to 45% with efficient management of other inputs.

It is felt that if farmers get high quality seeds through Multi State Cooperative Seed Society, then agricultural productivity will also improve while processing, buying and selling of quality seeds will help generate additional employment in these sectors, thus boosting rural economy, promoting "Make in India" and leading to Atmanirbhar Bharat, noted the official.

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Supporting farm growth

Budget has enabling proposals

The agricultural package mooted in the Union Budget for 2023-24 seems to aim primarily at ramping up programmes and institutions that can potentially serve as growth agents for this sector. The objective is to raise farm production and, more so, farmers' income to rein in the discontent in rural areas. But whether the resources allocated for these activities are adequate is open to question, considering that the budget for this sector has been stepped up only marginally and includes the sum paid to farmers (₹6,000 annually in three instalments) under the PM-Kisan Samman scheme. Also, while emphasis has rightly been laid on technology-driven growth, the proposed investment in agriculture research and development is below 0.5 per cent of the farm sector's gross domestic product (agri-GDP), against the global norm of 1-2 per cent. However, the priority accorded to agriculture's allied sectors, notably animal husbandry and fisheries, is well placed because these are reliable sources of supplementing farm incomes, especially for small and marginal farmers.

The three most notable initiatives envisaged in the Budget are the setting up of an agriculture accelerator fund, creation of an all-inclusive digital public infrastructure for farming-related information and services, and expansion of decentralised warehousing capacity for agricultural produce. The other significant moves include incentives for producing good-quality seeding material for high-value horticultural crops, promoting extra-long staple cotton cultivation, and revamping grassroots-level rural institutions like primary cooperative societies and self-help groups. Besides, it has hiked the target of institutional agricultural credit disbursement to ₹20 trillion with focus on dairying and fisheries.

The planned agriculture accelerator fund is meant chiefly to support agri-start-ups and farmer producer organisations engaged in promoting modern farm technologies and offering affordable solutions to farmers' problems. The proposed digital public infrastructure, on the other hand, is envisaged to serve as an open and interoperable public platform for providing relevant information on crop planning, crop health, farm inputs, support services, credit, insurance, market intelligence, and a host of other facilities and services. This portal would also come in handy to compute reliable crop output estimates. Apart from farmers, the other stakeholders in the farm sector would also have access to this facility. The plan to create massive decentralised storage capacity for farm commodities is another well-advised step that can help cut post-harvest losses, which, at present, range from about 6 per cent in cereals and pulses to over 15 per cent in fruit and vegetables.

The availability of commodity-specific and temperature- and humidity-controlled storehouses closer to production centres would also enable farmers to get better prices through deferred sale of their marketable produce. Warehousing receipts have already been declared legal tender to serve as collateral for taking bank loans. Revamping the primary-level cooperative infrastructure is also a need-based move that can yield enduring dividends. At present, a large number of cooperative societies, including many multi-state cooperatives, are in a shambles. Computerisation would make their day-to-day functioning more transparent and efficient. However, the proposed investment of ₹2,516 crore seems too meagre to meet the needs of more than 63,000 such societies. This provision needs to be revisited if the much-cherished goal of *"Sahakar Se Samriddhi"* (prosperity through cooperation) is to be realised.

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