



Emerging Trends of Primary Agricultural Credit Societies in India

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Abstract

Nearly 14 crore of farmers in the country are the members of the cooperative system in the country. Nearly 95% of KCC loans disbursing through PACS are provided to the small and marginal farmers of the country. This is about 41% of the loan provided by PACS through KCC in the country. To increase the efficiency and productivity of the PACS the cabinet committee of the union government has approved the idea of digitization of the PACS of the country. There are about 65000 PACS are working in the country. Now days the governments are focusing on multipurpose PACS in the country so that they can provide some other facilities to its members along with the financial facilities they are providing, facilities like storage space, rentable agricultural tools and implements etc. In the Eastern and North-Eastern Co-operative Dairy Conclave 2022 the Union Home minister promised for the establishment of the PACS in every Panchayat of the country.

Keywords: Marginal, Financial, Marketing, Self-help, Mutual help, Credit

Origin of PACS

PACS were established in the year of 1904. The main objective to establish the PACS was to provide financial and marketing help to the member farmers of the PACS. To cope up with the changes of the movement of co-operative, the act of 1904 was not found sufficient; so a new act was passed.^[1] The second Act was passed in 1912, the co-operative societies act aim to promote thrift among farmers, artisans, and to the persons have limited means. Since then they were providing short-term and small-term financial help to its members. Since early 1970s these PACS were the only source for credit in rural areas at village and gram panchayat level in the country.

Nilson pointed out three common factors characterizing most of definitions of cooperative. These are “(a) cooperation in an cooperative activity (b) it is conducted for the common needs of the members and (c) is owned and controlled by the members themselves”.^[2]

In India the villages committee are the basic features of cooperatives.^[3] They aim is not to earn profit but to help the small and marginal farmers of the country though finance and other requirements of the rural people. PACS are providing equal rights to its members without considering their shareholding position in the PACS.

Principles of PACS

The co-operatives can be created to fulfill number of different needs.^[4] PACS are working on the principle of self-help and mutual help, the principles of co-operatives are as follow:

- **Voluntary and open membership**
- **Democratic member control**
- **Member economic partnership**
- **Autonomy and independence**
- **Education training and information**
- **Cooperation among cooperatives**
- **Concern for community**

Regulators of PACS

- The PACS of the country are registered under the co-operative society's Act it means they are regulated by the state government and they are also regulated by the RBI.
- NABARD act as a nodal finance agency for the PACS and it also include co-operative banks too.
- They are governed through the Banking regulation Act1949 and the Banking Laws (Co-operative Societies) Act 1965.

In 1937, Reserve Bank presented a statutory report in which it gave advice on various matters of co-operative practices.^[5]

Organization of PACS

A three tier structure of co-operative is working in the country and the Primary Agricultural Credit Societies forms the base of the co-operative structure.^[6]

The General Body: it is comprises all the members of the PACS and exercise its control over the board of the PACS and over its management as well.

Management Committee: the management committee is elected by the members of the PACS and it performs the management work of the PACS as prescribed by the by-laws of the PACS. It includes chairman, vice chairman, secretary and other board members.

Office Staff: it includes the manager, clerk and peon who perform the day to day work of the PACS.

Functions/objectives of PACS

Originally the Primary Agricultural Societies were formulated on Raiffeisen Model.^[7]

The foremost function of the PACS is to provide financial assistance to its members, they provide loan at a very low interest rate to its members

They borrow funds from the central financial agencies so that they can provide financial help to its members

They also arrange or provide agricultural machineries to its farmers at the time of sowing and harvesting of the crops.

It also inculcates a habit of saving among its members by providing them banking like facilities.

The PACS are also encouraging the habit of thrift among its members which will help in improving the lifestyle and saving in rural India.

PACS also encourage the habit of credit discipline among its members as they have to repay their loan at a given period of time and it will also reduce the risk of credit default in the rural sector.

PACS are also providing marketing facilities to its members which will enhance the sale of their agricultural products and fetch them a good price of their produce.

It also arranges the supply of agricultural inputs like pesticides, seeds, fertilizers etc. the table 1 is showing the statistical details of PACS during the year of 2021.

Table 1**STATISTICAL DETAILS****PRIMARY SOCIETIES (PACS, FSS & LAMPS) (31/03/2021)**

| | | |
|------------|-------------------------------------|-----------------|
| 1. | Number of Societies | 102559 |
| 2. | Membership | 137169 |
| 3. | Owned Funds | 4231069 |
| 4. | Deposits | 17092217 |
| 5. | Borrowings | 14304401 |
| 6. | Loans Advances | 22944341 |
| 7. | Loans Outstanding | 21686159 |
| 8. | PERG. Of OVR. To Demands (%) | 28.9 |
| 9. | Employees | 160947 |
| 10. | Borrowers | 53653 |

(Membership & Borrowers in Thousands)

(Amount In Lakhs)

Major issues of PACS

The PACS are covering more than 90% geographical area of the country but still it has lack of presence in the north eastern region of the country. Likewise only 50% of the rural population is covered by the PACS as its members. So there is a lot of work to do in these areas.

As far as the requirements of the rural population concern PACS are still lacking in the resources whether it is financial resources or other resources like seeds, machineries etc provided by the PACS. There is need to improve the financial resources of PACS as per the requirement of the members of the PACS. PACS has to rely on the higher financial agencies to provide financial assistance to its members.

There are large overdues on the PACS as they don't have resources and proper arrangements to recover their loans. It is due to lack of political will and high political interference in the working of the PACS in the country. Due to which they have very less borrowing and lending capacity. Some members use their relative position in delaying the loan repayments to the PACS.

The PACS are providing restricted and inadequate credit to the farmers as the short term loan is provided for the sowing season of the crop and the medium term loan is restricted to the farm development activities like installation of pumping set etc.

The aim of cooperative is to serve people not to make money but this will not encourage the rural population to take part in the cooperatives as their main objective is to financial benefits.

It is observed that there is lot of conflict among the members of the PACS due to ego clash, personality conflicts. Their selfish behavior sometimes leads to the collapse of the society.

Red-tapism is a part of institutional credit system in the country. There is lots of rules and formalities in the credit institutions which force the farmers in rural areas move towards the more costly non-institutional source of credit.

The expansion of rural credit structure in the country still find insufficient as compared to growing requirements of finance arise day by day.

Emerging Trends

Formation of Ministry of Cooperation

To deal with the above mentioned issues the ministry of cooperation was setup in 2021 with the following objectives:

- To provide a unique administrative, legal and policy framework for strengthening the cooperative movement in the country.
- To realize the vision of “Sahkar se samridhi” (prosperity through cooperation).
- To deepen cooperative movement as a true people based movement that will be able to reach citizens at grassroots level
- To streamline process for “Ease of doing business” for cooperatives and enable development of MSCs in India.

Multipurpose PACS

The government of India is planning to create multipurpose PACS by converging of various existing PACS by leveraging the Whole-of-government approach in the next five years. The government of India is participating with the state governments, National Bank for Agriculture and Rural Development (NABARD), National Dairy Development Board (NDDB) and The National Fisheries Development Board (NFDB).

The Recent Initiatives in this regard

The government of India gave its approval to setup three multistate cooperative societies (MSCS) in the country for organic, seed and export purpose registered under MSCS Act 2002, namely

National Co-operative Export Society

National Co-operative Society for Organic Products

National Level Multi State seed Co-operative Society

Why there is a need for National Level Multi State Cooperative Societies (MSCS)?

These cooperatives are going to support the fisheries production as they will provide multi state cooperation and integration of resources for production and marketing of the fisheries, they will also help in supply of good seed for the better showing and harvest of the crop throughout the country, and they will also encourage the farmers to opt for the organic farming by providing them better seed and marketing of the product.

Gati Shakti Portal

This portal is developed to provide integration of data of cooperatives of the country and it will also help the cooperatives to utilize the infrastructure developed by the centre and the states.

Cooperative is a part of WTO agreement on Agriculture; therefore India is trying to follow the agreement with whole heartedly.

The participation of women is increasing in the PACS as the number of SHGs are tuning with the cooperatives in the country. Micro finance to SHGs is increasing day by day as they are working towards the upliftment of women in the rural area of the country.

The central government and the state governments are working towards the strengthening the infrastructure of the PACS and also trying to develop professional skills among the staff members of the PACS.

Government has passed the long pending bill of NCDC Amendment bill, 1995 in the year 2002. This will provide more financial liberties to the cooperatives. This will also led to the human resource development and training to its members. This act will also provide the infrastructural facilities to promote professionalism among the members of the cooperatives.

The government is planning to encourage the PACS as fertilizer retailers in the country. The government is mapping the PACS and on the basis of the mapping the PACS which are not functioning as fertilizer retailers are going to be identified and will be encouraged to function as fertilizer retailers.

The government is also planning to bring the PACS under the Pradhan Mantri Kisan Samridhi Kendras (PMKSK) which is not currently working as PMKSK.

PACS are going to be connected with the marketing of organic fertilizers, especially liquid fermented organic manure (LFOM) or fermented organic manure (FOM) or phosphate enriched organic manure (PROM).

The government is planning to use the drones for the survey of the farms for this purpose the PACS can be deployed as drone entrepreneurs for spraying fertilizers and pesticides in the farm lands.

Under the Marketing Development Assistance (MDA) scheme of the department of fertilizers, the fertilizer companies will act as the aggregators for small bio-organic produce in this process of marketing the PACS are going to act as a wholesaler or retailer.

PACS may have the potential to provide space for Atmanirbhar Bharat as well as Vocal for Local as they are working at grassroot level and are providing most of services to the farmers these days.

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