Reclaiming India's cooperative dream

Why in News?

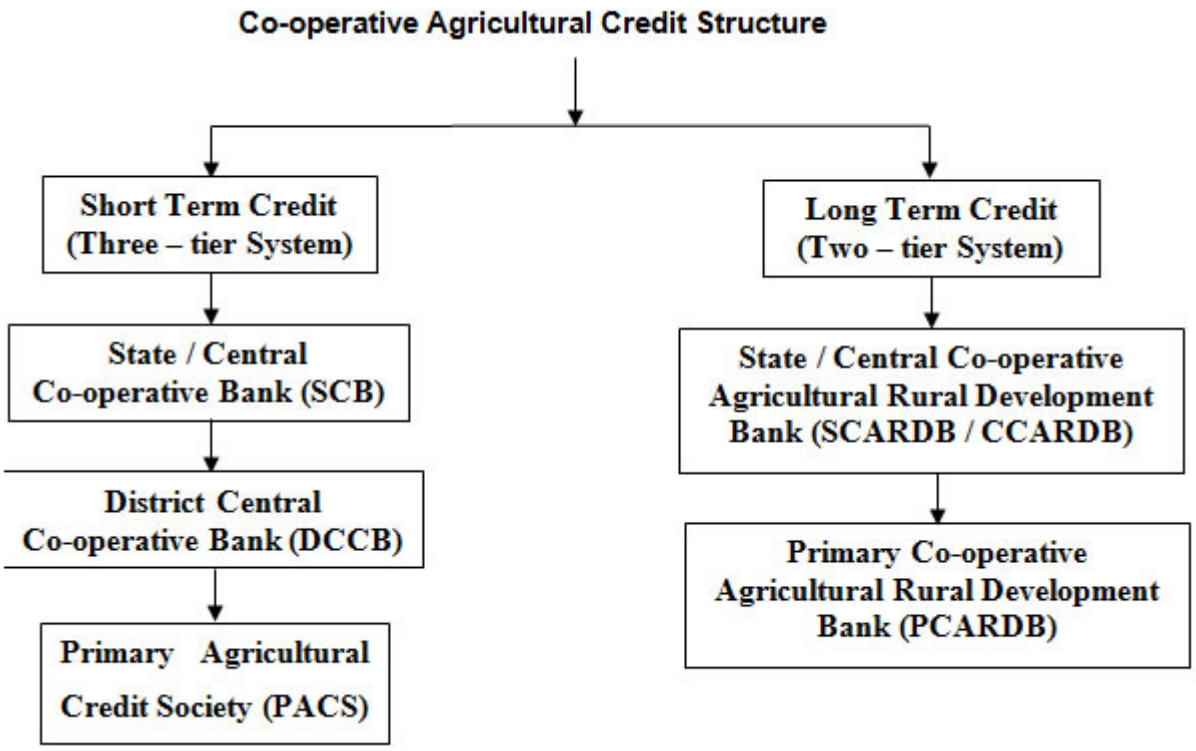
Recently , Union Home and Cooperation Minister has announced a target of establishing two lakh Primary Agricultural Credit Societies (PACS) within five years.

What are PACS?

- **PACS** - Primary Agricultural Credit Societies are the grass root level arms of the short-term co-operative credit structure.

  The formation of PACS dates back to 1904 when the first Co-operative Credit Societies Act was passed.

- **Objective** – PCAS was designed to democratise credit, empower rural populations, and combat exploitative practices by intermediaries.
- **Evolution** - Cooperatives became instrumental in enabling agricultural credit, dairy development, and marketing.
- **Function** - PACS deals directly with the rural (agricultural) borrowers
  - Give loans and collect repayments of loans
  - Undertake distribution and marketing functions
- **Financial bridge** - It serves as the final link between the ultimate borrowers on the one hand and the higher financing agencies, namely the Scheduled Commercial Banks, and the RBI/NABARD on the other hand.
- **Organisational Structure of PACS**
  - **General Body of PACS** - Exercise the control over board as well as management.
  - **Management Committee** - Elected by the general body to perform the work as prescribed by the society's rules, acts, and by-laws.
  - **Chairman, Vice-Chairman, and Secretary** - Work for the benefit of the members by performing their roles and duties as assigned to them



What hindered the potential of PACS movement?

- **Political interference** - Many cooperatives became heavily politicised, often controlled by local elites with vested interests.
- **Inefficient management** - The governance structure of cooperatives has frequently lacked professionalism, leading to poor financial management and unsustainable operations.
- **Dependence on State funds** - Cooperatives have traditionally relied on government subsidies, making them financially fragile and incapable of competing with private enterprises.
- **Limited inclusivity** - Women, Dalits, and other marginalised groups have often been excluded from decision-making roles, undermining the equitable objectives of cooperatives.
- **Fragmented approach** - Most cooperatives have focused on a narrow set of activities without integrating themselves into broader supply chains, thereby failing to achieve economies of scale or market competitiveness.

What are the recent government initiatives for cooperatives promotion?

- **New model bylaws** - The adoption of bylaws allowing cooperatives to operate in territories beyond their traditional core areas aligns with the need for modernisation and diversification.
- **Phased rollout** - Dividing the establishment of PACS into two phases, with significant involvement from the NABARD, NDDB NFDB ensures that resources and expertise are focused on sectors that require immediate attention.
- **Liquidation of defunct PACS** - Introducing standard operating procedures for liquidating non-functional PACS is a step towards streamlining the cooperative ecosystem.

- **Inclusivity focus** - The explicit emphasis on the participation of women, Dalits, and tribal to foster social harmony and economic equity.
- **Integration into global supply chains** - Using PACS as conduits for robust forward and backward linkages in global markets facilitates market competitiveness and scalability.

What are the challenges in empowering cooperative movement?

- **Avoiding political interference** -There must be strong checks and balances and clear guidelines on governance and accountability in place to prevent political capture of the new PACS.
- **Capacity building and professional management** - Providing training to PACS members on modern management practices.
- **Sustainable financial model** – Curtailing over-reliance on subsidies to guide toward self-sufficiency through income-generating activities and effective revenue models.
- **Ensuring inclusivity** - Quotas for women, Dalits, and other vulnerable sections in leadership roles to empower marginalized groups.
- **Technological integration** - The new PACS must leverage digital tools for accounting, credit disbursal, and market access.
- Issuing micro-ATMs and RuPay Kisan Credit Cards is a positive start, but comprehensive digital infrastructure is needed.
- **Effective liquidation process** - Ensuring fairness and efficiency in liquidating defunct cooperatives.
- Mismanagement during this process could lead to legal disputes or financial losses.
- **Monitoring and evaluation** - The government must establish independent monitoring agencies to periodically assess the progress and impact of the new PACS.

What needs to be done to strengthen the movement?

- **Data-driven approach** - Identifying areas where PACS are most needed through comprehensive surveys to optimise resource allocation and to avoid duplication of efforts.
- **Grassroots participation** - Involving local communities in decision-making and planning will foster a sense of ownership and accountability among beneficiaries.
- **Collaboration with the private sector** - Public-private partnerships can provide access to modern technology and global markets, enhancing the competitiveness of cooperatives.
- **Policy consistency** - Long-term success depends on consistency in policy implementation across different States.
- **Value addition** - PACS must venture into value-added services such as food processing, cold storage, and export facilitation to boost farmer incomes.

Reference

[The Hindu | India’s Cooperative Dream]



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