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Reforms for strengthening rural co-operatives

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Improving the governance system and culture, technology up-gradation, business diversification and scaling up the human resource base are vital

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Indian agriculture, especially the small and marginal farming community, deeply needs an anchor to support all farming-related activities | Photo Credit: KOMMURI SRINIVAS

The practice of co-operation and co-operative activities are deeply ingrained in the Indian culture and ethos. The co-operatives reduce individual risk in economic activities and create a culture of shared productivity, decision-making, and creative problem-solving. By and large, co-operatives are “local institutions”, addressing “local needs”, employing “local talent” and are led by “local leaders” and thereby have the unique ability to promote the local economy. That is why, the Royal Commission on Agriculture in India, 1928 quoted that “If cooperation fails, there will fail the best hope of rural India.”

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Indian agriculture, especially the small and marginal farming community, deeply needs an anchor to support all farming-related activities, be it arranging quality inputs like seeds, fertilizers, manure, timely crop advisory, or remunerative price realisation. Co-operatives can act as that powerful anchor. It can also act as a link in complementing the initiatives of the private and public sectors. The government line departments, extension agencies like KVKs, input suppliers, fin-techs, agri start-ups, banks and financial institutions, processors, logistics providers, and market players, all need a strong member-driven community-based organisation like co-operatives to serve farmers and others.

Current landscape, challenges

Per the National Co-operative Database, there are 1,92,348 primary credit societies, comprising 99,176 primary agricultural credit societies (PACS), 80,150 credit and thrift societies, 5,508 large area multi-purpose societies (LAMPs), 547 farmers service societies (FSS), 1,349 urban co-operative banks (UCBs) and 5,618 miscellaneous societies. Likewise, there are 6,11,462 non-credit societies, the major one being housing societies (1,92,013), followed by agriculture, dairy, poultry, fisheries, marketing, handicraft, handloom, and women welfare.

As far as rural credit co-operatives at primary levels are concerned, they comprise PACS, LAMPs, and FSS, totalling 1,05,231. These are affiliated to district central co-operative banks (DCCBs) and DCCBs, in turn, are affiliated to state co-operative banks (StCBs) under a tier system. In a few States, the primary societies are affiliated directly with StCBs, in the absence of DCCBs. These primary societies have nearly 13.5 crore members spread across 6.3 lakh villages, 350 DCCBs with 13,701 branches, and 34 StCBs with 2,158 branches. Like-wise, long-term rural co-operative credit institutions cover; 13 functional State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the State level and 604 PCARDBs and their branches at the taluka/village level. It has a membership of nearly 1.1 crore members.

The formation of an exclusive Ministry of Co-operation on July 6, 2021, is a watershed moment for the overall development of co-operatives in the country. The Ministry, soon after its formation, took several path-breaking initiatives and these include: the formulation of model bye-laws for PACS to undertake multi-purpose activities, the formulation of National Co-operative policy, the launching of a scheme for computerisation of 63,000 functional PACS, the creation of National Cooperative Database, computerisation of Agriculture and Rural Development Banks (ARDBs), the inclusion of StCBs and DCCBs as member lending institutions (MLIs) with CGTMSE, launching of world's largest grain godown project in PACS, promotion of milk production and marketing through co-operatives, formation of three new national level multi-state co-operative societies for the promotion of certified seed, agri exports, and organic farming.

The model bye-law for PACS, adopted by 31 States/Union Territories, has enabled PACS to undertake business activities like LPG distributorship, new petrol pump dealership, common service centres, Jan Aushadhi Kendra for accessing generic medicines, PACS as Kishan Samridhi Kendra, PACS as Pani Samiti, the convergence of PM-KUSUM scheme at PACS level, etc.

Possible new initiatives

The rural credit co-operatives can be strengthened through a holistic approach by improving the governance system and culture, technology up-gradation, business diversification and improvement in human resource base through quality recruitment, capacity building, transparent career progression system.

Some specific suggestions are given below:

Each StCB should handhold affiliated DCCBs and DCCBs hand-holding affiliated primary societies in right earnest. All stakeholders must try to uphold this principle of 'co-operation among co-operatives'.

Conduct of election of co-operatives in a fair and transparent manner through dedicated State Co-operative Election Commission, is necessary. Further, enhancing the governance and leadership skills of elected members of the Board should be undertaken systematically.

Efforts should be made to establish a linkage between production, processing, storage, transport, and marketing, with rural credit co-operatives taking the lead in financing all activities through agri value chain-based approach. Various Government of India and State Government schemes for capital formation in agriculture need to be dovetailed.

StCBs and DCCBs should leverage technology to provide customer-centric digital services like internet banking, mobile banking, Unified Payment Interface, Bharat E-commerce Payment Services, Micro ATMs, etc. to their customers to arrest the flight of good customers.

StCBs and DCCBs should also be onboarded to bank-centric digital services like a Centralised Loan Originating System (LOS), upgradation of CBS, Loan Management System (LMS), Human Resource Management System (HRMS), and NPA Management software.

Phase II of the ongoing PACS computerisation project through integration of the ERP software with the CBS of DCCBs as also integration with state-specific portals, be undertaken.

All stakeholders should help PACS with onboarding schemes launched by the Ministry of Co-operation, preparation of Business Development Plans (BDPs) with a focus on both credit and non-credit activities, and monitor the plans regularly.

All stakeholders should endeavour to revitalise dormant primary societies, especially dairy, fisheries, handloom, handicraft, livestock and poultry, etc., through a consultative process.

The StCBs and DCCBs should adopt a transparent recruitment policy to recruit quality manpower and undertake measures for capacity building of employees.

Members' education and awareness on various tenets of co-operative principles, management, rights, and duties, should be given due emphasis by policy planners and implementers.

With a view to build a future cadre of trained co-operators, there is a need for introducing courses in the academic calendars of schools and colleges, including the introduction of professional management courses.

There is also a need for encouraging start-ups in the co-operative field to bring a fresh outlook and innovation to the sector.

It should be the endeavour of all stakeholders to see that rural cooperative banks enhance their share in agriculture credit from the current share of 11 per cent to at least 20 per cent by 2030 and 40 per cent by FY 2047.

Co-operatives are essential for fostering collectivism for the business activities of members as well as building and maintaining the social capital foundation of our country. There cannot be a more opportune time to visualise and achieve overall development of co-operatives when India has set new laurels in "self-reliance" or "Aatmanirbharta". The mantra of 'Vocal for Local' has been the bedrock that fuels this spirit. It is the co-operatives, which has the unique ability to promote the local economy through the prism of modern technology and outlook.

The writer is CGM, NABARD