



Plan to Set up 2 lakh PACS, Dairy, and Fisheries Cooperatives

Prelims: Digitization of PACS, PMMSY, Atmanirbhar Bharat, Cooperatives.

Mains: Significance of PACS and the Issues, Government Policies & Interventions.

Why in News?

The Centre approved a **plan for setting up 2 lakh Primary Agricultural Credit Societies (PACS), dairy, and fisheries cooperatives** in the country in the next five years to strengthen the cooperative movement.

- Earlier, the [Union Budget 2023](#) announced Rs 2,516 crore for **computerisation of 63,000 PACS** over the next five years, with the aim of bringing greater transparency and accountability.

What are the Key Points of the Plan?

- **Aim:** The plan, mooted by the [Ministry of Cooperation](#), is aimed at “strengthening cooperative movement in the country and deepening its reach up to the grassroots”.
- **Convergence of Various Schemes:** Plan is to **establish viable PACS, dairy and fishery cooperatives in villages**, and **strengthen the existing ones** through convergence of various schemes of the **Ministry of Fisheries, Animal Husbandry & Dairying** by leveraging the **‘whole-of-government’ approach**.
- **Action Plan:** Action plan for implementation of the project shall be prepared by NABARD, [National Dairy Development Board \(NDDB\)](#) and [National Fishery Development Board \(NFDB\)](#).
- **Components:**
 - Department of Animal Husbandry and Dairying:
 - [National Programme for Dairy Development \(NPDD\)](#)
 - Dairy Processing & Infrastructure Development Fund (DIDF)
 - Department of Fisheries:
 - [Pradhan Mantri Matsya Sampada Yojana \(PMMSY\)](#),
 - [Fisheries and Aquaculture Infrastructure Development \(FIDF\)](#)
- **High Level Inter-Ministerial Committee (IMC):** It is to be established under Ministry of Cooperation for smooth implementation of the plan.

What is the Significance of the Plan?

- There are still **1.6 lakh panchayats without PACS** and nearly **2 lakh panchayats without any dairy cooperative society**.
- PACS account for **41% (3.01 crore farmers) of the [Kisan Credit Card \(KCC\)](#) loans** given by all entities in the country.
 - NABARD’s annual report of 2021-22 shows that **59.6 per cent of the total loans were extended to the small and marginal farmers**.

- These societies also **provide warehousing services** to farmers in order to preserve and store their food grains.

What is PACS?

- PACS are the **ground-level cooperative credit institutions** that provide short-term, and medium-term agricultural **loans to the farmers for the various agricultural and farming activities**.
- These are 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 (DCCBs), which work with PACS.
- The PACS functioning **at the base of the co-operative banking system** constitute the major retail outlets of **short term and medium-term credit** to the rural sector.

Way Forward

- Along with improved coverage, reorganisation and **increased resource-mobilization capacity of PACS** is necessary to **increase their ability to attract more deposits** and loans from higher financing agencies.
- PACS should receive coherent policy support over long period and be highlighted in the Government of **India's vision for [Atmanirbhar Bharat](#) and [Vocal for Local](#)** initiatives to realize their potential as **building blocks for a self-sufficient village economy**.

UPSC Civil Services Examination Previous Year Questions (PYQs)

Prelims

Q.1 Consider the following statements: (2020)

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks.
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (b)

Q.2 With reference to 'Urban Cooperative Banks' in India, consider the following statements: (2021)

1. They are supervised and regulated by local boards set up by the State Governments.
2. They can issue equity shares and preference shares.
3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Ans: (b)

- Co-operative banks are financial entities which belong to its members, who are at the same time the owners and the customers of their bank. They **are established by State laws.**
- Co-operative banks in India **are registered under the Cooperative Societies Act.** They are also regulated by the RBI and governed by Banking Regulations Act, 1949 and Banking Laws (Co-operative Societies) Act, 1955.
- Cooperative banks **lend as well as accept deposits.** They are established with the aim of funding agriculture and allied activities and financing village and cottage industries.
- National Bank for Agriculture and Rural Development (**NABARD**) **is the apex body of cooperative banks in India.**
- Urban Co-operative Banks (UCB) are regulated and supervised by State Registrars of Co-operative Societies (RCS) in case of single-state co-operative banks and Central Registrar of Co-operative Societies (CRCS) in case of multi-state co-operative banks and by the RBI. Hence, statement 1 is not correct.
- The banking related functions such as issue of license to start new banks/branches, matters relating to interest rates, loan policies, investments and prudential exposure norms are regulated and supervised by the Reserve Bank under the provisions of the Banking Regulation Act, 1949 after an amendment in 1966. **Hence, statement 3 is correct.**
- The Reserve Bank of India came out with draft guidelines allowing primary UCBs to augment capital through issuance of equity shares, preference shares and debt instruments.
 - The UCBs could raise share capital by issue of equity to persons within their area of operation enrolled as members and also through additional equity shares to the existing members. **Hence, statement 2 is correct.**
- **Therefore, option (b) is the correct answer.**

Mains

Q.“In the villages itself no form of credit organization will be suitable except the cooperative society.” – All India Rural Credit Survey. Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014)**

[Source: IE](#)

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