

A leg-up for cooperatives

Initiatives in the Budget should make the sector vibrant

HEMA YADAV/PALLAVI INGALE/ANSHU SINGH

The Budget seeks to double farmers' income by building a robust system that enables easier access to finance, the marketplace and new-age technology. The government has allocated a sizeable amount for rural infrastructure development. This will help farmers get better access to the marketplace

National Federation of State Co-operative Banks (NAFSCOB) data of 2019-20 shows that around 138 million farmers are members of Primary Agricultural Credit Societies (PACS). This indicates the linkage and importance of cooperative societies.

In October 2021, a separate Ministry of Cooperation was formed to handhold cooperatives. The Budget has earmarked ₹900 crore to the Ministry. The cooperative sector works as the main pillar at the grass-roots level to support the weaker sections and farmers.

The cooperative sector has huge potential but needs proper plans and funds to support training and development programmes. The Budget has taken this into consideration and allocated ₹25 crore. This will help training institutes working in the cooperative sector conduct more programmes in the coming financial year.

The Budget has earmarked ₹11 crore for strengthening training and research at VAMNICOM (Vaikunth Mehta National Institute of Cooperative Management), an apex institute under the Ministry of Cooperation.

Digitalisation of PACS

NAFSCOB data shows there are 95,995 PACS in India. In 2014, the RBI gave directives to implement and use core banking solutions and technology in credit cooperatives. PACS were facing issues in adopting digitalisation. In this Budget, ₹350 crore has been allotted for the digitisation of PACS. In the coming years, we can expect an increase in efficiency, profitability, transparency and accountability in the working of PACS.

Cooperatives can make a huge contribution to making India a \$5-trillion economy, and towards this ₹274 crore has been allotted under the 'Prosperity through Cooperatives' scheme. The scheme has a number of sub-components that aims at all-round development of the different types of cooperatives.

The Alternate Minimum Tax (under Section 115 JC) applies to all non-corporate assessees, is applicable on adjusted income. In this Budget, the AMT for cooperative societies has been reduced to 15 per cent from 18.5 per cent. In addition, the government has announced cooperatives societies having net income between ₹1 crore and ₹10 crore will pay 7 per cent surcharge, not 12 per cent.

In the coming year, cooperative societies will save 3.5 per cent tax and 5 per cent surcharge. They can use the saved profit for their own betterment or to sustain in a competitive environment. Co-operatives will move towards organised farming following the reduction in AMT.

Although the allocation to the Agriculture Infrastructure Fund (AIF) has been curtailed, there is a scope to increase its utilisation. The fund, for the creation of post-harvest infrastructure, will support farmers, PACS, FPOs, and agri-entrepreneurs. PACS have utilised AIF for building warehouses.

In 2020-21, 163 PACS in Karnataka were identified under AIF and conversion to Multi-Service Centres under Nabard's 'Special Refinance Facility. It's time for PACS to make the best use of the fund to diversify into multi-services such as collection



centres, pack houses, warehouses, primary processing to reduce post-harvest losses, and value addition for better market access.

With a budget of ₹60 crore for digital agriculture and impetus on start-ups, PACS and Multi-State Cooperative Societies, especially in the organised dairy and sugar sectors, are expected to focus on the use of artificial intelligence, machine learning, and blockchain technology.

The Budget also promotes natural farming for sustainable agriculture and hence a renewed orientation of members of cooperative societies needs to be a part of the action plan for building capacity of cooperative societies.

While the National Cooperative Policy is being framed, the cooperative education and training plan for 2022-23 calls for enhanced focus on infrastructure development, use of ICT, and services marketing, among others, to make the cooperative sector vibrant.

Hema is Director, and Pallavi and Anshu are Assistant Professors, VAMNICOM