

Forming New Multipurpose Cooperative Societies in Karnataka and the Progress in Implementation of Central Sector Scheme – Issues and Challenges

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“Cooperation is great medium for self-sufficiency of the village; it has energy of Atma nirbar Bhart” – Shri Narendra Modi

I. INTRODUCTION

The greatest challenge to any civilized society is the economic deprivation it harbours, in league with social deprivation. This principle is germane to the cooperative management in the country in general and the State of Karnataka in particular, which encompasses the basic human feeling of self-worth as its core. The department of cooperation is a vital department of the Government of Karnataka. The department of cooperation oversees the administration and functionaries of various cooperative institutions namely textiles, sericulture, industries, animal husbandry, fisheries, sugar, horticulture, agriculture and irrigation and also assists the societies financially besides providing technical guidance and input. The cooperative movement in Karnataka is playing an important role in improving the economic condition of the members of both in rural and urban areas. Karnataka is the first State where Agricultural loans through cooperatives are given at a very lesser rate of interest.

The economy of the State is mainly dependent on agriculture as more than 65 per cent of the total population is engaged in this sector. In a developing economy like India assumes greater significance. In the State of Karnataka the short term credit structure provides short term credit for crop production and

medium term credit for small developments through Primary Agricultural Cooperative Societies.

II. STATUS OF COOPERATIVE MOVEMENT IN KARNATAKA

Co-operatives in Karnataka have been in the forefront of Co-operative endeavours and have produced several outstanding features and they are as follows.

The first co-operative society of our country was registered in 1905 at Kanaginahal village of Gadag district in Karnataka. Sri Siddanagouda Sannaramana Gouda Patil is considered as the pioneer in the co-operative movement as he is the founder President of the said co-operative society in our country.

The Mysore Co-operative Societies Act 1959 is the first legislation in the State pertaining to the co-operative societies and has come into being from 25-05-1960.

The State of Karnataka has witnessed remarkable growth in the cooperative sector. Cooperative institutions have played a vital role in the socio-economic development of the State, particularly in the rural areas and in agriculture and allied sectors. Further, cooperative institutions will continue to play a key role in the economic development of the country and will become more relevant in the changing economic environment of liberalization and globalization.

Cooperative Movement is widespread in the State of Karnataka covering all the developmental sectors like Agriculture and non-Agriculture Credit, Dairy,

Marketing, Housing, Consumers, Silk Industry, Fisheries, Horticulture, and Sugar etc.

The department of cooperation, Government of Karnataka is headed by Hon'ble Minister for Co-operation and the Principal Secretary to Government, Co-operation Department is the administrative head, who is assisted by other officers and staff.

There are four Departments under the purview of the Cooperation Secretariat.

- Department of Co-operation
- Agricultural Marketing Department
- Department of Co-operative Audit
- The Karnataka State Warehousing Corporation

Status of cooperatives in Karnataka for the year 2023-24

Sl. No	Particulars	2023-24
1	Number of Cooperatives	46,917
	Of which a) working 40,836 b) Defunct 2,675 c) Under Liquidation 3,406	
2	Share Capital (Rs in crores)	24,322
	Of which a) Government 4224 b) Members. 20,098	
3	Membership	2.61 crore
4	Working capital (Rs. In crores)	4,04,717
5	Deposits (Rs. In crores)	1,66,811
6	Number of villages covered by cooperatives	100 percent
7	Number of cooperative societies in profit	27,756
8	Number of societies under loss	13,869

Formation of Multipurpose PACS/ Dairy/ Fisheries cooperative societies in every village Panchayat

Multipurpose PACS/ Dairy/ Fisheries cooperative societies in every village Panchayat will transform the ground-level cooperative societies into vibrant economic entities.

Cooperative movement is the backbone of the rural economy and for over a century, cooperation has been a way of life for crores of people in the country. Presently, 29 crore people are directly linked with the cooperative sector in India. The cooperative societies, particularly in agriculture, dairy, and fisheries sectors provide rural populations not just with livelihood opportunities but also with a financial safety net through a community based approach. Formation of

III. ROLE OF NABARD IN FORMING NEW MPACS

The NABARD is shouldering the responsibilities of forming around 70,000 new MPACS across India. The action plans of the NABARD in forming new MPACS are as follows.

Phase	Year	Number of new MPACS to be formed by NABARD
I	2024 to 2026	22,750
II	2026 to 2029	47.250
	Total	70,000

In addition to formation of new MPACS the NABARD is shouldering the responsibilities of overall coordination among all the stakeholders concerned and the major role to be played by the NABARD

includes identifying the areas of operations, preparing State and District wise action plans, organizing State/ District level sensitization workshops, social mobilization, facilitating registration, preparing

business development plans, training and capacity building etc.,

IV. IMPLEMENTATION MECHANISM IN FORMING NEW PACS

For effective implementation of the scheme the GOI has constituted various committees at National, State and District level and a brief overview and functioning of the committees are given below.

Inter-Ministerial Committee (IMC): It is chaired by Hon'ble Minister of Home and Minister of Cooperation

National Level Coordination Committee (NLCC): It is chaired by Secretary, Ministry of Cooperation, and Government of India.

State Cooperative Development Committee (SCDCs): It is formed at State/ UT level and it is chaired by the Chief Secretary of the State/ Union territory concerned, Government of India.

District Cooperative Development Committee (DCDCs): It is formed at the district level, chaired by District Collector of the district concerned.

Joint Working Committee (JWC): It is a sub-committee of DCDC and comprises district level functionaries of the State Department concerned and representatives from district level Federations/ organizations. It is assisted by stakeholders concerned, and it is the committee functioning at the grassroots level and much involved in achieving the overall targets in formation of new Multi-Purpose Cooperative Societies (MPCS), Multi-Purpose Dairy Cooperative Societies (MDCS) and Multi-purpose of Fisheries Cooperative (MFCS).

Project Management Unit (PMU): It consists of various experts and is used for social mobilization, coordinating with various stakeholders concerned and facilitating various agencies for ensuring the smooth implementation of the scheme.

V. NEED AND SIGNIFICANCE OF FORMING NEW MPACS

Around 46,917 cooperative societies are functioning in Karnataka and only 27,756 cooperatives are

functioning in profit and the financial health of the rest of the societies are showing an encouraging sign. In order to enhance its financial health and make PACS as viable and sustainable, it has to diversify the business activities and this underline the need and importance of forming MPCs. The new MPCs will enable the farmers to increase productivity, enhance income and participate in the value added activities such as processing and packing by facilitating collective use of resources and improving market access. The model of bye-law of the PACS also provides scope for undertaking 25 different types of activities and it includes procurement of food grains, storage facilities, and fair price shops, LPG / Petrol/ diesel dealership, bank mitra/ business correspondence, insurance facilities, consumer service centre etc., The formation of MPACS paves way for transforming rural agriculture by offering essential financial and logistical services to farmers. Hence, formation of new MPACS is the need of the hour to enhance the market share of the cooperative in the present competitive Environment.

Formation new MPACS and the progress in implementation of Central Sector Scheme by the Department of Cooperation Government of Karnataka

VI. COMPUTERISATION OF PACS

In order to enhance the operational efficiency of 63,000 functional PACS the Government of India is implementing Rs 2,516 crore projects to computerize functional Primary Agricultural Credit Societies (PACS) by integrating them into common ERP-based national software developed by NABARD. The ERP software, customizable for state-specific needs, supports 25 economic activities, including loans, procurement, warehousing, and public distribution. The project aims to strengthen PACS operations, ensuring seamless transactions and trust among farmers.

For this purpose the GOI has sanctioned Rs.652.70 crore to the States and Rs.140.92 crore to the NABARD for the purpose of purchase of hardware, digitization and setting up support systems. This initiative connects PACS with NABARD through State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs), enhancing efficiency, transparency, and governance.

As of January 27, 2025 around 50,455 PACS have been boarded, while proposals for 67,930 PACS from 30 States/UTs have been sanctioned, with Rs 741.34 crore released as the central share.

The total number of PACS selected in Karnataka for implementation of this scheme is 5491 and according to phase wise the total number of hardware tendered and delivered also constitutes 5491. The GOI has sanctioned Rs 93 crore to GOK and from out the total amount sanctioned for this purpose the GOK has successfully utilised Rs 65.60 crore

VII. JAN AUSHADHI KENDRAS BY PACS

In order to provide generic medicine to the general public residing at the gross root level and to make the PACS as economically viable it should function as Jan

Aushadhi Kendra. In this regard, 4,692 PACS/ cooperative societies from 34 States/ UTs have applied for Jan Aushadhi Kendra and out of which preliminary approval has also been accorded to 2,648. Out of these PACS, 580 received drug licence from State Drug Controllers which are ready to function as Jan Aushadhi Kendras.

The department of cooperation GOK has planned to form 155 PACS as Jan Aushadhi Kendras covering five districts in the State. As a part of its initiatives it has received 267 applications and initial approval has been accorded to 186 PACS and drug licence has been issued to 27 PACS. The value of transaction undertaken by these societies per month constitute Rs.34, 75,508



Formation of Multipurpose PACS/ Dairy/ Fisheries cooperatives Societies in every Panchayat/ Villages

As per the National Cooperative Data Base there are around 2.7 lakh Gram Panchayats in the country, more than 17,000 Gram Panchayats are yet to be covered by Primary Agricultural Cooperative Societies. With effect from 15th February 2023 the Government India has decided to form 2 lakh new Multi-purpose PACS/Dairy/Fisheries Cooperative Societies in the

Panchayats/Villages not covered so far, in the next five years. Up to December 2024 around 11352 new multipurpose cooperative societies are successfully formed in India and it consists of 3537 MPACS, 6985 MDCS and 830 MFCS.

In Karnataka around 39 Gram Panchayats are yet to be covered by Primary Agricultural Cooperative Societies or underserved by the PACS. Since 15.02.2023 and till 31.01.2025 the Department of Cooperation Government of Karnataka has formed 128 MPACS, 443 MDCS, and 16 MFCS. From out of the total number of PACS, Dairy and fisheries cooperatives around 48 PACS, 1308 dairy and 45 fisheries cooperatives are defunct in the State of Karnataka.

PACS as Pradhan Mantri Kisan Samridhi Kendra (PMKSK)

Upgrading the Primary Agricultural Credit Societies (PACS) into the Pradhan Mantri Kisan Samridhi Kendra (PMKSK) initiative marks a significant step in enhancing agricultural support services and diversification of business activities by PACS and it includes the following.

- Upgrading the PACS already functioning as fertilizer distribution centres as PMKSK.
- Make the PACS to act drone entrepreneurs for spraying fertilizer and pesticides.
- Extending drone services for the purpose of property survey.

As per the recent reports, 38,573 PACS have been transformed into PMKSKs covering 24 States/UT in India.

From out of the total number of 5491 PACS functioning in Karnataka around 2134 (38.56%) PACS are having licence for fertilizer distribution and around 1856(33.80%) PACS are upgraded as PMKSK

VIII. PACS TO FUNCTION AS FPOS

The Government of India has undertaken significant initiatives to transform Primary Agricultural Credit Societies (PACS) into Farmer Producer Organizations (FPOs), aiming to enhance the economic well-being of farmers by leveraging the strengths of both cooperative structures. In 2020, the government launched a Central Sector Scheme to form and promote 10,000 FPOs with a total budgetary outlay of Rs. 6,865 crore. Under this scheme, the Ministry of

Agriculture and Farmers Welfare allocated 1,100 additional FPOs to the National Cooperative Development Corporation (NCDC) for formation in the cooperative sector through the strengthening of PACS. As of July 2024, the NCDC has formed 1,207 FPOs in the cooperative sector, contributing to the government's target of establishing 10,000 FPOs nationwide.

In case of Karnataka the target earmarked for the Government of Karnataka to transform PACS as FPOs is 1100 and apart from this it has to form 13 FPOs in the uncovered block or Panchayat. As on 31.01.2025 the department of GOK has received 9 applications to function as FPOs and out this 7 FPOs has been registered and all are functioning.

IX. PACS TO FUNCTION AS COMMON SERVICE CENTRE

The Government in order to widen the scope of the PACS apart from credit and agricultural support services has taken lot of initiatives and one among major and very successful initiative is PACS to function as Common Service Centre, implementation of this scheme will enable the PACS to undertake different kinds e-services and it includes banking, insurance, Aadhaar enrolment, government-to-citizen services to the rural populace.

On February 2, 2023, a Memorandum of Understanding (MoU) was signed between the Ministry of Cooperation, Ministry of Electronics and Information Technology, NABARD, and CSC e-Governance Services India Limited. This MoU enables PACS to deliver over 300 e-services. As of November 21, 2024, more than 48,000 PACS have been boarded as CSCs, with on-going efforts to include additional societies.

Out of the 5491 PACS functioning in Karnataka, ID has been created for around 2754 (50.15%) PACS and 1285 (23.40%) PACS are functioning as Common Service Centre. The number of transactions carried out by the PACS- CSC constituted 15567 and generated an income of Rs. 2, 59, 86,526 per month. Transforming the rest of the PACS as CSC will

certainly makes the PACS economically viable and vibrant.

Petrol/ Diesel Retail outlets by PACS in CC2 Category and LPG dealership

The Government has allowed Primary Agricultural Credit Societies (PACS) to operate retail petrol and diesel outlets as well as LPG distributorships, aiming to expand their role in the cooperative sector. The Ministry of Petroleum and Natural Gas has issued revised guidelines facilitating their participation in fuel retailing.

As per the guidelines, PACS have been included under Combined Category 2 (CC-2) for retail petrol and diesel dealerships and Combined Category (CC) for

LPG distributorships. They can apply online through advertisements issued by Oil Marketing Companies (OMCs). Additionally, PACS with existing wholesale consumer pumps have been given a one-time option to convert them into retail outlets.

Cooperation Minister Amit Shah informed in the parliament that OMCs received 286 applications from PACS across 25 states and Union Territories for setting up retail fuel outlets. Of these, 26 PACS have been selected. Furthermore, 116 PACS from five states opted to convert their wholesale consumer pumps into retail outlets, with 56 already commissioned. For LPG distributorships, two PACS have applied for locations in Jharkhand.

From out of the 5491 PACS functioning in Karnataka 15 PACS has applied for licence and 11 has been approved. With regard to LPG dealership 7 PACS has applied and 6 has been approved.



World's Largest Grain Storage Plan in the Cooperative Sector

Under this scheme, different types of agricultural infrastructure such as godowns, custom hiring centres, processing units, fair price shops, etc. will be created by convergence of various schemes of the Government

of India at the PACS level. This scheme aims to decentralize storage, reduce post-harvest losses, reduce wastage of food grains and improve food security. Further, PACS will also act as procurement

and storage hubs, enhancing rural supply chains and ensuring better price realization for farmers

The construction of godowns has been completed in 11 PACS across 11 states under the pilot initiative. It has been constructed by utilising the Agriculture Infrastructure Fund and Agricultural Marketing

Infrastructure Scheme. Additionally, the foundation stone has been laid in 500 PACS across 10 states.

In case of Karnataka Pilot project was started in Ekhamba PACS in Bidar under this scheme and was inaugurated on 24/2/24. But this remains unoccupied due to various constraints.



New flexi-modular technique for Grain Storage

X. NATIONAL COOPERATIVE ORGANIC SOCIETY

The National Cooperative Organics Limited (NCOL) was established under the Multi-State Cooperative Societies Act, 2002, as an apex multi-state cooperative society dedicated in promoting organic farming in India. Its primary objectives include the production, distribution, and marketing of certified organic products, thereby enhancing the economic interests of its members. As of December 19, 2023, NCOL has identified or received applications from 2,614 cooperative societies seeking membership. This growing membership base reflects the increasing interest in organic farming among cooperatives across the country.

From out of the 5491 PACS in Karnataka 232 PACS have applied for membership and membership has been accorded to 132 PACS functioning in Karnataka. National Cooperative Export Limited (NCEL)

It has been established under Multi-State Cooperative Societies (MSCS) Act, 2002 and it acts as an umbrella organization to promote exports from the cooperative sector across the country. By becoming members of NCEL, PACS gain access to international markets, enabling them to secure better prices for their goods and services. As per the recent report 7,700 Primary Agricultural Credit Societies (PACS) and other cooperative societies have NCEL. In Karnataka 276 PACS have applied for membership in NCEL and around 242 PACS functioning in Karnataka have become members of the NCEL.

XI. NATIONAL BHARATIYA BEEJ SAHAKARI SAMITI (BBSSL)

It has been registered under the Multi-State Cooperative Societies (MSCS) Act, 2002, on January 25, 2023. It is promoted by five premier organizations namely Indian Farmers Fertiliser Cooperative Limited

(IFFCO), Krishak Bharati Cooperative Limited (KRIBHCO), National Agricultural Cooperative Marketing Federation of India (NAFED), National Dairy Development Board (NDDB), and National Cooperative Development Corporation (NCDC). Each of these promoters has contributed ₹50 crore, culminating in an initial paid-up capital of ₹250 crore, with an authorized share capital of ₹500 crore.

Issues and challenges in implementations of central sector scheme

XII. CONCLUSION

An effective implementation central sector scheme will certainly paves way for equitable and concerted efforts towards enhancing the flow of timely, adequate and door-step commodity and service supports to various critical infrastructure such as agriculture and industrial input services, irrigation, marketing, processing and community storage, etc., and also for other activities such as poultry, fisheries, horticulture, dairy, textiles, consumer, housing, health to name a few. Further, it will also bring the economically weaker sections of our society to the forefront of economic growth and can create widespread financial prosperity. The central sector will certainly make the cooperative sector economically viable and vibrant and helps sector to a greater extent in achieving the mandate and vision of “Sahkar Se Samridhi”.