

Report of

**THE COMMITTEE TO FORMULATE
HUMAN RESOURCE POLICY FOR PACS**

October, 2018



**NATIONAL FEDERATION OF STATE COOPERATIVE BANKS
(NAFSCOB)
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ACKNOWLEDGMENTS

The Primary Agricultural Credit Societies (PACS) have been in existence for more than a century in our country. The daily affairs/ operations of PACS were managed, in the early years, by persons on voluntary basis – mostly the persons holding office in the management committees of PACS. They were called Secretaries. Later the concept of Paid Secretary came into existence with persons being hired and paid to run the day to day affairs of the PACS. The first ever systematized recruitment to the post of Paid Secretary came in the wake of “Half a million job scheme” implemented in the seventies.

Pursuant to the suggestion made by National Federation of State Cooperative Banks (NAFSCOB), National Bank for Agriculture and Rural Development (NABARD) constituted a Committee for Assessment of Human Resources for Short Term Cooperative Credit Structure (STCCS) in the Post CBS Environment in July 2016 under the Chairmanship of Shri Amalorpavanathan, Deputy Managing Director, NABARD. The Committee submitted its report on 10-10-2017, but the Terms of Reference was limited to assessing the human resource requirement of State Cooperative Banks (SCBs)/District Central Cooperative Banks (DCCBs) in the changing banking scenario, with special reference to post Core Banking Solutions (CBS) banking operations but not the requirement of PACS.

With a view to professionalizing the PACS staff to meet the challenges in the rural credit scenario and to meet the expectations of the community and the sector, pursuant to the decision taken by the Board of Directors, NAFSCOB, constituted a Committee to formulate “Human Resource Policy” and suggest guidelines for PACS. NAFSCOB being the provider of a national level platform to the SCBs and through them to the STCCIs, is in a unique position to provide a frame work to these institutions to work with. Indeed, it is the mandate of NAFSCOB to strengthen the STCCS in the country. Introducing HR Policy in the most vital link of STCCS network at PACS level will be a major initiative to strengthen PACS structure and in turn the entire STCCS. The Committee is grateful to Shri Dileep Sanghani, Ex.M.P./Ex. Minister, Gujarat, Chairman, NAFSCOB, Shri Bhima Subrahmanyam, Managing Director, NAFSCOB and entire Board of NAFSCOB for taking very important step of forming of the Committee for preparation of HR Policy for PACS in India. The Committee is indebted to NAFSCOB for entrusting task of preparation of HR Policy for PACS.

The Committee and NAFSCOB sincerely thank Dr. Harsh Kumar Bhanwala, Chairman, NABARD for encouraging to take up the study to formulate HR Policy for PACS. Further, the Committee also acknowledges with thanks for financial support extended by NABARD, Head Office under Cooperative Development Fund (CDF).

The Committee extends heartfelt thanks to special invitees Shri Tusharkanti Panda, former Managing Director of Odisha SCB and Dr. Nethi Muralidhar, Managing Director, Telangana SCB for their excellent contribution to the present report.

The Committee conveys its gratitude to the State Governments of Andhra Pradesh, Assam, Jharkhand, Kerala, Maharashtra, Meghalaya, Odisha, Telangana and Uttar Pradesh (UP) who have participated in the consultative meetings held in the states. The Committee also thanks the managements and the staff of all the State Cooperative Banks, DCC Banks, PACS, Large Size Agricultural Multi-Purpose Cooperative Societies (LAMPCS) of Andhra Pradesh, Assam, Odisha, UP, Meghalaya, Kerala, Maharashtra, Jharkhand and Telangana for their support in organizing the consultative meets and active participation in the deliberations and for providing information and inputs which has helped the Committee in drafting the report.

The Committee conveys its special thanks to Shri Mukut Bihari Verma, Hon'ble Minister for Cooperation, Govt. of UP, Sri Narendra Kumar Singh, IAS, Registrar of Cooperative Societies, UP, Sri V.V. Anaskar, Chairman, Board of Administrators, Maharashtra SCB, who have interacted with the Committee Members and provided their valuable suggestions. The Committee records its appreciation and thanks to all the Employees Unions, Associations of PACS, DCCBs and SCBs in different states, individuals and cooperators for their valuable inputs. The Committee thanks Bankers Institute of Rural Development (BIRD), Lucknow and Manpower Development & Management Institute (MDMI), Shillong, Managing Director, DCCBs Association of Andhra Pradesh and Telangana States, Hyderabad whose functionaries have participated in the consultative meetings and provided their suggestions and views.

The Committee acknowledges and conveys gratitude for giving their valuable comments, suggestions and views on ToR, to the Directors of various training institutes viz., Dr. T. Paranjothi, Director, ACSTI, Kerala, SHIKHAR Training and Research Institute, Maharashtra State Cooperative Bank Ltd., Vashi, Navi Mumbai and Sri B. K. Thadani Director, MDMI, Guwahati, Sri S.S. Brar, Punjab ACSTI, Jullundur, Ms. Rajeshwari, Director, APCOB-CTI, Hyderabad, Sri P. Ramanjaneyulu, CEO, Kurnool DCCB, AP. The Committee thanks Sri Tapan Kumar Bose, General Secretary, All India Cooperative Bank Employees Federation (AICBEF) who has communicated his views on the ToR.

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The Committee extends its thanks to Dr. N. Muralidhar, Managing Director, TSCAB, staff of TSCAB, Head Office, Hyderabad, Sri M.R. Srinivasa Rao, Director and the staff of TSCAB-CTI, Rajendranagar, Hyderabad who have extended their cooperation and provided infrastructure support to the Committee and facilitated drafting the report.

Committee thanks Sri Ch. Siva Koteswara Rao, Rapporteur for the meticulous classification and recording of the information received from various quarters and in helping draft report preparation. Committee also thanks Sri V. Sai Arun, Hyderabad who has provided Secretarial support to the Committee. The Committee thanks Dr. J S Hanamashetti, Dy. Director, NAFSCOB, Convener for the excellent coordination and support rendered.

Once again committee place on record and convey its thanks to Sri Bhima Subramanyam, Managing Director, NAFSCOB for the excellent support and cooperation extended right from the formation of the committee to finalization of the committee report.

“The Cooperative movement is such a model which can provide a successful alternative to socialism and capitalism”

- Narendra Modi
Hon'ble Prime Minister of India

1. INTRODUCTION

“There is a common perception around the world that the original rationale for cooperatives has ebbed away, and that in today’s complex, globalizing world, there is no meaningful role for cooperatives. That is clearly a misconception. Indeed, I will argue to the contrary – that precisely because today’s world is complex and globalizing, there is a more meaningful role for cooperatives to play”

– Dr. Duvvuri Subbarao, Former Governor, RBI.

- 1.1. With an extensive network of nearly one-lakh outlets and with an unmatched outreach of 12 crore plus members, touching the live of most of the farm households spread across the length and breadth of the country, the Primary Agriculture Credit Societies (PACS) have an important place in the comity of rural financial institutions. With an annual disbursement of ₹2 lakh crore short term agricultural credit, PACS play an important role not only in the development of the agriculture sector but also in the economic development of the country. PACS facilitate financial inclusion in a big way as they serve a vast majority of small and marginal farmers. They are the first and last resort for many a poor farmer in rural areas.
- 1.2. The PACS have been in existence for more than a century in India. The operations of PACS were managed, in the early years, by persons on a voluntary basis – mostly the persons holding office in the management committees of PACS, called Secretaries. Later the concept of Paid Secretary came into existence with persons being hired and paid to run the day-to-day affairs of PACS. The first ever comprehensive and systematized recruitment to the post of Paid Secretary came in the wake of “Half a Million Job Scheme” implemented by the Government of India in the seventies.
- 1.3. PACS have made a significant contribution to the growth story of the country, particularly to the green revolution by extending necessary credit support to small and marginal farmers and weaning them away from the clutches of

informal sources of credit and money lenders. Over the last decade and a half, the loan disbursement by PACS has recorded an exponential growth. While the loan disbursement at the turn of the 21st century in 2000-01 was ₹25,698.31 cr., it had gone upto ₹2,00,678.39 lakh cr. during 2016-17. In other words, loan disbursement by PACS has increased by almost 8 times, though their market share has seen a decline. It is however, needs to be appreciated that a vast majority of farmers particularly small and marginal farmers depend on PACS for their credit needs. PACS have also raised significant amount of deposits from their members. **Professionalization and adoption of technology in their operations would have accelerated their progress.** The outstanding deposits of PACS as at the end of FY 2016-17 were ₹1,15,884.20 lakh cr. It should however, be noted that PACS in Kerala alone accounted for bulk of these deposits. Considering the vast network and very large outreach PACS could be considered as a sleeping giant with a huge potential and lot of opportunities if the issues which are impeding their growth are addressed effectively without further loss of time.

- 1.4. The “Revival Package” formulated and implemented on the basis of recommendations of the Prof. Vaidyanathan Committee Report (2005), among others suggested several measures for strengthening of Short-Term Cooperative Credit Structure (STCCS) including professionalization of Human Resources (HR). Accordingly, NABARD took a pro-active initiative and constituted a Working Group under the Chairmanship of Shri S.K. Mitra, the then Executive Director, NABARD to formulate and suggest Human Resource Policy for State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs). Based on the recommendations of Mitra Committee Report (2009), NABARD issued guidelines to SCBs and DCCBs on the H R policy including, linking of business levels with staff strength, prescribing qualifications and other eligibility criteria for staff at various levels, transparent process for recruitment, promotion, transfers etc.
- 1.5. Further, pursuant to the suggestion made by NAFSCOB, NABARD constituted a Committee for Assessment of Human Resources for Short Term Cooperative Credit Structure (STCCS) in the Post CBS Environment in July

2016 under the Chairmanship of Shri R. Amalorpavanathan, Deputy Managing Director, NABARD. The Committee submitted its report in October, 2017. The Terms of Reference of the Committee was to assessing the human resource requirement of only SCBs/DCCBs in the changing banking scenario, with special reference to the post CBS banking operations.

- 1.6.** The scope of the Mitra Committee and Amalorpavanathan Committee, however, did not include PACS. As such, save for a few sporadic initiatives in certain states discussed later in the report, there are no guidelines till date to PACS in the country on HR policy frame work, though huge amount of credit with refinance support from NABARD/SCBs/DCCBs is provided to farmer members through them. This remains a major lacuna in the system, even a century after their emergency in the rural credit scenario.
- 1.7.** The Unique Selling Point (USP) of PACS is that, while PACS can do all the things that a regular bank branch can do but, bank branches cannot provide all services that a PACS can provide to their customers. Members of PACS can avail services right from purchase of seeds, fertilizers, pesticides, access technology, credit, post-harvest support, marketing of produce and so on. By virtue of being a member owned and member-controlled institutions, PACS understand the needs of their members better than any other institutions. They have the potential to be the hub of all economic activities in rural areas. PACS can also be a link between rural and urban markets and bridge the divide between these two entities.
- 1.8.** PACS can be an effective mechanism for securing true financial inclusion by providing all services to their members and reach the unreached effectively with their extensive network. Similarly, the primary cooperatives could be effective agencies for channelizing programs of Central and State Governments, NABARD, Cooperative Banks etc., as they are rooted in the remote areas of the country serving the community. Nearly 77% of the PACS members include small and marginal farmers and other weaker sections. Hence, PACS could and should play an active role in doubling farmers' income as envisioned by the Government of India.

1.9. It is in this context, the National Federation of State Cooperative Banks (NAFSCOB), in pursuance of its mandate of strengthening of the STCCS in the country, deliberated on the issue in the Board Meeting held on 13th March, 2018 and decided to setup a Committee to suggest HR policy for PACS in the country so as to address the felt need and the primaries effectively. Further, NAFSCOB has also consulted NABARD for guidance and support in the matter. Based on the deliberations of the Board Meeting and factoring in the suggestions received from NABARD, NAFSCOB has constituted the Committee to formulate “Human Resource Policy” for PACS in the country, drawing expertise from the sector across different regions of the country. The notification dated 16-03-2018 issued in this regard is given as Annexure-I. The composition of the Committee is as under:

- | | |
|--------------------------------------------------------------------------------------------------------------|------------|
| 1. Shri Konduru Ravinder Rao Director, NAFSCOB & President, Telangana SCB | : Chairman |
| 2. Shri P. Mohanaiah Former Chief General Manager, NABARD | : Member |
| 3. Smt. Ranjana Chopra, IAS Commissioner-cum-Secretary Cooperation Department, Government of Odisha | : Member |
| 4. Thiru R Palaniswamy Registrar of Cooperative Societies Tamil Nadu | : Member |
| 5. Shri Rabi Kant Singh Managing Director, Uttar Pradesh SCB | : Member |
| 6. Dr. S. K. Batish Managing Director, Punjab SCB | : Member |
| 7. Shri O.E.J. Nongbri Managing Director, Meghalaya SCB | : Member |
| 8. Shri.R.L.Bayas Managing Director, Maharashtra SCB | |

9. Shri D Ramesh Sinha : Member
Former Chief General Manager
Erstwhile APCOB
10. Shri Bhima Subrahmanyam :Permanent Invitee
Managing Director,NAFSCOB

1.10. Terms of Reference of the Committee:

The Committee has been given specific ToR as indicated below to address the HR needs of PACS comprehensively:

- i. To study the existing Act provisions, instructions, guidelines and orders of the State Governments, including the report submitted by the committee appointed by Govt. of Andhra Pradesh, NABARD, RBI on Recruitment, Promotion, Transfer etc. of staff in PACS in different states and suggest a rationalized policy framework for the same including study of cadre system in PACS (requisite qualifications at different cadres), pay structure etc.
- ii. To suggest norms for staff strength in different categories of PACS vis-a-vis volume of credit business and other services being offered, profitability, operating expenses etc. The on-going initiative of NABARD for converting PACS into Multi Service Centers may also be factored in while suggesting the HR Policy for PACS.
- iii. To study the existing Special Bye-laws and suggest uniform service rules for all the cadres in consonance with the Act provisions, NABARD guidelines etc.
- iv. To study the present status of Computerization, scope and the need for computerization in PACS and likely impact of it on the staff strength.
- v. To suggest a well-defined career path for the PACS staff.
- vi. To study the training systems obtaining for PACS staff and suggest a well-defined training policy to meet the emerging business needs of PACS and to take care of the career progression of the staff.
- vii. To study the need and options for outsourcing and identify the activities which could be outsourced.
- viii. To suggest an appropriate mechanism for implementing the suggested HR Policy for PACS and ensure its compliance on an on-going basis.

- ix. Study the best practices adopted by the PACS in the following States and suggest measures for strengthening of PACS:
(a) Central - Uttar Pradesh; (b) North - Jharkhand; (c) North East- Meghalaya; (d) West- Maharashtra; (e) East- Odisha; (f) South- Kerala.
- 1.11.** The Committee, accordingly, held consultation meetings with all-important stakeholders in different states, received suggestions from unions, associations, and individuals regarding the proposed HR Policy, which is discussed in detail under Chapter-2. Status of PACS in the states visited by the committee is presented in Chapter-3. Further, factoring in the deliberations of the consultation meetings and the feedback received from different stakeholders. The Committee formulated the HR Policy for PACS and the same is presented in the Chapter-4. Some of the smaller states and also states of North Eastern Region (NER) have the 2-tier STCCS. In some states like Himachal Pradesh it's a mixed structure. Taking cognizance of the structure, the Committee customized its recommendations to suit the 2-tier STCCS and the same is presented in Chapter-6.
- 1.12.** Howsoever noble or howsoever good the recommendations may be, what is crucial is their successful implementation. Accordingly, the Committee suggested the implementation mechanism in Chapter-5 to ensure that recommendations are implemented properly and taken to the logical end so as to realize the objectives of the Committee and the larger mandate of PACS and STCCS.
- 1.13.** One of the important reasons for the decline of importance of PACS during the last couple of decades was non-adoption of technology. The issues relating to computerization of PACS has been briefly examined by the Committee and the same are presented in Chapter-7.
- 1.14.** Though ToR of the Committee are quite comprehensive touching different aspects of PACS' functioning, the Committee felt that there is a need to examine a few other, important and complementary issues which need to be addressed simultaneously for making the PACS viable and vibrant community owned financial institutions. Some of these issues are discussed in the Chapter-8 entitled Epilogue.

2. METHODOLOGY

2.1. As observed in the introduction, with nearly one lakh PACS spread across 29 States and 3 Union Territories with regional variations, it was rather difficult for the Committee to decide on the methodology to identify the states for study and consultations. However, while finalizing the Terms of Reference (ToR) (Annexure-I) of the Committee itself the issue was elaborately deliberated. Based on these deliberations and suggestions received it was decided that the Committee should visit Uttar Pradesh in the North, Meghalaya in the North Eastern Region, Odisha in the East, Kerala in the South, Jharkhand in the Central Region and Maharashtra in the West to have a fair and proper representation of geographical mix of the societies in the country. In each of these states, it was decided that, the Committee would hold consultations with the major stakeholders including the State Governments, NABARD, State Cooperative Banks, District Central Cooperative Banks, PACS and representatives of Unions and Associations of employees at various levels. Further, it was also decided that the Committee should visit a few societies in these states to have a firsthand feel of the ground level situation of functioning of PACS.

2.2. State Level Consultative Meets:

Accordingly, in order to elicit the opinions and suggestions of the stakeholders, consultative meetings were held in various states as per the ToR. The States selected for field visits/studies and consultative meetings are representative of different regions of the country. The STCCS selected represent a combination of very strong and advanced states and STCCS; to moderately strong and; weak STCCS. Keeping in view the peculiar circumstances of the North Eastern Region and being a 2-tier STCCS, Meghalaya was visited for study and consultation. Further, to have a better understanding of the region, discussions were held with the CEOs of Assam SCB and Arunachal Pradesh SCB on the position of PACS obtaining in these states. Stakeholders from Andaman & Nicobar, Andhra Pradesh, Chattisgarh, Delhi, Haryana, Kerala, Karnataka, Madhya Pradesh, Odisha, Punjab,

Telangana, Uttarakhand and Uttar Pradesh were also invited to the committee meeting at Odisha State Cooperative Bank (OSCB), Bhubaneswar whose opinions and inputs were elicited. The first meeting of the committee was held at Telangana State Cooperate Apex Bank (TSCAB), Hyderabad on 11-04-2018 to discuss the methodology and other details of the study.

The details of the State Level Consultative Meetings in different regions of the country are as indicated below:

Table No. 2.1. The schedule of Consultation Meets

| Sl. No. | Region | State | Date |
|---------|------------|---------------|------------|
| 1 | East | Odisha | 27-04-2018 |
| 2 | Central | Uttar Pradesh | 16-05-2018 |
| 3 | North East | Meghalaya | 23-05-2018 |
| 4 | South | Kerala | 11-06-2018 |
| 5 | West | Maharashtra | 15-06-2018 |
| 6 | North | Jharkhand | 18-06-2018 |

In addition, the Committee also had a special consultation meet for the states of Andhra Pradesh and Telangana during June, 2018.

2.3. The Consultation Meetings were attended by the Presidents, Directors, CEOs and Staff of the State Cooperative Banks; DCC Banks, PACS, FSCS, LAMPCS etc. Officials of the Cooperative Departments of the respective State Governments, RCS, officials of NABARD; officials from Training Institutions of STCCS; representatives of Staff Unions and Associations who took part in these deliberations and presented their views and suggestions on the ToR of the Committee. The list of participants and proceedings of all the 8 consultative meetings are furnished in the Annexures - 2.1 to 2.8.

2.4. Visits to Primary Societies:

The Committee visited DCCBs, PACS, FSCS, LAMPCS in different states as part of field studies to obtain the firsthand information about functioning of PACS in these states. While selecting the primary societies for field visits, care was taken to visit some of the societies which were computerized so as to assess their HR requirements and also capacity building requirements in

the post computerized environment. (In the report the word 'societies' refers to PACS, LAMPCS, FSCS, GPCS and other primary societies). The findings of these visits have been incorporated appropriately in the report. The details of PACS and other societies visited are as under:

- a. **Odisha:** Kandarpur FSCS, Cuttak District, Sisupalgarh SCS, Khorda District.
- b. **Uttar Pradesh:** Barabanki DCCB, Faizabad DCCB, Jeyoli PACS, Nawabgunj PACS, Barabanki District and Kisan Seva Sahakari, Samiti, Pilkhawa, Faizabad District.
- c. **Assam:** Champaknagar GPSS Ltd., Kamrup District.
- d. **Meghalaya:** Myllem Service Cooperative Society.
- e. **Kerala:** Ernakulam DCCB, Mookkannoor Service Cooperative Bank Ltd., and Palliyakkal Service Cooperative Bank Ltd, Ernakulam District.
- f. **Jharkhand:** Namkum LAMPCS, Ranchi District and Tatisilwai LAMPCS, Ranchi District.

2.5. Feedback from major stakeholders:

To elicit feedback, suggestions and opinions from various stakeholders on the ToR of the Committee, the ToR was placed in the public domain on the websites of NAFSCOB and various State Cooperative Banks. In addition, the Committee has also sought structured information on the STCCS from State Cooperative Banks, District Central Cooperative Banks etc., (Annexure-3). Information relating to PACS visited was collected through pro-forma circulated to all the concerned (Annexure-4). NAFSCOB has also invited suggestions and views from all the stakeholders to be sent to a specially created eMail I.D for the purpose (nafscob.pacshrpolicycom@gmail.com).

Information and suggestions received from different stakeholders have been analyzed critically and incorporated in the report suitably. A table showing the receipt of information from different stakeholders is placed as Annexure-5.

2.6. Secondary Data:

The Committee made use of the secondary data available in the published reports and websites of RBI, NABARD, NAFSCOB, SCBs etc. The statistics on STCCS being published by NAFSCOB happens to be the only source of information on PACS in the country, which is being relied upon by the governments, and also NABARD. While NAFSCOB publishes the statistical information furnished by the different SCBs, the integrity of the information cannot be crosschecked or authenticated in the absence of any other source of verifiable information on PACS. Information on PACS was available only upto 2015-16 in NAFSCOB website. (NAFSCOB, however, published information on PACS for the year 2016-17, recently in August, 2018). No information was available in respect of PACS in Jharkhand as the Jharkhand State Cooperative Bank was yet to become a member of NAFSCOB. Further, important information on governance, capital adequacy, NPAs etc., was not available in respect of any of the states.

The non-availability of reliable data on PACS in the country is a matter of major concern. There seems to be no improvement in the situation even 13 years after publication of the report of the Task Force on Revival of Rural Cooperative Credit Institutions in the year 2005 (Prof. Vaidyanathan Committee). The Committee is tempted to quote from the Report of the Task Force verbatim. ***“.....The Task Force noted that NABARD does not maintain any data base on PACS. The only source is the NAFSCOB compilation, based on information provided by the State Governments and the CCS. Hence, the Task Force has used the data published by NAFSCOB as far as PACS are concerned. There are, however, considerable doubts about how complete their coverage is, whether the data are up-to-date and whether there is any attempt at validating the data. The data on PACS, therefore, need to be used with caution and then too should be limited to getting a broad picture of their characteristics”*** *. The Committee was constrained to use the secondary data on PACS, as available in the NAFSCOB website for want of any other

reliable source of information. The need for developing a comprehensive, authentic and reliable data base on PACS requires hardly any emphasis.

** Report of the Task Force on Revival of Rural Cooperative Credit Institutions – 2005 (3.08 of pages 14 & 15).*

3. Status of Primary Agricultural Credit Societies (PACS) in the States visited by the Committee

“You will learn more about a road by travelling it rather than by consulting all the maps in the world” - Anonymous

3.1. As discussed earlier in Chapter-2, on methodology the Committee held consultative meetings in six states covering different regions of the country. The Committee made detailed presentations on the ToRs in these meets and sought information and suggestions from participants on each of the ToRs. The status of PACS in each of the states visited under different parameters vis-à-vis the total number of PACS in the country and other related issues obtaining in these states are furnished in the ensuing paragraphs:

3.2.1. **Odisha:** The status of PACS in the state under some of the important parameters and vis-à-vis the all India position is given below:

Table No. 3.1.

(FY 2015-16)

| Sl. No. | Particulars | Pan India | Odisha | As Percentage of Pan India |
|---------|-----------------------------|--------------|------------|----------------------------|
| 1 | No of PACS | 93,367 | 2,701 | 2.89 |
| 2 | Membership | 12.73 cr | 65.62 lakh | 5.18 |
| 3 | Borrowing Members | 4.62 cr | 29.37 lakh | 6.35 |
| 4 | Share Cap (₹) | 12,280 cr | 534.9 cr | 4.34 |
| 5 | Deposits (₹) | 1.01 lakh cr | 1531.8 cr | 1.53 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 16605.8 cr | 14.8 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 5696.9 cr | 3.16 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 5387.0 cr | 3.40 |
| 9 | Staff Strength | 1.17 lakh | 7021 | 6.0 |
| 10 | PACS in Profits | 45,522 | 739 | 1.60 |
| 11 | PACS in Losses | 37,112 | 1861 | 5.01 |
| 12 | Loans O/S/ per PACS (₹) | 1.69 cr | 1.83 cr | 108.28 |
| 13 | Loans O/S/ per Employee (₹) | 1.35 cr | 0.77 cr | 57.04 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 0.18 lakh | 52.94 |

Source: NAFSCOB

- It may be observed from the above that PACS in Odisha constituted 2.89% of the total number of PACS in the country with 5.18% of total membership of the country and 6.35% of borrowing members indicating better member coverage in the state.
- The average membership per PACS in Odisha was 2429 as against the all India average of 1363. Similarly, average borrowing members per PACS in Odisha was 1087 as against the all India average of 495.
- While borrowings constituted 14.8% of the total borrowings of the STCCS in the country, loans outstanding constituted only 3.40% of the total loans Outstanding of the STCCS in the country indicating the need for augmenting own resources.
- The per employee loans outstanding at ₹0.77 cr was 57% of the per employee loan outstanding at ₹1.35 cr. at the all India level.
- While the average staff strength per PACS at 2.59 in the state was higher than all India average of 1.25, there were instances of CEO of a PACS handling the affairs of more than one PACS.
- As against the all India average of 48.75% of profit making PACS, in Odisha, the profit making PACS accounted for only 27.36% of total PACS in the state.

3.2.2. Initiative on HR Policy for PACS: The state of Odisha has adopted HR Policy for Primary Societies with effect from February, 2011 vide Memo No. XX-3/03(Pt.)-2858 /Bank-10/Dt: 07-02-2011 of Registrar of Cooperative Societies, Government of Odisha.

3.2.3. Salient features of the HR Policy were as under:

- PACS, Service Cooperative Societies, FSCS have been categorized into 4 categories based on their business turnover and determined approved staff strength accordingly.
- Staff of primaries has been categorized into 5 Grades: Grade-I – Secretary/CEO; Grade-II – Asst. Secretary; Grade-III – Accountant/cashier/Collection Supervisor/Ledger Clerk/salesman-1; Grade-IV – Peon; Grade-V – Watchman.
- Different staff strengths have been fixed for each business category.

3.2.4. The details of category of societies and sanctioned staff strength were as under:

Table No. 3.2

| Sl. No. | Business Level | Category of Society | Staff | | | | | Total |
|---------|------------------------------------|---------------------|---------|----------|-----------|----------|---------|-------|
| | | | Grade-I | Grade-II | Grade-III | Grade-IV | Grade-V | |
| 1 | 6.00 cr or above | A | 1 | 1 | 1 | 1 | 1 | 5 |
| 2 | 4.00 Cr or above less than 6.00 Cr | B | 1 | 0 | 1** | 0 | 1** | 3 |
| 3 | 3.00 Cr or above less than 4 Cr | C | 1 | 0 | 0 | 0 | 1** | 2 |
| 4 | 1 Cr to less than 3 Cr | D | 1 | 0 | 0 | 0 | 1** | 2 |

Note: * Grade-I – Secretary/CEO; Grade-II – Asst. Secretary; Grade-III - Accountant/cashier/Collection Supervisor/Ledger Clerk/salesman-1; Grade-IV – Peon; Grade-V – Watchman.

** Asst. Secretary cum Accountant; and Peon/Watchman.

For the purpose of salary etc., Grade-II and Grade-III are treated as Grade-II only. Similarly, Grade-IV and V are treated as Grade-IV only.

3.2.5. LAMPCS:

Staff Strength of LAMPCS:

LAMPCS in Odisha, however, have uniform staff strength irrespective of business turnover. The sanctioned staff strength for LAMPCS was as under:

Table No. 3.3. Staff strength at Headquarters:

| Sl. No. | Designation of the post | Strength |
|---------|---------------------------|----------|
| 1 | Chief Executive Officer | 1 |
| 2 | Accountant | 1 |
| 3 | Store Keeper-cum-Salesman | 1 |
| 4 | Peon/Watchman | 1 |

Table No. 3.4. Staff strength at branches:

| Sl. No. | Name of the Post | Strength |
|---------|---------------------------|----------|
| 1 | Branch-in-charge | 1 |
| 2 | Store Keeper-cum-Salesman | 1 |
| 3 | Peon/Watchman | 1 |

3.2.6. Appointing Authority:

- The Managing Committee of the primary society is the competent authority for appointment of the employees subject to the approval of the Divisional DRCS / Circle ARCS concerned.
- For appointment to any post, there shall be an appointment committee consisting of the following members:

Table No. 3.5.

| SI. No. | Designation | Appointment Committee |
|---------|-----------------------------|-----------------------|
| 1 | President | Chairman |
| 2 | Vice President | Member |
| 3 | One elected member of C.O.M | Member |
| 4 | Branch Manager of the CCB | Member |
| 5 | Representative of RCS | Member Convenor |

- If the Management vested with the RCS(O) the Appointment Committee would be constituted as follows:

Table No. 3.6.

| SI. No. | Designation | Appt. Committee |
|---------|---------------------------|-----------------|
| 1 | ARCS | Chairman |
| 2 | Branch Manager of the CCB | Member |
| 3 | *M.I.C of the PACS | Member Convenor |
| 4 | Inspector of CS | Member |

**MIC – Member In-charge Committee*

The Managing Committee of a Primary Society will appoint employees on the recommendations of the Appointment Committee.

3.2.7. Method of Selection for Direct Recruitment – Staff:

- Vacancies to be filled are notified to the concerned Employment Exchange, advertised in widely circulated local newspapers and displayed on the Notice Boards of the Society; it's financing Bank/Local GP/Block/Tahasil /sub-Collector office.
- Preference is given to the candidates belonging to the area of operation of PACS/LAMPSCS concerned.

- Candidates have to appear for a written test followed by viva voce tests.
- If suitable candidates are not available in the area of operation of the PACS/LAMPCS, candidates belonging to panchayat samiti/ District will be considered.
- Minimum age is 21 years and maximum age is 32 years.
- Upper age limit is relaxed upto 35 years in case candidates belonging to SC/ST/OBC categories including socially and economically Backward Classes, Ex-Servicemen and persons employed in Coop. Societies.

3.2.8. Grade-I Chief Executive:

- Selection for the post of Chief Executive of the PACS/LAMPCS is done by the Appointment Committee on the basis of academic career of the candidates on a 100-point scale.
- Educational qualification – Graduation from a recognized University. However, in case of promotion, the Grade-II employees of the society with minimum qualification of Intermediate or +2 Arts, Science or Commerce and with minimum of 5 years' experience in the Grade-II post having clean service records are also considered eligible.
- The candidates are awarded points on the basis of percentage of marks secured in the examinations as HSC, +2, +3/Graduation.
- However, additional points are awarded to the candidates having additional qualification in the following manner:
 - i. M.A/M.Sc./M.Com./MCA/MBA/LLM – 5 points.
 - ii. Higher Diploma in Coop. management (HDCM) – 5 points.
 - iii. BBA/BCA/LLB/Dip. Coop. Management-3 points.
 - iv. Knowledge in Computer Application from a recognized Institute-5 points.

3.2.9. Grade-II Post:

- Asst.Secretary /Accountant/ Branch-in-Charge/ Cashier/Collection supervisor/ Ledger Clerk/ Salesman/ Store Keeper-cum-Salesman.
- Educational qualification: Intermediate /+2- Arts, Science or Commerce. However, in case of promotion, the Grade-III employees of the society with minimum qualification of Matriculation and with minimum of 5 years' experience in the Grade-III post having clean service records would be eligible for consideration.

3.2.10. Grade-III Post:

Peon/ Watchman - Educational qualification:

- Class 8th Pass.
- The post of Grade-III shall be filled-up by direct recruitment.
- Rehabilitation Appointment may be applicable as per the Rules prescribed by State Govt. For their employees time to time.
- Superannuation Age is 60 years.

3.2.11. Pay & Allowances:

- RCS (O) is the authority to fix the pay and allowances of the employees from time to time.
- 6th Pay Commission with reference to ORSP rules 2008 has been implemented w.e.f Dt. 30.01.2014.

3.2.12. Societies are, however, are required to comply with the following norms:

- Cost of Management should not exceed 2% of the working capital or
- 30% of real income (net interest income + other income).

3.2.13. The present scale of Pay for PACS employees:

Table No. 3.7.

| Grade | Pay | Grade Pay |
|-------|------------|-----------|
| I | 5200-20200 | 1900 |
| II | 4440-7440 | 1650 |
| III | 4440-7440 | 1300 |

3.2.14. Medical Allowance: @ 5% of basic pay not exceeding ₹150/- PM subject to “Capacity to pay” by the Society as may be fixed by the Registrar.

3.2.15. Service Records:

- a. Society shall maintain records of service of every employee at the Society office in the Service Book.
- b. The President of the Society shall maintain Performance Appraisal Report of the Secretary and for the other employees. The Secretary of the society shall maintain such report for each year.

3.2.16. Thus, the HR Policy for primary societies in Odisha has laid down the procedures and guidelines for constitution of Appointment Committee, Mode of Appointment, Mode of Selection for Direct Recruitment, Educational Qualifications for each category of staff, Promotion Procedure, Pay Scales and Allowances (however, to be paid in conformity with NABARD’s capacity to pay guidelines), Retirement Age, Authority for Disciplinary Proceedings, Incentives for acquiring Professional Qualifications. The staff of PACS/LAMPCS is appointed by their respective managements. There is no Common Cadre for the staff of PACS/LAMPCS. Currently, the pay scales as per 6th Pay Commission of Government of Odisha are being followed by the staff of PACS/LAMPCS (w.e.f. 30-01-2014) as detailed above.

3.2.17. The Cooperatives enjoy a large share in the agriculture finance in the state. The State Government provides interest subsidy to SCB in advance. Such procedure relieves the STCCS from financial stress on account of delayed reimbursement.

3.2.18. Supervision: PACS are inspected by DCCB periodically.

3.2.19. Training and Capacity Building: The State Cooperative Bank has two training institutes - Odisha Society for Cooperative Education, Research and Training (OSCERT) and Agriculture Cooperative Staff Training Institute (ACSTI).

3.3.1. Uttar Pradesh:

The status of PACS in the state of Uttar Pradesh vis-à-vis all India position was as follows:

Table No. 3.8.

FY – 2015-16

| Sl. No. | Particulars | Pan India | Uttar Pradesh | As Percentage of Pan India |
|---------|------------------------|--------------|---------------|----------------------------|
| 1 | No of PACS | 93,367 | 8,929 | 9.56 |
| 2 | Membership | 12.73 cr | 27.48 lakh | 2.15 |
| 3 | Borrowing Members | 4.62 cr | 6.16 lakh | 1.33 |
| 4 | Share Cap (₹) | 12,280 cr | 192.47 cr | 1.56 |
| 5 | Deposits (₹) | 1.01 lakh cr | 6,800 cr | 6.73 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 970.76 cr | 0.86 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 797.40 cr | 0.44 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 1631.75 cr | 1.03 |
| 9 | Staff Strength | 1.17 lakh | 8054 | 6.88 |
| 10 | PACS in Profits | 45,522 | 4,536 | 9.96 |
| 11 | PACS in Losses | 37,112 | 1,968 | 5.30 |
| 12 | Loans O/S/PACS (₹) | 1.69 cr | 20.07 lakh | 11.83 |
| 13 | Loans O/S/Employee (₹) | 1.35 cr | 20.28 lakh | 14.81 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 0.265 lakh | 77.94 |

Source: NAFSCOB

- The number of PACS in Uttar Pradesh constituted 9.56% of the total number of PACS in the country, however, the membership constituted only 2.15% of the country's' total membership and borrowing membership constituted only 1.33% of total borrowing members. The share capital mobilized by the PACS in Uttar Pradesh at ₹192.47 cr. constituted just 1.56% of the total share capital of PACS in the country at ₹12,280 cr.

- The amount of loans disbursed by the PACS in Uttar Pradesh was a mere 0.44% of the total loans disbursed by PACS in the country.
- The loans outstanding per employee also was very low at ₹20.28 lakh compared to the all India average of ₹1.35 cr. and constituted only 14.81% of the per employee loans at all India level.
- Though the statistics indicate on an average one employee per PACS, in reality, owing to problems of manpower planning and recruitment for PACS, there are several PACS which share their employees with other societies i.e., an employee is in-charge of more than one PACS as observed during field visits.
- One of the strengths of PACS in UP was that more than 7,000 PACS in the state have their own premises, which could be put to proper use. Another favorable factor was that Government of UP had sanctioned grant assistance for Computerization of 2,500 PACS in the first phase (F.Y. 2018-19).

3.3.2. Share of STCCS in Agriculture Loans of the state:

As per the NABARD Focus Paper 2016-17, Uttar Pradesh, the share of STCCS in agriculture loans disbursed in the states was only 5.94%.

3.3.3. HR Policy:

The state has a HR Policy for staff of PACS though not being implemented in letter and spirit. State Government has prescribed minimum staff strength for the PACS. There is a Common Cadre system for the Secretaries of PACS. However, the other Cadres of staff are not included in the Cadre System. The Government of Uttar Pradesh has prescribed centralized services rules for PACS (1976). The Centralized Services comprise the post of Managing Director and Secretaries of PACS. However, in the year 1999 PACS having business of less than ₹3 Lakhs were excluded from the purview of Cadre Authority which was subsequently increased to ₹10 Lakhs in the year 2003-04. The Cadre Authority was discarded in the year 2006 which was, however, again brought into position in the year 2015. The staffing pattern has been prescribed based on the turnover and accordingly, there were 5 categories of PACS from 08-12-2004 which was again revised into two categories from 19-

02-2018. The government has laid down the minimum education qualification for each category of staff; their pay scales; procedure for recruitments. But, in reality there is a serious staff shortage in PACS all over the state. There are instances of one Secretary looking after 3-4 PACS (Jeyoli PACS, Barabanki Dist.).

3.3.4. Salient features of HR Policy were as under:

Table No. 3.9. Staffing Pattern:

| Name of Post | Sanctioned Strength of Staff as per Business of PACS | | | | |
|-------------------------------------------|------------------------------------------------------|------------|------------|------------|---------------|
| | 0-20 Lakh | 20-40 Lakh | 40-60 Lakh | 60-80 Lakh | Above 80 Lakh |
| Secretary | 01 | 01 | 01 | 01 | 01 |
| Accountant | - | - | 01 | 01 | 02 |
| Clerk/Salesman/Cashier | - | 01 | 01 | 02 | 02 |
| Office Assistant | - | - | 01 | 01 | 01 |
| Guard | 01 | 01 | 01 | 01 | 01 |
| As per RCS Cir. No.: C-106 Dt: 08-12-2014 | | | | | |

Table No. 3.10.

| Name of Post | Sanctioned Strength of Staff as per Business of PACS | |
|------------------------------------------|------------------------------------------------------|-------------------|
| | Less than 80 Lakh | More than 80 Lakh |
| Secretary | 01 | 01 |
| Accountant | 01 | 01 |
| Clerk/Salesman/Cashier | - | 01 |
| Office Assistant | 01 | 01 |
| As per RCS Cir. No.: C-68 Dt: 19-02-2018 | | |

3.3.5. Educational Qualifications:

Table No. 3.11.

| Name / No. of Post Sanctioned | | Prescribed Educational Qualification |
|-------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Secretary | Open Market | Graduation, preference will be given to Diploma Holder in Coop. and knowledge of Computer |
| | Through PACS Staff | Intermediate, 5 yrs. experience as Asst. Accountant, Godown Keeper, Clerk and preference will be given to Diploma Holder in Coop. and knowledge of Computer |
| Accountant | | Graduate with knowledge of Computer C++, B.Com. will be given preference |
| Clerk/Salesman/Cashier | | Graduation with knowledge of Computer C++ |
| Office Assistant | | Graduation with knowledge of Computer C++ |
| Guard | | Passed Class-5 and knowing Cycling |

3.3.6. Pay-Scale:

Table No. 3.12.

| Name/No. of Post Sanctioned | Pay-Scale (Fig. in ₹) | Approximate Monthly Pay | |
|------------------------------------------------------------|-----------------------|-------------------------|---------|
| | | Maximum | Minimum |
| Secretary | 3200-85-4900 | 50000 | 6000 |
| Accountant | 3050-75-3950-80-4590 | 30000 | 4000 |
| Clerk/Salesman/Cashier | 3050-75-3950-80-4590 | 20000 | 4000 |
| Office Assistant | 3050-75-3950-80-4590 | 6000 | 4000 |
| Guard | 2550-65-3200 | 8000 | 1500 |
| Salary will be paid as per earning capacity of the society | | | |

3.3.7. Recruitment:

Table No. 3.13.

| Name / No. of Post Sanctioned | | Recruitment Procedure |
|-------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Secretary | Open Market | Written examination of 100 marks at Dist. level through Committee constituted under the chairmanship of Dy./Joint Registrar with Asst. Commissioner & Asst. Registrar Coop., Secretary/CEO, Dist. Coop. Bank and nominee of Registrar of Coop. as a member |
| | Through PACS Staff | Screening by the Committee constituted under the chairmanship of Dy./Joint Registrar with Asst. Commissioner & Asst. Registrar Coop., Secretary/CEO, Dist. Coop. Bank and nominee of Registrar of Coop. as a member. |
| Accountant | | Board of Members of PACS to forward the Applications received from eligible applicants for screening by Dist. Selection Committee with Asst. Commissioner & Asst. Registrar Coop., Chairman, Secretary/CEO, Dist. Coop. Bank and Addl. Dist. Coop. Officer as a member Secretary, through written examination |
| Clerk/Salesman/Cashier | | Board of Members of PACS to forward the Applications received from eligible applicants for screening by Dist. Selection Committee with Asst. Commissioner & Asst. Registrar Coop., Chairman, Secretary/CEO, Dist. Coop. Bank and Addl. Dist. Coop. Officer as a member Secretary, through written examination |
| Office Assistant | | Outsourcing |
| Guard | | Board of Management of PACS from eligible applicants residing in affiliated block of PACS |

Though the salaries have been prescribed as above, it was gathered during the visits to societies that there was no proper payment of salary to the staff and salaries were in arrears for several months in certain places. No retirement benefits were in force for the staff of PACS. Disciplinary action procedure and performance appraisal systems were also not in vogue.

3.3.8. At the consultative meeting, several stakeholders including the representatives of Staff Unions and Associations supported the need for transfer of PACS staff among similarly placed PACS in terms of financial strength, to be administered through an institution of District Level Cadre Authority.

3.3.9. Training arrangements:

The State Cooperative Bank has a training institute - Agriculture Cooperative Staff Training Institute (ACSTI), Lucknow.

3.4.1. North Eastern Region (NER):

The status of PACS in the North Eastern Region (NER) and the state of Meghalaya vis-à-vis PACS at Pan India level under different parameters is discussed in brief in the following paragraphs.

Table No. 3.14.

FY – 2015-16

| Sl. No. | Particulars | Pan India | NE Region | As % of Pan India | Meghalaya | As % of NER |
|---------|------------------------|--------------|------------|-------------------|------------|-------------|
| 1 | No of PACS | 93,367 | 3499 | 3.75 | 179 | 5.11 |
| 2 | Membership | 12.73 cr | 36.86 lakh | 2.89 | 95,620 | 2.60 |
| 3 | Borrowing Members | 4.62 cr | 1.85 lakh | 0.40 | 3,400 | 1.84 |
| 4 | Share Cap (₹) | 12,280 cr | 44.73 cr | 0.36 | 8.92 cr | 19.94 |
| 5 | Deposits (₹) | 1.01 lakh cr | 98.13 cr | 0.097 | 7.39 cr | 7.53 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 48.84 cr | 0.043 | 18.66 cr | 46.28 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 49.50 cr | 0.03 | 11.34 cr | 22.91 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 61.34 cr | 0.04 | 20.47 cr | 33.37 |
| 9 | Staff Strength | 1.17 lakh | 8,670 | 7.41 | 207 | 2.39 |
| 10 | PACS in Profits | 45,522 | 653 | 1.43 | 54 | 8.27 |
| 11 | PACS in Losses | 37,112 | 872 | 2.35 | 125 | 14.33 |
| 12 | Loans O/S/PACS (₹) | 1.69 cr | 1.75 cr | 103.55 | 11.43 lakh | 6.29 |
| 13 | Loans O/S/Employee (₹) | 1.35 cr | 0.70 lakh | 0.52 | 9.89 lakh | 1412.85 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 0.33 lakh | 97.05 | 0.60 lakh | 181.81 |

Source: NAFSCOB

- The NER accounted for 3.75% of PACS in the country. However, membership of PACS in NER accounted for only 2.89% and the borrowing memberships was just 0.40% of the total borrowing members in the country.
- The entire NER accounted for less than 1% of all India position under Share Capital, Deposits, Borrowings, Loans disbursed and Loans outstanding.

- Unusually, the average staff strength per PACS in NER at 2.47 was almost double the national average at 1.25.
- Loans outstanding per PACS at ₹1.75 cr in NER, was also higher than all India average of ₹1.69 cr. These perhaps need deeper analysis.
- The staff strength though statistically, appears to be more than 1 person on an average per PACS, in reality there were societies running with hardly any staff.
- The number of borrowing members in Meghalaya at 3400 out of the total membership of 95,620 was very poor.
- Deposits constitute only 0.097% of the total deposits mobilized by the PACS in the country.

3.4.2. Meghalaya:

- PACS in Meghalaya accounted for 5.11% of total PACS in NER and 0.19% of total PACS in the country.
- The share of STCCS in Agri-loans business of the Meghalaya state is 17% for the year 2016-17 as per the NABARD focus paper.
- In terms of membership Meghalaya accounted for 2.60% of total members of NER and 0.07% of total members of PACS in the country.

3.4.3. HR policy in Meghalaya:

There is no HR Policy for PACS/LAMPCS in the state of Meghalaya. The earlier Cadre System for PACS staff was abolished in the year 2003. The respective managements fix the salaries for staff of primaries. There is a serious shortage of staff at the primaries. In several cases, the staff members are employed on part time basis on nominal compensation terms. Any increase in overheads is not sustainable for primaries. Generally, the following cadres of staff are working in the PACS viz., Secretary, Asst. Secretary / Accountant, Assistant and Attender. However, most of the PACS have only 1 or 2 staff members. Exceptionally, PACS which are mobilizing daily deposits and having large deposit base of ₹2.5 cr etc., have about 8 staff members on their rolls. Consolidated salaries of about ₹3,000/- to Secretary; ₹1,500/- for Cashier and ₹1,000/- for Sales Assistant were being paid out of

their own resources. The staff of PACS who participated in the discussions lamented that the negligible salaries being paid to them were often a point of discussion and shame and consequently, Cooperatives are not able to attract talent.

- 3.4.4.** The NER follows a 2-tier cooperative credit structure with State Cooperative Bank at the Apex Level and PACS at the Primary Level. It was observed that the relationship and coordination of activities between State Cooperative Bank and PACS/LAMPCS deserves to be improved significantly. The infrastructure is either absent or is very poor in PACS. The books of Accounts and Records were not maintained properly. The overall economic picture obtaining in Meghalaya and NER in general offers an excellent business opportunity to PACS/LAMPCS, which can be explored through preparation and implementation of a comprehensive business development plan covering all the aspects of the primaries. The Committee is of the view that the issues of STCCS and particularly those of PACS of North Eastern States need an in-depth analysis and required to be dealt separately owing to their unique circumstances.
- 3.4.5.** The NER has a training institute – Manpower Development and Management Institute, (MDMI) at Guwahati. MDMI was set up to train personnel of all levels in the Cooperative Banking Sector in the North East Region.
- 3.4.6.** During the field visit to Myllem Service Cooperative Society in Meghalaya and during the course of interactions with participants at the consultative meets, it was understood and observed that there was no regular contact or relationship between the PACS and the SCB. The PACS are seldom visited by the officials of SCB. The accounts of the PACS are not maintained properly. The total liabilities of the PACS to SCB are not recorded anywhere in the books of accounts maintained by the PACS. It was quite disturbing to note that there was no entry of loans disbursed to members in the cash book of the PACS. There is a long way to adopt CAS and MIS prescribed by

NABARD though, the state has signed the MoU for implementation of Revival Package in the year 2008.

3.5.1. Kerala:

The state of Kerala has a well-established and strong primary cooperative credit structure, with very wide outreach and strong financials in general.

The status of PACS in the state vis-à-vis PACS in the country is furnished in the table given below:

Table No. 3.15.

(FY 2015-16)

| Sl. No. | Particulars | Pan India | Kerala | As Percentage of Pan India |
|---------|------------------------|--------------|-------------|----------------------------|
| 1 | No of PACS | 93,367 | 1647 | 1.76 |
| 2 | Membership | 12.73 cr | 1.86 cr | 14.61 |
| 3 | Borrowing Members | 4.62 cr | 1.23 cr | 26.62 |
| 4 | Share Cap (₹) | 12,280 cr | 1023.56 cr | 8.33 |
| 5 | Deposits (₹) | 1.01 lakh cr | 72723.50 cr | 72 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 6053.07 cr | 5.40 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 69418.33 cr | 38.56 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 55966.11 cr | 35.42 |
| 9 | Staff Strength | 1.17 lakh | 20763 | 17.74 |
| 10 | PACS in Profits | 45,522 | 1033 | 2.26 |
| 11 | PACS in Losses | 37,112 | 514 | 1.38 |
| 12 | Loans O/S/PACS (₹) | 1.69 cr | 33.98 cr | 2010.65 |
| 13 | Loans O/S/Employee (₹) | 1.35 cr | 2.70 cr | 200 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 5.65 lakh | 1661.76 |

Source: NAFSCOB

- As could be seen from the above, while Kerala accounted for only 1.76% of total PACS in the country, they accounted for 14.61% of total membership and 26.62% of borrowing members.
- PACS of Kerala accounted for 72% of the total deposits mobilized by all PACS in the country.
- Similarly, Kerala accounted for 38.56% loans disbursed; 35.42% of loans outstanding, where as borrowings accounted for only 5.40% of the total borrowings of PACS in the country, reflecting a strong financial base of PACS in the state.

- Average Loans outstanding per PACS at ₹33.98 cr was 20 times more than the national average.
- The amount of loans outstanding per employee in Kerala was twice that of the all India average.
- Average loan size at ₹5.65 lakhs in Kerala was sixteen times more than the national average.
- However, about 31% of the total PACS in Kerala were running in losses despite strong financials in general, which is a matter of concern requiring analysis and corrective action.

3.5.2. HR Policy for staff of PACS:

The state of Kerala has a well-defined HR Policy for the staff of PACS.

3.5.3. Salient features of the HR Policy are as under:

Section 80 and Rules 182 of Kerala Cooperative Societies Act, 1969 deals with HR matters of PACS among other cooperatives. Section 80 of the Act ibid deals with classification of societies in accordance with nature and financial position, staffing pattern, educational qualification for each category of staff, SC / ST, and physically handicapped reservations and salaries and allowances to employees. Government from time to time issues circulars accordingly. Guidelines were prescribed for promotion, leave, disciplinary action, gratuity, superannuation pension etc.

Appointment of employees for Primary Credit Societies (PACS) from Junior Clerk Level is taken up by Cooperative Service Examination Board, through written examination and interview.

Classification of Societies: The state of Kerala adopted several parameters including working capital, deposits for classifying PACS in the state as detailed below:

Latest Classification Norms (Cir 32/13, 10/14)

Table No. 3.16.

| Class of Society | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Norms to be satisfied | Additional Posts |
|---------------------|----------------------------------|----------------------------------|--------------------------------------|-----------------------------------------|---------------------------------|---------------------------------------------|------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class I Super Grade | Above 80 Crore | Above 60 Crore | Above 50 Crore | Last 3 years A | Last 5 years 4 years | Last 5 years should declare 3 years | 15% on demand | 1,2,3,7 Compulsory & any 2 from in the remaining 3 | For every additional Working Capital of ₹3 Crore one additional Clerk. Subject to minimum of 5 will be admissible. For every additional 3 clerk one additional Head Clerk is admissible. * Each for every 800Sqf. Subject to maximum 3 |
| Class I SPL Grade | 30 Crore and above | 26 Crore and above | 22 Crore and above | Last 3 years Minimum A 1 year B 2 years | 2 years in last 5 years | In last 5 years Declare at least 1 year | Not exceed 25% | | One additional clerk if working capital exceeds 25 Crore |
| Class I | In between 20 Crore and 30 Crore | In between 18 Crore and 26 Crore | 16 Crore and above | Not less than B for last 3 years | 2 years in last 5 years | Declare at least 1 year during last 3 years | Not exceed 25% | | |
| Class II | In between 14 Crore and 20 Crore | In between 12 Crore and 18 Crore | 10 Crore and above | Not less than B for last 3 years | At least 1 year in last 3 years | .. | .. | | One addition Head Clerk if W.C. exceeds. 16 Crore, 2 nd addl. Clerk if WC exceeds 18 Crore |
| Class III | In between 8 Crore and 14 Crore | In between 7 Crore and 12 Crore | 6 Crore and above | Not less than B in last years | 1 year in last 3 years | .. | .. | 1,2,3, Compulsory & 3 from in the remaining 4 | One additional clerk if working capital exceeds 11 Crore |
| Class IV | In between 4 Crore and 8 Crore | In between 3 Crore and 7 Crore | 3 Crore and above | Last year not less than B | 1 year in last 3 years | .. | Not exceeded 30% | | One additional clerk if working capital exceeds 6 Crore |
| Class V | In between 2 Crore and 4 Crore | In between 1.5 Crore and 3 Crore | 1 Crore above but less than 3 Crores | Not less than C last 3 years | X | X | Not exceeded 35% | 1,2,3, Compulsory & 1 from in the remaining 2 | One additional clerk if working capital exceeds 3 Crore |
| Class VI | In between 1 Crore and 2 Crore | In between 75 Lakh and 1.5 Crore | 50 Lakh and above | Last year not less than C | X | X | Not exceeded 35% | | X |

- All other Credit Societies – In Class VII.
- For employees societies to classify in III & IV – norms 1,3,7 compulsory and any 2 from the remaining and in Class V norms 1,3,5 compulsory and any 1 from the remaining.
- Societies should issue agri-loans during in the last 3 preceding years @ fixed by RCS and obtain certificate from Registrar regarding Section 29 and Rule 33 of KCS Act.

3.5.4. PACS in Kerala are classified into 9 categories based on their business. The number and the category of staff are prescribed in respect of each of these categories. The highest category called Super Grade PACS has a provision for 39 staff. The lowest category of PACS has provision for 2 employees.

3.5.5. Staffing Pattern:

Rule 188 of KCS Act deals with staffing pattern. The details of sanctioned strength for different classes of PACS are furnished in the table given below:

Appendix III, Rule 188 of Kerala Co-operative Societies Act and Rules

Table No. 3.17.

| Sl. No. | Category | Class I Super Grades | Class I Special Grades | Class I | Class II | Class III | Class IV | Class V | Class VI | Class VII |
|---------|----------------------------------|----------------------|------------------------|---------|----------|-----------|----------|---------|----------|-----------|
| 1 | Secretary | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | Assistant Secretary | 1 | 1 | 1 | 1 | 1 | 1 | -- | -- | -- |
| 3 | Chief Accountant / Chief Cashier | 1 | 1 | 1 | 1 | -- | -- | -- | -- | -- |
| 4 | Internal Auditor | 1 | 1 | 1 | 1 | 1 | -- | -- | -- | -- |
| 5 | Accountant / Head Clerk | 6 | 4 | 3 | 1 | 1 | 1 | 1 | -- | -- |
| 6 | Senior Clerk / Junior Clerk | 22 | 14 | 10 | 6 | 5 | 3 | 2 | 1 | 1 |
| 7 | Attender | 2 | 2 | 2 | 1 | 1 | 1 | -- | -- | -- |
| 8 | Peon | 3 | 3 | 3 | 2 | 2 | 1 | 1 | 1 | -- |
| 9 | Night Watchman | 1 | 1 | 1 | 1 | 1 | -- | -- | -- | -- |
| 10 | Data Entry Operator | 2 | 2 | 1 | 1 | 1 | -- | -- | -- | -- |

* Classification of Cooperative Societies are based on its character and financial position Section 80(1) and Rule 182 of the KCS Act and Rules.

** The staff pattern of Cooperative Societies is fixed by the government based on its classification.

3.5.6. Education Qualifications:

Table No. 3.18.

| Name / No. of Post Sanctioned | Prescribed Educational Qualification |
|--------------------------------------|---------------------------------------------------|
| Secretary | Degree + JDC or equivalent |
| Clerk & above | SSLC + JDC or equivalent |
| Attender | Pass in VII Standard and no maximum qualification |

3.5.7. Pay-Scales:

9 categories of societies have different pay scales to the different cadres of employees from Secretary to Sweeper (10 Cadres) Annexure-6.

3.5.8. Recruitment:

Government of Kerala Cooperative Service Examination Board for recruitment has constituted the selection of employees of PACS. The Board comprises a Chairman and two Members. Out of the two members, one is a member convenor of the rank of Deputy Registrar of Cooperative Societies. The board will have 5 years term. Board is nominated by the Government of Kerala.

3.5.9. Important conditions, which govern to recruitment process, include the following:

- No temporary appointment is allowed.
- Advertisement in two vernacular newspapers having wide circulation.
- The advertisement is in detail showing name of post, number of vacancies, reservation or not, educational qualification, age, pay scale etc.
- Conduct written examination (maximum 80 marks).
- After written examination conduct interview (Max. 20 marks).
- Prepare, approve and publish the rank list.

3.5.10. Maximum Age limit as on 1st January:

General - 40 years; OBC/Ex-Serviceman – 43 years; SC/ST – 45 years;
Physically Handicapped – 50 years.

3.5.11. An Observation in Kerala:

It is observed that, though the state of Kerala had not accepted the recommendations of the Vaidyanathan Committee, it has supported the STCCS extensively. Kerala has a good ratio of staff per PACS at 12:1. Kerala has a well-defined HR Policy for PACS with suitable provisions in the State Cooperative Societies Acts and Rules. Staff for PACS is being recruited through a specially constituted Kerala Cooperative Service Board as mentioned above. The entire expenditure on the said Board is funded by the Government of Kerala. The PACS staff has opportunities for their career progression. They can be promoted to the post of Assistants in the DCC Banks. There is a 50% reservation for PACS staff in the DCCB recruitment.

There is no system of transferring staff of one PACS to another PACS. However, during consultation meet it was opined by certain members supported the idea of transfer/deputation of staff of one PACS to other PACS so that, skills can be improved and exchange of knowledge and ideas helps relative weaker PACS to develop. Temporary staff is employed during the season for procurement of agri-produce. Such temporary staff is paid daily wages @₹500/day payable at the end of every month.

3.5.12. Training:

As per the extant service conditions, once in three years every employee should attend a training program without which, such an employee will not be eligible for further increments. Minimum qualifications for promotions as well as detailed rules for promotion to the higher cadres within the society have been clearly laid down and are being followed by the society.

3.5.13. Retirement Benefits:

The staff of PACS in Kerala are being provided pension, gratuity, medical insurance etc. Pay scales of employees of PACS are revised once in every 5 years. At present, the State Pension Board disburses pension to the retired employees of PACS at a maximum of ₹22,500/- per month which includes DA and Medical Allowance.

3.5.14. State Support to PACS Development:

The Government of Kerala is administering a Deposit Guarantee Scheme for the deposits in PACS which instills confidence among PACS customers about the safety of their deposits.

This perhaps is one of the major reasons large deposit mobilization by PACS which has changed the business profile of PACS. The surplus resources available with PACS, however, have created resource management problems for the PACS which are not able to identify proper investment avenues. Share of Cooperatives in crop loans in the state is about 10%. The major portfolio of PACS is non-agricultural business.

3.5.15. There is a Common Accounting System prescribed by the State Government for PACS. All the PACS follow the same as per the mandate. A Cooperative Accounting Manual is made available to PACS.

However, it was not as per the CAS-MIS prescribed by NABARD for PACS in the country.

3.5.16. The State Cooperative Bank has a training institute - Agriculture Cooperative Staff Training Institute (ACSTI), Thiruananthapuram, where PACS staffs are also trained.

3.6.1. Maharashtra:

The details of status of PACS in the state of Maharashtra are furnished in the table given below:

Table No. 3.19.

(FY 2015-16)

| Sl. No. | Particulars | Pan India | Maharashtra | As Percentage of Pan India |
|---------|------------------------|--------------|-------------|----------------------------|
| 1 | No of PACS | 93,367 | 21094 | 22.59 |
| 2 | Membership | 12.73 cr | 1.44 cr | 11.31 |
| 3 | Borrowing Members | 4.62 cr | 4.31 lakh | 0.009 |
| 4 | Share Cap (₹) | 12,280 cr | 2090.56 cr | 17.02 |
| 5 | Deposits (₹) | 1.01 lakh cr | 174.60 cr | 0.17 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 11196.39 cr | 9.99 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 13544.25 cr | 7.52 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 11610.17 cr | 7.34 |
| 9 | Staff Strength | 1.17 lakh | NA | 0 |
| 10 | PACS in Profits | 45,522 | 8924 | 19.60 |
| 11 | PACS in Losses | 37,112 | 11739 | 31.63 |
| 12 | Loans O/S/PACS (₹) | 1.69 cr | 0.55 cr | 32.54 |
| 13 | Loans O/S/Employee (₹) | 1.35 cr | NA | 0 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 0.31 lakh | 91.17 |

Source: NAFSCOB

3.6.2. The share of STCCS in Maharashtra in Agri-loan business is 33% as on 30-06-2017 as per the NABARDS's focus paper.

- The state has the largest number of PACS in the country accounting for nearly 23% of the total PACS in the country.
- While PACS of Maharashtra accounted for 11.31% of the total membership of PACS in the country, the borrowing membership was very low at 0.009%, which does not seem to be correct. This needs to be verified and corrected by the Apex Bank.
- PACS of Maharashtra accounted for just 0.17% of total deposits mobilized by PACS in the country. They accounted for 9.99% of total borrowings indicated depending on higher financial agencies.

- It is further observed that more than 50% of the societies are running on losses with very low average loans outstanding per society @₹55 lakhs /society which is less than one third of the Pan India average.
- No information was available on the number of staff employed by staff and accordingly the average business per staff could not be arrived at.

3.6.3. HR Policy for the staff of PACS in Maharashtra:

There is no HR Policy for the PACS staff nor is there a prescribed man power structure for the PACS. It is also observed that government has permitted recruitment of PACS staff on contract basis. There is no policy for staff training and capacity building. DCC Banks do not have any reservation in their staff recruitment for the staff of PACS.

Common Cadre for PACS employees prevails even now in certain DCCBs. There are different categories of CEOs of PACS i.e., Cadre Secretaries, PACS Secretaries, Group Secretaries.

A Cadre Secretary gets about ₹8,000/month where as a Secretary appointed by a society gets ₹5,000/month. These figures are, however, only indicative and not uniform across the societies. 3-8 PACS have a common CEO. The staff shortage is so acute in PACS in Maharashtra that in Buldana District only 67 Secretaries were taking care of 570 PACS in the district. The government permission is required for recruitments but it is seldom given, though there are exceptions in certain cases.

3.6.4. Training arrangements:

The State Cooperative Bank has a training institute - SHIKHAR Training and Research Institute at Vashi, Navi Mumbai.

3.7.1. Jharkhand:

The state has the distinction of forming one of the earliest cooperatives, in erstwhile Bihar state, going back to the year 1867 when Gramin Cooperative Societies were organized by the district administration in Santal Pargana of

Bihar state. They issued loans in the form of agri-produce and recovered such loans again in the form of agri-produce with an objective to help the farmers to survive.

- 3.7.2.** The state of Jharkhand introduced the 2-tier structure under STCCS with the merger of DCCBs with the State Cooperative Bank from 01-04-2017. Out of the 8 DCCBs 7 have been merged with the State Cooperative Bank. However, Dhanbad DCCB is operating on a standalone basis. Further, Government of Jharkhand has taken-up reorganization of PACS/LAMPSCS from the year 2013 and new societies are being created @ one society per Gram Panchayat, re-allocating the area of operation of the existing societies. So far the assets and liabilities of the reorganized societies have not been transferred from the parent society. Similarly, redistribution of members among the newly formed PACS/LAMPSCS is also pending. The process is ongoing. There are, at present, 4,394 PACS/LAMPSCS in the state with about 20 lakh members. PACS/LAMPSCS are working as BCs (Banking Correspondents) for DCCBs. Some of the stakeholders strongly opined that the restricted area of operation under the new scheme make societies financially unviable. While re-organizing the PACS/LAMPSCS as above, the Government did not provide any road map to achieve sustainability of the re-organized societies, nor appears to have considered viability of such re-organized societies.
- 3.7.3.** It was a matter of concern that neither the state government, RCS, SCB nor NABARD had any detailed information about membership, share capital, deposit, borrowings, loans advanced, NPAs etc., in respect of PACS in Jharkhand. NAFSCOB also did not have any information as JSCB had not yet joined NAFSCOB. No statistics are available in respect of number of PACS membership borrowings and what-so-ever of the STCCS in Jharkhand State.

3.7.4. HR Policy for the staff of PACS in Jharkhand:

At present, there is no HR Policy for PACS staff. Government of Jharkhand has imposed several restrictions on the loaning business of PACS. Salaries of PACS staff are decided upon by their respective managements and therefore, do not follow any particular pattern. There is no system of inspection of PACS/LAMPCS either the government or by the higher financial institutions.

3.7.5. Stakeholders, however, desire to have a proper HR Policy and financial grant support from the State Government for a period of at least 5 years from the date of implementation of uniform pay scales for the PACS staff. They draw a parallel with the coordinators for Self Help Groups who get a monthly salary of ₹35,000/- funded by the State Government. In support of their argument/plea for governments financial grant, they point out that all the government programs are run through PACS/LAMPCS; further, Self Help Groups as well as PACS/LAMPCS are member owned and member run organizations and hence, have to be given similar treatment. There are a few Secretaries of PACS who are paid about ₹35,000/- per month whereas some other draw as low as ₹3,000/- per month. As such there was no uniform pay structure for PACS staff in the state.

3.7.6. Stakeholders further, sought reintroduction of Common Cadre System for the PACS staff enabling a structured salary payment as well as transferability among others.

3.8.1. Andhra Pradesh and Telangana:

After bifurcation of the former state of Andhra Pradesh into Andhra Pradesh and Telangana, STCCS has also been reorganized with two Apex Bank with respective DCCBs and PACS coming under their jurisdiction.

3.8.2. The status of PACS in these two states vis-à-vis with all India has been furnished in the table given below:

Table No. 3.20.

(FY 2015-16)

| Sl. No. | Particulars | 2015-16 | | | | |
|---------|------------------------|--------------|----------------|----------------------------|------------|----------------------------|
| | | Pan India | Andhra Pradesh | As Percentage of Pan India | Telangana | As Percentage of Pan India |
| 1 | No. of PACS | 93,367 | 2050 | 2.19 | 798 | 0.85 |
| 2 | Membership | 12.73 cr | 88.75 lakh | 6.91 | 35.99 lakh | 2.82 |
| 3 | Borrowing Members | 4.62 cr | 23.14 lakh | 4.97 | 12.09 lakh | 2.59 |
| 4 | Share Cap (₹) | 12,280 cr | 1384.43 cr | 11.27 | 457.07 cr | 3.72 |
| 5 | Deposits (₹) | 1.01 lakh cr | 1343.44 cr | 1.33 | 374.49 cr | 0.37 |
| 6 | Borrowings (₹) | 1.12 lakh cr | 6877.62 cr | 6.14 | 3356.19 cr | 3.00 |
| 7 | Loans Disbursed (₹) | 1.80 lakh cr | 5339.29 cr | 2.97 | 5326.04 cr | 2.95 |
| 8 | Loans O/S (₹) | 1.58 lakh cr | 7827.95 cr | 4.95 | 3594.19 cr | 2.27 |
| 9 | Staff Strength | 1.17 lakh | 5650 | 4.82 | 3445 | 2.94 |
| 10 | PACS in Profits | 45,522 | 1287 | 2.82 | 485 | 1.06 |
| 11 | PACS in Losses | 37,112 | 679 | 1.83 | 231 | 0.62 |
| 12 | Loans O/S/PACS (₹) | 1.69 cr | 3.81 cr | 225.44 | 4.50 cr | 266.27 |
| 13 | Loans O/S/Employee (₹) | 1.35 cr | 1.38 cr | 102.22 | 1.04 cr | 77.04 |
| 14 | Average Loan Size (₹) | 0.34 lakh | 0.34 lakh | 100.00 | 0.30 lakh | 88.24 |

Source: NAFSCOB – 2015-16

- The share of STCCS in Andhra Pradesh in Agri-loan business is 8.30% for the year ending 31-03-2017 as per the NABARD State Focus Paper.
- The share of STCCS in Telangana State in Agri-loan business is 18% for the year ending 31-03-2017 as per the NABARD State Focus Paper.
- It may be seen from the above that both Andhra Pradesh and Telangana performed better in terms of membership, borrowing members, share capital etc. However, they were lagging behind in deposit mobilization. The state was above the national average under loans outstanding per PACS.

3.8.3. HR Policy for the staff of PACS in Andhra Pradesh and Telangana State:

Government of Andhra Pradesh had issued G.O. Ms No. 226 Dt: 29-06-2005 prescribing HR Policy including the staffing pattern as well as salary structure for the staff of PACS. Basically, there are 3 categories of staff – Category-I – Secretary; Category-II – Accountant-cum-Clerk, Cashier, Salesman/Godown – Keeper and Category-III – Attender/Watchman.

3.8.4. The Government of Andhra Pradesh revised the above HR Policy in the year 2009 through G.O.MS No. 151, Dt: 22-06-2009 which is being followed currently by the PACS in both Andhra Pradesh and Telangana State.

- Government of AP have constituted a three-member committee consisting of Registrar of Cooperative Societies, Managing Director, Andhra Pradesh State Cooperative Bank and Chief General Manager, NABARD, Regional Office, Hyderabad to look into the Service matters of employees of Cooperative Credit Structure and make suggestions to the Government.
- The A.P.C.S. Act 1964 was amended vide Act 16 of 2007 to give effect to the Memorandum of Understanding (MoU) signed by Government of Andhra Pradesh with Government of India and NABARD with a view to implement the revival package for Cooperative Credit Structure offered by Government of India based on the recommendations of Prof. A. Vaidyanathan.
- According to the newly inserted Section 115-D (2) “The Cooperative Credit Society shall have autonomy in all Financial and Internal Administrative Matters, subject to the guidelines of Reserve Bank of India / National Bank of Agriculture and Rural Development in specified areas including personnel policy, staffing, recruitment, posting and compensation to staff.

3.8.5. The salient features of the extant HR policy are furnished in the following paragraphs.

3.8.6. STAFF STRUCTURE:

Each PACS may have not more than one CEO, one Staff Assistant and one Sub-staff. However, where the PACS is not able to afford all the above three,

they may reduce one or two of the above posts as the case may be, to conform to the guidelines of the NABARD.

DLIC was required to identify the surplus staff and allot to needy societies on the request of the management of the needy societies. After such redeployment, the DLIC may make suitable recommendations about the remaining surplus staff, if any.

3.8.7. SCALE of PAY:

The following scales of pay were fixed for the Chief Executives, Staff Assistants and Sub-Staff:

- **CEO:** 1640-75/2-1790-100/2-1990-120/2-2230-140/6-3070-160/6-4030-80/3-4570.
- **Staff Assistant:** 1585-60/2-1705-75/2-1885-100/4-2255-120/6-2975-140/4-3535-160/3-4015.
- **Sub-staff:** 1540-50/6-1840-60/5-2140-75/4-2440-100/3-2740-120/2-2980-140/1-3120.
- **D.A.:** Uniform D.A. of 100% was allowed on the above scales. For future increases of D.A., the pattern adopted by DCCBs may be followed for both quantum and periodicity.
- **H.R.A.:** 10% of the basic pay was fixed as HRA with a minimum of ₹300/- and a maximum of ₹500/-.

3.8.8. STAGNATION INCREMENTS:

Three stagnation increments may be allowed equivalent to the last increment in the time scale after reaching the maximum scale at the rate of one increment per three years.

3.8.9. FITMENT:

The scales may be fixed from 1.4.2009 giving one weightage increment for every eighteen months of completed regular service. Regular annual increments may be sanctioned from 1.4.2010.

The management of PACS may not be allowed to change the scales. However, in case they are in a position to pay additional incentives etc., they may do so without disturbing the scales of pay. Wherever payment of additional incentives and suitable financial compensation are warranted it may be necessary to adhere to the rules as laid down in the Act/Rules and guidelines of NABARD/RBI.

3.8.10. Maintenance of Service Registers:

The management should prepare the service registers of the staff appointed as CEO, Staff Assistant and Sub-staff and get them approved by the concerned DLCOs before the end of March.

- The scales now recommended can be paid by the PACS only after the service registers are duly opened, prepared and certified by the DLCOs.
- The Pay Scales indicated above shall not be revised without prior permission of the Government.
- One special increment has to be sanctioned to the Chief Executives and Staff Assistants who acquire graduation and also another increment for obtaining computer diploma from a recognized institute which is recognized by the Technical Education Department, Government of Andhra Pradesh of not less than 3 months duration at their own cost.
- These service conditions including pay scales etc., will be revised once in five years.
- However, no such revision took place in Telangana, whereas Government of Andhra Pradesh constituted a Committee for the purpose, whose recommendations are under the consideration of the Government.

3.8.11. HR policy Committee for the state of Andhra Pradesh:

Government of AP had appointed in the year 2016, a “Committee to examine the various issues and demands of PACS employees to formulate a specific HR Policy” (GO. RT. No. 71 Dt: 28-01-2016). The committee has submitted its recommendations which are under consideration of the State Government. The recommendations of the Committee were welcomed by the stakeholders

of both the states and requested that steps be taken for expeditious implementation of the same.

3.8.12. The salient features of the recommendations included the following:

Major recommendations of the Committee are:

- i. Categorization of PACS based on business and composition of staff for each of the category as under:

| Sl. No. | Business level (Rs. In Crore) | Category of PACS |
|---------|------------------------------------|------------------|
| 1 | Above Rs. 10 Crore | A |
| 2 | Rs. 5 Crore and up to Rs. 10 Crore | B |
| 3 | Rs. 3 Crore and up to Rs. 5 Crore | C |
| 4 | Below Rs. 3 Crore | D |

Proposed Staff Strength

| Sl. No. | Grade of PACS | Proposed staff strength | | |
|---------|---------------|-------------------------------|----------------------|-------------|
| | | Chief Executive Officer (CEO) | Assistant Executive* | Sub Staff** |
| 1 | A | 1 | 3 | 2 |
| 2 | B | 1 | 2 | 1 |
| 3 | C | 1 | 1 | 1 |
| 4 | D | 1 | 0 | 1 |

*Assistant Executive cadre will include clerks, accountants, salesmen, computer operators etc.

** Sub staff cadre will include attenders, godown keepers, machine operators, drivers, night watchmen and other subordinate staff.

- ii. Scales of pay:

| | |
|---------------------|----------------------------------------------------------------------------|
| CEO | 6975-320/2-7615-425/2-8465-510/2-9485-595/6-13055-680/6-17135-765/6-21725 |
| Assistant Executive | 6740-255/2-7250-320/2-7890-425/4-9590-510/6-12650-595/4-15030-680/6-19110 |
| Sub-Staff | 6550-215/6-7840-255/5-9115-320/4-10395-425/3-11670-510/2-12690-595/4-15070 |

iii. Implementation Mechanism:

a. State level:

A State Level Empowered Committee (SLEC) may be constituted as under for guiding, reviewing, monitoring the implementation of the recommendations.

| | |
|------------------|-------------------|
| President, APCOB | - Chairman |
| CC&RCS | - Member |
| CGM, NABARD | - Member |
| M.D., APCOB | - Member/Convener |

The APCOB may provide necessary secretarial support to the committee. The committee shall meet at least once in a quarter.

b. District Level:

An empowered committee may be constituted at the district level for implementing and monitoring the various recommendations on H.R. matters. The committee may be named as “District Level Empowered Committee on H.R. matters for PACS” (DLEC).

c. The following constitution is recommended for the DLEC

| | |
|---------------------------------|---------------------|
| i. President of the DCCB | - Chairman |
| ii. Dist. Coop. Officer | - Member |
| iii. Dist. Dev. Manager, NABARD | - Member |
| iv. CEO of DCCB | - Member / Convener |

d. The District Level Support Fund shall be administered by the DLEC.

iv. Other major recommendations:

- Fitment; gap funding formula for salary payment.
- DA as applicable to the DCCBs.
- HRA.
- Stagnation Increments.

- Incentive increments for acquiring professional qualifications.
 - Capacity to pay as per NABARD norms.
 - Health insurance.
 - Encashment of earned leave.
 - Gratuity.
 - Funeral expenses.
 - Festival advance and personal loans.
 - Maternity leave.
 - Recruitment, transfer, training and promotions.
 - Compassionate appointment.
 - Service registers for PACS staff.
 - Career path for PACS staff - 25% reservation for PACS staff in DCCB recruitment.
 - Annual Performance Appraisal System.
 - Disciplinary policy.
 - Outsourcing of staff.
 - Computerization of PACS.
- v. The Report of the Committee to suggest HR Policy for PACS staff in Andhra Pradesh is available on the public domain – website of RCS, AP - http://apcooperation.nic.in/open_record_view.php?ID=247.
- vi. At the consultative meeting held on 21-06-2018 at TSCAB, Hyderabad, stakeholders from both the states of AP and Telangana, supported 25% quota in the DCCBs vacancies to PACS employees. They requested to recruit staff at PACS immediately to fill up the vacancies. Some of the stakeholders requested that the salaries of the PACS staff should be paid through DCCBs.
- vii. The recommendation by the HR Committee constituted by AP on the constitution of District Level Support Fund (DLSF) as well as State Level Support Fund (SLSF) for providing financial assistance to weak PACS for a period of 3 years on a tapering was welcomed by the stakeholders albeit with a suggestion to increase the period to 5 years

besides, requiring profit making PACS also to contribute to the DLSF along with DCCBs and SCB.

- viii. It was also requested that the salary of the CEO of PACS should be equal to the salary of Staff Assistant/Clerk/Supervisor of a DCCB.
- ix. As regards the capacity to pay norms of NABARD, it was suggested that the staff cost norms should be enhanced to 50% of Gross Profit at PACS level and that the issue has to be taken up with NABARD for appropriate change in the guidelines issued earlier.

3.9. Training Institutes for STCCS in the country:

- In all the states there are training facilities provided by Institutes of Cooperative Management (ICMs) and Regional Institutes of Cooperative Management (RICMs) under the umbrella of National Council for Cooperative Training (NCCT) / National Cooperative Union of India (NCUI). Regional Training Institutes run by State Cooperative Unions of respective State Governments.
- NABARD imparts training at BIRD, Lucknow and through its Regional Training Colleges located in different parts of the country. Further, Centre for Professional Excellence in Cooperatives (C-PEC) under BIRD, conducts professional certification programs for the staff of STCCS. Besides NABARD, the RBI also provides training to the staff of STCCS at their College of Agriculture Banking, Pune.
- Most of the State Cooperative Banks have their own Cooperative training institutes (CTIs) or Agriculture Cooperative Staff Training Institutes (ACSTIs).
- Notable other Training Institutes are VAMNICOM, Pune, NIRB, Bangalore and MDMI, Shillong.

4. Human Resource (HR) Policy: Recommendations

“Give light and the darkness will disappear itself”

- Desiderius Erasmus

- 4.1. Human Resource Policy could be defined as a framework for the organization and employees with specific guidelines on recruitment, computerization, career progression, entitlement of benefits including leave, retirement, termination etc. Strong and continuity of an organization is a pre-requisite for drawing a suitable and sustainable HR Policy.

A good and well-defined HR Policy will not only ensure maintaining the wellness of the organization inside, but it will also create a good image in the society as well as job seekers. The need for a Human Resource Policy particularly in member owned and member managed institution like PACS requires hardly any emphasis. It's a matter of concern and regret that no well-defined HR Policy was evolved for PACS in the last 100 plus years. The image consequently the business of PACS suffered for want of this.

The Committee, accordingly, deliberated, extensively on the suggestions received from different states, agencies like NABARD, State Governments, Unions and Associations of employees, leading cooperators etc., during the course of Consultative Meetings held in different states as explained in Chapter-3 of the report. Similarly, the suggestions received from various stakeholders through letters, mails etc., have also been factored in while formulating the draft Human Resource Policy for PACS in the ensuing paragraphs. In the contemporary era of technology driven business the expectations and the desires of the stakeholders emanate from the services and products offered by similarly placed institutions. Consequently, any deficiency in the services provided by PACS as compared to the other institutions in rural areas, most relevant in terms of reach and spread in rural areas being India Post Payment Bank, weans away the clientele. In a customer driven market, the expectations and aspirations of customers should

be given the highest priority in any business plan of the PACS. By virtue of their organizational structure of member ownership, unique mandate, PACS occupy an important role in the rural financial institution, PACS are unique in providing end to end support and services to members, drawn predominantly from the farming community. The USP of PACS is that, *what all other RFIs can do PACS can do but what PACS can do, others cannot do*. It is in this context, needless to emphasise that having proper Human Resources is the most important factor for the success of PACS. Any organization is as good or as bad as its human resources. Hence, a well thought out HR policy which considers the entire gamut of operations of PACS - both present and in the conceivable future is a pre-requisite for the wellbeing of PACS and their stakeholders.

Till recently, PACS were virtually left out of the digitization plans excepting sporadic attempts in some states. As a result, they could not leverage the digital India initiatives and their relevance has also become a question mark. The issue of PACS computerization is discussed under Chapter-7 of the Report. In this context of imminent and inevitable computerization, the Committee opined that HR policy should provide for skilled staff both in terms of domain knowledge and in usage of technology with suitable incentives and disincentives to attract and retain talent in rural areas. Skill up-gradation on a continuous basis to meet the challenges of change in the environment and the business processes also has to be a part of the HR policy of the PACS.

The Committee is aware of the fact that care has to be taken to understand the Human Resource requirements of different grades of PACS, their ability to pay, need for external financial assistance if any, features to attract talent as well as retention of such talent over a long term through proper career path, supporting the avowed objective of growth of PACS and reclaiming their market share in rural credit.

The Committee having considered various such aspects impacting the formulation of a comprehensive HR policy for PACS makes the following recommendations:

4.1.1. Categorization of PACS:

Categorization of PACS is necessary to propose staff strength commensurate with its business requirements. It is but imperative to provide for minimum staff strength to a PACS to take care of its operations, despite its inability, if any, to meet the current cost of establishment considering the nature of operations. Having studied the different patterns of categorization in different states with a very high to moderate levels of business across the states visited as well as the inputs received from other states, the following categorization is recommended for PACS based on the business volumes. The business of PACS would include the following (as at the end of the previous financial year as per the audited balance sheet):

- Outstanding loans and advances.
- Deposits.
- Turnover in the other non-credit business activities*.

**Includes trading in agri-inputs, processing if any, marketing of produce and other business activities like Petrol Pumps, RO water plants etc.*

Table No. 4.1. **Catagerization of PACS:**

| Sl. No. | *Business level (₹ In Crore) | Category of PACS |
|---------|---------------------------------|------------------|
| 1 | Above ₹25 Cr and upto 50 ₹50 Cr | A |
| 2 | Above ₹15 Cr and up to ₹25 Cr | B |
| 3 | Above ₹10 Cr and up to ₹15 Cr | C |
| 4 | ₹5 Cr and upto ₹10 Cr | D |
| 5 | Below ₹5 Cr | E |

4.1.2. Recommended Staff Strength:

Table No. 4.2.

| Sl. No. | Grades of PACS | Proposed staff strength | | | Total |
|---------|----------------|-------------------------------|----------------------|-------------------------|-------|
| | | Chief Executive Officer (CEO) | Assistant Executive* | Development Assistant** | |
| 1 | A | 1 | 4 [#] | 2 | 7 |
| 2 | B | 1 | 3 | 2 | 6 |
| 3 | C | 1 | 2 | 1 | 4 |
| 4 | D | 1 | 1 | 1 | 3 |
| 5 | E | 1 | 0 | 1 | 2 |

* Assistant Executive cadre will include clerks, accountants, salesmen, computer operators etc.

** Development Assistant cadre will include attenders, go-down keepers, machine operators, drivers, night watchmen and other subordinate staff.

The senior most Assistant Executive may be designated as Deputy CEO.

PACS with business level of ₹50 Cr and above should be categorized as A⁺ and such PACS can decide the realistic staff strength based on their business levels, types of activities and capacity to pay as per the NABARD guidelines and in consultation with the DLEC.

- 4.1.3.**
- a.** The proposed categorization will encourage PACS to move upwards to the next higher category through proper Business Development Plans.
 - b.** The proposed designations as above will enhance the self-esteem of the employees, standing in the society, provide role clarity and motivate them to contribute better.
 - c.** PACS which deliver multiple services may consider suitable augmentation of staff depending on the workload and the number of activities, subject, however, to conform to the overall capacity to pay norms of NABARD and profit center concept. Seasonal businesses like procurement etc., have to be managed with the help of temporarily outsourced staff. Their establishment cost should be borne out of the commission/incentives earned under such seasonal business activities.
 - d.** Some of the states which are already implementing categorization of PACS may realign the categorization as recommended above.

4.1.4. Assessment of vacancies:

DLEC will assess the present and future vacancies arising in the following two financial years factoring in the surplus staff available in some societies if any. This assessment by DLEC should be vetted by SLEC. For the purpose of recruitment of new staff based on requirement arrived for each PACS, staff existing as on the first day of the financial year and staff who are going to be superannuated in the next two years may be reckoned.

4.1.5. Recruitment:

It has been observed that recruitment process at DCCBs and /or at PACS level is not attracting talent from the market. As a pre-requisite for attracting talent, the package offered to the recruits together with a well-defined career

progression path is to be laid down. The image of the institutions also plays an important role in attracting talent. Good Governance enhances the image of the organizations. Therefore, one of the major contributors to attract talent is compliance with principles of Good Governance. The subject of governance in societies is discussed in the chapter “Epilogue” of the report.

4.1.6. The recruitment process has to be uniform and transparent. The selection has to be done in a professional manner. The recruitment of PACS staff may be done once in two years, so as to ensure availability of qualified human resources. If need be recruitment can be taken-up earlier / later based on the necessity.

4.1.7. Selection Process:

For CEOs and Assistant Executives, the recruitment process will include written test and interview. The written test should be conducted by independent agencies like Cooperative Services, Recruitment Board (Kerala, Uttar Pradesh etc.) or by C-PEC, NIRB, Bangalore.

Number of vacancies arrived in each category based on the staffing norms suggested in the report prepared by DLECs and duly vetted by SLEC may be submitted to Recruitment Board/IBPS, C-PEC, NIRB, Bangalore as may be decided by the SLEC for the purpose of conducting the written test.

The recruitment process for the posts of CEOs and Assistant Executives shall comprise a written test of 80 marks and interview for 20 marks including weightage of 5 percentage points given to candidates holding HDC/ JDC / PGDCRS / C-PEC certificates.

Recruitment to the posts of Sub-Staff shall be made through the local employment exchange giving due preference to persons hailing from the area of operation of the society.

After the written test results are received from the agency concerned, interviews, selection and allotment of selected candidates to PACS may be done by the DLECs.

4.1.8. Qualifications:

Qualifications required for various posts are specified as under:

- a. CEO:** Graduate from a recognized university. Degree or diploma in Cooperative Management desirable. Knowledge in computers is essential.
- b. Assistant Executive:** Degree from any recognized university with proficiency in Computers.
- c. Development Assistant:** SSC Pass.

The existing CEOs and Assistant Executives who do not possess the requisite qualifications as above and who have more than 10 years of service shall acquire Degree/JDC/ C-PEC certificate within 5 years from the date of adoption of these recommendations.

4.1.9. Reservations:

Rule of reservation as applicable in the state concerned shall be followed for recruitment.

4.1.10. Validity of Selection List:

The selection list may be kept valid for three years from the date of selection.

4.1.11. Scales of Pay:

In the states visited by the Committee and as per the information received through mails from different stakeholders, it is observed that there are no uniform scales of pay for the staff of PACS. Different states are following different models of salary payment to the PACS staff. For Ex: in Kerala scales of pay are fixed based on the Government of India's Pay Revision Committee recommendations (Modified Annual Career Progression Scheme).

In Andhra Pradesh and Telangana States, scales of pay have been prescribed by the Government of Andhra Pradesh during 2009 before bifurcation. The same scales of pay are being followed by the PACS in both the states currently.

Similarly, in Odisha the RCS has prescribed scales of pay for different categories of PACS staff.

The Government of UP has prescribed scales of pay for different categories of staff subject to earning capacity of the society as discussed in the para-3.3.6 which, however, is not being followed fully.

In case of Jharkhand, the Government has decided to organize one PACS per one Gram Panchayat. It is also understood that the Government has proposed to revive the cadre system for the PACS employees. However, no uniform pay scales seem to have been prescribed as huge variations were observed in pay scales in the societies visited by the Committee.

Considering the divergence of field level conditions of PACS, their earning capacities, the geographical conditions as have been observed during the field visits and taking in to cognizance the inputs received at the consultative meetings, it is felt desirable and therefore, the present Committee as envisaged under ToR have considered to recommend the pay scales recommended by the Committee on HR Policy for PACS appointed by Government of Andhra Pradesh, sometime ago.

The proposed pay structure for different categories of PACS staff is as under:

Table No. 4.3.

| | |
|-----------------------|----------------------------------------------------------------------------|
| CEO | 6975-320/2-7615-425/2-8465-510/2-9485-595/6-13055-680/6-17135-765/6-21725 |
| Assistant Executive | 6740-255/2-7250-320/2-7890-425/4-9590-510/6-12650-595/4-15030-680/6-19110 |
| Development Assistant | 6550-215/6-7840-255/5-9115-320/4-10395-425/3-11670-510/2-12690-595/4-15070 |

The Committee recommends the above scales to the staff of PACS across the country. However, if the staff of any PACS are drawing higher salaries

than the above already, they may continue with such better emoluments, provided, the expenditure on manpower is in compliance with the NABARD norms.

At present, the gross emoluments at the beginning of the scale and at the end of the scale for each of the cadres work out as indicated below:

Table No. 4.4.

Amount In ₹

| Cadre | Basic | DA* | HRA | Fixed TA & DA | Gross |
|----------------------------|-------|------|------|---------------|--------------|
| CEO | | | | | |
| a) Beginning of the Scale | 6975 | 2037 | 1000 | 1000 | 11012 |
| b) End of the Scale | 21725 | 6344 | 2000 | 1000 | 31069 |
| Assistant Executive | | | | | |
| a) Beginning of the Scale | 6740 | 1968 | 1000 | 750 | 10458 |
| b) End of the Scale | 19110 | 5580 | 2000 | 750 | 27440 |
| Sub-Staff | | | | | |
| a) Beginning of the Scale | 6550 | 1913 | 1000 | 500 | 9963 |
| b) End of the Scale | 15070 | 4400 | 2000 | 500 | 21970 |

* DA @29.20% of Basic Pay on par with the DA applicable to DCCB employees as of September, 2018.

Note: Above HRA is taken as per the recommendations made herein.

4.1.12. Dearness Allowance:

Dearness Allowance shall be paid on the pattern adopted by the authority prescribing the scales in the concerned states.

4.1.13. House Rent Allowance:

10% of basic pay subject to a minimum of ₹1,000/- and a maximum of ₹2,000/-. However, staff who have been provided residential quarters by the societies will not be eligible for HRA.

4.1.14. Stagnation increments:

Three-stagnation increments equivalent to the last increment in the time scale may be allowed after reaching the maximum scale @ one increment per two years.

4.1.15. Performance Incentive:

An incentive in the form of a bonus linked to performance of the society over and above the business planned under annual Business Development Program (BDP) will enthuse the staff to exceed their own planned performance. Such an incentive should be linked to incremental business of 20% and above the BDP may be reckoned for the purpose of calculating incentive i.e., on achieving 20% incremental business and profitability over the BDP, a benchmark incentive may be allowed to the staff. Year on year increase in the volume of business as may be incorporated in the BDPs should be atleast on par with Banking Industry average in the state.

However, the overall expenditure on salaries has to be in conformity with the capacity to pay norms of NABARD.

4.1.16. Travelling and Daily Allowance (TA&DA):

The nature of duty of PACS staff involves regular travelling with in the area of operation of the society and therefore, it is recommended that a fixed TA & DA may be paid to them every month. An amount of ₹1,000/- per month is recommended towards fixed TA & DA to the CEO. Similarly, ₹750/- per month and ₹500/- per month are recommended to Assistant Executives and Development Assistant respectively. For the purpose of paying fixed TA/DA an employee should tour a minimum of 10 days in a month.

This will avoid submission of bills, scrutiny etc., and at the same time facilitate the field visits by the staff.

4.1.17. Professional Qualification Increment:

Regular updation of skills and knowledge are critical to the better performance of staff. With a view to encourage PACS staff to acquire such skills it is recommended that one advance increment should be granted in the time scale for acquiring professional qualification i.e. Certified PACS Secretary offered by C-PEC, BIRD, Lucknow. This increment may be given from the date of announcement of results.

4.1.18. Fitment:

The fitment in the revised scale of pay will be on stage to stage basis. There shall be no change in the dates of annual increments because of the fitment.

4.1.19. Fixation:

Revised scales would be applicable from a date as may be fixed by the authority prescribing the pay scales.

The Managements of PACS may not be allowed to change the pay scales. However, PACS may consider providing additional productivity related financial incentives to staff subject to conformity with the capacity to pay norms of NABARD.

4.2. Other Welfare measures:

4.2.1. Insurance:

PACS employees may be provided Accidental Death and Life Insurance Coverage. Additionally, health insurance cover may be provided to the employee along with spouse and two dependent children with 50% premium borne by the employee and the remaining 50% premium borne by PACS, subject however to the condition that 50% premium should not exceed ₹2,500/- per annum. Any insurance scheme of the Government of India or the State Government concerned may be used for these purposes. If any better scheme is already in operation in any of the PACS, the same may be continued.

4.2.2. Encashment of Earned Leave:

All the employees of PACSs shall be eligible for encashment of 240 days of earned leave at their credit at the time of retirement on attaining the age of superannuation/death.

Employees of PACS which are in profits may be allowed to surrender / encash earned leave of not exceeding 15 days in a year. The employees of

PACS which are dependent on DLSF are not eligible for such yearly encashment.

4.2.3. Gratuity:

An employee after completion of 5 years of service shall be eligible for payment of gratuity. For every completed year of service, the employee is eligible to get 15 days of pay towards Gratuity, subject to a maximum of ₹2.50 lakh. The Managing Committee of the respective society shall sanction the gratuity to the employee of Society.

SLEC / DLEC may facilitate adopting suitable group gratuity schemes of insurance companies.

4.2.4. Death in Harness of Employee:

PACS will pay an amount of ₹5,000/- to the immediate family members of their employees on the death of the staff members while in service. This amount should be paid immediately after the death of the employee.

4.2.5. Festival Advance:

Employees of PACS which meet their establishment expenditure on their own, without depending on the District Level Support Fund and having no defaults to higher financing agencies will be eligible for Festival Advance equivalent to one month pay (Basic + DA) recoverable in 10 equal monthly installments without interest.

4.2.6. Personal Loan:

Confirmed employees of PACS who have completed 5 years of service will be eligible for a personal loan of ₹1,00,000/-, at an interest rate not below the interest charged on commercial lending / maximum lending rate charged by the PACS to the ultimate borrower under any purpose. Such a personal loan shall be repayable in 36 equated monthly installments (EMI).

4.2.7. Maternity Leave:

Employees of PACS may be sanctioned maternity leave on par with the respective State Government employees.

4.2.8. Pension Scheme:

In order to provide a dignified life in the twilight years of an employee's life after retirement, it is recommended that a contributory pension scheme may be implemented for the staff of PACS. A pension scheme is already being implemented for the staff of PACS in Kerala through State Pension Board. Similarly, based on Kerala scheme, Karnataka has formulated "Karnataka Cooperative Societies Self-Financing Pension Scheme" which is under the consideration of Government of Karnataka.

SLEC of each state may evolve and have it implemented a self-financing pension scheme for PACS employees in their individual states, on the lines of Kerala and Karnataka.

4.2.9. Career Progression:

One third of the vacancies in the posts of CEOs and Assistant Executives arising within a district/DCCB shall be reserved for eligible candidates from the PACS and in case eligible candidates are not available for the CEO/ Assistant Executive posts in the PACS, these vacancies may be filled by direct recruitment by notifying the vacancies through SLEC as mentioned above.

One third of the vacancies in the category of Staff Assistant in DCCBs shall be reserved for the staff of PACS subject to the norms of eligibility for recruitment. Age relaxation for this purpose shall be on the lines of respective State Governments. Additionally, weightage points as given in Recruitment Process above shall also be provided.

4.3. Transfer:

- 4.3.1.** Many requests / representations were made in writing as well as at the consultative meetings held in the stakeholders that the staff of PACS may be made transferrable. On considering these representations and in the interest of promoting probity and professionalism in PACS the following recommendations are made:
- 4.3.2.** CEOs and Assistant Executives of PACS may be transferred within the revenue division after every 5 years normally. Further, no CEO shall continue in the same PACS for more than 8 years at a stretch. Uniform rules for charge handing over at the time of transfer shall be framed by the SLEC.
- 4.3.3.** Transfers shall be effected preferably, in the months of July/August so that the loan recovery season is not disturbed.
- 4.3.4.** The District Level Empowered Committee as mentioned shall be responsible for effecting transfers based on the above parameters. In exceptional cases, transfers may also be considered within 5 years in respect of any CEO/ Assistant Executive on specific grounds / valid reasons, as decided by DLEC.
- 4.3.5.** In case of transfer of an employee from a society which is already compliant with capacity to pay norms of NABARD to a society which is still not compliant with the requirements, the DLEC has to factor in such additional gap funding requirement of the latter society and provide financial support accordingly from the District Level Support Fund. Such a transfer can also help in improving the financial health of the weaker society with the induction of a better skilled staff member who has already demonstrated his business development acumen elsewhere.
- 4.3.6.** Development Assistants will not be subjected to transfer policy. However, in exceptional circumstances, DLEC may consider to transfer development assistance within the revenue division.

4.4. Compassionate Appointment:

Request for Compassionate Appointments received from the deceased staff of PACS may be considered by the DLEC as per the policy of the concerned State Government. Eligible candidates may be allotted to PACS where suitable vacancies are available preferably within the same revenue division.

4.5. Maintenance of Service Registers:

4.5.1. Service Registers will be maintained for each of the staff members by the respective PACS. The Service Registers may be maintained in duplicate with one copy to be maintained by the PACS concerned and the second copy maintained at the DLEC. Such SR shall be updated and authenticated by the Branch Managers of the concerned DCCB every year. On transfer of a staff member to another society the S.R. will also be transferred to the concerned society after the entries till the date of transfer are authenticated by the Branch Manager of the DCCB.

4.5.2. New recruits may be provided with uniform S.R. without giving scope for any local designs etc. The NAFSCOB may develop and circulate uniform service register format for adoption to the PACS staff.

4.5.3. In respect of existing staff, new S.R. system may be adopted within three months from the date of adoption of these recommendations.

4.5.4. The terminal benefits accruing in respect of each PACS staff member have to be remitted by PACS proportionate to the period of service rendered in the said PACS into a separate account to be maintained by the DLEC. The terminal benefits will be released by the DLEC. The detailed rules/operational guidelines may be framed and necessary amendments may be made by SLEC in the special bye-laws governing the service regulations of society staff.

4.5.5. Superannuation:

Age of superannuation for all cadres of PACS staff is recommended at 60 years.

4.5.6. Review of Pay Scales etc.:

- a. Review of pay scales and other benefits may be done once in every 5 years.
- b. Other aspects may be reviewed as per necessity.

4.6. Annual Performance Appraisal:

Performance appraisal of PACS staff shall be done every year based on the business development with reference to BDPs including specific action plans in respect of PACS not conforming to the capacity to pay norms of NABARD; maintenance of books of accounts; conduct of compliance to regulations and norms with negative remarks for any misadventures. NAFSCOB may evolve a suitable Performance Appraisal System for different categories of staff of PACS.

- a. **CEO:** The CEO shall prepare a self-appraisal at the end of each financial year and submit to the President of the PACS who will confirm the same along with his comments / remarks.
- b. **Assistant Executive:** Assistant Executive will prepare annual self-appraisal report, which will be confirmed by the CEO.
- c. **Development Assistant:** Performance Appraisal Reports of sub-staff will be recorded by the CEO of PACS.

Copies of the self-appraisal reports and performance appraisal reports should be filed in the SRs both at PACS and DLEC every FY year before September.

4.7. Sanction of Increment:

- The Board of Management of PACS shall sanction annual increments to all its staff members.
- Increments shall be sanctioned subject to normal conditions and additionally on the condition that the staff member concerned has undergone training at

least once every year as detailed in the following paras dealing with training in this report.

4.8. Disciplinary Policy:

- Disciplinary action can be initiated by the President of a society against the CEO based on a valid complaint, audit report, inspection report or on reference from higher financing agency or government or on the basis of a court order. Due opportunity has to be provided to the CEO for putting forth his/her point of view in defense of his/her position on the allegations/charges levelled against him/her. The management of the society has to, where necessary; conduct an enquiry into the allegations/charges against the CEO. President of the society shall award punishment to the CEO based on such enquiry report.
- For all other categories of staff, CEO is the disciplinary authority. The procedure as above has to be followed.
- The DLEC which is empowered to transfer etc. is the Appellate Authority for disciplinary action against CEO. In respect of other staff of PACS, the Board of Management of respective societies shall be the Appellate Authority.

4.9. Outsourcing of Staff/Temporary Staff:

The management of the PACS may identify the requirement of additional staff to meet seasonal requirements likesale of fertilizers, seeds, pesticides etc., and procurement of agricultural produce etc. In such situations the CEO as empowered by the management PACS may hire additional staff on ad-hoc basis for supporting the seasonal operations. However, the expenditure on such outsourced staff has to be borne by the PACS concerned out of the income earned from such activities only and shall have no claim over the general funds of the PACS or District Level Support Fund.

4.10. Training and Capacity Building System for Societies:

4.10.1. Capacity building of staff is a continuous process to upgrade their skills and knowledge so as to meet the challenges of ever changing and competitive

environment in which the PACS are functioning. It is observed that, training is imparted to the PACS staff more as a ritual than as a tool to improve their skills. Continuous training provides exposure to emerging challenges and keeps the PACS staff in a battle-ready mode.

4.10.2. SLEC/DLEC may cause a Training Needs Analysis (TNA) for PACS staff and coordinate with different training establishments to ensure that requisite training is extended to all PACS staff. Every employee of the PACS shall undergo training / skill upgradation / reorientation programs for at least once in every calendar year.

4.10.3. Broadly, training in following areas is suggested for different categories of PACS staff:

- a. CEO:** Business Development Plans, Asset Liability Management (ALM), Risk Management, Governance issues – Dos and Dents, Supervision and Audit in computerized environment, Internal Checks and Controls Mechanism, Disciplinary Action, Procedure and Practice, PACS as profit center, Recovery and NPA Management etc.
- b. Assistant Executive:** Common Accounting System (CAS), Management Information System (MIS), Audit in computerized environment
- c. Development Assistant:** General orientation on the activities of PACS.

4.10.4. Training programs should be conducted, preferably, for short durations at the DCCB level to facilitate better participation of the staff of PACS.

4.10.5. The DLEC may arrange to send select CEOs of PACS who show promise, to premier training institutions like VAMNICOM, BIRD, CAB etc. and also for exposure visits to other states. Such cost shall be borne by the DCCB from appropriate fund, CDF of NABARD or ICDP funds as it can be considered as a management development initiative.

4.10.6. It is a common experience that majority of the staff deputed for training shy away because of the monetary considerations such as financial constraints at PACS level for payment of T.A., D.A. though the training as such is

provided free of cost under various schemes of NABARD, SCB etc. It is therefore necessary that the DCCBs invest in the training of PACS staff by subsidising the TA expenditure fully.

4.10.7. Training programmes attended by the PACS staff shall be noted in their Service Registers.

4.10.8. The DLEC shall evolve a mechanism to compile and continuously update data on the training programmes attended by the individual staff members of PACS.

4.10.9. It has to be ensured that every employee of society undergoes at least one training program in a year.

4.10.10. In case a staff member does not attend any training program on being nominated to attend, such a refusal shall be recorded in the SR of the staff concerned. Such an entry will be given due negative weightage while considering him/her for increment and promotion.

4.11. Induction Training:

Upon recruitment of staff to societies, an induction program has to be arranged inevitably, for such new recruits to give an orientation of the rural finance cooperatives, fundamentals of finance and accounting cooperative societies Act etc.

4.12. Orientation Programs for Elected Board Members:

The managements of the societies are elected bodies whose term of office is normally 5 years. In order to provide them an insight into the functioning of the societies, laws governing the societies, the business opportunities, dos and don'ts and governance issues, an initial orientation cum training program may be conducted for all the newly elected directors preferably during the first year itself.

C-PEC offers “Certification Course on Corporate Governance for Leaders/Board of Directors of Cooperatives” which can be made use of.

Periodical refresher courses may also be conducted for the members of the boards of managements preferably at a place away from the state and district headquarters so as to provide them an undisturbed atmosphere/ambience.

4.13. Capacity to Pay norms prescribed by NABARD:

As decided by the National Implementing and Monitoring Committee (NIMC), NABARD had communicated expenditure and manpower norms for PACS subject to the capacity to pay norms (Annexure-7).

4.14. District Level Support Fund (DLSF):

PACS should conform to the guidelines issued by NABARD on expenditure and manpower norms and capacity to pay. In case of PACS, which do not conform to the above guidelines of NABARD, in states having 3-tier structure, a District Level Support Fund (DLSF) may be created as discussed below:

- DLSF in the nature of revolving fund.
- Contribution to DLSF.
 - i. In case of PACS, which do not conform to the ‘Capacity to Pay’ guidelines of NABARD, in states having 3-tier structure, financial support may be extended from DLSF.
 - ii. Contributions to DLSF to be from SCB, DCCB, State Government and NABARD (out of CDF provisions).
 - iii. If both SCB and DCCBs are in ‘Net Profit’ for the preceeding year, then the sharing between SCB and DCCB would be equal (i.e., 50% each), to the full requirement of DLSF.
 - iv. If SCB in profits and DCCBs are under ‘Losses’, then the portion of DCCB, would be met from NABARD – CDF provisions, in addition to the contributions of SCB, State Government and NABARD, in the ratio of 25% and 25% respectively.
 - v. If SCB in profits and DCCBs are under ‘current year operating profit’ through account losses are persisting, then the sharing of

DLSF would be 25% each between SCB, DCCB, State Government and NABARD (CDF).

- vi. If both SCB and DCCBs are in 'Losses', then SCB and DCCB may not be able to contribute and the DLSF requirement in full would be shared between State Government and NABARD (CDF provisions) i.e., 50% each.

For PACS which do not conform to the capacity to pay norms of NABARD, a 5-year time line may be given for achieving sustainable viability. During this period, such societies will receive financial support in the form of interest free loan from the DLSF recommended above, on a tapering basis, @ 100%, 80%, 60%, 40% and 20% during the 1st, 2nd, 3rd, 4th and 5th year respectively. These PACS should prepare specific Business Development Plans for viability, to comply with the NABARD guidelines on capacity to pay within a period of 5 years and enter into an agreement with DLEC with due approval from their Board of Directors. The implementation of these action plans will be reviewed before the release of 2nd, 3rd, 4th and 5th year support. For the purpose of arriving at the quantum of support to be released to these weak societies, the societies have to prepare projected cash flow statements as part of the BDPs and present to the District Level Empowered Committee (DLEC) recommended in the Chapter-5 on implementation mechanism. The gap in income as projected in the cash flow statements has to be reviewed and confirmed by the DLEC before release of financial assistance/gap funding.

4.15. The period of assistance to PACS:

- Normally 5 years on tapering basis @100%, 80%, 60%, 40% and 20% during 1st to 5th year respectively.
- However, if the PACS complies the capacity to pay norms during the 5-year period of DLSF assistance, the assistance under DLSF shall be stopped.
- In other words, the PACS would be eligible to get assistance from DLSF, as long as the PACS could not comply to the capacity to pay norms.

4.16. Repayments to DLSF:

Once the PACS, which is under assistance from DLSF, has come to the level of complying to the capacity to pay norms, then the PACS should start repaying to DLSF in a phased manner i.e., in 5 years.

PACS, which seek support from the DLSF, should have their statutory audit completed for the immediate preceding FY and furnish such audited accounts to the DLEC along with their request for financial support from DLSF for following year.

The inspecting authorities/supervisors, while inspecting PACS, have to examine and comment on the utilization of DLSF by PACS along with compliance with the BDP furnished to DLEC.

NABARD in consultation with a few States may evolve detailed operational guidelines for quantifying the contributions to DLSF, calculation of eligibility and release to PACS, proforma for calculating the gross income and/ turnover as per capacity to pay guidelines of NABARD, action in case of PACS not complying with capacity to pay norms even after the prescribed time frame and so on including the recommendation as at para 8.5. This would facilitate uniform implementation by all the states.

“You cant have a better tomorrow if you are thinking about yesterday all the time” - Charles F. Kettering

5. MECHANISM FOR IMPLEMENTATION

“Faith is taking the first step even when you don’t see the whole stair case” - Martin Luther King Jr.

5.1. Taste of pudding lies in eating. The efficacy of any recommendation will depend upon how well they are implemented. Hence, there is a strong felt need for a well-defined mechanism for implementation and monitoring of the recommendations. Keeping this in view, the Committee recommends setting up of Mechanism for Implementation at State and District Levels as discussed in the ensuing paragraphs.

5.2. District Level:

A District Level Empowered Committee (DLEC) may be constituted at the district level for implementing and monitoring the various recommendations of the Committee as indicated below:

Table No. 5.1. District Level Empowered Committee

| Sl. No. | Designation | Committee |
|----------------|----------------------------|-------------------|
| 1 | President, DCCB | Chairman |
| 2 | Dist. Coop. Officer | Member |
| 3 | Dist. Dev. Manager, NABARD | Member |
| 4 | CEO of DCCB | Member / Convener |
| 5 | Presidents of two PACS | Special Invitees |

5.3. The DCCBs shall provide necessary secretarial support to the DLEC besides maintaining all the records. The monitoring of training of PACS staff may also be done by such secretariat as information in this regard will be an important input while considering various proposals by the DLEC. For example, promotions, transfers to higher category of PACS etc. The DLEC may meet at least once in a quarter. Additional meetings could be convened as per the requirements.

5.4. The District Level Support Fund shall be administered by the DLEC.

5.5. Broad functions of DLEC:

- Assessment of vacancies in the PACS and getting approvals from SLEC conduct the recruitment to such vacancies, interviews selection and allotment to PACS.
- Training to PACS staff and maintenance of such record and entry in respective SRs identification and adoption of group gratuity and insurance schemes for PACS staff.
- Critical review of BDPs vetting and approval.
- Monitoring the implementation of BDPs.
- Identification of PACS requiring support from DLSF.
- Assessing the gap funding requirement of PACS basing on the structured data provided by PACS.
- Administering DLSF.
- Monitoring SRs and performance appraisal reports of staff and ensuring periodic updating and authentication.
- Monitoring and maintenance of terminal benefit accounts of the staff of PACS.
- Appealate disciplinary authority for the CEOs of PACS.
- Transfers of PACS staff.
- Causing TNA for PACS staff and maintaining records of training undergone by staff of PACS.
- Timely audit of PACS
- Calculation of imbalances and NPAs
- Other parameters as per NABARD guidelines
- Proposing penal clauses for not complying with any of the stipulations

5.6. State level:

A State Level Empowered Committee (SLEC) may be constituted as under for guiding, reviewing, monitoring the implementation of the recommendations of the report and ensuring availability of proper human resources in PACS.

Table No. 5.2. State Level Empowered Committee

| SI. No. | Designation | Committee |
|---------|----------------|-----------|
| 1 | President, SCB | Chairman |
| 2 | RCS | Member |
| 3 | CGM, NABARD | Member |

| | | |
|---|-------------------------|-------------------|
| 4 | M.D. SCB | Member / Convener |
| 5 | Presidents of two DCCBs | Special Invitees |

The SCB may provide necessary secretarial support to the committee. The committee shall meet at least once in a quarter.

5.7. Broad functions of SLEC:

- Review of assessment of vacancies submitted by DLECs.
- Training needs analysis for PACS and coordination with different training establishments to ensure that requisite training is extended to all PACS staff.
- Preparation and circulation of uniform SR for PACS staff.
- Approval of the BDPs and periodical review of their implementation by PACS.
- Ensure adherence to guidelines on assessment of fund requirement form DLSF and releases thereof.
- Amendments to Acts and Rules.
- Administering self financing pension scheme for PACS employees.
- Review the work of DLEC.
- To obtain data from all PACS before October every year and view the same critically.
- To advise DLECs on performance of individual PACS.

6. HR Policy as applicable to states with 2-tier structure

“Small deeds done are better than great deeds planned”

- Peter Marshall

6.1. States located in the North Eastern Region (NER) and a few other smaller states like Delhi, Goa, Puducherry, Andaman & Nicobar have 2-tier STCCS comprising of SCBs at the Apex level and PACS/LAMPCS at the primary level. Some of the states like Himachal Pradesh have a mixed structure. Recently the state of Jharkhand has also introduced 2-tier structure by merging the DCCBs (excepting Dharbanga DCCB) with the SCB. Hence, the Committee felt the need for examining this issue separately and suggest modified implementation mechanism to meet the specific needs of these states.

6.2. PACS in NER:

Spread of PACS as well as bank branches is very thin – as on June, 2018, only 3% (4499) of the total commercial bank branches (1,49,588) in the country are located in NER (*Source: RBI website*).

The status of primary societies in the North Eastern Region was discussed in Chapter-3 dealing with status of PACS in the states visited by the Committee. For state-wise details Annexure-8.1 may be referred.

- As may be seen, the number of PACS in NER as a percentage of the total number of PACS in the country constituted 3.75%, and the membership constituted 2.89%. The total number of borrowers formed a miniscule of 0.40% of the total number of borrowers in the country. The loans disbursed, the loans outstanding are so negligible as a percentage of the national aggregates, there is no need to make a mention.
- Loans outstanding per employee is only 0.52% of the national average, while staff strength in NER states forms 7.41% of the total staff employed by primary cooperatives in the country.
- Most of the PACS were involved in PDS with very low credit offtake.

6.3. Status of Books and Records:

Books of accounts in PACS are not up to date and not maintained properly. It was observed during the field visits that only cash books are maintained in PACS, with no subsidiary ledgers and General Ledgers in PACS. The PACS staff do not have any knowledge of their outstanding borrowings from SCB and merely remit their loan recoveries to SCB branches without any knowledge of dues. CAS and MIS recommended by NABARD has not been implemented.

6.4. Status of HR:

Most PACS have skeletal staff or staff working on part time basis i.e., part of the day they work for the society, while, during the remaining part of the day they work on their farms etc. The reason being low emoluments paid to the staff owing to the financial incapability of the society. The poor emoluments and absence of a defined career path to staff in PACS come in the way of attracting talent. This is also a reason for serious shortage of staff in certain societies and excess staff in certain other societies in the region.

6.5. Disconnect:

The Committee observed a kind of disconnect between SCB and PACS in the states visited. It was also observed that there was lack of supervision and guidance to PACS from SCBs.

6.6. HR Policy for PACS of NER:

The recommendations made by the Committee on HR Policy at Chapter-4 of the report will be applicable *mutatis mutandis* to PACS/LAMPACS of NER also.

Specific recommendations in respect of **gap funding** for meeting the staff cost in PACS and implementation mechanism as detailed below which differs from the recommendations for the 3-tier structure may be adopted by states of NER:

a. Gap Funding for PACS staff cost:

On arriving at the gap in the funds requirement for each PACS to meet its staff cost subject to the conditions prescribed at the relevant para of Chapter-4 of the report, the same may be considered by the SLEC of respective states for approval.

b. State Level Support Fund (SLSF):

The SLSF would be in the nature of revolving fund.

Gap funding under the title State Level Support Fund (SLSF) may be provided to PACS in NER for a period of 7 years as against 5 years recommended for PACS in the 3-tier structure in the following pattern – 100%; 90%; 80%; 60%; 50%; 40% and 20% respectively.

Further, it is also recommended that following the pattern of funding in various other schemes of GoI for NER, 90% of the gap funding may be met by the GoI and/or NABARD (from Cooperative Development Fund) with the remaining 10% shared by the State Governments and the SCB equally. The Government of India and respective State Governments should view this financial support as an investment for strengthening the STCCS in the region leading to overall development.

c. Implementation Mechanism:

For the NER, there will be only one Committee at the state level with the responsibility of implementing the recommendations and monitoring the progress in implementation. Thus, the State Level Empowered Committee (SLEC) shall be the sole monitoring and implementing instrument for the PACS in NER and all the responsibilities recommended for the DLECs have to be carried out by the SLEC in NER.

6.7. The period of assistance to PACS:

Normally 7 years on tapering basis – 100%; 90%; 80%; 60%; 50%; 40% and 20% respectively.

However, if the PACS complies the capacity to pay norms during the 7-year period of SLSF assistance, the assistance under SLSF shall be stopped.

In other words, the PACS would be eligible to get assistance from SLSF, as long as the PACS could not comply to the capacity to pay norms.

6.8. Repayments to SLSF:

Once the PACS, which is under assistance from SLSF, has come to the level of complying to the capacity to pay norms, then the PACS should start repaying to SLSF in a phased manner i.e., in 7 years.

6.9. State level Committee:

The State Level Empowered Committee (SLEC) may be constituted as under for guiding, reviewing, monitoring the implementation of the recommendations of the report.

Table No. 6.1.

| Sl. No. | | Designation |
|----------------|----------------|--------------------|
| 1 | President, SCB | Chairman |
| 2 | RCS | Member |
| 3 | OIC, NABARD | Member |
| 4 | CEO/M.D. SCB | Member / Convener |

6.10. Instead of DLSF, in the NER states, the State Level Support Fund (SLSF) may be created as suggested earlier and administered by the SLEC.

6.11. All the functions listed for DLSF in the 3-tier structure will be applicable to SLEC in NER.

The SCB shall provide necessary secretarial support to the SLEC besides maintaining all the records. The monitoring of training of PACS staff may also be done by such secretariat as information in this regard will be an important input while considering various proposals by the SLEC.

6.12. Way Forward for STCCS in NER:

While infusion of proper human resources and adoption of technology are the prime requirements for PACS/LAMPCS in NER, it is also required to

understand the ethos and working of PACS in the region followed by understanding the geographical and other constraints.

A detailed analysis of the agriculture and non-agriculture business potential available in the region factoring in, PLPs, State Plans, of NABARD and other documents is essential for developing BDPs for the PACS in the region.

Training and capacity building both for the staff and the managements is an important factor for the successful implementation of the action plan in NER. Therefore, SCBs have to play the role of leaders of cooperative movement in the state by reorienting and securing inclusion of PACS as part of STCCS.

Alongside, SCBs have to evolve a proper system for guiding, supporting and monitoring of PACS while effectively involving the respective State Governments and their agencies for making PACS a focal point/hub in the economic development of rural areas channelizing the efforts of different Government Departments and Agencies involved with rural development, through PACS.

Care has to be taken to ensure coordination among SCB, Cooperative Department, Line Departments and PACS/LAMPSCS.

It is, therefore, imperative that preparation and implementation of a comprehensive business development plan for each society basing on the above comprehensive study has to be done forthwith.

A comprehensive study of STCCS in each of the states of NER may be taken up jointly by NAFSCOB, NABARD, State Government and SCB with a well-defined ToR - for strengthening the STCCS of NER and transforming it in to a vibrant, viable structure contributing to the development of agriculture and rural sector of the region.

6.13. States (other than NER) having 2-tier STCCS:

As mentioned earlier some other states and Union Territories like Andaman & Nicobar, Chandigarh, Delhi, Goa, Puducherry have the 2-tier STCCS, whereas, Himachal Pradesh has a mixed structure with one DCCB and rest 2-tier structure. State-wise information is given in Annexure-8.2.

In these states, also recommendations of the Committee will be applicable for all aspects. However, implementation mechanism as recommended for the NER may be followed.

Further, in these states, the SCB has to provide the funding support along with the state government concerned and NABARD (Cooperative Development Fund) to meet the gap in the staff cost.

7 - COMPUTERIZATION OF PACS

“The secret of getting ahead is getting started” - Mark Twain

7.1.1. Prof. Vaidyanathan Committee had laid a lot of emphasis on infusion of Information Technology in STCCS at all levels and made exclusive financial allocation of ₹516 cr for the same. While computerization of SCBs and DCCBs has progressed rather well and most of the banks are on CBS platform thanks to the Computerization Project taken up by NABARD in 2013, computerization of PACS remained a far cry. Though some sporadic initiatives were taken in different states, not much progress have been made, with the exception of Telangana and to a certain extent in Odisha and Uttar Pradesh. PACS in Kerala however, adopted stand alone computerization model.

7.1.2. The Governments have implemented DBT, digital India, financial inclusion initiative etc., but PACS were left out of this initiative for want of computerization of their operations. PACS, in the process, were deprived of a huge business opportunity. The recent development in the form of India Post Payment Bank having deep penetration and spread comparable with PACS and Small Finance Banks, Payment Banks etc., is an issue which reinforces the need to take a quick review of the position obtaining in PACS in terms of their competitive edge and their ability to serve and meet the needs of their clientele.

7.1.3. The Government of India have made a budgetary provision of ₹1,900/- cr for computerization of 63,000 PACS across the country in the budget for the year 2017-18. However, it is observed with concern that even after a year it is yet to takeoff.

7.1.4. The status of computerization in different states that were visited by the Committee is discussed in the following paragraphs.

- 7.2.1. Odisha:** The State Government supported PACS computerization project which was initiated in the year 2014-15. The entire cost of Computerization of State Cooperative Banks, DCCBs and PACS has been funded by the State Government. The PACS computerization was taken up as an extension of the CBS program that was already working in the DCCBs and SCB. PACS computerization does not seem to be a specially designed ERP, as they have whole range of activities in addition to the basic banking activities like deposit mobilization and lending as such it addresses only a part of PACS activities.
- 7.2.2.** The challenges in PACS computerization project are poor internet connectivity in the rural areas; reluctance on the part of employees to work on the systems despite the installation of the software and imparting of training to them and so on - resistance to change.
- 7.3. Uttar Pradesh:** The computerization of PACS is currently in progress. Out of 3,965 PACS it was stated that 639 PACS have been computerized and work was in progress in another 726 PACS. In the remaining PACS work was yet to commence. The PACS are connected to DCCBs' Core Banking Solution (CBS) with transactional data sharing on real time basis. The State Government has sanctioned ₹30.96 crore towards its share for computerization of 2,500 PACS in the first phase of Government of India Scheme. The software deployed doesn't seem to be compliant with the CAS guidelines of NABARD.
- 7.4.1. Kerala:** The PACS have their own computers working either on a standalone system or on TBS. The computerization of PACS was undertaken as a spinoff effect of demonetization of ₹1,000/- and ₹500/- notes in the year 2016 when the customers of PACS were not treated as bank customers. Thus, the PACS have been taken on board by the DCCB for the purpose of computerization maintaining a mirror account of PACS customers at DCCB.
- 7.4.2.** Since, Kerala did not opt for Revival Package given by Government of India through NABARD, the PACS in Kerala do not follow the Common Accounting

System (CAS) communicated by NABARD as part of the package. Instead, they follow the CAS mandated by the State Government. Therefore, the software being used by the PACS is different in each of the societies excepting for the Common Accounting System. A pilot for PACS computerization has been going on for the past 3 years in the PACS under Idukki DCCB. It was given to understand that the progress has been tardy.

7.5.1. Meghalaya, Assam: These states have not so far attempted any computerization program for PACS. However, some of the PACS in Assam do have computers provided to them by the State Civil Supplies Department with an exclusive software to cater to the procurement operations undertaken by the PACS on behalf of the Government.

7.5.2. Jharkhand:

It was noted that the Jharkhand State Government is keen on computerization of PACS and has completed tendering process for the same. A final decision is awaited from the State Government. The State Government has promised financial assistance for the project. It is, however, not clear as to how computerization of PACS can be contemplated without implementation of Common Accounting System and Management Information System as well as standardizing the procedures and operations of the societies.

7.6. Karnataka:

As per the information furnished to the Committee, some of the PACS in Karnataka have been computerized sporadically and on offline basis. Most of the PACS in the Kodagu DCC Bank area whose information has been provided to the Committee have been computerized with one or two modules only i.e., PDS, Trading, Credit. As such, it cannot be viewed as a comprehensive computerization of PACS. Information furnished by DCC Banks viz., Mandya and Canara DCC Bank, Sirsi shows that none of their PACS have been computerized, Bidar DCC Bank informed that out of 171 PACS 25 have been computerized and at present the implementation is “undertrials”. Out of 195 PACS under Hassan DCC Bank 15 PACS have

been reported to the computerized. However, no details of the features of software deployed have been provided.

Thus, computerization of PACS in Karnataka also does not seem to have made much progress.

- 7.7. Andhra Pradesh:** Computerization of PACS was initiated on an ambitious note in the year 2008 as per the G.O. of the Government of Andhra Pradesh. However, the project remained either incomplete or a nonstarter or abandoned half way through by the service provider. It is understood that out of 2,050 PACS, about 600 PACS were taken up for computerization and only about 300 PACS are said to be using the same. It is understood that there is no support from the service provider as the field staff have been withdrawn by them. It is also understood that the service provider has submitted that it would be not possible for the company to continue with the project. Thus, the computerization of PACS has received a set-back and is delayed adversely affecting the business development in particular and revival process in general.
- 7.8. Telangana:** The state has the unique distinction of computerizing all its 798 PACS through a common ERP solution enabling better financial management, MIS and monitoring of PACS activities among others for informed decision making and for taking quick corrective actions where necessary. The ERP solution has more than 20 user friendly modules covering important aspects of business operations viz., membership, savings, deposits, term deposits, thrift deposits, investments, loans, borrowings, assets, cold storage, trading, procurement and processing, public distribution system (PDS), lockers, audit module, CAS, MIS, financial accounting system, MIS consolidation at DCCB and SCB level, user management, product configuration.
- 7.9.** In addition, the software also takes care of Governance, HR issues like salaries, leave etc., It is a commendable initiative worth emulation by other

states, very quickly, in view of the ever increasing and formidable competition from other Rural Financial Institutions as well as India Post Payments Bank. Computerization of PACS also helps PACS to continue their relevance to their stakeholders who desire quality service comparable with other players in the market.

- 7.10.** Under these circumstances, computerization of PACS is no longer an option but it is an essential part of the survival strategy. Hence, computerization of PACS will have to be taken up on an accelerated and mission mode so as to be relevant to their stake-holders and to face the challenges of competition. From the point of view of higher financing agencies and the regulators, computerization of PACS will provide real time information for taking informed decisions and for formulating appropriate policies. Computerization will also make the decision making at the PACS level faster and reduces the drudgery of staff in maintaining record of their operations manually. Without losing further precious time computerization of PACS should be taken up on top priority basis.
- 7.11.** Therefore, the Government of India having made a budgetary allocation, way back in FY 2017-18, for the purpose, should give a definite shape and direction for accelerating the process of computerization of PACS. In fact, various departments of Government of India and State Governments which are mandated with the responsibility of rural development should consider PACS as the convergence point for their efforts, eliminating coordination issues and for ensuring effective implementation of their rural development projects. NABARD also has responsibility to ensure fast track computerization of PACS. In fact, PACS are the most important and last point of contact in the chain of agriculture credit dispensation running into several thousands of crores of rupees and for providing various agri-development and extension services to farmers in particular and rural populace in general. Computerization of PACS ensures transparency in operations, real time data availability to decision and policy makers helping them to take informed

decisions and facilitates real time corrective actions besides supporting policy formulation.

7.12. Other Recommendations:

7.12.1. As a prelude to computerization of PACS, implementation of Common Accounting System (CAS) and Management Information System (MIS) as prescribed by NABARD is necessary.

7.12.2. Standard Operating Procedures (SOP) and Formats have to be developed and put in place across the societies for uniformity and easy computerization.

7.12.3. Uniform Training Modules on PACS computerization for imparting training to the society employees, society inspectors and society auditors have to be prepared and such training imparted.

7.12.4. Computerization of PACS should be a comprehensive ERP solution for all the activities and also should take care of emerging new business opportunities.

7.12.5. Computerization of PACS should be the top most priority of all stakeholders including GoI, NABARD, State Governments, SCBs, DCCBs etc. This should be completed in a time bound manner in the next 2-3 years.

8. EPILOGUE

“You may never know what results come of your actions, but if you do nothing, there will be no results” - M.K. Gandhi

The ToR of the Committee broadly confine to the HR issues at PACS level and the Committee has made sincere attempts to evolve a proper, desirable and implementable HR policy as discussed in the preceding chapters. The Committee also emphasized on the need for accelerating the process of computerization of PACS. The Committee, however is of the view that, while proper HR and computerization are the two prime requirements for strengthening and making PACS vibrant, there is a need to examine a few other areas which are equally important and are needed equally for the overall strengthening process of PACS. Some of these are discussed in the ensuing paragraphs.

8.1.1. Governance beyond Human Resource:

- Governance is all about how an institution fulfills its mandate to its members and other stakeholders. It is about commitment to values and ethical business conduct and a high degree of transparency. The governance structure defines the distribution of rights and responsibilities among the different participants in the organization such as the board, executives, shareholders, borrowers and the government and spells out the rules and procedures for making decisions on affairs of the institution.
- With regard to governance in financial institutions, the issues involved include greater transparency in balance sheet, appropriate internal control systems and having defined and well stated policies. The board is expected to exercise objective judgment, provide direction, oversee and monitor and act in good faith, emphasis ethical practices, review performance of top management etc.
- While the Board is responsible for framing policies, sanction various proposals as per bye-laws, the management is responsible for day to day operations and implements the decision of the Board. The Board should

provide adequate operational freedom to management and avoid micro-management of day to day operations.

- It is, in this context, the Committee recommends that Directors of PACS have a major role and stake in the effective functioning of PACS. They should be provided with proper orientation and vision equipped with necessary capacities on an ongoing basis to fulfill their responsibilities effectively.
- A recommendation has already been made at paragraph 4.12 of the report regarding Induction Training and refresher courses for the societies' managements.
- Fit and proper criteria prescribed for the elected Directors of the DCC Banks and the State coop Banks should be made applicable to PACS.
- The inspection and audit of PACS has to be made very effective with the DCCBs conducting inspections periodically and ensuring compliance by the PACS on the observations made during inspections and audit. The compliance has to be ensured in the given time frame instead of allowing it to become rig morale.
- NABARD has prescribed agenda items to be placed before the board of management of DCCBs and SCBs, compulsorily, along with the regular subjects. Similar prescription has to be given to PACS also. NABARD may evolve suitable guidelines for uniform implementation across the country.
- CRAR norms and IRAC norms have to be made applicable to all PACS, though, at present, certain states have adopted.
- The following provisions of the APCS Act and Telangana State Cooperative Societies Act may be implemented in other states too:

“A Member of the Legislative Assembly of the State, a Member of either House of the Parliament, Mayor of a Municipal Corporation, Chairman of a Municipal Council, elected member or Chairman of Zilla Parishad or elected member or President of Mandal Parishad or Sarpanch of a Gram Panchayat shall be eligible to be elected as a Member of the Committee; but he shall cease to be a member of the Committee unless within fifteen days from the date of becoming a member of the Committee he ceases to be a Member of the Legislative

Assembly of the State or a Member of either House of the Parliament, Mayor of a Municipal Corporation, Chairman of a Municipal Council, elected Member or Chairman of a Zilla Parishad or elected member or President of a Mandal Parishad or Sarpanch of a Gram Panchayat by resignation or otherwise ; and if a member of the committee is subsequently elected to any one of the aforesaid offices, he shall cease to be the member of the committee unless within fifteen days from the date on which he is elected to any one of such offices he ceases to hold such office by resignation or otherwise.

.... (a) No person shall, at the same time, be a member of the committee of more than two societies which under the rules, are classified as apex societies, or as central societies, or of the committees of more than apex society and one central society.

(b) If any person, on the date of his election of appointment as a member of the committee, is a member of the committees of two societies as specified in clause (a) and the committee to which he is elected or appointed on that date is the committee of any apex society or central society, then, his election or appointment on the date aforesaid shall be void.....”

- Similarly, NAFSCOB may study the Acts of other states and suggest incorporating such good practices in all the states.
- Active participation of members in the affairs of the society will ensure fostering the democratic character of PACS. Hence, member education, member contact should be given due importance.

8.1.2. MIS:

It is observed during the field visits, that CAS and MIS prescribed by NABARD are not being followed by the PACS nor is there any penalty being imposed for such non-compliance. Without losing further time, CAS and MIS with special focus on implementation of IRAC norms should be operationalized in all states as well as process of computerization. It may also be examined whether any revision is needed in the context of present stipulations of NPA calculation and other emerging businesses.

8.1.3. Use of Technology:

In the contemporary business environment driven by technology, the PACS have lost enough ground to other rural financial institutions for want of

computerizing their operations. Computerization of PACS is a must and brooks no delay. Technology can be used for offsite monitoring of the daily activities of the PACS besides, being a tool for providing better services and quality MIS for the system.

8.2. Rationalization of procedures: It's a common experience of members that CCS has cumbersome procedures in sanctioning of loan etc., causing avoidable delays and hardships. Hence, there is a felt need for bringing out uniformity and rationalization of procedures in respect of loans, deposits, investments, etc., in the light of the manuals prepared and circulated by NAFSCOB. In case any modifications are required, the same may be carried out by SCBs.

8.3. Business Development:

8.3.1. BDPs for PACS:

As observed in the context, PACS have the potential and opportunities to become the economic hub in their area of operation, by providing all services required by their members. Hence, it is imperative for PACS to have a proper Business Development Plans catering to the needs of members and the rural communities.

Preparation and implementation of Business Development Plans is not a new phenomenon as such. It emerged as an outcome of the recommendations of "Report of the Agricultural Credit Review Committee" under the chairmanship of Dr. A.M. Khusro, constituted in August, 1986 by RBI. However, over the years BDPs have become a causality of the indifference of the higher financing agencies and regulators equally as they do not seem to have appreciated the true potential of such exercise. The reason for such negligence is that there is neither incentive nor disincentive for the preparation and implementation of BDPs. NABARD has taken-up a commendable initiative of converting PACS, which hitherto provided mainly credit, into multi-service cooperatives catering to all the requirements of members. PACS

eventually should become multi-service cooperatives and BDPs should become an effective medium to secure this.

8.3.2. PACS Development Cells:

PACS Development Cell (PDC) scheme implemented by NABARD has been successful in many DCCBs. On similar lines, PDC as a shared resource centre may be set up in DCCBs. The resource centre may appoint experts in the field of technology, planning and development, computerization etc. As and when PACS require expert opinion they may get it from the PDC resource centre. NABARD may extend the scheme of PACS Development Cell (PDC) to all DCCBs in the 3-tier structure and SCBs in the 2-tier structure.

8.4. Changes in Nomenclature:

The Committee recommends that Primary Agriculture Credit Societies (PACS) should be rechristened as Primary Multi Service Cooperative Societies (PMSCS) not only to indicate the services offered by societies but also to change the perception and mindset of people about cooperatives.

- 8.5.** The NABARD prepares Potential Linked Plans (PLPs) for every district which is a very good resource and referral document for preparing BDPs at PACS level whose aggregation should form the basis for the BDPs of DCCBs. Therefore, any future support to PACS either in terms of grant for meeting the gap in staff expenditure or for providing credit support has to be based on the BDPs. The DLECs should ensure such requirements/compliances as precondition for any approval under HR matters as recommended in this report.

8.6. Capacity Building:

Training and capacity building is not a one shot effort, but a continuous process. Constant effort at imparting training to the staff and the managements for capacity building and skill up-gradation is also an important governance aspect for the PACS. Since, PACS may not be in a position to bear the costs of such capacity building exercise; the higher financing

agencies should provide need based support for meeting these requirements in the interest of transparency in the operations, reporting as well as in protecting the finances of all the stakeholders. Thus, training and capacity building should be treated as investment for future and for betterment of the structure and for providing quality services to the stakeholders.

8.7. Monitoring by other fora:

NABARD, SCBs and State Governments should also monitor through HLC or other fora and initiate timely corrective actions in case of any shortfall in the implementation of the HR Policy for PACS.

8.8. Amendments to Acts and Rules:

Necessary amendments based on the recommendations made in the report may be carried out to the relevant orders/bye-laws etc. and guidelines on PACS audit in force. The formats for the procedures recommended have to be prepared together with guidelines thereon. The SLEC may ensure carrying out the necessary amendments at the earliest.

SLEC may take initiative to frame proper uniform service rules for all cadres of PACS staff by duly amending the existing special bye-laws in the context of the recommendations made by the committee, NABARD guidelines.

8.9. Deposit Guarantee Scheme for PACS – Kerala and TN:

Kerala and Tamilnadu have “Deposit Guarantee Schemes” for the deposits mobilized by PACS. Such a proactive measure has certainly helped the PACS in enhancing their credibility in the eyes of depositors and therefore, has helped in improved deposit mobilization by PACS in these states. Other states may also consider formulating and implementing such schemes helping PACS to reduce their dependance on borrowings. Highlights of Deposit Guarantee Scheme of Tanilnadu are placed at Annexure-9.

8.10. Reliable and authentic data base is the prime requirement for any policy intervention. NAFSCOB in consultation with NABARD may revamp the

present system of compiling the statistics on STCCS, so that, the contemporary requirements like NPAs, CRAR etc., are captured and the CAS and MIS are integrated into its data base.

8.11. National Consensus:

Barring a few states like Andhra Pradesh, Kerala, Odisha, Telangana other states do not have a proper HR Policy for PACS. Hence, a proper HR Policy as suggested now provide guidance to other states and will be definitely appreciated by all the stakeholders in such states. Change management is a part of the implementation of the proposed HR Policy for PACS. It has to be seen from the experience of states which have implemented such policies successfully. A strong commitment from the State Governments, SCBs and DCCBs along with conduct of orientation programmes for the other stakeholders is a pre-requisite. Thus, a change for development and for achieving long term goals of developing PACS into vibrant economic hubs at the village level, has to be ushered in with the total involvement and commitment of all the stakeholders.

It is recommended that a meeting of the Cooperative Ministers and Registrars of Cooperative Societies of all the states may be convened and the report be presented to them so as to arrive at a consensus on the importance and the need for developing PACS. It will also facilitate effective implementation of the recommendations of the Committee.

With such an extensive network spread across the length and breadth of the country, with such unmatched outreach covering almost entire farm households, PACS have the potential and capability to play a critical role in ushering New India in the rural space and contribute to the doubling of farmers' income in a most significant way. The precondition, however, is to strengthen the primary cooperatives with proper and adequate HR; infuse technology covering all aspects of their functioning; improve governance and; extend necessary handholding support. Trust this Report will be a significant step in that direction.

8.12. States specific studies of PACS:

The study of functioning of PACS in the selected states shows a divergent picture. While PACS in Kerala are vibrant and to a large extent are viable, with a well-defined HR Policy, Odisha has made a beginning in computerization and introduced HR Policy, they are yet to be stabilized. While PACS in Jharkhand are in the re-organisation mode, in Maharashtra, PACS are yet to orient themselves to the changing scenario. There is a need to take up an analytical study regarding the status of PACS in these states and initiate appropriate measures for their viability and sustainability in addition to the recommendation made for the study of PACS in the 2-tier structure.

“To think too long about doing a thing often becomes its undoing”

- Eva Young

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