

NABARD GUIDELINES ON PACS TO ACT AS BCs OF DCCBs---CLARIFICATION

Mumbai: NABARD had issued certain guidelines to Co-operative Banks on 22 July 2013 regarding Primary Agriculture Co-operative Societies (PACS) to act as Business Correspondents (BCs) of District Central Co-operative Banks (DCCBs)/State Co-operative Banks (StCBs). The Co-operative Banks in some of the states have made an issue out of it. In this regard, we would like to clarify that the guidelines issued on 22 July 2013 were by way of clarifying the Reserve Bank of India's (RBI) guidelines dated 10 June 2013 on the subject matter.

RBI had appointed an expert committee in July 2012 to examine the three-tier Short Term Cooperative Structure and to suggest measures to strengthen the same. While accepting the recommendations of the Expert Committee, PACS to work as BCs of DCCBs, RBI vide a letter dated 10 June 2013 advised that "in states where Central Co-operative Banks (CCBs) are fully computerised and are entirely on CBS mode, PACS may be allowed to function as BCs of CCBs, the same way as they are functioning as BCs of Commercial Banks". RBI had permitted PACS to act as BCs of Commercial Banks and Regional Rural Banks and issued necessary guidelines in September 2010 itself.

RBI guidelines are not a compulsion and only advice that if the banks so desire they "may" use PACS as BCs. Based on further clarifications from RBI, NABARD has issued the guidelines elaborating the procedures that DCCBs and PACS may have to be followed by CCBs/PACS, if any CCB decides to use PACS as BCs.

NABARD clarifications have been issued to enable those PACS, which want to shift to the BC mode to take necessary steps and is in no way a directive or order on these banks from NABARD. However, looking at the reasons the Expert Committee had made these recommendations and RBI approved, it is felt that the cooperatives may lose business in future if they do not change their business models on the suggested lines.

It is reiterated once again that PACS would continue as they are and function as per the Cooperative Societies Act and Bye-laws, except the change that will only happen in business orientation and sharing responsibility by PACS and CCBs. The decision for acting as BC by PACS is to be taken by the PACS, CCBs, StCBs and the State Governments, keeping in view their future business risk and sustainability of the Short Term Co-operative Credit System in the emerging technology-oriented banking scenario, CBS and direct benefit transfer of Govt. Programme, etc.

