



## Digitization of PACS

**For Prelims:** Digitization of PACS, its Significance

**For Mains:** Significance of PACS and the Issues

### Why in News?

The Cabinet Committee on Economic Affairs (CCEA) approved to digitise around 63,000 **Primary Agricultural Credit Societies (PACS)**.

- PACS will be digitised at a cost of RS 2,516 crore, which will benefit about **13 crore small and marginal farmers**. Each PACS will get around RS 4 lakh to upgrade its capacity and even old accounting records will be digitised and linked to a cloud based software.

### What is the Significance of the Move?

- Computerisation of PACS will **increase their transparency**, reliability and efficiency, and will also facilitate the accounting of multipurpose PACS.
- It will also help PACS to become a nodal centre for providing various services such as [Direct Benefit Transfer \(DBT\)](#), [Interest Subvention Scheme \(ISS\)](#), [Crop Insurance Scheme \(PMFBY\)](#), and inputs like [fertilizers](#) and seeds.
- The move will **help generate around 10 jobs in each centre** and the aim was to increase the number of PACs to upto 3 lakh in the next five years.

### What is PACS?

- **About:**
  - PACS are the **ground-level cooperative credit institutions** that provide short-term, and medium-term agricultural **loans to the farmers for the various agricultural and farming activities**.
  - It works at the grassroots gram Panchayat and village level.
  - The first **Primary Agricultural Credit Society (PACS) was formed in the year 1904**.
  - The PACS functioning at the base of the co-operative banking system constitute the major retail outlets of short term and medium term credit to the rural sector.
- **Objectives:**
  - To **raise capital for the purpose of making loans** and supporting members' essential activities.
  - To **collect deposits from members** with the goal of improving their savings habit.
  - To supply agricultural inputs and services to members at reasonable prices,
  - To arrange for the supply and development of improved breeds of livestock for members.
  - To **make all necessary arrangements** for improving irrigation on land owned by members.
  - To **encourage various income-generating activities** through supply of necessary inputs and services.

## What is the Significance of PACS?

- They are **multifunctional organizations that provide a variety of services** such as banking, on-site supplies, marketing produce, and consumer goods trading.
- They function as **mini-banks to provide finance**, as well as counters to provide agricultural inputs and consumer goods.
- These societies also **provide warehousing services to farmers** in order to preserve and store their food grains.
- PACS account for 41% (3.01 crore farmers) of the [Kisan Credit Card \(KCC\)](#) loans given by all entities in the country, and 95% of these KCC loans (2.95 crore farmers) through PACS are to small and marginal farmers.

## What are the Issues with the PACS?

- **Inadequate Coverage:**
  - Though geographically active PACS cover about 90% of 5.8 villages, there are parts of the country, **especially in the north-east, where this coverage is very low.**
  - Further, the rural population covered **as members is only 50% of all the rural households.**
- **Inadequate Resources:**
  - The resources of the PACS are **much too inadequate in relation to the short-and medium-term credit needs** of the rural economy.
  - The bulk of even these inadequate funds come from higher financing agencies and not through owned funds of 'societies or deposit mobilization by them.
- **Limited Credit:**
  - First, the PACS provide **credit to only a small proportion** of the total rural population.
  - The credit given is **confined mainly to crop finance** (seasonal agricultural operations) and medium-term loans for identifiable purposes such as the digging of wells, installation of pump sets, etc.
- **Overdues:**
  - Large over-dues have become a big problem for the PACS.
  - They curb the **circulation of loanable funds, reduce the borrowing as well as lending power of societies**, and give them the bad image of the societies of defaulting debtors are willful.
  - Bigger **landowners take undue advantage of their relatively stronger position** in villages in both appropriating cheaper cooperative credit and not paying back their loans in time.

## Way Forward

- These more than a century-old institutions deserve **another policy push and can occupy a prominent space in the vision of Atmanirbhar Bharat** as well as Vocal for Local of the Government of India, as they have the potential to be the building blocks of an Atmanirbhar village economy.
- The resource-mobilization 'Capacity of the PACS will improve substantially, if through reorganization and related measures, they are converted into strong and viable units. Then, they should be able to attract both more deposits and more loans from higher financing agencies.

[Source: TH](#)