



Int. J. Agriworld, Vol. 4[2] August 2023

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Online ISSN: 2582-7537

Journal's URL: <http://www.svpss.in/ijaw>

DOI: <https://doi.org/10.51470/IJAW.2023.04.02.01>

Received 13.06.2023

Revised 26.07.2023

Accepted 09.08.2023

**REVIEW ARTICLE**

**OPEN ACCESS**

## Future Prospects of PACS in Agricultural Financing

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### Abstract

India is known for agriculture in the world, from first five year plan agriculture has been stated as a first priority to be developed up to 31st march 2022 there are 3lakh panchayat however number of PACS is 95000 only work on 2lakh crore credit in all over India. PACS and KCC loan are soul for the farmers who are small and marginal, PACS should be at least equal to the panchayat to provide better outcome, and almost 10 lakh crore should be the fund of PACS annually. 34 SCBS, 351 DCCBS, 96575 PACS out of which only 63000 working in India, The Modi Government aims at bringing greater transparency and accountability in the operation of PACS and also included the various services of such as Direct Benefit Transfer (DBT), Interest Subvention Scheme (ISS), Crop Insurance Scheme (PMFBY), and inputs like fertilizers and seeds, With the scheme of PACS only 13 crore farmers are getting benefits how the farmers can be increased and linked with the scheme so that the maximum numbers can be obtained, so many PACS are suffering loss due to NPA only 47297 of them were in profit up to 2022, to improve the production and increase in their income financial inclusion in rural areas are challenges in present scenario. Promoting saving culture, Enhancing credit discipline and educate coverage of PACS in rural areas can fulfill the expectation of Government and farmers.

**Keywords:** PACS, KCC, PMFBY, Financial Inclusion, Panchayat *etc.*

### Introduction

The most important employment generating industry in India is agriculture, as the population is increasing day by day and now India reached to the extent become first in the world. It is necessary to promote agricultural products. This is possible only if agriculture is provided with loans and other facilities with minimum interest rate and cost, The government of India is very much alert towards the farmers upcoming problems and difficulties, The Cooperative Credit Institutional work plays a very important role to provide short term loans for cultivating, irrigation, leveling, seeding, sowing, purchasing, supplies *etc.* to the small and farmers and villagers.

### Attractions for Tourists

There are 34 states co-operative, 351 district co-operative banks and 96,575 Primary agriculture societies works out of which 63,000 functioning Primary agriculture credit societies, have been formed to solve the problems of agriculture finance from grass root level. These co-operative societies have

been providing credit and other services to their members. PACS constitute the lowest tier of the three tier short- term co-operative credit in country comprises of around 13 crore farmers as its members, which are in fact very crucial for the development of the rural economy of farmers. Primary Agriculture Credit Societies works as mini banks for the problems of agriculture financing. PACS account for 41% (3.01 crore farmers) of the Kisan Credit Card (KCC) loans given by all entities in the country 95% of these KCC loans (2.95 crore farmers) through PACS are to the small and marginal farmers. As per annual report on 31st March 2022, there are 3 lacs panchayat in India while the numbers of Primary agriculture credit societies are around 95,000 out of which only about 63,000 PACS are functioning .63, 000 PACS works on 2 lakh crore credit on agriculture. PACS are soul of agriculture credit system it is very necessary to strengthen the existing PACS and also expand them. Ratio of panchayat and PACS should be equal, there is need to extend number of PACS. Home and Co-

operation minister Sri Amit Shah said there is need of opening new 2 Lakh PACS across the country to achieve the target of providing agriculture finance worth Rs. 10, 00,000 crore through co-operative National conference rural co-operative & the national federation of state co-operative banks (NAFSCOB). If Primary agriculture credit societies increase up to 3 lakh, then distribution of credit on agriculture finance could be up to 10 lakh crore

#### **Objective of the Study:**

In order to identify the functionality, stability and future prospects of PACS in whole of INDIA on the basis of their financial performance, The need of farmers and the resources available in the country or the steps whatever taken by the government and its difficulties.

#### **Methodology of the Study**

The study has been done on the basis of secondary data collected from various reports of RBI, NSSO, NABARD, and NAFSCOB etc. On the basis of data various results drawn with the different statistical tools of secondary data.

#### **Significance of PACS**

- **Access to Credit:**

PACS provide small farmers with access to credit in short term which they can use to purchase seed, fertilizers and other inputs for their farms to improve their production and increase their income.

- **Financial Inclusion:**

PACS help to increase financial inclusion in rural areas for the farmers, where access to formal financial services are very limited They provide basic needs of banking, such as savings and loan accounts, who may not have access to formal banking services.

#### **Convenient Services:**

PACS are often located in rural areas, which make it convenient for farmers to access their services. This is important because many farmers are unable to travel to banks in urban areas to access financial services. PACS have the capacity to extend credit with minimal paperwork within a short time.

#### **Promoting Savings Culture:**

PACS encourage farmers to save money by which they can improve their living standards and also can be used to improve their livelihoods and invest in their farms.

#### **Enhancing Credit Discipline:**

PACS promotes credit discipline among farmers by requiring them to repay their loans on time. This helps to reduce the risk of default, which

can be a major challenge in the rural area and villagers, the default may be managed through onetime payment or compromise system.

At present, proposals for computerization of 54,752 PACS has been received from the States/UTs and central share amounting to Rs. 201.18 crore has been released for the procurement of hardware, digitization of legacy data and establishing support system. During the project period, a support system would be established for providing handholding support to the PACS. Maintenance of the hardware installed at PACS will be responsibility of the respective PACS, DCCBs/StCBs on an ongoing basis even after completion of the project period. The central infrastructure facility and common software will be maintained and updated by NABARD periodically.

#### **Data Analysis of PACS in Different Regions:-**

There are 99,635 PACS registered in India in which 67,251 are functioning which is 67.49% of registered primary agriculture credit societies. In Northern Region 16,431 PACS registered but only 9,410 PACS functioning, in north eastern region 3396 PACS registered out of which only 1,775 functioning, In eastern region 18,620 out of which only 11,014 functioning, In central region 15,478 PACS registered out of which only 8,902 units are functioning, in western region 29,797 units PACS are registered out of which only 26,848 are functioning and in Southern region 14,516 units are registered whereas only 9,302 units are functioning. In Northern region 57.26%, in North- Eastern region 52.26%, in Eastern region 59.15%, in Central region 57.51%, in Western region 90.01% and in Southern region 64.08% registered PACS are functioning.

#### **Availability of Funds:**

##### **Loan under PODF:**

NABARD will also support some of the PACS identified by the committee under PODF.

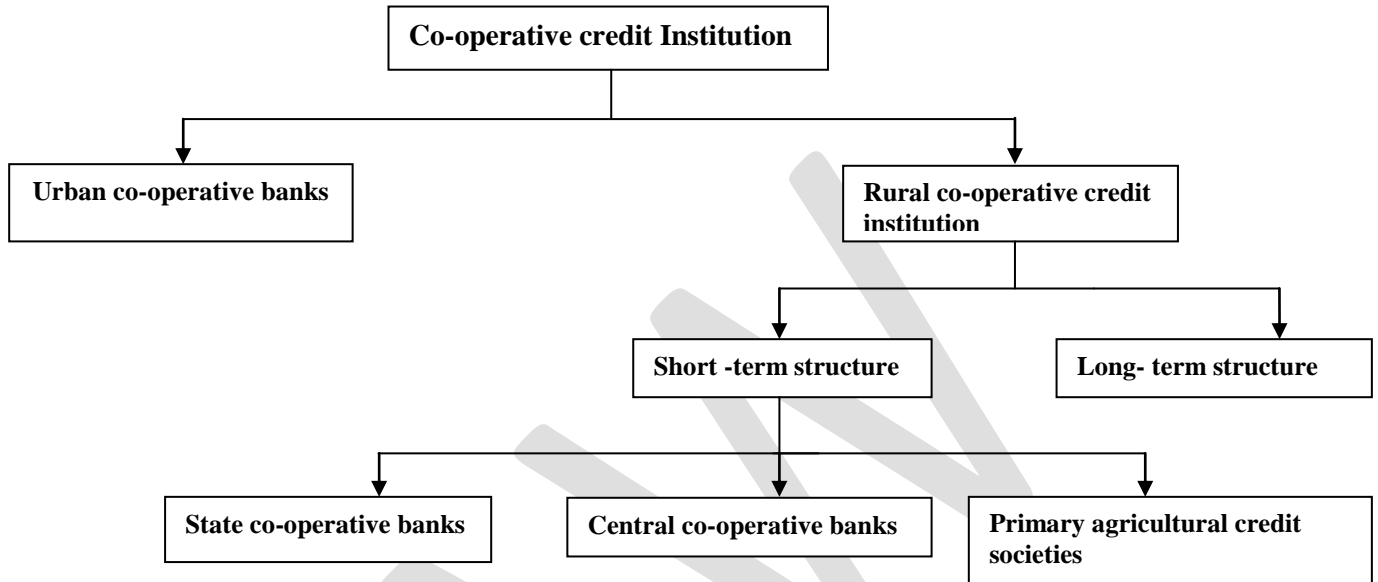
**Eligibility:** PACS, being a registered society having the membership of farmers, is eligible to be assisted under PODF. Since the PACS are already an existing legal entity, the requirement of the grant support is not to the extent as in case of Producers Organizations. However, to facilitate PACS in taking up these activities for the benefit of the farmers, need based grant support is available which should not be utilized towards the capital cost of the project. In any case, the grant does not exceed 10% of the loan component. Interest free or low interest loan can also be considered in lieu of grant.

The following activities can be supported:

Knowledge dissemination center

- Training to farmers
- Initial administrative cost to start new business activities

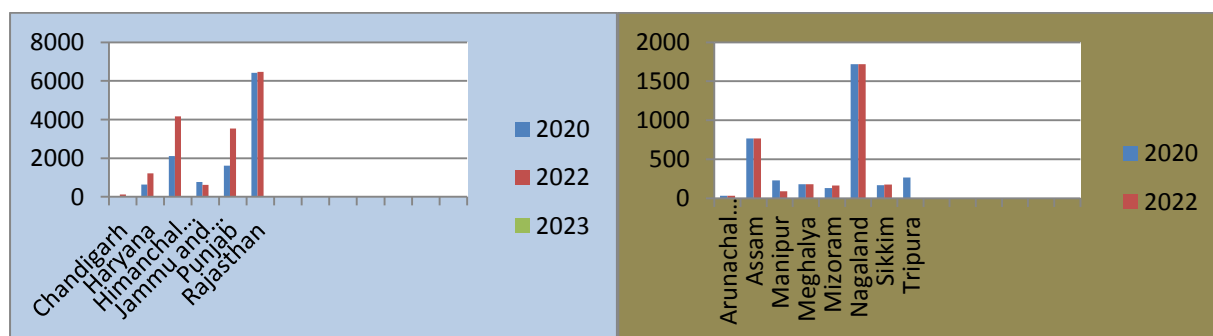
**There is a structure of cooperative credit institution**

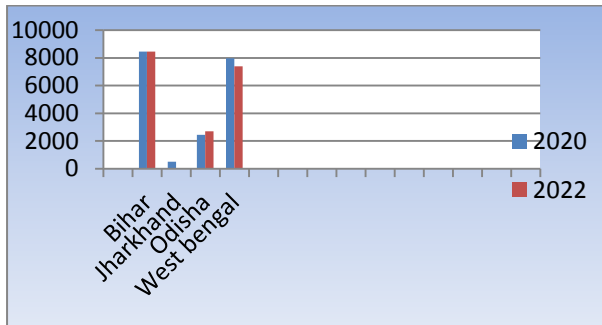
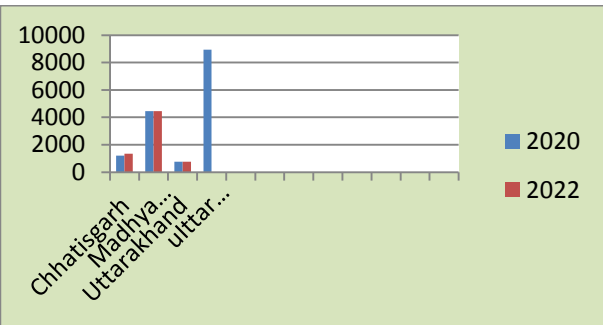
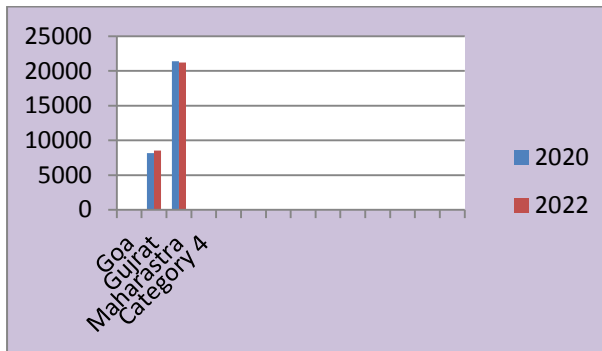
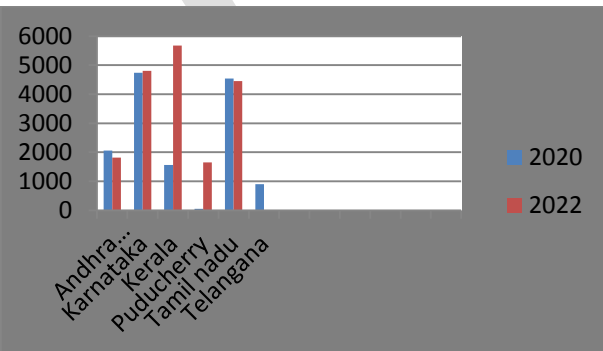


**State-wise number of PACS**

State	2020	2022
<b>Northern region</b>	11558	16,431
Chandigarh	16	117
Haryana	640	1213
Himachal Pradesh	2117	4,166
Jammu & Kashmir	765	620
Punjab	1609	3,543
Rajasthan	6411	6,472
<b>North-Eastern region</b>	3500	3,396
Arunachal Pradesh	34	34
Assam	766	766
Manipur	232	90
Meghalaya	179	179
Mizoram	133	164
Nagaland	1719	1,719

Sikkim	169	176
Tripura	268	268
<b>Eastern region</b>	19,421	18,620
Andaman & Nicobar Islands	46	51
Bihar	8463	8,463
Jharkhand	498	NA
Odisha	2452	2,701
West Bengal	7962	7,405
<b>Central region</b>	15357	15,478
Chhattisgarh	1213	1,333
Madhya Pradesh	4457	4,457
Uttarakhand	759	759
Uttar Pradesh	8929	8,929
<b>Western region</b>	29633	29,797
Goa	77	81
Gujarat	8154	8,535
Maharashtra	21402	21,181
<b>Southern region</b>	14525	14,516
Andhra Pradesh	2058	1,818
Karnataka	4740	4799
Kerala	1566	5,679
Puducherry	53	1,647
Tamil Nadu	4538	4450
Telangana	906	906
<b>All India</b>	<b>93995</b>	<b>99,635</b>



**Fig 1:- PACS in Northern region (2020 & 2022)****Fig 2:- PACS in North-Eastern region (2020 & 2022)****Fig 3:- PACS in Eastern Region (2020 & 2022)****Fig 4:- PACS in Central Region (2020 & 2022)****Fig 5:- PACS in Western Region (2020 & 2022)****Fig 6:- PACS in Southern Region (2020 & 2022)****Margin by PACS:**

Minimum 10% of the project cost. However, in case of rural go down, the margin will be as per the scheme in case the subsidy is claimed by PACS. As of now, NABARD is not one of the eligible institutions to claim subsidy under Grameen Bhandaran Yojana.

**Interest Rate:** The interest rate under PODF is fixed by NABARD's Asset Liability Committee (ALCO).

**Repayment:** The repayment term will be maximum 9 years, including a grace period of two years

**Conclusion and Suggestions**

PACS covers the major portion of the villages except North-Eastern states. the larger over dues came from land owners rather than small cultivators, employing that a few farmers who are relating stronger in the village take unfair advantages of these PACS as per report published by RBI in December 2022 at the end of march 2021 only 47,297 were in profit the same report said PACS had reported lending Rs.1, 43,044

crore and NPA Rs. 72,550 crore really it was approx. 50% NPA was during the previous year, it does not the signify the positive indication. But the major challenge is PACS have not yet been automated and are still operated manually. This results in disorganization and lack of trust. PACS has been partially and independently computerized in several states. They do not employ uniform software and their connection to DCCB and STCB are not established. To resolved this problem cabinet PM Narendra Modi has approved computerization of primary agriculture credit societies with the increasing efficiency of PACS bringing transparency in their operations, 63,000 functional PACS will be computerized over a period of 5 year with a total budget outlay of Rs. 2,516 crore with the central government's share of Rs. 1528 crore. It has been suggested to computerize all PACS across the national scale and use a Common Accounting System (CAS) for their daily operation. The project comprises

of development of a cloud based common software with cyber security and data storage, providing hardware support to PACS and digitization of existing records. Some PACS use their own software but a compatible platform is necessary to bring about uniformity in the system. In budget 2023-24 government going to increase the agriculture credit target to 200000 per member, About 33,000 PACS will offer doorstep banking services by the end of financial year. Union budget 2023-24 has allocated Rs. 968.24 crore to enable these PACS with Common Accounting System and Management Information System (MIS) during the financial year. Among these 33,000 PACS, 20,000 will be equipped to use digital infrastructure like point of sale (POS) , Mobile POS (MOPS), QR Code readers, Green pin solution, BHIM AADHAR Pay device, Mobile single boosters, Mobile demo vans, Micro ATM etc. for offering door step

financial services. These innovations will create the higher change in the financial inclusion.

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## CITATION OF THIS ARTICLE

Mishra, G. and Mishra, A. (2023). Future Prospects of PACS in Agricultural Financing, *Int. J. Agriworld*, 4 [2]: 1-6.