



Primary Agricultural Credit Societies (PACS): Grassroots of Rural Credit in India

Debalina Debnath¹, Pushpita Sarkar¹, Titiksha Sarkar¹, Sabita Mondal²

¹Research Scholars, Department of Agricultural Extension, ²Assistant Professor, Department of Agricultural Extension
Uttar Banga Krishi Viswavidyalaya, Pundibari, Coochbehar, WB

Introduction

In the vast landscape of Indian agriculture, where over half of the population depends on farming, timely access to affordable credit can make or break a farmer's season. At the heart of this rural financial system lies an institution that has quietly supported millions of farmers for over a century the Primary Agricultural Credit Society (PACS).

Primary Agricultural Credit Societies (PACS) are foundational institutions in India's rural cooperative credit structure. Established to address the credit needs of rural communities, especially farmers, PACS have evolved into critical agents of rural economic empowerment.

Origin and Background

The inception of PACS can be traced back to the early 20th century, during British colonial rule. The Driving force behind their creation was the acute need to provide accessible and affordable credit to small and marginal farmers who otherwise lacked access to formal banking channels. The rural credit structure in India was weak, and farmers were largely dependent on moneylenders who charged exorbitant interest rates. To address this issue, the Co-operative Credit Societies Act of 1904 was introduced. This legislation laid the foundation for a formal cooperative credit system, leading to the creation of the first PACS in the country.

Structure and Governance

PACS operate at the grassroot or village level and form the base tier of the three-tier cooperative credit system in India:

1. PACS at the village level
2. District Central Cooperative Banks (DCCBs) at the district level
3. State Cooperative Banks (SCBs) at the state level

While the DCCBs and SCBs offer refinancing and supervisory support, PACS directly interact with farmers. Each PACS is registered under the State Cooperative Societies Act and is managed by a board of elected members from the village community, emphasizing democratic management and self-reliance. Members of PACS are usually local farmers, artisans, and rural residents who contribute



SABUJEEMA AGRI NEWSLETTER

to the cooperative's capital and participate in its management through annual meetings and board elections.

This democratic framework ensures local accountability and responsiveness to members' needs, although variations in governance effectiveness have been noted across regions.

Current Status and Digital Transformation

Scale and Reach

As of early 2025, India has sanctioned the computerization of 67,930 PACS across 30 States and Union Territories, with a budget allocation of Rs 865.81 crore. By January 2025, hardware had been delivered to over 60,382 PACS (89% of the target), and 50,455 PACS (74%) had been on boarded onto an ERP-based software platform. Gujarat, Uttar Pradesh, and Karnataka are among the states with significant progress.

Role in the Cooperative Credit Structure

PACS serve as the primary point of credit delivery to farmers, collaborating closely with DCBs, which provide them with refinancing and regulatory oversight. This linkage enables PACS to mobilize deposits, extend short-term and long-term credit, and implement government credit schemes efficiently at the grassroots level.

Financial Sustainability and Challenges

Despite their vital role, PACS face persistent challenges: **Financial Sustainability:** Many PACS struggle with poor loan recovery rates—estimates range from 40% to 71% depending on region and period. **Organizational Weaknesses:** Structural and management inefficiencies, resource constraints, and high operational costs hinder their effectiveness. **External Pressures:** Low commodity prices, volatile agricultural markets, and limited market access further complicate sustainable operation.

Functions of PACS

PACS are more than just lenders — they are multi-functional institutions that cater to the day-to-day needs of rural communities. Their primary functions include:

1. **Credit Distribution:** PACS provide short-term and medium-term loans to farmers for crop production, purchasing seeds, fertilizers, and other inputs. They also offer loans for allied activities like dairy, poultry, and fisheries.
 2. **Input Supply:** Many PACS run agri-input stores, supplying seeds, fertilizers, pesticides, and farming tools at reasonable prices, often sourced directly from manufacturers or cooperatives.
 3. **Procurement and Marketing:** In several states, PACS act as agents for government procurement of crops like paddy, wheat, and pulses. They also help farmers in marketing their produce at fair prices.
-



SABUJEEMA AGRI NEWSLETTER

4. **PDS and Retail Outlets:** Some PACS operate Public Distribution System (PDS) outlets, distributing essential commodities like rice, wheat, and kerosene. Others have diversified into running grocery stores and consumer outlets.
5. **Banking and Financial Services:** With growing digitization, many PACS now offer micro-ATM services, savings accounts, remittance facilities, and insurance. These services bring basic banking to rural doorsteps.
6. **Storage Facilities:** Some PACS manage godowns and warehouses where farmers can store their produce safely until they get better market prices.
7. **Employment and Community Development:** By hiring local staff and engaging in rural development activities, PACS contribute to local employment generation and the overall well-being of the village economy.

Challenges Ahead

Despite their wide reach, PACS face several challenges:

- Poor governance and political interference
- Inadequate professional staff and training
- Heavy dependence on government subsidies
- Limited diversification and low profitability in some regions
- Lack of digital infrastructure in remote areas

The Road Ahead

Strengthening PACS is crucial for India's goals of Doubling Farmers' Income, improving rural livelihoods, and achieving financial inclusion. With reforms like computerization, capacity building, and diversification into non-credit services such as petrol pumps, agro-processing units, and skill development centres, PACS have the potential to evolve into vibrant rural economic hubs.

As the rural economy transforms, PACS must also reinvent themselves — from being traditional credit societies to becoming comprehensive service providers for farmers and rural households. Their deep local roots, trust-based model, and community participation give them a unique edge in this transformation.

Conclusion

Primary Agricultural Credit Societies have played and continue to play a pivotal role in India's rural economy. Originating from the need to provide accessible credit to the agricultural sector, they have evolved into multi-functional, member-owned institutions at the heart of rural financial inclusion. While considerable progress has been made, notably in digital transformation and expanded reach, issues of financial sustainability, management efficiency, and external pressures remain. Addressing these challenges is crucial for PACS to fulfill their potential as engines of rural development and poverty alleviation.
