

# Roles and Responsibilities of PACS in Strengthening Farmer's Economy

VEMULA KASHA GOUD<sup>1</sup>, DR. K. RAVINDAR REDDY<sup>2</sup>

<sup>1</sup> Research Scholar, Department of Economics, Telangana University

<sup>2</sup> Associate Professor, Department of applied Economics, Telangana University, Nizamabad

**Abstract-** *In terms of the provision of agricultural credit historically, credit cooperatives have held a leading position, and primary agricultural cooperative societies (PACS) have served as the foundation for rural cooperative banking in India for more than a century. The usefulness of these institutions has occasionally been questioned in policy circles due to the declining percentage of cooperatives in rural finance and the fast-evolving financial system that emphasizes efficiency, profitability, technology, and sustainability. Some policy advocacy groups have emphasized that only powerful organizations that can produce long-term results should be permitted to operate in the financial sector. This article discussed that the Roles and Responsibilities of PACS in Strengthening Farmer's Economy.*

**Indexed Terms-** PACS, Roles, Responsibilities

## I. INTRODUCTION

The co-operative banks in India take part in an significant role in even today in rural financing. These are registered under the "Co-operative Societies Act and also regulated by the RBI". They are governed by the "Banking regulation Act-1949" and Banking Laws (Co-operative societies) Act 1965. The business of co-operative banks in urban area also have increased in recent years due to sharp increase in the number of primary co-operative banks. The co-operative movement was stated in India largely with a view to providing agriculturists funds for agricultural operations, at low rates of interest and protect them from the clutches of money lenders.

For the majority of farmers in rural India, credit cooperatives are recognized as a crucial source of agricultural loans. After the Cooperative Societies Act of 1904 was passed, cooperative credit institutions

were established in India with the aim of freeing farmers from the control of moneylenders. The Indian government and the state governments have worked hard to make credit cooperatives effective and farmer-friendly since independence. With more than 70% of the population residing in rural areas, the Indian economy is essentially agrarian in character. About 50% of the country's population relies mostly on agriculture for their income in terms of membership coverage, credit advance, etc., cooperative credit has had tremendous growth throughout time. The Primary Agricultural Cooperative Society (PACS) serves the credit requirements of farmers in rural areas at the village level. As can be seen, the PACS serves as the cornerstone upon which the cooperative's entire organizational structure is formed. However, a lot of PACS have issues with their limited size, insufficient infrastructure, ineffective operations, and structural faults. Since 1945, several committees have been established in this regard, from the Cooperative Planning Committee to the most recent, the Vaidyanathan Committee, where suggestions were made to strengthen the nation's cooperatives. In light of the aforementioned context, the current research aims to investigate the expansion of cooperative credit in India, namely the Primary Agricultural Credit Society (PACS), in terms of the number of societies, membership, deposits, borrowers, and loans advanced. It also emphasizes the actions performed by several committees to update and reenergize the PACS. The majority of the study's secondary data was gathered from NAFSCOB and other public sources, including the National Federation of State Cooperative Banks Ltd.

## II. PRIMARY AGRICULTURE CO-OPERATIVE CREDIT SOCIETIES

PACS are local cooperative credit companies that offer farmers short- and medium-term agricultural

loans for a range of farming and agricultural endeavors. It functions at the village and Gram Panchayat levels.

Primary agricultural co-operative credit societies are a type of financial institution that is crucial to the local community's growth. They are multifaceted businesses that offer a variety of services like banking, purchasing supplies, selling crops, and dealing in consumer products. Therefore, it is critical that primary agriculture co-operative credit societies work effectively. In the year 1904, the first Primary Agricultural Credit Society (PACS) was established. Since that time, these organizations have been essential in helping farmers get short- and medium-term finance. This was the sole institution-based credit agency accessible to rural residents until the early 1970s. The primary retail outlets for short- and medium-term credit to the rural sector are the PACS, which form the backbone of the cooperative banking system.

### III. FEATURES

- The Primary Agricultural Credit Societies are the association of persons, unlike in the case of the Joint Stock Companies, where there is just accumulation of capital.
- Primary Agricultural Credit Societies confers equal rights to all its members without considering their holding of share and their social standing.

### IV. ROLE OF PACS

A Primary Agricultural Co-operative Society (PACS), also known as a cooperative credit society, may be founded by ten or more people who typically reside in a hamlet. Each share often has a nominal value, making membership accessible to even the poorest farmer. PACS serve as the foundation of the cooperative organisation and occupy a strong place within it. A hamlet or a collection of small villages will create a Primary Agricultural Credit Society at the local level. It is the fundamental department that works with rural (agricultural) borrowers, disburses loans to them, and collects loan repayments. It acts as the last link between the principal debtors and higher financial institutions, especially the RBI and NABARD, on the one hand. At the end of June 1989 there were 87000

PACS. These societies covered about 90% of 5.8 lakh villages. Of the anticipated 14 crore rural families, their 9 crore individuals made up nearly 65% of the overall population. Small farmers, agricultural labourers, and rural craftsmen make up more than half of the PACS membership, and 25% of them are SC/ST. The majority of the PACS's working capital came from loans from Central Co-operative Banks (CCBs), with a smaller amount coming from owned money and deposits. The fact that the PACS have not been able to draw in deposits is less a reflection of rural residents' poor savings habits and more a result of better assets being available to them in terms of risk and rate of return.

The PACS have stepped up their advances to the weaker sections particularly the small and marginal farmers. Although the progress has been pretty remarkable, it is not accurate given the demand for financing from farmers. However, the primary credit society has remained the co-operative structure's weakest link.

It helps farmers meet their short-term financial needs by offering them short- and medium-term loans. It offers marketing services for the agricultural products as well as agricultural inputs. Appropriate and timely financing is crucial for the development of the agriculture industry and related activities.

PACS is a ground-level cooperative society that offers agricultural, short-term, and medium-term purpose loans to its members in order to assist farmers with financing for a variety of farming and agricultural operations. It primarily targets gramma panchayath and village level farmers.

### V. RESPONSIBILITIES OF PACS

Although the progress has been pretty remarkable, it is not accurate given the demand for financing from farmers. However, the primary credit society has remained the co-operative structure's weakest link.

It helps farmers meet their short-term financial needs by offering them short- and medium-term loans. It offers marketing services for the agricultural products as well as agricultural inputs. Appropriate and timely

financing is crucial for the development of the agriculture industry and related activities.

PACS is a ground-level cooperative society that offers agricultural, short-term, and medium-term purpose loans to its members in order to assist farmers with financing for a variety of farming and agricultural operations. It primarily targets gramma panchayath and village level farmers.

Above all, the government's decision to open grain purchase centres and guarantee a profitable price for farmers through cooperative organizations is unique this time around. It is intended to do away with intermediaries and farmers visiting markets to dispose of their produce. One agricultural officer and one cooperative officer would be stationed at each Primary Agriculture Cooperative Societies until the sowing activity was completed to oversee the distribution of seeds and fertilizer. In a manner, the administration is pleased with how societies are operating because the district is home to the bulk of the state's A-Grade societies. (P. Ram Mohan-2016)

In addition to distributing inputs like fertilizer and operating outlets for the public distribution system, it extends credit to farmers. These banks offer short- and medium-term loans for agricultural use and related businesses. The repayment terms for short-term loans are between 12 and 15 months, and those for medium-term loans are between 3 and 5 years. The most common type of credit given to farmers by Primary Agricultural Cooperative Credit Societies is a crop loan, which can be given up to 10 acres for registered sugarcane growers and up to Rs. 1 lakh for other crops without the need for collateral security. Any loan amount that exceeds this cap is secured by a property mortgage or a gem pledge.

Primary Agricultural Cooperative Credit Societies also provide loans for non-agricultural uses such as the purchase of consumer goods, housing, education, and professional loans. Other agricultural uses include the purchase of farm machinery. to offer marketing resources for farm produce sales. To collaborate with the village's initiatives for social and economic development.

PACS have a business model that can provide end-to-end solutions, but due to various weaknesses, have not fully realised their business potential leveraging their strengths and networks. The limited business activity of providing only short-term agriculture credit has resulted in concentration risk in the business portfolio of PACS, in addition to extreme vulnerabilities of weather and market risks, as also the ever-present overhang of political risk.

## CONCLUSION

PACS assists in meeting the financial needs of its members, so their work should not be suspended due to a lack of funding. It increases the credit criteria for farmers, assisting them in expanding their enterprise. If the PACS are transformed through reorganization and similar actions into strong and sustainable units, their capacity to mobilize resources will significantly increase. They should therefore be able to draw more deposits and loans from higher financing institutions. PACS is a ground-level cooperative society that offers agricultural, short-term, and medium-term purpose loans to its members in order to assist farmers with financing for a variety of farming and agricultural operations. It primarily targets gramma panchayath and village level farmers.

## REFERENCES

- [1] Chairman Dr. V.S. Vyas (2001), Report of the Expert Committee on Rural Credit.
- [2] Emmanuel Murray, Suresh Kumar (2021) Revitalising primary agricultural cooperative societies Impact Investment, and is a former chief general manager, NABARD, *Published on August 31, 2021*
- [3] Laha and Kuri (2011), "Rural Credit Market and the Extent of Tenancy: Micro Evidence from Rural West Bengal", *Indian Journal of Agriculture Economics*, Jan.1.2011.
- [4] Satyasai, K.J.S. and K.U. Viswanathan (1998) —Restructuring the Co-operative Credit Structure through Integration of Short Term and Long Term Structures, *Indian Journal of Agriculture Economics*, 53(3), pp. 478-487
- [5] Shri M.V.S. Chalapathi Rao (2002), Report of the Working Group to Suggest Amendments in

the Regional Rural Banks Act, 1976 (Chairman:),  
Ministry of Finance, New Delhi.

- [6] [https://www.thehindu.com/news/national/telangana/major-role-for-pacs-during-kharif/article8578532.eceagritech.tnau.ac.in/banking/crbank\\_cooperative\\_pacb.html](https://www.thehindu.com/news/national/telangana/major-role-for-pacs-during-kharif/article8578532.eceagritech.tnau.ac.in/banking/crbank_cooperative_pacb.html)