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MAGAZINE NOTES

Reinventing PACS and the Cooperative Economy

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Reinventing PACS and the Cooperative Economy

📘 **Yojana** Chapter 2 · 3 min read ·

Theme analysis for Yojana July 2026 (Cooperatives for a Viksit Bharat), built from verified PIB and ministry data.

If the Ministry of Cooperation is the brain of the new cooperative architecture, the **Primary Agricultural Credit Society (PACS)** is its nerve ending in the village. A PACS is the ground floor of India"s **three tier short term cooperative credit structure**, which runs from PACS at the village level, to **District Central Cooperative Banks (DCCBs)** at the district level, to **State Cooperative Banks (StCBs)** at the apex. Reinventing this base institution is the single most important economic reform in the sector.

THE COMPUTERISATION DRIVE

Historically, most PACS ran on paper ledgers, which made fraud easy and audit hard. The Government approved a national project to **computerise PACS** onto a common **Enterprise Resource Planning (ERP)** platform linked with **NABARD**. The scheme was first cleared for about **63,000 PACS** with an outlay of **Rs 2,516 crore**, and was later expanded to cover roughly **79,630 PACS**. Digitisation brings real time accounting, transparency, faster loan processing and integration with the wider banking system, turning a village society into an auditable financial node.

FROM SINGLE SERVICE TO MULTIPURPOSE HUB

The second reform is the **model bye laws** circulated to States. These allow a single PACS to run more than **25 activities** rather than only crop loans. A modern multipurpose PACS can act as a:

FUNCTION	EXAMPLE SERVICE
Credit and finance	Short term crop loans, Kisan Credit Card
Public distribution	Fair price shop under the PDS
Fuel and energy	LPG and petrol or diesel retail outlet, CSC services
Water and sanitation	Jal Jeevan Mission water supply management
Agri services	Custom hiring centre, storage, procurement

By stacking services, a PACS earns diversified income, stays financially viable and becomes the one stop rural institution the policy envisages. The stated target is to create **2 lakh new multipurpose PACS, dairy and fishery cooperatives**, so that eventually no panchayat is left without a functioning cooperative.

NEW NATIONAL COOPERATIVES

The third pillar is a set of **national multi state cooperative societies** created under the Multi State Cooperative Societies framework to plug cooperatives into modern value chains:

- **National Cooperative Exports Limited (NCEL)** connects cooperative produce to global markets and channels export earnings back to member farmers.
- **National Cooperative Organics Limited (NCOL)**, through its **Bharat Organics** brand, aggregates and markets certified organic produce.
- **Bharatiya Beej Sahakari Samiti Limited (BBSSL)** builds a cooperative seed system to supply quality, traceable seed to farmers.

These bodies aim to capture more of the value chain for the primary producer, addressing the old complaint that farmers earn least while middlemen earn most.

ECONOMIC WEIGHT OF THE SECTOR

Cooperatives are not a marginal add on to the rural economy. They handle a substantial share of **fertiliser distribution** (through IFFCO and KRIBHCO), a large slice of **sugar production** through cooperative sugar mills, and the backbone of organised **milk procurement** through dairy cooperatives. Strengthening PACS and linking them upward to these networks is how the Government hopes to raise farm incomes and deepen formal credit in areas that commercial banks underserve.

WHY THIS MATTERS FOR UPSC

For **GS Paper 3**, this is core material on **rural credit, agricultural marketing and inclusive growth**. Aspirants should be able to draw the three tier credit structure, explain how PACS computerisation improves transparency and financial inclusion, and evaluate whether turning PACS into multipurpose hubs risks overloading weak societies. A balanced Mains answer would note both the promise, which is last mile delivery and diversified rural income, and the caution, which is that scale without governance reform and adequate capital can reproduce the very weaknesses the reform seeks to cure. Tying these arguments to concrete figures, such as the Rs 2,516 crore computerisation outlay and the 2 lakh new society target, is what lifts an answer from generic to precise.

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