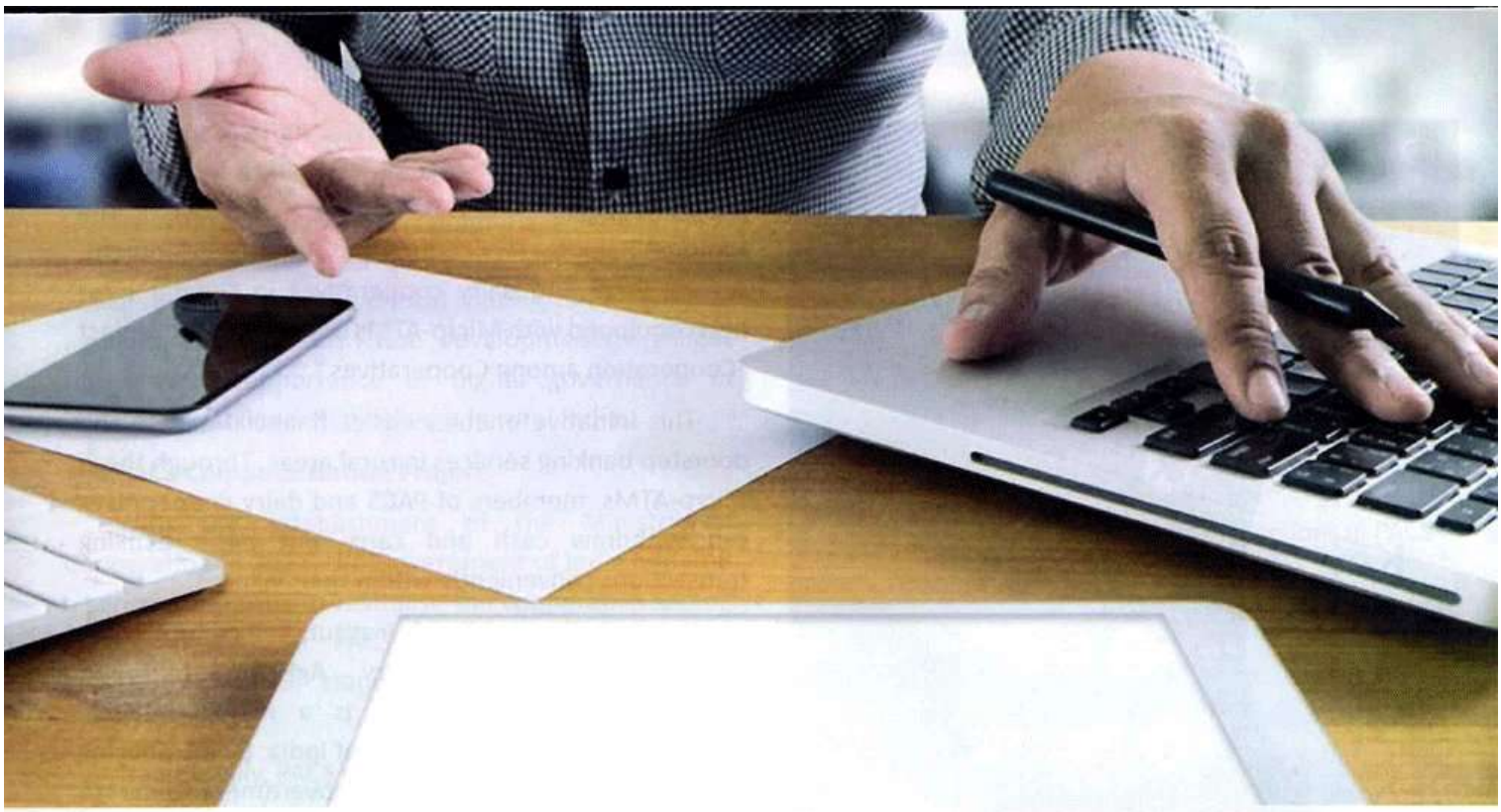

Digitising Cooperatives: PACS in Transition

Across rural India, a fundamental shift is underway in the way grassroots financial institutions function. Primary Agricultural Credit Cooperative Societies (PACS), once dependent on paper records and manual processes, are now being transformed through integrated digital systems. This transition marks more than administrative reform. It is improving transparency, accelerating service delivery, and strengthening financial discipline at the village level. As PACS evolve into digitally enabled, multi-service institutions, they are increasingly positioned at the centre of rural governance and financial inclusion, bridging long-standing gaps between institutions and the communities they serve.

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India today has over 100 crore internet subscribers, with mobile connectivity reaching even remote village areas. As a nation where a large share of the population resides in rural regions, the development of villages remains central to overall national progress. Recognising this, the Government of India has increasingly prioritised the expansion of digital services and the transformation of rural institutions. As a result, digitalisation is emerging as a key pillar of good governance, enhancing efficiency, transparency, and accessibility in rural India.

Digital Transformation of Rural Governance

India has witnessed significant digital transformation in recent years, particularly in rural governance. Institutions such as Gram Panchayats, cooperatives, Fair Price Shops, and other local bodies are becoming important drivers of this change. Over the past decade, the Government of India has introduced several initiatives to digitise public services and strengthen governance.

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Key programmes such as the eGramSwaraj portal, SVAMITVA Scheme, BharatNet, and the Meri Panchayat have played a crucial role in expanding digital governance in rural areas. In addition, state-level initiatives such as the e-Gram Project in Gujarat have significantly improved service delivery at the village level.

These initiatives have transformed the way rural services are delivered. Today, many public services are accessible through digital platforms, improving both the speed and efficiency of service delivery. Digitisation has also strengthened transparency and accountability in rural administration.

Earlier, public services were often characterised by delays, poor record-keeping, and limited transparency. With digital systems in place, services such as land records, applications for government schemes, Aadhaar-based authentication, and the functioning of Fair Price Shops are now managed more efficiently. The digitisation of the Public Distribution System (PDS), along with biometric authentication, has significantly reduced issues such as bogus ration cards and fake beneficiaries, ensuring that benefits reach genuine recipients more effectively.

Digital transformation is gradually extending to cooperative institutions such as cooperative banks, dairy cooperatives, and Primary Agricultural Credit Cooperative Societies (PACS), which are increasingly adopting digital platforms. With the support of the National Bank for Agriculture and Rural Development, several PACS and dairy cooperatives in Gujarat have been equipped with Micro-ATMs under the pilot project "Cooperation among Cooperatives."

This initiative enables easier financial access and doorstep banking services in rural areas. Through these Micro-ATMs, members of PACS and dairy cooperatives can withdraw cash and carry out basic banking transactions conveniently within their villages.

In a similar spirit of institutional reform, the computerisation of Primary Agricultural Credit Cooperative Societies (PACS) is a major initiative undertaken by the Government of India. By introducing digital systems in PACS, the government aims to improve efficiency, transparency, and the speed of service delivery to farmer members. This reform has the potential to strengthen cooperative institutions and enhance the overall rural service delivery ecosystem.

PACS as a Farmer-Friendly Financial Institution

In India, Primary Agricultural Credit Cooperative Societies (PACS) occupy a vital position in the rural financial system. They play a crucial role in meeting the short- and medium-term credit needs of farmers. Nearly 14 per cent of institutional agricultural credit flows through PACS, highlighting their importance in rural finance.

Registered under the respective State Cooperative Acts, PACS are democratic, member-driven institutions managed by farmer members and rural artisans. Functioning within the three-tier cooperative credit structure, they provide crop loans, allied agricultural credit, and essential farm inputs such as seeds, fertilisers, and pesticides at the village level. For many rural households, PACS remain the most accessible and trusted formal financial institution.

PACS are institutions of farmers, by farmers, and for farmers. Their greatest strength lies in their proximity and familiarity. Credit delivery through PACS involves relatively simple procedures and minimal paperwork, making them highly farmer-friendly. The management committee is elected by member farmers, and employees often belong to the same village or nearby areas. This social closeness builds

trust and confidence, enabling farmers to approach PACS without hesitation.

In contrast to distant commercial banks, PACS provide accessible, near-doorstep financial services, which are particularly critical during time-sensitive agricultural operations.These developments highlight the growing importance of digital governance in improving public service delivery in rural India.

The PACS Computerisation Project

With the establishment of the Ministry of Cooperation in 2021, the Government of India initiated a series of reforms to revitalise the cooperative sector. Among these, the PACS Computerisation Project, launched in 2023, stands out as a transformative initiative.

Traditionally, PACS relied on manual record-keeping and paper-based accounting systems. Limited adoption of technology often resulted in delays, inefficiencies, and instances of financial irregularities. Recognising these challenges, the Government introduced a centrally sponsored scheme to modernise PACS through digital integration.

The project aims to cover around 63,000 eligible PACS across the country over a five-year period (2022–23 to 2026–27). It provides essential hardware such as computers, multifunction devices, biometric scanners, passbook printers, and power backup systems. In addition, a comprehensive ERP-based software solution has been introduced, linking PACS with the National Bank for Agriculture and Rural Development, State Cooperative Banks, and District Central Cooperative Banks.

The system enables PACS to manage membership, deposits, lending, procurement, warehousing, Public Distribution System (PDS) operations, asset and human resource management, RuPay and Kisan Credit Card (KCC) integration, cybersecurity, and data storage.

Objectives of the PACS Computerisation Project

Beyond the introduction of technology, the project seeks to transform the functional capacity of PACS. Its key objectives include:

- Enhancing operational efficiency and financial discipline at the PACS level
- Strengthening transparency and accountability in cooperative functioning
- Standardising accounting and business practices across the country
- Digitally integrating PACS with District Central Cooperative Banks (DCCBs), State Cooperative Banks (StCBs), and relevant government departments
- Ensuring accurate and timely credit delivery, including DBT-linked benefits
- Enabling PACS to function as last-mile banking service providers
- Promoting digital and cashless transactions in PACS-run establishments

Impact on Rural Credit

The computerisation of PACS is expected to significantly accelerate the loan processing cycle. Online integration with District Central Cooperative Banks will reduce procedural delays and improve credit planning.

Automated calculation of interest and instalments will minimise errors and eliminate unnecessary manual intervention. Digitised member records, landholding data, and loan histories will enable more accurate credit appraisal and timely disbursement. This will help align credit delivery more closely with the agricultural calendar.

Strengthening Transparency and Trust in Rural Finance

One of the most significant outcomes of PACS computerisation is the creation of a common national accounting platform. The ERP system helps curb malpractices such as duplicate or fraudulent loans by integrating land and member data.

Digitisation ensures accurate interest calculations, secure data storage, and real-time transaction visibility. ERP-based audits and standardised reporting systems reduce disputes related to accounts and balances.

As transparency improves, farmer confidence in cooperative institutions is likely to increase, thereby reinforcing the cooperative ethos and strengthening trust in rural financial systems.

Supporting New Cooperative-Led Initiatives

Beyond credit, the Government has encouraged PACS to diversify into new service areas such as Common Service Centres, Kisan Samriddhi Kendras, and Fair Price Shops. These initiatives not only improve service delivery in villages but also generate local employment opportunities. Digital systems enhance the efficiency,

transparency, and scalability of these activities, transforming PACS into multi-service rural institutions.

Improving Governance and Democratic Functioning of PACS

Digitisation plays a crucial role in strengthening cooperative governance. Member onboarding becomes more streamlined, records are updated in real time, and decision-making is supported by reliable data. Transparent operations enhance the accountability of management committees and staff.

As grassroots democratic institutions, PACS contribute significantly to strengthening cooperative values and participatory governance. Their digital transformation supports inclusive growth and deepens rural institutional capacity.

PACS Computerisation and the 'Digital India' Vision

The Digital India programme aims to promote transparency, efficiency, and citizen-centric governance through technology. The computerisation of PACS aligns closely with this vision by extending digital infrastructure to the village level.

By digitising over 63,000 PACS, the initiative effectively brings the Digital India movement to farmers' doorsteps. As primary beneficiaries, farmers gain improved access to credit, services, and information, thereby enhancing rural livelihoods.

Conclusion

The digital transformation of rural governance is steadily reshaping the functioning of local institutions. Digital platforms are improving transparency, efficiency, and accessibility in public service delivery. Within this broader transformation, the computerisation of Primary Agricultural Credit Cooperative Societies (PACS) represents a significant reform in the cooperative sector.

By replacing manual record-keeping with integrated digital systems, this initiative strengthens financial discipline, improves service delivery, and enhances transparency in rural credit institutions. It enables PACS to provide more efficient and reliable services to farmers while reinforcing their role as grassroots financial institutions.

At a broader level, PACS computerisation contributes meaningfully to the vision of Digital India by promoting inclusive, technology-driven rural development. ❑

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