



CENTRE FOR DIGITAL FINANCIAL INCLUSION

196, TTK Road, Parthasarathi Street, Alwarpet, Chennai 600018
VHAI, IIInd Floor, B-40 Qutab Institutional Area, New Delhi 110016

www.cdfi.in

**BEYOND CREDIT:
A GROWTH FRAMEWORK
FOR SUSTAINABLE PACS**

2026



**CENTRE FOR
DIGITAL FINANCIAL INCLUSION (CDFI)**



Research Analyze Innovate

BEYOND CREDIT: A GROWTH FRAMEWORK FOR SUSTAINABLE PACS

2026

CENTRE FOR
DIGITAL FINANCIAL INCLUSION (CDFI)



■ Research ■ Analyze ■ Innovate

Table of Contents



EXECUTIVE SUMMARY	5
INTRODUCTION	7
Study Objective	7
About PACS	7
Study Evolution	8
Scope of the Study	8
CDFI's Recruitment of NAF	9
CURRENT STATE OF PACS	11
Key Initiatives by the Ministry of Cooperation for PACS	11
Profitability of PACS across India	12
Key Trends and Performance (2022-23 RBI Report)	12
Factors Affecting Profitability	12
Best Performing PACS across India	13
Key Characteristics of High-Performing PACS	13
Lessons from High Performers	13
PROPOSED GROWTH FRAMEWORK	14
FOCUS AREAS FOR GROWTH FRAMEWORK	19
STUDY METHODOLOGY	21
Baseline Assessment	21
Stakeholder Feedback	21
Geographies Covered	21
Region-wise Contribution	22
Tools Used for Survey Design and Data Collection	26
OVERALL ANALYSIS METHODOLOGY	27
Quantitative Analysis Approach: PACS Performance Analysis & Mapping	28
Objective for using Quadrant Approach	28
Quadrant Design Methodology	29
Why this Approach?	29
Outcome & Use	30
KEY FINDINGS OF THE STUDY	33
Initial Analysis of Primary Data Collected	33
Organization Structure and Capacity	34
Human Resource Capabilities	35

State Wise Division of Different Business Activities	36
Lending Vs Multipurpose PACS	37
Farm Input Shops	40
Use of Digital Technology	41
Planning and Analysis	42
Financial Information	43
Enumerator Observation	44
Quadrant Classification Results	44
Key Observations	45
Interviews with PACS and District Administration	47
Key Points from Stakeholder Interviews with PACS	48
<i>State-wise key points noted</i>	48
GROWTH FRAMEWORK	51
Quadrant 1: High Turnover and Low Profitability	51
Quadrant 2: High Profit High Turnover	55
Quadrant 3: Low Turnover and High Profitability	58
Quadrant 4: Low Turnover and Low Profitability	61
Implementing the Growth Framework	63
RECOMMENDATION	65
CONCLUSION	69
WAY FORWARD	71
Putting the Framework to Work: A 6-Step Growth Pathway for PACS	71
SOURCES/BIBLIOGRAPHY	73





PACS have long been India's primary vehicle for delivering credit to small and marginal farmers at the village level. As member-owned, democratically governed institutions, they carry both the trust and the reach that most formal financial institutions lack in rural areas. Despite this, as of March 2021, barely half — **47% of 1.02 lakh PACS** — were profitable.

Multiple studies have pointed to the same recurring problems: inadequate management practices, limited use of technology, and insufficient staff capacity. The core problem, however, is one of stagnation. Most PACS remain confined to lending and Public Distribution System (PDS) distribution, growing increasingly dependent on District Cooperative Banks for working capital. Poor loan recovery compounds this further, resulting in recurring losses, shrinking member deposits, and deteriorating portfolio quality.

Recognising the untapped potential of PACS, the Ministry of Cooperation has set a target of establishing **2 lakh PACS within 5 years**, pushing diversification into agri-input supply, equipment rental, seed production, processing, marketing, logistics, and consumer stores. Realising this potential, however, requires an honest assessment of historical challenges and the right safeguards, including reforms in bylaws and structural frameworks. Drawing from existing research, CDFI undertook this study to assess the current state of PACS across finances, business operations, human resource capabilities, and growth prospects.

CDFI's Growth Framework was developed to:

- Formalise PACS operations and establish strong linkages with financial institutions to deliver digital financial services, enhancing financial inclusion in rural areas.
- Support PACS in transitioning towards greater efficiency, growth in existing operations, and expansion into new business lines.
- Develop digital solutions for data-driven operations at each step, leveraging Digital Public Infrastructure (DPIs).

Digital transformation has proven its value for small businesses, and PACS are no exception. Tools such as ONDC, AgriStack, Account Aggregators, E-PACS, Amazon, and GeM can enhance operational efficiency and open new market linkages. Our growth framework serves as a practical roadmap, guiding PACS towards greater efficiency, sustainability, and digital readiness.



India's cooperative movement dates back to the early 20th century, built on the principles of democratic access to credit, rural empowerment, and protection against exploitative intermediaries. At the heart of this movement are Primary Agricultural Cooperative Credit Societies (PACS), operating at the village and panchayat level as the first point of contact between farmers and the formal banking system. As of November 2024, there are 1,01,524 functional PACS across the country, covering nearly 80% of India's villages. Over the years, both central and state governments have made sustained efforts to modernise PACS through digitalisation, expanding their transparency and service delivery. While PACS have significant potential to serve as rural financial and service delivery hubs, many continue to face operational and structural challenges that limit their growth. Recognising these constraints, CDFI initiated this study in consultation with partners and subject matter experts, with the following objectives:

- Understand the business activities PACS are involved in and the challenges they face in performing them efficiently and profitably.
- Develop a Growth Framework to formalise PACS operations, build financial institution linkages, and help them evolve towards greater efficiency, new business lines, and expanded market reach.
- Develop a toolkit incorporating digital and data-based decision-making at each step, leveraging Digital Public Infrastructure (DPIs).

Study Objective

This study was undertaken to understand the current operational status of PACS across different states, identify key strengths and bottlenecks, and explore opportunities for transformation. The goal was to design a practical, evidence-based Growth Framework to guide PACS in transitioning from traditional credit-based operations to multipurpose, diversified, and technology-enabled rural enterprises, ultimately positioning them as key enablers of financial inclusion and rural economic growth.

About PACS

PACS originated in 1904 with the passage of the Cooperative Credit Societies Act, becoming the foundation of India's cooperative movement and providing farmers with institutional credit. They remained the sole source of institutional credit in rural areas until the 1970s. Over the years, both central and state governments have made sustained efforts to modernise PACS through digitalisation, expanding transparency and service delivery. **As of March 2023, India had 1,06,955 PACS operating across 6.5 lakh villages.**

The Reserve Bank of India has emphasised the need for continued efforts to improve credit delivery, strengthen asset quality, and address regional imbalances. Beyond lending, many PACS now undertake a wide range of activities including PDS operations, input supply (fertilisers, seeds, and machinery), storage and marketing of agricultural produce, MSP procurement, custom hiring, and allied activities like dairy and fisheries, highlighting their potential to evolve into vibrant rural business hubs. Despite this, low profitability, poor governance, limited digital adoption, and inadequate business planning leave many struggling to sustain operations or expand beyond traditional credit functions.

Beyond lending, PACS now cover PDS operations, input supply, storage, marketing, MSP procurement, custom hiring, and allied activities like dairy and fisheries. Despite this potential, low profitability leaves many struggling to sustain basic operations. It is against this backdrop that CDFI undertook this study.

Study Evolution

The study evolved in response to the growing national focus on reviving and modernising the cooperative sector. It combined primary and secondary data analysis with field discussions, ensuring findings reflect both quantitative trends and ground realities.

Scope of the Study

The Government of India has launched several key initiatives to address the challenges faced by PACS, including:

- The computerisation of 63,000 PACS under a centrally sponsored scheme.
- Encouraging PACS to function as Common Service Centres (CSCs) to deliver digital services in rural areas.
- Promoting integration with Core Banking Systems (CBS) to enhance transparency and service delivery.

In alignment with these national priorities, CDFI undertook this study to assess the current state of PACS and identify key barriers and opportunities for their digital and institutional growth. The study was conducted in two parts:

Baseline Survey: Covered 221 PACS across 5 states to assess current performance, financial health, and governance status. PACS were categorised into four performance quadrants based on profit and turnover, providing a broad understanding of their functional diversity. The survey was conducted by the National Agro Foundation (NAF) across Madhya Pradesh, Uttar Pradesh, Maharashtra, Tamil Nadu, and Meghalaya through structured field interviews, staff and member interactions, and infrastructure assessments. The primary objectives were to:

- Establish a baseline understanding of PACS operational and digital capacities.
- Identify key challenges and gaps limiting PACS performance.
- Understand regional variations in readiness and maturity.

These findings served as the foundational understanding to guide the selection of PACS for Round 2, where a more detailed study was conducted to develop practical recommendations and a Growth Framework to support PACS modernisation.

In-depth Study and Stakeholder Interviews: A detailed in-person assessment was carried out with selected PACS from each quadrant per state, to understand the factors driving success or under-performance. This phase involved extensive field interactions, case studies, and stakeholder consultations.



Given the wide heterogeneity among PACS across states in terms of scale, governance, and service portfolios, this two-phase approach was essential. It allowed the study team to first establish a quantitative baseline, complement it with qualitative depth, validate findings through field observations, and develop a realistic, context-sensitive Growth Framework that can be implemented at scale.

CDFI's Recruitment of NAF

CDFI engaged the National Agro Foundation (NAF), a Chennai-based non-governmental organisation, to support data collection and facilitate field-level surveys. NAF's on-ground experience and prior engagement with CDFI ensured smooth execution of fieldwork and accurate selection of representative PACS samples across states.

Current State of PACS



PACS are the grassroots tier of India's three-tier cooperative credit system, vital for extending short and medium-term credit to the agricultural sector. With over 1 lakh PACS covering nearly 80% of India's villages, their reach is significant. Yet, performance tells a different story.

Widespread Reach but Uneven Performance: Many PACS are active and functional, but a large number remain dormant or financially weak, with limited or no lending activity.

Financial Health: Only 45-50% are financially viable. In 2022-23, sector-wide losses stood at ₹3,585 crore against profits of ₹2,142 crore — a net loss of ₹1,443 crore. High Gross Non-Performing Assets (GNPA), low deposit mobilisation, and weak governance remain the key challenges.

Operational Gaps: Most PACS remain mono-line institutions focused solely on credit, with little diversification into input supply, marketing, storage, or digital services. Business volumes vary enormously — some PACS handle multi-crore turnovers while others struggle to stay afloat.

Governance and Capacity Issues: Weak governance, inadequate staffing, political interference, and poor Management Information Systems (MIS) hinder transparency, monitoring, and growth.

Recent Reforms and Digital Push: Initiatives like the Computerisation of PACS Scheme and inclusion under the Model Cooperative Act aim to improve governance, transparency, and digital capabilities. The Computerisation project is implementing a comprehensive Enterprise Resource Planning (ERP) solution supporting over 25 economic activities outlined in the Model Bye-Laws. As per a recent report by the Ministry of Cooperation, as of August 2023, 31,301 PACS across 29 states have been onboarded, 21,477 have gone live, and 54,654 have received hardware. The system covers financial services for short, medium, and long-term loans, procurement operations, PDS management, business planning, borrowings, and asset management. Implementation, however, remains inconsistent across states.

Potential for Transformation: PACS have the trust, infrastructure, and reach to evolve into multi-service rural enterprises, offering inputs, storage, processing, and financial services. Realising this potential requires targeted capacity building, business model innovation, and institutional support. Identifying key areas where PACS can improve efficiency, adopt sustainable business practices, and leverage digital solutions will help them expand their reach and sustain themselves effectively. If executed well, the Ministry of Cooperation's plan to establish **2 lakh PACS within 5 years** can be a pivotal moment in rural development.

Key Initiatives by the Ministry of Cooperation for PACS

Computerisation of PACS: A major project to link approximately 63,000 PACS with a national software network through NABARD, aimed at improving operational efficiency and transparency. The project brings all functional PACS onto a common ERP-based national software platform.

Diversification of Business Activities: PACS are being encouraged to expand beyond credit into over 25 new business activities, including dairy, fishery, floriculture, and Common Service Centres (CSCs), to enhance revenue streams and overall effectiveness.

Warehouse and Storage: A large-scale plan to build warehouses in every Gram Panchayat to store agricultural produce, reducing wastage and improving food security.

Jan Aushadhi Kendras: PACS are being authorised to open Jan Aushadhi Kendras at the village level, making generic medicines accessible to rural citizens and providing an additional source of income.

Petrol and Diesel Pump Dealerships: PACS are being given priority for new petrol and diesel pump dealerships to boost profitability and generate local employment.

Model Byelaws: The Ministry has prepared model byelaws to help PACS diversify their operations and become more financially viable.

Training: The National Council for Cooperative Training (NCCT) provides capacity building programmes for PACS members and staff to enhance their skills.

Profitability of PACS across India

Profitability across India's PACS remains a complex and concerning issue. A 2021 report by the National Federation of State Cooperative Banks (NAFSCOB) highlighted that less than half of India's PACS were profitable. Many carry fragile financial bases, depending heavily on higher financing agencies rather than mobilising their own deposits. In several cases, a portion of their deposits remains tied to DCCBs, restricting their capacity to broaden services and function autonomously.

Key Trends and Performance (2022-23 RBI Report):

- **Profit Growth:** The total profits of profit-making PACS increased by 18.3% to ₹2,142 crore.
- **Loss Reduction:** The total losses of loss-making PACS decreased by 4.3% to ₹3,585 crore.
- **Overall Sector Performance:** Despite improvements, the sector still recorded a net loss of ₹1,443 crore.
- **Regional Disparities:** The western region was the only one to report net profits, while the southern region incurred the highest losses.

Factors Affecting Profitability:

- **Asset Quality:** High Gross Non-Performing Asset (GNPA) ratios remain a persistent concern, directly impacting financial health.
- **Operational Efficiency:** Computerisation and implementation of a common ERP-based software aim to improve efficiency, reduce transaction costs, and speed up loan disbursements.

- **Deposit Mobilisation:** Low deposit mobilisation from farmers remains a persistent challenge affecting the resource base of PACS.

- **Governance:** Inefficient management practices and weak governance mechanisms hinder performance and erode farmer trust.

Best Performing PACS across India

While many PACS face significant challenges, several have emerged as model institutions, demonstrating the transformative potential of well-managed and diversified cooperatives. These PACS have successfully modernised operations, diversified services, and built strong trust within their communities.

Key Characteristics of High-Performing PACS:

- Strong financial performance with high turnover and sustainable profits.
- High recovery rates, often above 90%.
- Diversified business portfolio covering credit, input supply, agri-marketing, and storage.
- Technology adoption for transparency and operational efficiency.
- Strong governance, trained staff, and active member participation.

Lessons from High Performers:

- Diversification beyond lending is key to long-term sustainability.
- Investment in computerisation and MIS enables real-time monitoring and better decision making.
- Strong local leadership and member trust drive institutional resilience.
- Government schemes like PACS Computerisation and the Agri Infrastructure Fund can be leveraged effectively when implemented with intent.



To unlock the full potential of PACS and enable them to serve as effective multipurpose rural institutions, a structured Growth Framework is proposed. This Framework acts as a guidance manual for PACS to grow and think as an enterprise, guiding them from basic credit providers to dynamic, self-sustaining rural businesses.

The Framework employs a quadrant-based quantitative approach to divide PACS into 4 categories, assessing their current standing based on financial performance for the year 2023-24. This approach ensures that a customized set of recommendations can be created for strengthening PACS across different performance levels, by capturing variations in profitability and turnover.

The quadrant approach follows the following methodology:

- The quadrant is divided within the first section of the X and Y axes in a coordinate plane, where the X-axis represents Profitability and the Y-axis represents Turnover.
- The 4 quadrants are divided by taking cutoff values of ₹10 crore turnover and 7% profitability.
- PACS are categorised into 4 distinct quadrants based on their maturity levels, profitability, and operational turnover. Each PACS's position in a quadrant determines the growth path to be taken to move to a higher level.
- The quadrant takes into account turnover and profitability across two axes.

This segmentation enabled targeted analysis and strategy development for the four following performance group:



Quadrant approach acts as the first step to frame different growth stages of PACS before developing the Framework

CATEGORY	PROFITABILITY X-AXIS	TURNOVER Y-AXIS	INTERPRETATION
Quadrant 1	Low	High	PACS with high business operations but weak profitability, need cost efficiency and better financial practices.
Quadrant 2	High	High	Strong and sustainable PACS with high business scale and profitability. Ideal models for enterprise-led growth.
Quadrant 3	High	Low	PACS with low scale but efficient and profitable – potential candidates for diversifying operations.
Quadrant 4	Low	Low	Under performing PACS – require comprehensive strengthening support.



New MSME Classification Criteria as per Union Budget 2025



ENTERPRISE CATEGORY	CURRENT INVESTMENT LIMIT	REVISED INVESTMENT LIMIT	CURRENT TURNOVER LIMIT	REVISED TURNOVER LIMIT
MICRO ENTERPRISE	₹1 crore	₹2.5 crore	₹5 crore	₹10 crore
SMALL ENTERPRISE	₹10 crore	₹25 crore	₹50 crore	₹100 crore
MEDIUM ENTERPRISE	₹50 crore	₹125 crore	₹250 crore	₹500 crore

Net profitability was calculated for all PACS, following industry standards for MSMEs. A reasonable profit margin for a small business is industry-dependent but generally falls between 10% and 20%, though 5% is considered low and 20% or above is healthy. As confirmed by the Institute for Industrial Development (IID), an Indian government-backed business incubator operating under a Public-Private Partnership with the Ministry of MSME, a healthy profit margin for small businesses tends to range between 7% and 10%, though businesses such as retail or food-related companies may see lower margins.

General Benchmarks for Net Profit Margins:

- **Less than 5%:** Low and potentially unsustainable.
- **5% to 10%:** Healthy and sustainable.
- **10% to 20%:** A good target for many small businesses.
- **20% or higher:** A very healthy and strong margin.

A reasonable profit margin for a micro enterprise in India generally falls between 7% and 15%, though this varies significantly by industry. PACS, having a captive audience, should ideally maintain low expenditure. A margin of 5% or less is considered low, while a margin above 15-20% is seen as very healthy and efficient. A cutoff of 7% was therefore assumed to account for smaller margins and operations.



Focus Areas for Growth Framework

The growth strategy framework involves understanding growth options, focusing on targets, and a strong value proposition, with a go-to-market strategy.

1. Targets

- **Market** - The area of services that a PACS operates in and competes with others
- **Customer** - The individuals or entities who use PACS's products and services
- **Geography** - The physical area or villages where the PACS operates.

2. Value Proposition

- **Products** - What the PACS sells to solve a problem, meet a need, or fulfill a desire for its customers
- **Services** - The range of support and assistance a PACS provides to its members beyond products
- **Prices** - The amount a PACS charges members for its products and services.

3. Go-to-Market

- **Distribution** - The ways in which a PACS makes its value proposition available to customers
- **Sales** - The process of encouraging members to take PACS products and services
- **Marketing** - The activities PACS does to create awareness and inform members about its products and services.





The methodology combined secondary research and literature review with quantitative assessment and field-level insights, designed to translate findings into actionable strategies for PACS development. This approach enabled a deeper understanding of the operational realities, financial performance, and business potential of PACS across diverse contexts. The study set out to create a Growth Framework focused on strengthening PACS capacities, improving efficiency, and creating a structured pathway for their long-term growth and sustainability.

The study was conducted in two phases. The first involved extensive surveys to assess the financial health, governance practices, and range of business activities across a large sample of PACS. Based on the results, PACS were categorised into four performance quadrants capturing variations in profitability and turnover, and a draft Growth Framework was developed. The second phase involved a round of in-depth interviews with selected PACS, where the Framework was discussed and finalised. Detailed field interactions, case studies, and analysis of enabling and constraining factors across different states allowed the study to move from broad diagnosis to deeper exploration, ensuring the final Growth Framework and recommendations were both evidence-based and practically grounded.

Baseline Assessment

The first phase focused on establishing a comprehensive baseline understanding of PACS across selected states. Around 221 PACS from 5 states were surveyed to assess their financial position, business operations, governance systems, human resource capabilities, and digital readiness. Based on profit and turnover parameters, PACS were categorised into four performance quadrants, enabling clear segmentation by operational and financial efficiency. These findings served as the foundation for designing the Growth Framework and ensuring that subsequent field investigations were focused, data-driven, and representative of the diverse PACS landscape.

Stakeholder Feedback

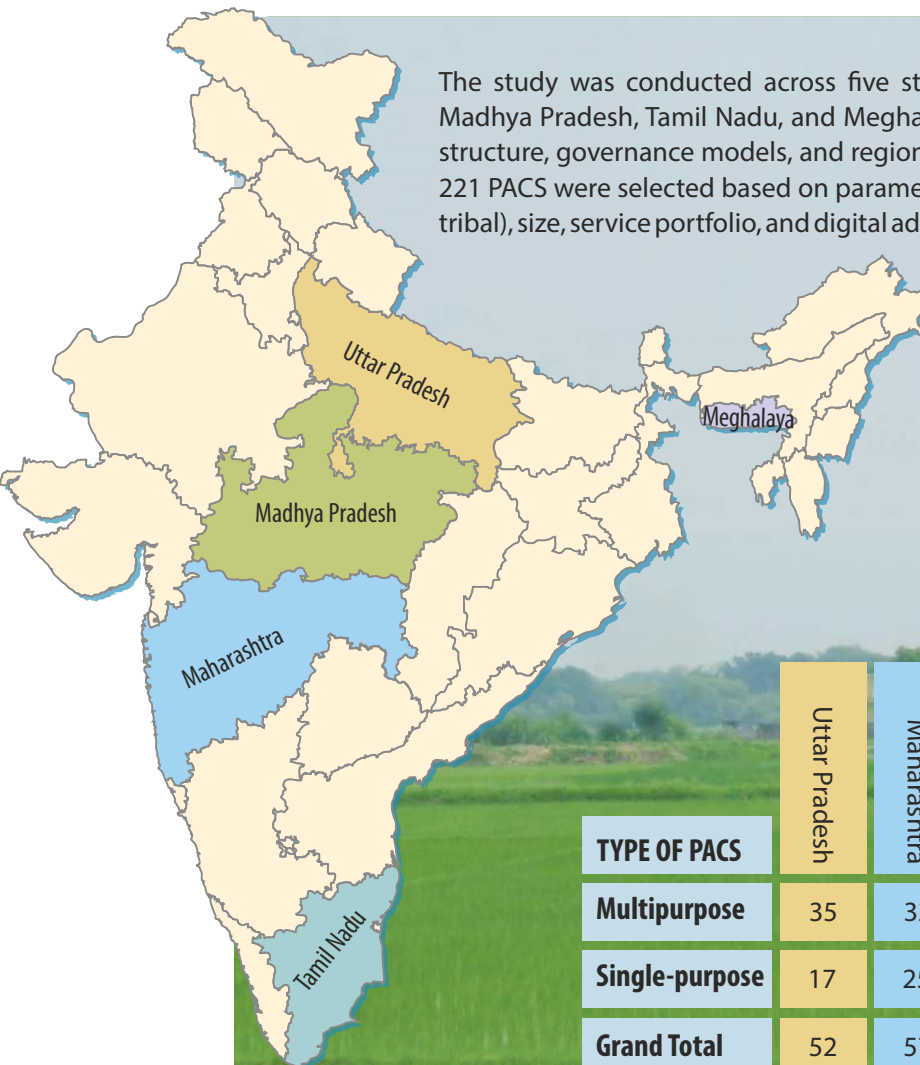
Building on the baseline findings, a smaller and more representative sample of PACS was selected from each of the four performance quadrants in every state for detailed field-level study and feedback on the draft Framework. Selection was based on initial findings, with support from the National Agro Foundation (NAF) in identifying suitable societies. This phase involved extensive field visits and stakeholder interactions to understand internal management practices, business diversification strategies, and the challenges faced by PACS in achieving operational sustainability. The insights gathered provided the qualitative depth necessary to design a practical, evidence-based Growth Framework, offering clear pathways for PACS to enhance efficiency, adopt new business models, and leverage digital tools for long-term growth.

Geographies Covered

To ensure a comprehensive and representative understanding of PACS operations and challenges, the study employed a mixed-methods approach combining qualitative and quantitative tools.

The study was conducted across five states – Uttar Pradesh, Maharashtra, Madhya Pradesh, Tamil Nadu, and Meghalaya – to capture variations in PACS structure, governance models, and regional policy implementation. A total of 221 PACS were selected based on parameters such as location (rural/ remote/ tribal), size, service portfolio, and digital adoption level.

The PACS surveyed belonged to 2 major categories -- single-purpose and multi-purpose -- operating primarily at Village and Nyay Panchayat Levels.



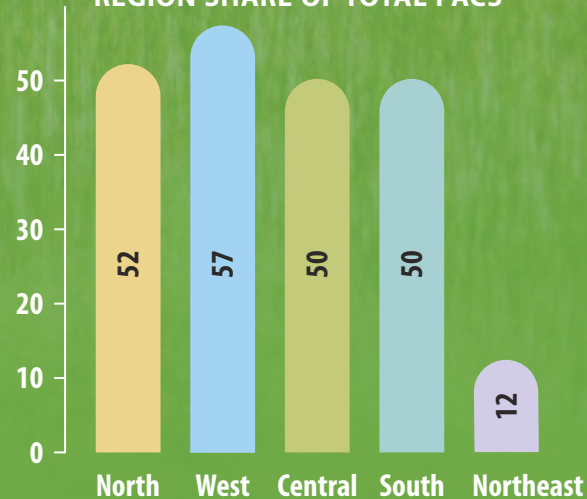
TYPE OF PACS	Uttar Pradesh	Maharashtra	Madhya Pradesh	Tamil Nadu	Meghalaya	Grand Total
Multipurpose	35	32	44	47	6	158
Single-purpose	17	25	6	3	6	51
Grand Total	52	57	50	50	12	221

REGION SHARE OF TOTAL PACS

Region-Wise Contribution:

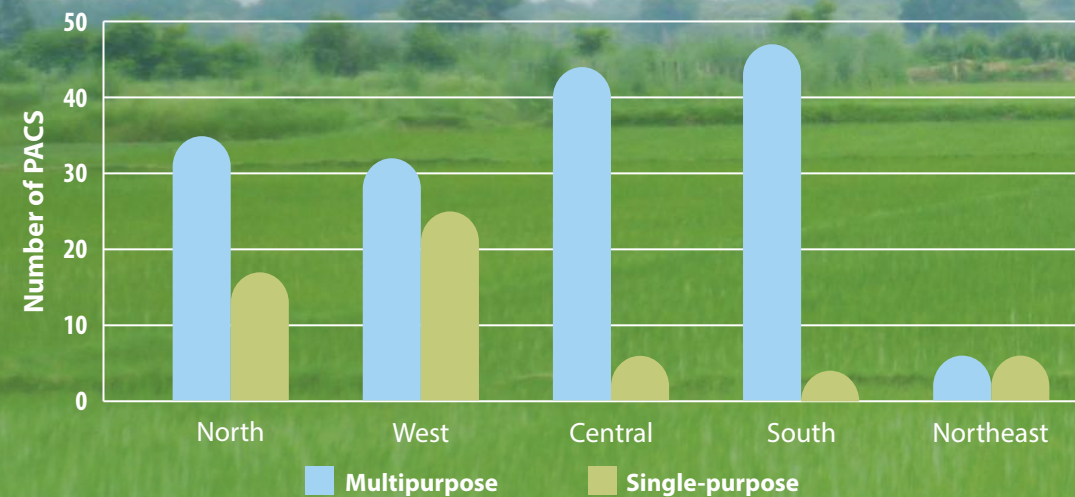
The study area for this project would spread across five regions of India as follows, i.e. North, West, Central, South and Northeast.

Apart from the Northeastern region, rest were more or less equally represented while selecting the PACS to survey, as shown in the figure on the right.



S. No.	Region	State	Districts
1	North	Uttar Pradesh	Varanasi, Farrukhabad, Hardoi, Azamgarh, Jaunpur
2	West	Maharashtra	Pune, Thane, Solapur, Ahmednagar, Nashik
3	Central	Madhya Pradesh	Sehore, Raisen, Vidisha, Bhopal
4	South	Tamil Nadu	Pondicherry, Cuddalore, Villupuram, Tiruvannamalai, Virudhunagar
5	Northeast	Meghalaya	East Khasi Hills, Ri Bhoi, West Khasi Hills, West Jaintia Hills

MULTIPURPOSE VS SINGLE-PURPOSE PACS BY REGION



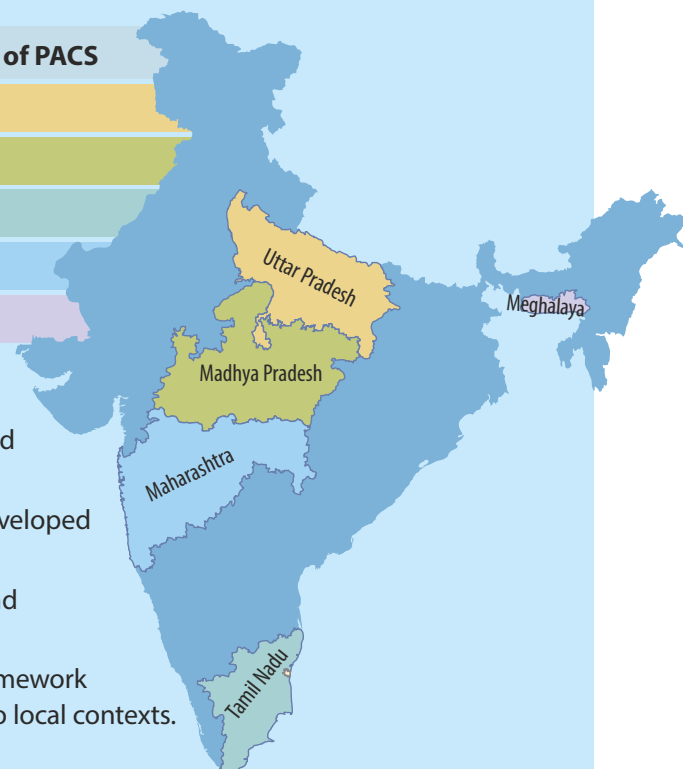
Region	Multipurpose	Single Purpose	Total	Dominant Type	% Multipurpose	% Single Purpose
North	35	17	52	Multi	67.3	32.7
West	32	25	57	Multi	56.1	43.9
Central	44	6	50	Multi	88	12
South	47	3	50	Multi	94	6
Northeast	6	6	12	Equal	50	50

Data Collection Tools

- **Structured Field Surveys:** Designed to collect data on PACS operations, services offered, IT infrastructure, governance mechanisms, and financial performance.
- **Key Informant Interviews (KIIs):** Conducted with PACS staff, members, and officials from Cooperative Departments to gather qualitative insights on challenges and success stories.
- **Enumerator Training:** A training module and PPT were developed to guide field teams in conducting consistent, accurate, and respectful data collection.

PILOT TESTING: For this study, PACS were sampled across 5 states to ensure a diverse representation of operational, climatic, and economic conditions.

State	Region	No. of PACS
Uttar Pradesh	North	2
Madhya Pradesh	Central	2
Tamil Nadu	South	2
Maharashtra	West	2
Meghalaya	Northeast	2



This geographical spread enables:

- Coverage of varied agro-climatic zones and cropping patterns.
- Inclusion of both developed and underdeveloped cooperative ecosystems.
- Insights into region-specific challenges and opportunities in PACS functioning.
- The selection ensures that the Growth Framework remains inclusive, scalable, and sensitive to local contexts.

Points Covered in the Baseline Survey

The surveys focused on the functional, financial, and operational aspects of PACS across 5 states. The questionnaire captured both quantitative and qualitative information across key domains including membership profile, governance structure, loan operations, business diversification, infrastructure availability, digital adoption, and human resource capacity. The data collected provided a comprehensive baseline to assess the overall institutional health of PACS and identify state-level variations in performance.

Survey Data and Design

The survey was designed to collect cross-sectional data via an online mobile-based form, administered by NAF enumerators primarily to secretaries and data entry operators from selected PACS. These are regular employees who oversee day-to-day operations.

Section	Section Description
General Information	The section collected information on PACS's establishment year, geography, total turnover, net profit, type of PACS, Male/female member farmers, total no. of part-time and full-time employees
Operations / Services	Service-specific details were collected in this section such as type of service provided (Lending, Government Services Delivery, Farm Input Selling, Agri-marketing, Storage Facilities) turnover, net profit, area of operation, service details, customer type, total no. of branches, percentage market share, reason in case of loss, net interest margin(in case of lending), Return on Assets, main competitors, able to fulfil market demand, enough supply to meet market demand
Organization Structure and Capacity	The section includes questions on availability of a Board of Directors, full-time CEO, gender-wise distribution of board members, defined roles and responsibilities, ways for skill upgradation
Use of Digital Technology	The section collected data on availability of any web platform/ application to manage day-to-day operations, duration of use, way of implementation, willing /planning to use digital applications, challenges in adoption of digital platforms/online solutions
Planning and Analysis	The section includes questions on availability of a work-plan, its monitoring frequency, communication, ways to assess the demand for agricultural credit and services, creation of a customer profile, ways of promoting services
Financial Information	This section collected details related to Financial Information such as the primary source of income, sources of funding, share (of member contributions, external borrowings from the government, borrowings from external banks, funding from NABARD/RRBs, funding from financial institutions and other co-operative banks) in the overall funding structure, total capital, sufficiency of current funding, awareness/calculation of efficiency ratio, yield on loans, loan recovery rate for business, availability of a recent audit report
Growth plans	This section includes data on ability to provide expected services, desire to expand current scale of operations, inclination towards opening a new business venture, new business segment willing to explore and openness to expand business reach and enhance services through online platforms, collaborations, growth or expansion in the future, adopt new technologies
Enumerator Response	This section includes questions on designation of the respondent, their responsiveness, ease in data collection process, confidence in the information provided by the respondent

For the purposes of this study, total turnover refers to the total revenue generated by a PACS from the sale of its goods or services before deducting expenses, and net profit refers to the surplus recorded for the Financial Year (FY) 2023-24, both reported in Rs. Lakhs.

These parameters were incorporated into the structured questionnaire used for the Phase I survey. The questionnaire consisted of modules covering PACS governance, financials, credit operations, non-credit business activities, digital usage, and human resource aspects. It was developed collaboratively by the CDFI project team, reviewed by experts familiar with cooperative structures, and pilot tested to ensure clarity and relevance for field enumerators.

In total, survey responses were collected from 221 PACS across Maharashtra, Madhya Pradesh, Tamil Nadu, Uttar Pradesh, and Meghalaya. This data-set formed the basis for service sector-wise analysis, categorisation of PACS into performance quadrants, and identification of areas requiring targeted interventions.

Tools Used for Survey Design and Data Collection

The survey was designed using Google Forms, enabling easy deployment and real-time tracking of responses. Field enumerators were also provided printed copies of the questionnaire to ensure smooth data collection in areas with limited internet access. Completed paper responses were subsequently transcribed into Google Forms for consolidation. Data was then cleaned, validated, and processed using CDFI's in-house analytics platform, which supported data visualisation, categorisation, and generation of quadrant-based insights. This hybrid approach ensured both accuracy and field flexibility, while allowing teams to cross-check responses before submission.



Overall Analysis Methodology

Data was analysed to identify patterns in PACS maturity, infrastructure, staff capacity, and service delivery. Based on the findings, PACS were categorised into four tiers, each representing a different level of digital and operational readiness. This categorisation formed the basis for the PACS Growth Framework, which proposes tailored interventions for each tier.

This methodology ensured that the proposed framework is not only policy-aligned but also rooted in ground realities.

Key insights include:

- Wide variance in turnover and profit values, indicating diverse operational scales.
- A significant number of PACS showed low or negative profitability, despite moderate turnover.
- Presence of outliers: a few PACS with exceptionally high turnover or profit, skewing the average.
- Patterns of performance varied geographically, with some states having a higher concentration of loss-making PACS.

Before segmentation, an exploratory analysis was conducted to understand the overall financial health and performance distribution of PACS across the selected states. This analysis informed the decision to adopt a standard deviation-based categorisation, ensuring that classification reflects actual data patterns rather than assumptions.

To systematically assess the operational and financial performance of PACS, a structured analytical process was followed, covering data preparation, exploratory analysis, performance categorisation, and insight generation.

Based on two key indicators, turnover (₹10 crore benchmark) and profitability (7% of turnover), PACS were categorised into four performance quadrants. Each segment represents a distinct level of financial and operational maturity. The high profit, high turnover PACS serve as examples of efficient management and business diversification, while the low profit, low turnover PACS highlight structural and capacity challenges that require focused support. This segmentation was crucial in understanding performance drivers and designing customised growth strategies for each category under the PACS Growth Framework.

- **Data Preparation:** Survey data from 221 PACS across 5 states was cleaned, validated, and standardised for consistency and comparability.
- **Exploratory Analysis:** Key variables such as turnover, profit, Non-Performing Assets (NPAs), and member activity were analysed to understand performance patterns and detect anomalies.
- **Categorisation Logic:** PACS were categorised into four performance segments based on two key metrics:
 - ▶ Turnover: ₹10 crore benchmark
 - ▶ Profitability: 7% benchmark (profit as % of turnover)
- **Insight Generation:** Supplemented by quadrant analysis and geographical mapping to reveal structural and regional patterns.

- **Input to Growth Framework:** The quadrant-based insights directly informed the development of targeted growth strategies for each PACS category, addressing segment-specific challenges and opportunities.

Quantitative Analysis Approach: PACS Performance Analysis and Mapping

Following data cleaning, an initial analysis was conducted covering the following sections:

- ▶ General Information
- ▶ Operations and Services
- ▶ Organization Structure and Capacity
- ▶ Use of Digital Technology
- ▶ Planning and Analysis
- ▶ Financial Information
- ▶ Growth Plans
- ▶ Enumerator Response

Assessment of current state based on survey responses: The results from primary and secondary research helped identify:

- ▶ The current state of PACS infrastructure across different regions
- ▶ The services provided by PACS, along with their delivery mechanisms and daily operations
- ▶ The structures in place, along with the capabilities and limitations of each stakeholder involved
- ▶ The current state of PACS finances based on different activities being conducted
- ▶ The availability of digital tools and infrastructure, as well as their usage
- ▶ The current ways to plan, inform, and track decisions taken and plans made
- ▶ The extent of capacity building and availability of human resources
- ▶ **Quadrant-Based Quantitative Analysis:** Following the initial analysis, this approach was adopted to assess and segment PACS based on their financial performance, further establishing their current financial state. This method enables a clear and visual representation of each PACS's business standing, forming the foundation for customised growth pathways.
- ▶ **Growth Framework:** The final results from both phases were used to develop an evidence-based, scalable, and practical Growth Framework, along with the tools needed to carry out each step.

Objective for using Quadrant Approach

The purpose of this quadrant analysis is to:

- Objectively assess the current financial health of PACS.
- Group PACS based on turnover and profitability, two critical financial indicators.
- Enable tailored interventions based on their present position in the growth journey.
- Encourage PACS to evolve from basic credit cooperatives to dynamic, multi-functional rural enterprises.

Quadrant Design Methodology

A coordinate plane approach was adopted to map all surveyed PACS into four distinct categories. This framework uses:

- **X-axis (Profitability):** representing the net profit or surplus of a PACS.
- **Y-axis (Turnover):** representing the scale of business operations, i.e., annual revenue.

Profitability was calculated by dividing net profit by total turnover for FY 2023-24, both reported in Rs. Lakhs. To ensure clarity and consistency, the quadrant lies entirely in positive values, where both profitability and turnover are greater than zero. Each PACS is plotted as a point using its FY 2023-24 financial data. The central dividing lines are drawn at ₹10 crore for turnover and 7% for profitability, creating four distinct performance categories, as shown in the diagram below.



Why This Approach?

- **Data-driven yet intuitive:** Unlike fixed or arbitrary cutoffs, this method allows the data to define its own thresholds using mean values, ensuring fairness and adaptability.
- **Visual and actionable:** PACS can easily understand their position and track movement across quadrants over time.
- **Custom strategy foundation:** Each quadrant links directly to specific growth strategies, capacity-building needs, and intervention priorities.

Outcome and Use

This quadrant-based mapping serves as the first diagnostic step in the Growth Framework. It allows stakeholders to:

- Prioritize resources based on performance levels.
- Monitor progress through periodic re-mapping.
- Design focused training, digitisation, and diversification interventions aligned with each category's needs.

In summary, this quadrant analysis provides a **targeted, scalable, and evolution-oriented strategy** for transforming PACS into vibrant rural enterprises.

Stakeholder Consultations and PACS Selection Process

Following survey data analysis, PACS were categorised into four performance quadrants based on their turnover and profitability scores. Within each quadrant, a scoring framework was developed to rank PACS on key performance parameters such as financial health, governance quality, business diversification, and digital adoption. The top-performing PACS from each quadrant were shortlisted to ensure representation across varying performance levels.

The preliminary shortlist was shared with NAF to facilitate field coordination and logistical planning for the second-round survey. NAF's field teams assisted in validating the operational status of shortlisted PACS and confirming their readiness to participate. Each PACS was then individually contacted by the study team to schedule interactions and interviews.

The final list of PACS for Phase II was prepared after these confirmations, ensuring selected institutions represented a balanced mix of geographies and performance profiles. This refined sample provided the foundation for stakeholder interviews with PACS management, members, local cooperative officials, and partner institutions, to further validate and refine the Growth Framework. The detailed list of selected PACS is presented in the table on the following page.



Final List of PACS Selected for Phase II Survey

State	Quadrant 1	Quadrant 3	Quadrant 4	Total
Uttar Pradesh		1. Bharthara BPACS	2. BPACS Karmha Dingurpur	2
Madhya Pradesh	1. PACS Doraha	2. PACS Polaha	3. PACS Aadampur Chaawani	3
Tamil Nadu	1. Mangalam Primary Agricultural Cooperative Credit Society Ltd and 2. I. I. 518.A. Gudalur Primary Agricultural Cooperative Society Ltd.		3. VC 3 Thellar PACCS	3
Maharashtra		1. Gavandgaon Vividh Karyakari Seva Sahkari Sanstha Maryadit 2. Khadakjamb Vividh Karyakari Seva Sahakari Society Maryadit	1. Tisgaon Vividh Karyakari Seva Sahakari Society Maryadit 2. Mangrul/Bharvir Vividh Karyakari Seva Sahakari Society Maryadit	4
Total	3	4	5	12

It is important to note that during the Phase I quadrant analysis, no PACS were identified in Quadrant 2 (High Profit, High Turnover). The Phase II survey therefore focused on PACS from the remaining three quadrants to ensure balanced regional representation and generate meaningful insights for further developing the Growth Framework.

Objective and Interview Manuals

The main objective of stakeholder consultation was to better understand PACS' willingness to grow, the challenges they face in building new businesses, and their inclination towards using digital technology for business decisions, alongside gathering their feedback on the Growth Framework and toolkit developed.

Individual interview manuals were designed for each PACS based on their quadrant placement. Since all PACS in the study were placed in Quadrants 1, 3, and 4, specific interview questions were designed to gauge their current standing accordingly. These manuals were shared with NAF, whose suggestions were incorporated before finalisation. The CDFI team then visited the field across 4 geographies to conduct interviewer-administered surveys, accompanied by NAF team members.

All interviews began with the consent of the secretaries, followed by a brief introduction to CDFI, NAF, and the study. Initial discussions covered the PACS's overall business activities, competitors, business model, areas of loss, day-to-day challenges, and any support received from state and central governments. The interview then moved into quadrant-specific questions relevant to each PACS's standing.

Key Findings of the Study



The analysis of the quantitative responses from the survey is divided into two parts:

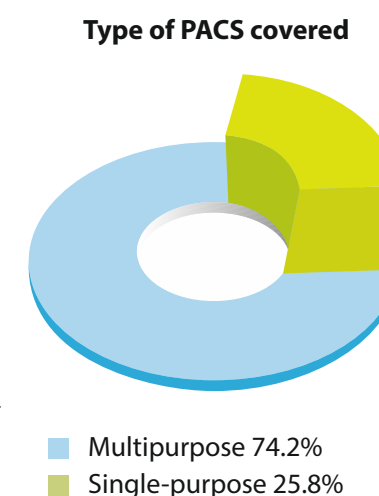
1. Statistical analysis of survey responses to understand the current state and infrastructure of PACS.
2. Quadrant-wise division of PACS based on turnover and profitability.

Initial Analysis of Primary Data Collected

State-wise Category Division

PACS have long served as the primary source of institutional finance for small and marginal farmers. Despite facing continued pressure from District Cooperative Banks for repayment and growing competition from nationalised banks, they remain the main source of credit for a large number of farmers at the block level and play a crucial role in the rural credit system.

PACS contribute significantly to the financial inclusion of rural farming communities by providing short- and medium-term loans, Public Distribution System (PDS) shops for subsidised food distribution, and fertiliser centres for farming inputs at subsidised rates. Several multipurpose PACS also offer a wider range of services including Common Service Centres (CSCs), Custom Hiring Centres, crop warehousing, and milk collection centres.



The study assessed PACS across multiple dimensions including governance, business operations, financial performance, human resource capacity, and digital adoption, covering **5 states and 23 districts**. The PACS surveyed belonged to 2 major categories: **single-purpose** and **multipurpose**.

State-wise Profitability of PACS Surveyed

While a majority of PACS surveyed reported making a profit in the previous financial year, **32% reported making a loss**. Of the 70 loss-making PACS, **54% were single-purpose PACS**, suggesting that diversification beyond lending plays a meaningful role in financial sustainability.

State-wise Profitability of PACS

	Uttar Pradesh	Tamil Nadu	Meghalaya	Maharashtra	Madhya Pradesh	Grand Total
Profitable	48	41	9	32	21	151
%	92.31%	82%	75%	56.14%	42%	68%
Loss Making	4	9	3	25	29	70
%	7.69%	18%	25%	43%	58%	32%
Grand Total	52	50	12	57	50	221

PACS are cooperative institutions owned by their individual member shareholders, including farmers, artisans, and other rural residents. Control is exercised collectively by the members.

Member-driven ownership: PACS are registered under a state's Cooperative Societies Act and are distinguished by having member-shareholders consisting of both male and female members from the local community. The survey found that **almost 80% of PACS noted that male and female farmers from separate families share the same shareholdings.** On average, the PACS surveyed had close to **1,200 male members and 378 female members.**



Organisation Structure and Capacity

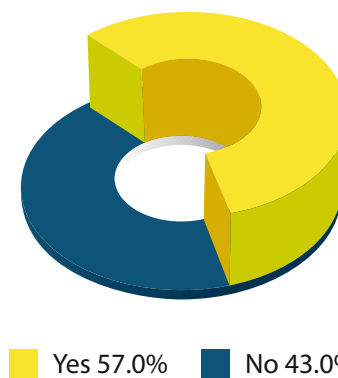
A Board of Directors, composed of all members, oversees and controls the management of PACS. A Management Committee, elected by the General Body, is responsible for daily operations. Roles such as Chairman, Vice-Chairman, and Secretary primarily oversee operations, while office staff handle day-to-day tasks. Other positions include managers, clerks, cashiers, salesmen, and peons or chowkidars, mostly involved in financial transactions and distribution of agricultural inputs. The board is made up of 5 to 10 male and female members.

In theory every PACS' workforce should consist of employees in 3 Roles:

- 1. Administrative
- 2. Clerical
- 3. Operational

The survey found that **43% of PACS did not have a Board of Directors.** This was discussed further with shortlisted PACS during interviews. A key finding was that following a change of administration in Madhya Pradesh and Tamil Nadu, boards were dissolved and the Joint Registrar (JRR) at the block level and District Registrars (DRR) at the district level were given control over daily operations and management decisions. This was not the case in Uttar Pradesh and Maharashtra, where the Board remained directly involved in all decision-making.

Availability of a Board of Directors



Human Resource Capabilities

PACS are struggling with human resource availability to fill crucial roles. **Only 14.5% of PACS were using proper business strategies and metrics** in their daily operations. In most cases, PACS knew how to conduct business but lacked a structured approach to operations. Despite a willingness to grow, a noticeable skill gap in digital capabilities, operations management, and customer service was observed.

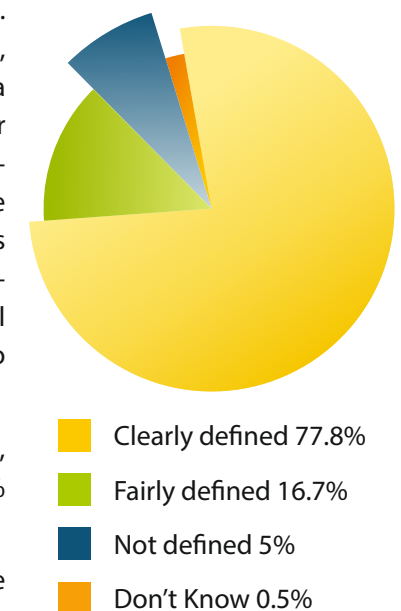


58.4% of PACS reported having adequate HR, while 41.6% did not. Almost all PACS surveyed faced difficulty hiring and retaining talent, primarily because they were unable to meet market rates. This was especially prevalent in Madhya Pradesh, Uttar Pradesh, and Maharashtra. In several cases, enumerators observed only a secretary and data entry operator employed full-time, with one or two salesmen employed part-time. On average, PACS had 2 to 4 full-time and 1 to 2 part-time employees. In Madhya Pradesh, the absence of a board created a major hindrance in hiring decisions, as approvals were delayed by the JRRs who had assumed decision-making authority. Tamil Nadu was the only state where several PACS reported being able to fill all roles, despite also having no Board of Directors.

77.8% of PACS had clearly defined roles and responsibilities, 16.7% had fairly defined roles, 5% had no defined roles, and 0.5% were unsure.

Across all four states, secretaries and data entry operators were found to be the most integral part of daily operations. Notably, several had built their digital system skills not only through government training programmes, but also by visiting other PACS and through self-directed learning via online videos. They were also responsible for learning and operating the digital systems provided to PACS.

Defined Roles and Responsibilities

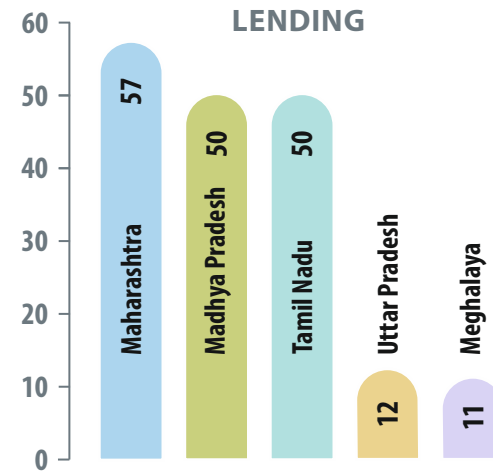


State Wise Division of Different Business Activities:

Primary types of services provided by PACS were categorized into the following categories:

1. Lending
2. Government Services Delivery and Farm Input Selling
3. Agri-marketing
4. Storage Facilities

It was worth noting that out of 81% involved in Lending, 22% were single purpose PACS.



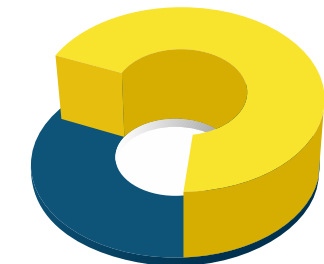
Secondary to lending, 64.25% multi-purpose PACS provided Govt. service, while 40% multi-purpose PACS had Farm Input shops (supplying Agri-inputs such as fertilizers, pesticides, and seeds at competitive prices).

Meanwhile, only 7 PACS surveyed had a functional Custom Hiring Centre or CHC, 5 had storage facilities and only 3 were involved in Agri marketing.

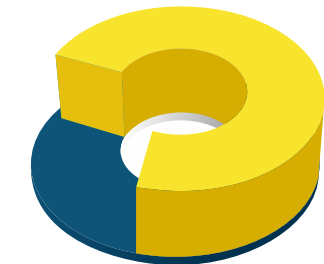
Lending Vs Multipurpose PACS

Almost all the PACS operating at the village and panchayat level are involved in lending activities with the member farmers being the main and target customers. 41% of Single-purpose PACS involved in just lending were making a loss, as compared to the 34.5% of multipurpose PACS. It is crucial to note that quite a few PACS showed a desire to diversify their business operations and move away from lending. Thus, signaling a potential for diversification.

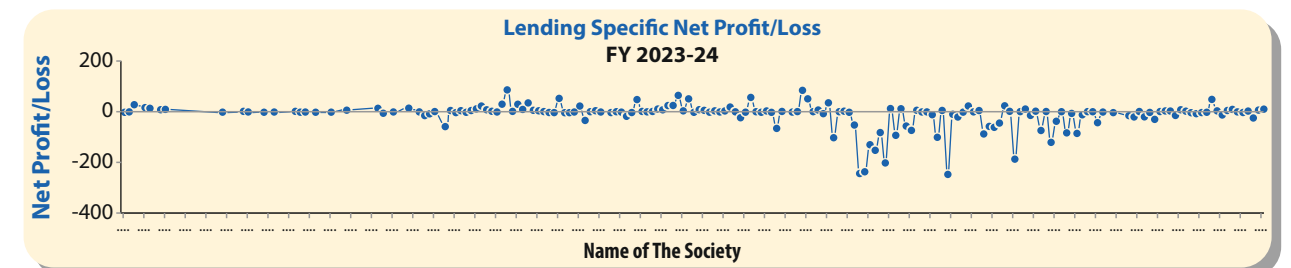
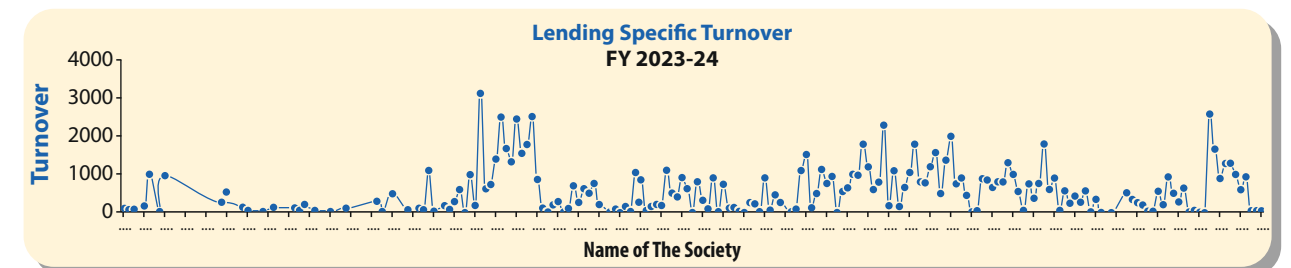
Single-Purpose PACS Involved in Lending



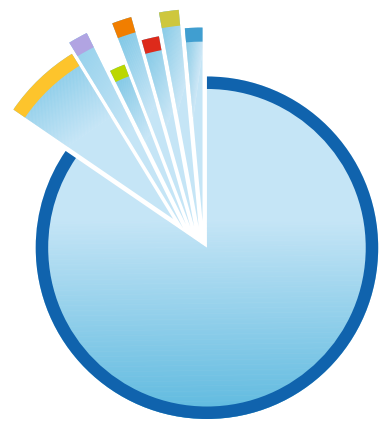
Multi-Purposed PACS Involved in Lending



While observing the services provided by PACS, it was discovered that the majority of PACS provided either short-term or medium-term crop loans with 0% interest, with only Tamil Nadu providing gold loans. If the loan is paid in full within a year, then a 0% interest is levied on the member farmer, but in cases where the loan repayment period crosses over a year then a 5% interest is levied for every subsequent year. As of March 2023, PACS, which forms the foundational tier of India's rural cooperative structure, served 16.03 crore members and 4.9 crore borrowers.

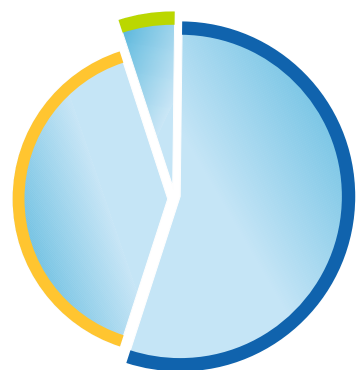


Reason for Loss



- Loan Recovery from Members & Shareholders and Bank Interest **84.9%**
- Expenses more than the Income due to Machinery Maintenance **6.8%**
- Break Event Point **1.4%**
- Don't Know **1.4%**

Enough Supply to fulfill the Demand in the Market



- Yes **54.4%**
- No **40.6%**
- Don't Know **5%**

Varying levels of lending-specific turnover, net profits, and losses were observed across the data. PACS reporting net losses were primarily located in the northern, central, and western regions, and commonly cited inadequate resources, high levels of overdue loans, and insufficient coverage in some areas. **The primary reason for losses, cited by the majority, was failure in complete loan recovery — accounting for 84.9% of cases.**

On average, PACS had 1 to 3 branches, with lending activities conducted only from the main head office, while other branches functioned as farm input or PDS shops. Only Maruthadu PACS in Tamil Nadu had 8 branches and claimed over 50% market share.

Due to increasing loan defaults and a declining flow of funds from District Cooperative Banks, PACS are facing growing competition from local, national, and private banks. Despite this, **more than 70% of PACS stated they are able to meet member needs, though only 54% confirmed there is enough supply to fulfil market demand.**

Able to Fulfill / Meet the Demand in the Market



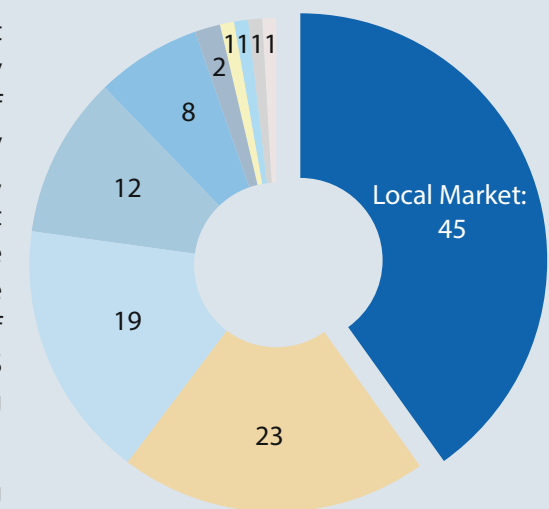
- Yes **71.1%**
- No **24.4%**
- Don't Know **4.4%**



Government Services Delivery and Farm Input Selling

Functioning at the village and gram panchayat level, PACS serve as a critical last-mile delivery channel for government services in rural India. Of the 221 PACS surveyed, 142 were actively involved in Government Service Delivery, primarily PDS, government farm input distribution, and government warehouse services. Only 11.2% ran a procurement centre and 2.6% ran ration godowns. Due to lack of space, funding, and timely approvals, many PACS were unable to open collection and warehousing services despite showing interest in doing so.

Since services such as PDS, Custom Hiring Centres, and warehousing are open to the entire community, the customer base extends beyond member farmers to non-members as well. This also means PACS face heavy competition from local markets, retail shops, and private vendors within the village.



Key findings on digital adoption:

- **58.8% of PACS were using a digital web platform** to manage day-to-day operations, while 41.2% were not.
- Despite all PACS having a computer system, **only 59% were actively using the Common Accounting Software (CAS)** provided.
- On average, PACS have been using a digital system for the past **4 years**, mostly implemented by the government or obtained through private companies.
- Only **25% had initiated the process of digital adoption** independently.
- Some PACS faced difficulty understanding the complicated language used in the E-PACS system and requested that terminology be based on locally used dialects.

Online software currently in use:

- E-PACS Online: 4.6%
- Disha: 11.5%
- ERPTally: 40.8%
- RCS: 23.1%

The main challenges in adopting digital systems, online solutions, and MIS platforms were:

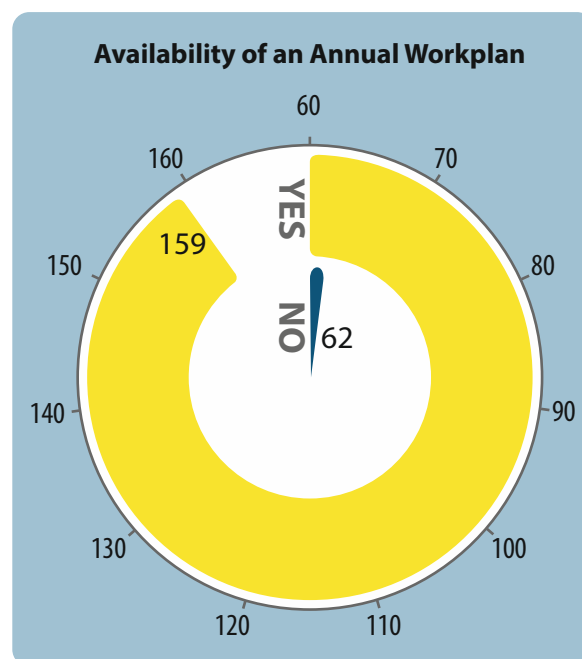
- Lack of knowledge
- Poor digital infrastructure
- Lack of required skills and funds

Planning and Analysis:

A PACS workplan is a strategic roadmap outlining the society's yearly goals and operational strategies to serve its farmer members. Given the recent push to diversify PACS into multipurpose service providers, there is a growing need to create workplans that extend beyond traditional credit services.

Key findings:

- **70% of PACS followed an annual workplan**, monitored either monthly or quarterly.
- In central and southern regions, workplans were communicated during annual general body meetings and via WhatsApp groups.
- These meetings, along with direct member interactions, were the primary ways PACS assessed demand for agricultural credit and services and promoted their offerings.
- Secretaries understood the benefits of digital systems but lacked the skills to use them effectively.



- Staff were well versed with mobile applications such as WhatsApp and YouTube.
- Overall, secretaries showed a willingness to use digital tools to build efficiency.

Financial Information

The major sources of capital for PACS were member contributions, loans from DCCBs, funding from NABARD and Regional Rural Banks (RRBs), and other cooperative banks. In rare cases, found mostly in Maharashtra and Tamil Nadu, profitable PACS provided dividends to members.

Key findings:

- Many PACS had a weak financial foundation and relied heavily on higher financing agencies rather than their own deposits, limiting their ability to expand services and operate independently.
- Several PACS reported a shortage of funds and expressed a need for more working capital to carry out their annual workplan and fulfil farmer demand.
- All PACS surveyed maintained hard copy ledgers, though methodology varied across states.
- Secretaries and data entry operators in Maharashtra and Tamil Nadu used local and E-PACS software to follow proper financial audit procedures, spending considerable time learning to use the software and make data-driven decisions.
- In Uttar Pradesh and Madhya Pradesh, handwritten ledgers remained the norm. Proper audits were rarely conducted, and even when carried out, they were often done by departmental auditors lacking consistent standards and necessary expertise.

Willingness to Grow

52% of PACS expressed a desire to expand, diversify, and grow within the next 1 to 3 years, while 56% understood that diversification is important for sustenance and future success. PACS willing to expand in the short term were prioritised during the Phase II shortlisting process.

Inclination towards Opening a New Business Venture

- Yes, in short term (1 to 3 years): 55.7%
- Yes, we have initiated the process: 27.6%
- Maybe in long term (3 or more years): 7.2%
- Not interested: 7.7%
- Other: 1.5%



Majority also showed a positive inclination towards opening new business ventures, with agri-tech solutions, exporting agricultural products, and microfinance and small business loans being the top segments PACS were willing to explore. They also expressed interest in expanding business reach through online platforms such as ONDC, Amazon, Flipkart, and the GeM Portal, and in collaborating with other cooperatives, Farmer Producer Organisations (FPOs), and Self-Help Groups (SHGs). While this is encouraging, the shift to digital systems will demand adequate staff training and increased human resource capacity, as many PACS employees are older and have limited technological proficiency.

Enumerator Observation

Following the data collection process, the majority of enumerators reported that respondents, largely consisting of PACS secretaries, gave favourable responses and provided accurate and truthful information. This was largely because enumerators were local inhabitants who spent an average of 50 minutes to an hour with each respondent, building a sense of trust and openness.

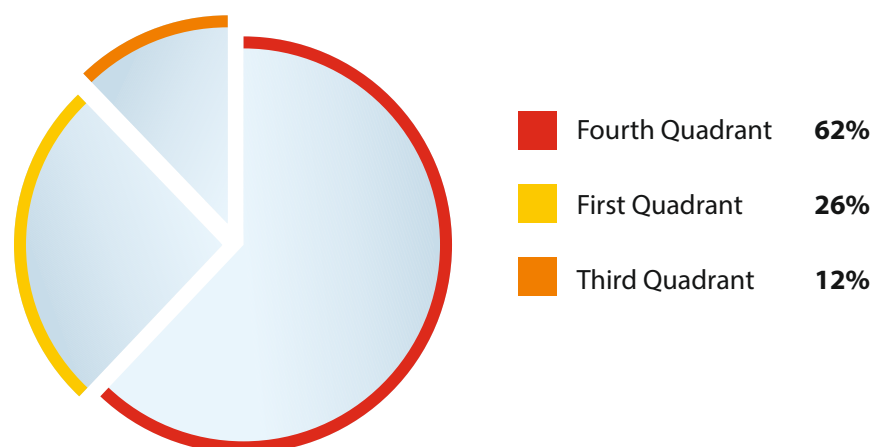
Quadrant Classification Results

During Phase I of the PACS Growth Framework study, all surveyed societies were categorised into four quadrants based on profitability and turnover. This exercise was intended to understand where each PACS currently stands in terms of performance and identify specific areas where support or intervention may be required.

The analysis revealed wide variation in performance across the PACS studied:

Quadrant	Description	No. of PACS	% of Total
I	Low Profit, High Turnover	58	26%
II	High Profit, High Turnover	0	0%
III	High Profit, Low Turnover	26	12%
IV	Low Profit, Low Turnover	137	62%
Total		221	100%

Quadrant Division



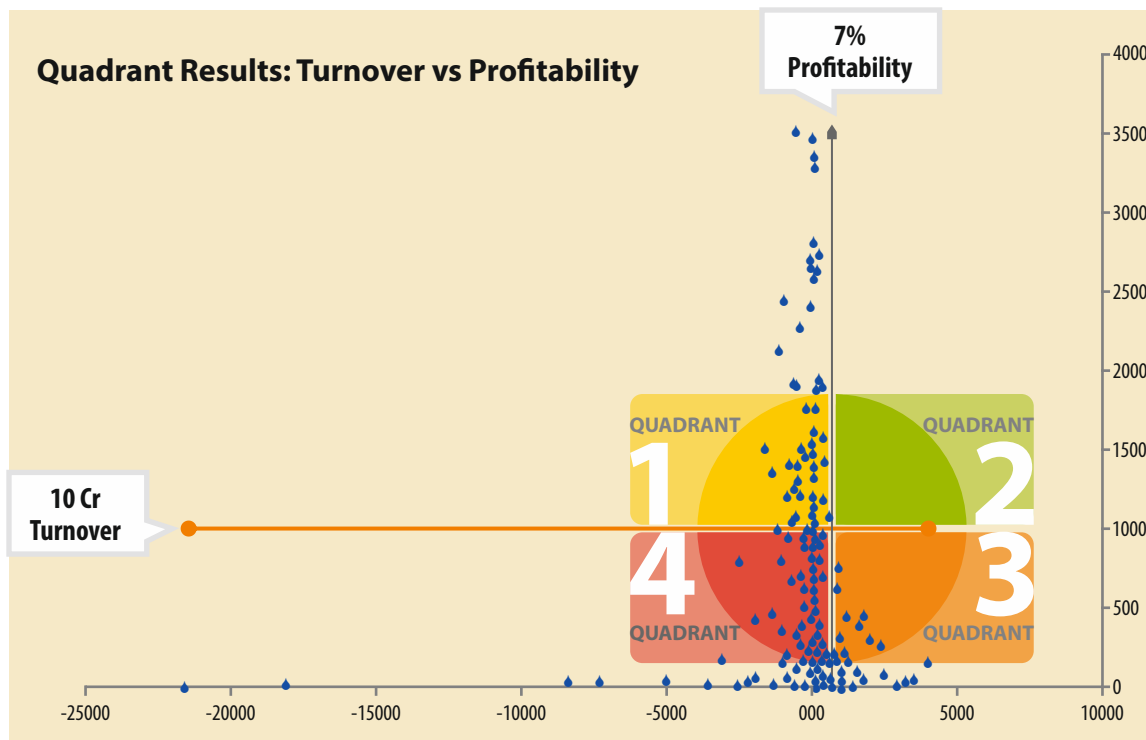
Quadrant	Uttar Pradesh	Maharashtra	Tamil Nadu	Madhya Pradesh	Meghalaya
I	0	0	25	33	0
II	0	0	0	0	0
III	6	11	1	6	2
IV	49	46	22	13	7

Key Observations:

- **62% of PACS were placed in Quadrant IV**, indicating low profit as well as low turnover. These PACS are generally struggling with limited business activity, poor governance, and inadequate diversification, and will require the most attention going forward.
- **26% were placed in Quadrant I**, showing relatively higher turnover but thin margins. With better financial management and targeted support, many of these PACS can move towards sustainability.
- **12% were found in Quadrant III**, with higher profitability but lower turnover. These PACS are doing reasonably well financially but have scope to expand their activities and reach a larger member base.
- **No PACS fell into Quadrant II**, which represents the ideal scenario of high profit and high turnover. This absence confirms that while positive elements exist across regions, achieving both financial strength and business volume simultaneously remains a challenge for most PACS.



The scatter plot of Turnover vs Profitability further confirms that the majority of PACS operate at marginal profit levels, with a clustering of data points near the zero-profit line despite variations in turnover. A few outliers on the negative axis reflect PACS with significant operational inefficiencies or high Non-Performing Assets (NPAs). The absence of data points in the high profit, high turnover quadrant reinforces that very few PACS have achieved both scale and efficiency simultaneously.



Interviews with PACS and District Administration

Despite constituting the largest group of cooperative institutions in the country, PACS face a severe shortage of employees. **One secretary is managing up to 10 PACS** in several cases.

Although digital infrastructure has been provided by the district, staff are unable to manage operations digitally due to lack of training and capacity. An AR Cooperative official from Azamgarh noted that PACS are not complying with government accounting and financial reporting guidelines due to a lack of physical, in-person training. **"No physical trainings have been organised for a long time for PACS and cooperative staff. There is an urgent need for hands-on training for ADOs, DCOs, and B-PACS secretaries."**

Staff shortages also exist at supervisory levels, with ADO and DCO staff overburdened, often handling **2 to 3 blocks or tehsils each**, directly affecting monitoring and support services.

Member deposits and borrowings from DCCBs constitute the two primary components of PACS working capital, with borrowing criteria varying from state to state. **Timely loan repayment by members remains a persistent issue**, leading to a sharp rise in overdue loans. A large proportion of Non-Performing Assets (NPAs) caused by wilful defaults are eroding the financial viability of PACS. The current regulatory framework also lacks the robustness needed to adequately address governance issues, corruption, and fraud, further weakening institutional trust and performance.



Key points from Stakeholder Interviews with PACS

State-wise key points noted



1. There is an urgent need for elections to constitute a new Board, or for outdated policies requiring Board approval for every major and minor decision to be revised.
2. Major delays are being faced in obtaining Joint Registrar approvals for opening new ventures and hiring new personnel.
3. A systematic approach to loan repayment needs to be created to avoid a growing number of defaulters.
4. Currently, uniform policies place all PACS on the same level regardless of their turnover, profits, or losses. Updated grading mechanisms can be explored to distribute profits according to performance.
5. Defaulters need to face specific penalties to distinguish them from regular paying members and reduce the influence of loan pardons.
6. Performance-based incentives for PACS and their management can be explored to motivate secretaries and other employees to improve business operations and attract new talent.
7. There is a need to address the general lack of motivation to improve and explore new business opportunities.



1. PACS are looking for ways to improve their current condition and sustain growth, despite performing well in lending, PDS, and warehousing.
2. PACS want to venture into new businesses but are required to first create and submit a formal business plan with working capital support to Joint Registrars for approval, particularly for the following ventures:
 - Petrol Pump and Gas Agency
 - Cement Agency
 - Processing Unit for Agri-produce
3. PDS shops are exploring a home delivery model for older members who are unable to physically visit the shops.
4. PACS are being urged to focus more on the state's agenda, such as providing gold loans, rather than receiving support to venture into other businesses.
5. There is a need for more training on the ERP system, as currently all staff are self-taught and require handholding support to efficiently use all its features.
6. Skill development training is needed to build capacity for handling new categories of items.
7. There is a need for a single-tier system for direct reporting to the Ministry, rather than routing through Joint Registrars, the Board, and District Cooperative Banks, to enable faster decision-making for daily operations.
8. There is potential for creating tie-ups with local medical colleges or pharmaceutical companies as part of an internship programme at PACS Medical Stores.



1. PACS are interested in expanding into lending services, fisheries, and dairy but face Board of Directors (BOD) and land constraints.
2. The Board of Directors is not aligned, and some members treat PACS as a secondary business, limiting their support and involvement.
3. PACS lack land and funds, face human resource challenges, and require guidance and credit support.
4. PACS are not free to operate independently, as the Assistant Registrar (AR) of Cooperatives can transfer staff, and banks tend to dominate operations.
5. PACS are unable to meet local demand for fertiliser, while local vendors are more competitive in wheat procurement.
6. PACS did not receive adequate training and currently only fill mandatory government details, lacking proper skill development and guidance.
7. PACS have the vision and potential to grow, but without operational freedom, funds, and supportive governance, progress remains hindered.



1. There is a general willingness to grow and active steps have been taken to explore and open new ventures.
2. All PACS interviewed had successfully gained Board member trust to use PACS funds for opening new businesses.
3. A lack of incentives and salary increases is making it difficult for PACS to attract new talent, specifically certificate holders needed for opening new business ventures.
4. There is massive potential for opening warehouses, as the areas explored had large produce and a surplus of crops such as onions and grapes.
5. All PACS regularly conducted annual general meetings with a defined agenda. Fliers containing discussion points, date of meeting, name of the board, and meeting location are designed, printed, and distributed to each member a month in advance.
6. Salaries have not increased in the past 10 years, causing employees to leave and seek work elsewhere. There is a need for competitive salaries to attract new talent.
7. Private sellers have gained more traction due to increased market competition, and PACS have faced losses due to supply shortages.
8. PACS are actively using DISHA and NDC, both private software platforms with active customer support and training, while facing difficulty transitioning to the E-PACS system, which uses complex Marathi language that PACS find hard to understand.
9. There is a need to build capacity to effectively use the data collected to make informed business decisions.

Strengthening PACS Through A Comprehensive Growth Framework



To unlock the full potential of PACS and enable them to serve as effective multipurpose rural institutions, a structured Growth Framework is proposed. This Framework acts as a guidance manual for PACS to grow and think as an enterprise, guiding them from basic credit providers to dynamic, self-sustaining rural businesses.

Quadrant 1: High Turnover and Low Profitability

This quadrant describes PACS that are maintaining their current market position without significant growth or decline. These PACS typically have a stable customer base and consistent revenue streams but lack a unique selling product and operate with low or no profit margin.

At one point in time, these PACS had a strong value proposition and high customer engagement. However, the focus and simplicity that drove their success shifted toward rapid growth at all costs, leading to a chaotic attempt to scale in multiple directions.

GROWTH FRAMEWORK for PACS in Quadrant 1

Steps	Focus Areas	Targets	
STEP 1: Take a deep breath, reassess and focus on core customers who derive the highest value from your value proposition	Customer	Focus on your core customer segment that appreciates your value proposition	
	Steps that can ideally be taken:	Focus on one or two customer segments	
		Four steps to decide right target customer	
		1. Research 2. Survey 3. Analyze & Prioritize 4. Convert & Align	
			Use insights to create a customer persona to be targeted
	Competitors	Know your main competitors and position yourself as "the specialist (go-to service provider)"	
	Steps that can ideally be taken:	Study your competitors (competitor analysis)	
		Assess ways to position yourself as the Category Expert	
			You don't want customers comparing you to your customer by price—you want them to see you as the solution
	Geography	Focus on your core geographies	
Steps that can ideally be taken:	Eliminate unsuccessful geographies and focus on growing in selected geographies		

Define your target customers, markets, and geographies based on the value of your product with respect to the competition in the market. Expanding in too many targets in a hasty manner can lead to an increased competition simultaneously. Be patient and refocus.

Steps	Focus Areas	
STEP 2: Keep driving customer value through good products, service, and pricing strategies in selected geographies	Value Proposition	
	Products	Focus on your unique product and innovate by deeply Understanding your customer's needs
	Steps that can ideally be taken:	Compare your product(s) / service(s) with the competition's
		Conduct competitive product assessment w.r.t. customer needs
		Every product competes on eight dimensions, including features, usability, performance, durability, reliability, serviceability, conformance, and aesthetics
		Identify products that should be eliminated
		Identify improvements required in the product to differentiate from competitors and drive better customer value
	Services	Understand customer experience, steps, and emotional highs and lows customers have in their service journey
	Steps that can ideally be taken:	Collect client feedback
		Conduct customer journey mapping
		Compare your customer journey with the competition's
		Dimensions of service are speed & effort, consistency, professionalism, convenience, and aesthetics
		Identify improvements required in the customer journey to differentiate from competitors and drive better customer value
	Pricing	Compare competitors pricing for product(s) / service(s)
	Steps that can ideally be taken:	Examine pricing history (for PACS in this quadrant, often pricing increases to offset diminishing demand)
Set pricing which increases customer value		

First, focus on the value proposition and go-to-market until you create more customer and financial value than the competition.

Steps	Focus Areas	
STEP 3: Avoid scaling in all directions. A small, efficient operation increases margins massively	Go-to-Market	
	Distribution	Deliver With Efficiency, Not Complexity
		To stay profitable with fewer clients, delivery must be smooth and efficient
	Steps that can ideally be taken:	Systemize your delivery with checklists, templates, tools
		Automate admin tasks (onboarding, scheduling, invoicing).
		Outsource low-value tasks instead of hiring a large team
		Keep the business lean
	Sales	Identify and stick to a sales plan that stabilizes income without needing high sales volume
	Marketing	Market your Strong Value Proposition
	Steps that can ideally be taken:	WHO you help
		WHAT outcome you deliver
		WHY your solution is better
		HOW you make their life easier

Once you back your value proposition up with robust functional and organizational strategies and execution, then the business has the blueprints for scaling geographically, or in new markets or new customer segments.



Steps	Focus Areas	
STEP 4: Time to expand	Targets	
	Customer	Find other customer segments who would appreciate your value proposition to expand your customer base
	Steps that can ideally be taken:	Conduct customer, competitive, and market research to help prioritize down to a reasonable number of target geographies
		Make the necessary tweaks and improvements, and attract new customers to expand your base
		Make sure to create synergies while building a customer segment expansion strategy, so as to not disturb your existing core customer
	Market	Stick to narrow yet defined market segments
		Conduct market assessments to identify new markets to target and enter
	Steps that can ideally be taken:	Analyze your current market segments (trend analysis) and identify those with a high demand for your products
		Focus on the segment where customers are willing to pay premium prices
		Note: Only think about entering new markets if you know that your value proposition can make a major impact on that particular market and shift customer perspective or you can create a superior value proposition while generating substantial go-to-market and operational synergies with the existing business model
	Geography	Identify geographies where you can create superior value proposition than your competition in new geography, while generating substantial go-to-market and operational synergies
	Steps that can ideally be taken:	Conduct business model research in selected geographies (value proposition assessment, GTM assessment, Organizational & Functional needs assessment)
		Score and prioritize geographies (decision matrix, ROI analysis etc.)
		Develop geographic expansion plan (typically includes value proposition plan, GTM plan and Org & Functional plan)

Quadrant 2: High Profit High Turnover

This quadrant includes PACS that are growth oriented, competitive, and well diversified. They have modernised operations, adopted innovative practices, and maintained strong customer linkages. With high turnover and profitability, these PACS demonstrate the ability to scale while sustaining financial health.


PACS in this section were observed to have **turnover above ₹10 Cr and profitability above 7%**. These institutions are already in a strong business position and are leading in their business ventures. However, strong performance can also lead to expansion in multiple directions without maintaining focus. The priority should therefore be **strategic and disciplined expansion** while strengthening core advantages.

GROWTH FRAMEWORK for PACS in Quadrant 2

Steps	Focus Areas	
STEP 1: Become the most trusted and preferred PACS by delivering exceptional value	Targets	
	Customer	Expand to new customer bases to deepen engagement
	Steps that can ideally be taken:	Segment your customers by value, identify high-potential underserved groups, strengthen the full customer life cycle
	Market	Leverage strong market position for diversification and leadership
	Steps that can ideally be taken:	Conduct deep market analysis to spot diversification and scale-up opportunities, use formal tools to assess competition and segments, track emerging rural trends, shortlist high-potential adjacent ventures, and position the PACS as a regional leader in key categories
	Competitors	Expand influence and scale operations to stay on par with the competition
	Geography	Expand sustainably into new geographies and markets while staying guided by a clear long-term vision
	Steps that can ideally be taken:	Identify high-growth clusters beyond current areas, use data to prioritize expansion, develop a hub-and-spoke model, explore semi-urban/peri-urban opportunities, and build a phased geographic rollout plan with pilots and risk controls

By building a standout product, continuously improving it, and delivering exceptional customer experiences, PACS can deepen member trust and loyalty. With this relentless focus on value and delight, PACS can strengthen its leadership position and move faster toward long-term, sustainable growth

Steps	Focus Areas	
STEP 2: Continue delivering a strong value proposition by innovating and expanding	Value Proposition	
	Products	You have a standout product, invest in improving it continuously, and deliver an experience that consistently delights customers
	Steps that can ideally be taken:	By strengthening current products through R&D, branding, and packaging, and introducing value-added offerings, PACS can unlock new revenue streams
		With smart cross-selling, and expansion into areas like processing, contract farming, and exports, PACS can widen its product portfolio and scale sustainably across multiple lines of business
	Services	Continue to deliver exceptional services by deeply understanding customer experience at various touch-points, building trust through timely resolutions, and fostering a strong customer-first culture
	Steps that can ideally be taken:	Raise service standards and introduce innovation
		Build staff capabilities to seamlessly run digital services and subscription models, ensuring consistent customer support and smooth service delivery
	Pricing	Maintain transparent, member-friendly pricing that reflects high value, builds trust, and supports expansion into new products and markets
	Steps that can ideally be taken:	By adopting value-based pricing for premium services, keeping core offerings affordable, and using tiered benefits and seasonal pricing, PACS can balance revenue with fairness
		With transparent and member-friendly pricing, PACS can strengthen trust while improving long-term financial sustainability



Steps	Focus Areas	
STEP 3: Avoid scaling in all directions. A small, efficient operation increases margins massively	Go-to-Market	
	Distribution	Build a robust, multi-channel delivery network
	Steps that can ideally be taken:	Strengthen traditional direct distribution and venture into indirect or hybrid channels such as online e-commerce
		You can expand operations by setting up retail outlets, franchise points, or service counters in partner villages
	Sales	Professionalize sales management and boost conversion
	Steps that can ideally be taken:	You can create a dedicated sales team with clear territories, KPIs, and incentives, supported by CRM tools or dashboards to track leads, performance, and follow-ups
		Provide regular training on soft skills, negotiation, and product knowledge, and drive cross-selling and upselling based on customer purchase history
	Marketing	Position as a brand of trust and innovation
	Steps that can ideally be taken:	Develop a clear brand identity – logo, tagline, signage, uniforms, and packaging
		Use radio jingles, local cable ads, Agri-melas, and digital media for outreach
Partner with institutions, NGOs, or government schemes to enhance visibility and trust		




Quadrant 3: Low Turnover and High Profitability

PACS in this quadrant are financially sound and operate efficiently, but they have not grown beyond their current scale. They generate profits, yet turnover remains low because the market they serve is limited or their strategic focus is narrow.

These PACS demonstrate efficient operations and elements of innovation, but growth is constrained by limited market reach. While demand exists for their services, these institutions have not expanded their activities to capture larger opportunities.

The challenge for PACS in this quadrant is **not profitability but scale**. The focus should therefore be on identifying new markets, expanding the customer base, and strengthening competitive advantages that support growth.

GROWTH FRAMEWORK for PACS in Quadrant 3

Steps	Focus Areas	
STEP 1: Deeply understand and develop strategies for your targets	Targets	
	Customer	Define your target customer(s), understand their needs, how they view you and the competition and how are their views and behavior changing
	Steps that can ideally be taken:	Decide on the strategy to drive better customer value (improve your differentiation / competitive advantage; narrow, broaden or re-dimensionalize to reframe and see new opportunities)
	Market	Understand market dynamics that will shape the industry in 3, 5 or 10 years (to identify market opportunities) Develop your market positioning to become the leader (competitive positioning to capitalize on decided opportunities)
	Steps that can ideally be taken:	Define your market, by following four steps – 1. Scan Trends 2. Assess Opportunities 3. Evaluate Fit 4. Select Priority Markets
	Competitors	You can conduct PESTLE analysis and Porter's Five Forces to understand market and competitive dynamics
		

STEP 1 (contd): Deeply understand and develop strategies for your targets	Steps that can ideally be taken:	Identify competitive advantages that need to be developed Eight main sources of sustainable competitive advantage - Brand Loyalty, Location, Scale, Intellectual Property, Innovation, Proprietary Information, Network Effects, and Lock-up Supply
	Geography	Identify which geographies offer the best opportunities, evaluate current areas served, and clarify where to grow, strengthen, or exit
	Steps that can ideally be taken:	Choose the right geographies by following four steps - Review Current Areas, Study Demand, Rank Potential Locations, and Select Focus Zones

PACS lack a deep understanding of the competitive market and target customer segments and need to build sustainable competitive advantage for long-term growth. Dominate your market first and then compete in new markets.

Steps	Focus Areas	
STEP 2: Innovate and differentiate	Value Proposition	
	Products	Strengthen and innovate the core offering to drive customer loyalty and create unique value in the market
	Steps that can ideally be taken:	Develop 1-, 3- and 5-year vision and map resources required to achieve that (Transformation Mapping) Focus on what customers truly value, strengthen your main products to differentiate from competitors and add innovations that create new value
	Services	Improve service delivery using innovation and technology to enhance experience and strengthen the value proposition
	Steps that can ideally be taken:	Identify technologies and innovations that can be leveraged to drive competitive advantage Use innovation to digitize processes to deliver faster, smoother, & more reliable service across every customer touch point, ensuring a consistently good experience
	Pricing	Review and refine pricing to align with the improved value proposition and ensure competitiveness

Develop unique selling points to change the value game.

Steps	Focus Areas	
STEP 3: Ideally, solving the issues with your core value proposition, specifically by building your core products and services and along with pricing will potentially be more beneficial than growing distribution, sales and marketing channels	Go-to-Market	
	Distribution	Determine the current distribution channels
		Identify the best working channels and Eliminate those lagging behind
		Focus on the channel which works best
	Steps that can ideally be taken:	1. Figure out ways to reduce loads and liabilities on the current distribution channel
		2. You could explore new distribution channels but simply expanding your distribution channels might not help the PACS grow
	Sales	Evaluate current sales performance and targets set
	Marketing	Assess current marketing strategies employed
		Identifying scattered and irregular channels
	Steps that can ideally be taken:	1. Review what marketing you are currently doing and whether it reaches the right people
2. Focus your marketing on target customers while concentrating on improving the message, media mix, and test & learn		

Develop Go-to-Market strategies (How do customers learn, decide, buy, use? What is effective marketing, sales, and distribution strategies? What are the trends influencing purchasing decisions?)



Quadrant 4: Low Turnover and Low Profitability

PACS in this quadrant face stagnation or decline. Their operations are often outdated, innovation is limited, and the customer base may be shrinking. These institutions operate with both low turnover and low profitability.

PACS in this section were observed to have **turnover below ₹10 Cr and profitability below 7%**. In the study sample, a large proportion of PACS were located in this quadrant.

Institutions in this category face significant structural challenges. They often struggle with weak value propositions, operational inefficiencies, and limited market reach, resulting in low business activity and weak financial performance.

PACS in this segment have **two possible pathways forward**. They can improve profitability and move toward the high profit quadrant, or increase business scale and move toward the higher turnover quadrant.

GROWTH FRAMEWORK for PACS in Quadrant 4

Steps	Focus Areas	
STEP 1: Focus the target aperture and shrink your way to growth	Targets	
	Customer	1. Define your target customer (one or maximum two customer segments)
	Steps that can ideally be taken:	a. Create customer persona
		b. Understand their needs: 1. Research 2. Survey 3. Analyze & Prioritize
	Market	2. Focus on one market that you want to compete in
	Steps that can ideally be taken:	Clearly define your core market
	Competitors	3. Know your main competitors
	Steps that can ideally be taken:	Conduct detailed competitor analysis
	Geography	4. Identify geographies you are going to win in and how
	Steps that can ideally be taken:	Analyze, eliminate unsuccessful geographies, prioritize geographies based on growth potential

Steps	Focus Areas	
STEP 2: Create a differentiated customer value proposition	Value Proposition	
	Products	1. Deeply understand customer's product / service needs
	Steps that can ideally be taken:	Conduct customer survey
	Services	2. Compare your product(s) / service(s) with the competition's
	Steps that can ideally be taken:	a. Every product competes on eight dimensions, including features, usability, performance, durability, reliability, serviceability, conformance, and aesthetics
		b. Dimensions of service are speed & effort, consistency, professionalism, convenience, and aesthetics
	Product Development	3. Identify and make improvements required in the product to differentiate from competitors and drive better customer value
	Customer	4. Understand and improve customer journey (customer experience, steps, and emotional highs and lows customers have in their service journey)
	Steps that can ideally be taken:	a. Conduct customer journey mapping
		b. Compare your customer journey with the competition's
		c. Identify and make improvements required in the customer journey to differentiate from competitors and drive better customer value
	Pricing	5. Set pricing which increases customer value
Steps that can ideally be taken:	a. Compare competitors pricing for product(s) / service(s)	
	b. Decide pricing based on competitive dynamics, variable and fixed costs, customer psychology and perception, brand value, demand curves, and impact on profitability	

Steps	Focus Areas	
STEP 3: Develop Go-to-Market strategies	Targets	
	Marketing	How do customers learn, decide, buy, use?
	Steps that can ideally be taken:	What is effective marketing, sales, and distribution strategies?
		What are the trends influencing purchasing decisions?

Implementing the Growth Framework

Markets are evolving rapidly, making it important for PACS to adopt a clear strategy to identify growth opportunities. Regardless of competition, strategy remains critical for improving performance and sustaining growth.

PACS should tailor products, services, and communication to different customer segments rather than using a one size fits all approach. The Four Quadrants of Growth model helps PACS identify opportunities and build meaningful differentiation.

The goal of strategy is to maximize outcomes through efficient use of resources.

Implementing a growth framework requires a structured approach to identify opportunities, track performance, and support decision making. The tools used may vary depending on the PACS' size, goals, and strategy.

1. Surveys

Surveys help PACS understand customers and make data driven decisions. The type of survey depends on the PACS' goals and stage of business.

Key areas include:

- Current market size
- Profit or loss-making business ventures
- Customer needs and satisfaction
- Market demand
- New or unexplored geographies

2. MIS Tools: Management Information Systems help track operations and financial performance.

Examples: E-PACS Online, Enterprise Resource Planning (ERP)

3. Data Analysis Tools: Analytics tools help identify trends and measure growth outcomes.

Example: Google Analytics

4. Communication Tools: Digital tools help PACS communicate with members and customers.

Examples: WhatsApp, SMS or messaging platforms.

5. Market Linkage Platforms: Digital platforms connect farmers to markets & improve price discovery.

Example: eNAM Portal

6. Financial Access Tools: Financial tools support credit access and transactions.

Examples: Kisan Credit Card (KCC), RuPay

7. Service Delivery Platforms: Digital platforms enable PACS to deliver government & citizen services.

Examples: Common Service Centre (CSC) Network for bill payments, IRCTC ticketing, and insurance schemes.

Recommendation



PACS that outperform their competition have developed and executed the right strategies. Tailoring a clear strategy can help PACS strengthen their position while better serving their customer segments. Secretaries can use the existing infrastructure of PACS to implement specific growth strategies and position their institutions distinctly.

PACS also have strong potential to expand their portfolio by delivering additional government services and entering new business activities. These include:

- **Healthcare:** Acting as Pradhan Mantri Bhartiya Janaushadhi Kendras (PMBJK) to provide affordable generic medicines to rural citizens.
- **Energy:** Operating LPG distributorships and petrol or diesel dealerships.
- **Rural infrastructure:** Supporting the operation and maintenance of piped water supply schemes ("Paani Samitis") and managing decentralized grain storage facilities.
- **Renewable energy:** Facilitating solar energy programmes such as **PM-KUSUM**, enabling farmers to adopt solar agricultural pumps.
- **Processing:** Including products such as milk, onion, and cement.

Based on findings from both phases of the study, a set of actionable recommendations within the Growth Framework has been developed to guide PACS toward sustainable growth and operational efficiency. These recommendations focus on strengthening financial capacity, improving human resource management, enhancing service delivery, and leveraging institutional linkages for long-term resilience.

The objective is to enable PACS to function as **dynamic, member-centric, and financially viable rural institutions** that contribute to agricultural development and rural livelihoods.

Financing a New Venture

- Identify funding sources such as **bank loans, government schemes, NABARD, and cooperative banks.**
- Collate required documentation and identity certificates for timely loan disbursement.
- Establish clear channels for loan repayment supported by effective monitoring mechanisms.

Human Resource Acquisition

- Engage youth from local colleges and universities as **interns or full-time associates** to support technology adoption, strengthen digital operations, and improve efficiency in service delivery.

Service Delivery

- Provide **timely and affordable credit** to member and non-member farmers with clear disbursement and repayment systems.
- Offer **storage facilities and basic post-harvest infrastructure** to reduce crop losses and improve price realisation.
- Ensure **timely distribution of essential farm inputs**, including high-quality seeds and fertilizers.

Possible Convergence with SHGs and FPOs

PACS can strengthen growth by building strategic linkages with Self-Help Groups (SHGs) and Farmer Producer Organizations (FPOs). SHGs bring strong community networks, while FPOs offer access to marketable agricultural produce, creating mutually beneficial opportunities across all three institutions.

One viable model involves a structured supply chain where:

- FPOs assist in procuring raw agricultural produce
- SHGs undertake processing and manufacturing on behalf of PACS
- PACS serve as the marketing and distribution platform for both FPO and SHG products

This collaborative ecosystem improves market access for FPOs, generates new business opportunities for PACS, and enhances income for SHG members.

In summary, these recommendations provide a practical roadmap for strengthening PACS as vibrant rural enterprises. Implementation will require coordinated efforts from state cooperative departments, NABARD, banks, and government agencies.

By combining financial discipline, digital adoption, and strong human resource engagement, PACS can evolve into self-sustaining institutions capable of meeting the changing needs of farmers and rural communities. Translating these recommendations into state-level implementation plans and continuous capacity building will be essential.

The PACS Growth Framework offers a structured, evidence-based pathway to revitalise cooperative institutions at the grassroots level. By addressing both institutional and operational challenges, it aims to make PACS more resilient, efficient, and digitally empowered. With sustained support and collaboration, PACS can play a key role in advancing financial inclusion, agricultural productivity, and sustainable rural development.



Conclusion

PACS have strong outreach, institutional relevance, and a willingness to grow. However, many continue to face structural and operational challenges that limit their sustainability and long-term growth. These challenges include over dependence on credit activity, weak financial management systems, limited professional capacity, low adoption of digital tools, and inadequate linkages with markets and financial institutions.

There is significant opportunity to utilise the potential of PACS and support the Government's vision of expanding and strengthening them through diversification into agri inputs, services, processing, and other allied activities. However, these initiatives require a clear understanding of PACS' financial health, institutional capacity, and readiness to adopt new business models and digital infrastructure. Without this, implementation may remain uneven and the overall impact may be limited.

The study findings revealed considerable variation in digital maturity and operational effectiveness across the PACS surveyed. Several key challenges were identified:

- Limited digital infrastructure and low levels of automation
- Insufficient staff awareness and training on digital tools
- Fragmented and limited financial service offerings
- Poor integration with digital financial systems and government schemes

These findings highlight the need for a structured and evidence-based assessment of PACS, along with a practical growth framework to guide institutions toward improved governance, diversified income streams, digital adoption, and long-term financial viability.

The PACS Growth Framework and Toolkit provide a structured pathway to revitalise cooperative institutions at the grassroots level. By addressing both institutional and operational challenges, the framework aims to make PACS more resilient, efficient, and digitally empowered while strengthening their role as primary service providers for rural communities.

The next step is to gather stakeholder feedback and validation to refine the framework and ensure its applicability across states. With coordinated support and sustained efforts, PACS can emerge as key enablers of financial inclusion, agricultural productivity, and sustainable rural development.

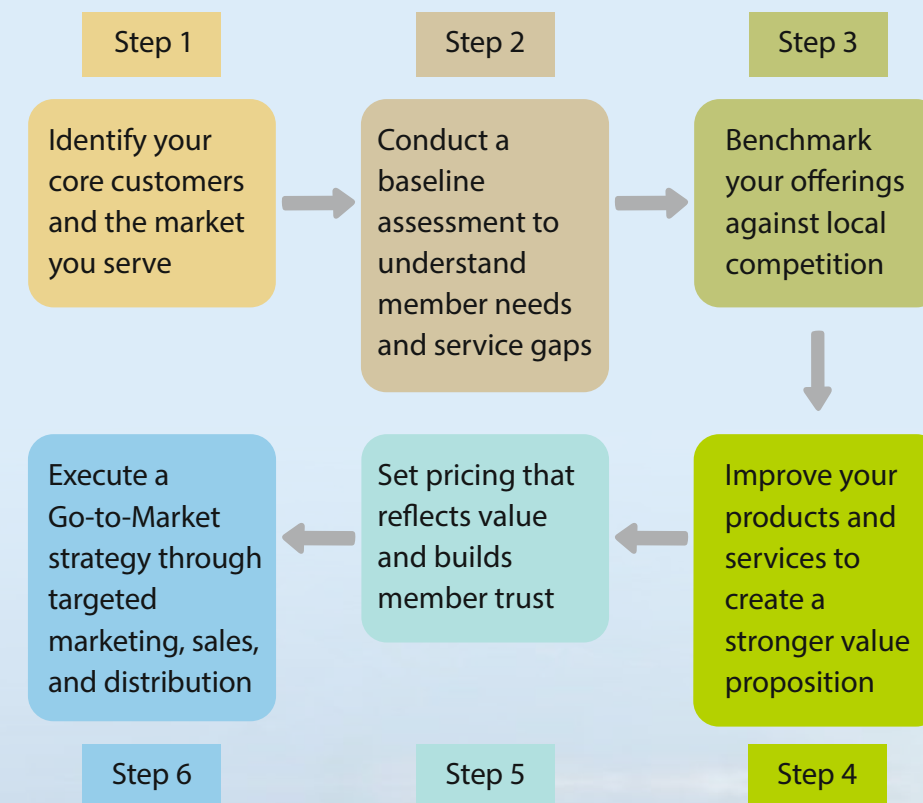




Pilot and Refinement of the Framework

As the next step, the Growth Framework will be piloted with selected PACS across different states, building on their existing business activities. The pilot aims to test the Framework on the ground, understand practical challenges, and assess its usefulness across PACS with varying levels of performance. Learnings will be used to refine the Framework and its tools before wider implementation.

Putting the Framework to Work: A 6-Step Growth Pathway for PACS





1. India Filings, Learn, IndiaFilings Registrations, "MSME New Definition"
2. NABARD, Circulars, Continuation of Modified Interest Subvention Scheme for Short Term Loans on interim basis during the year 2024-25, 03 June, Ref.No.NB.DoR/9060-9090 /IS-1/2024-25, Circular No.105/DoR-22/2024
3. Ministry of Cooperation, Press Release, "Primary Agricultural Credit Societies (PACS)", Posted On: 04 FEB 2025 3:32PM by PIB Delhi
4. Ministry of Cooperation, Press Release, "Primary Agriculture Cooperative Credit Societies Expansion" Posted On: 22 JUL 2025 1:33PM by PIB Delhi
5. Interest Subvention Scheme, NABARD
6. Ministry of Cooperation, Press Release, "Strengthening of Primary Cooperative Societies", Posted On: 27 NOV 2024 4:38PM by PIB Delhi
7. Ministry of Cooperation, Press Release, "Success of Jan Aushadhi Kendras with PACS" Posted On: 26 MAR 2025 2:50PM by PIB Delhi
8. Ministry of Cooperation, Press Release, "Digitization of PACS is a vital step towards development of rural India, it has improved access to financial services and promoted transparency and efficiency", Posted On: 25 JAN 2025 8:56PM by PIB Delhi
9. Ministry of Cooperation, Press Release, "Digitalization of Primary Agricultural Credit Societies (PACS)", Posted On: 27 NOV 2024 4:42PM by PIB Delhi
10. FAQ- <https://www.nabard.org/digitalizing-cooperatives-faq.aspx#:~:text=Some%20of%20the%20indicative%20business,center%2C%20locker%20facility%2C%20etc.>
11. <https://www.indiancooperative.com/co-op-news-snippets/pacs-profits-rise-by-18-losses-decline-by-4-rbi-report/#:~:text=PACS%20profits%20rise%20by%2018,surge%20in%20short%2Dterm%20loan.>
12. <https://www.cooperation.gov.in/en/initiatives-ministry-cooperation#:~:text=The%20Ministry%20of%20Cooperation%20aims,to%20provide%20services%20of%20CSC.>
13. Ministry of Cooperation, Press Release, "Expansion of e-governance services through PACSs and CSCs", Posted On: 11 DEC 2024 5:20PM by PIB Delhi
14. <https://www.cooperation.gov.in/en/worlds-largest-grain-storage-plan-cooperative-sector-0#:~:text=This%20decentralized%20storage%20will%20reduce,activities%20and%20increasing%20farmers'%20incomes.>
15. <https://www.slideshare.net/slideshow/retail-store-operations-brief/13836900#1>
16. "Recovery Performance of Primary Agriculture Credit Societies in India: An Assessment", Author/s: Rabin Mazumder, Army Institute of Management, India; Chandrasekhar Chakravarty, Asia e University, India; Amit K. Bhandari, RBC Evening College, KIARTD and IZA; Discussion Paper No. 8294, June 2014

17. "Performance of Primary Agricultural Credit Societies: Evidences From Haryana", Author/s: Vijay Singh Hooda, S.S. Chahal, Deptt. of Commerce, M.D.U., Rohtak, Haryana.
18. "Customer Or Member Satisfaction Of Primary Agricultural Credit Societies In Kerala", SUJITH S, Dr. M. SUMATHY, INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH VOLUME 8, ISSUE 12, DECEMBER 2019
19. "Primary Agricultural Credit Societies and Agricultural Development in India", Chaithra B.N34
20. "Performance Evaluation Model for Primary Agricultural Credit Societies", Yashavantha Dongre and MV Narayana Swamy
21. <https://www.global-agriculture.com/india-region/functional-primary-agricultural-cooperative-societies/>
22. https://www.business-standard.com/finance/news/govt-to-soon-provide-long-term-finance-via-pacs-to-empower-farmers-shah-124112601242_1.html
23. <https://www.cooperation.gov.in/en/about-primary-agriculture-cooperative-credit-societies-pacs>
24. <https://www.nabard.org/digitalizing-cooperatives.aspx#:~:text=CENTRALLY%20SPONSORED%20PROJECT%20FOR%20COMPUTERIZATION,years%20of%20the%20previous%20decade.>
25. <https://www.outlookbusiness.com/news/digitisation-of-pacs-to-be-complete-by-this-year-end-or-jan-2025-cooperation-secretary>
26. <https://www.cooperation.gov.in/hi/node/1437>
27. <https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=2077945®=3&lang=1>
28. <https://c4scourses.in/blog/primary-agricultural-credit-societies-pacs-2/>
29. Indian Cooperative Movement, A Statistical Profile-2018, XVth Edition December, 2018, N. Satyanarayana, Chief Editor, Chief Executive, NCUI
30. <https://www.vcita.com/blog/payments/small-business-profit-margins#:~:text=Profit%20margins%20vary%20significantly%20by%20industry.%20The,and%20reaching%20only%20as%20high%20as%204.5%25>



Notes

A series of horizontal dotted lines for taking notes, spanning the width of the page.

