

## Financing and developing PACS

Primary Agricultural Credit Societies (PACS), being registered cooperative societies, have been providing credit and other services to their members. PACS generally provide the following facilities to their members:

- i. Input facilities in form of cash or kind component
- ii. Agriculture implements on hiring basis
- iii. Storage facility

It has been observed that although PACS are generally meeting out credit requirements of their members, there is a need to provide other add on services to them. There is therefore a critical need and scope for developing PACS as units which meet all the needs of farmers. Units which both encourage and enable their farmer members strive towards better returns on agricultural produce, adopt latest technology to increase agricultural production, use new technology & High-Yielding Variety (HYV) seeds store their produce in a scientific way to minimise storage losses and also provide pledge loan against this scientifically stored produce to bridge their credit gap. PACS can play an important role in providing these facilities to the farmers. To increase the business portfolio of PACS so as to make it a self-sustainable entity, it is essential that the PACS should provide additional services like providing agriculture implements on hiring basis, enabling collective purchase of inputs, have good quality storage capacity as per Negotiable Warehouse Receipt System, etc.

In order to enable PACS to provide more services to their members and generate income for themselves, an initiative has been taken to develop PACS as Multi Service Centers. This will enable PACS to provide ancillary services to their members and diversify their activities.

Assistance under Producers Organization Development Fund (PODF) is available to StCooperative Banks/Central Cooperative Banks and PACS for this purpose.

The Scheme has the following components:

### 1. Agro-Storage centre:

Upgradation of the existing storage facility or construction of new godown along with sorting/ grading unit as per Negotiable Warehouse Receipt System which will enable them to issue warehouse receipts. Based on these receipts, farmers can get loans against the crop stored and can cultivate the next crop, thus facilitating better price by holding crops without affecting the fund flow position.

### 2. Agro-service Centre:

Purchase of hi-tech agri-implements like power tiller, land leveller, rotary slasher, movers, seed driller, multi crop planter, paddy transplanter, sprayers, combine harvester etc. depending upon the requirements of members. The earning will be from the rental of these equipment.

### 3. Agro-processing centre:

- Primary Processing: Sorting, grading unit, waxing/ polishing unit, pre-cooling chambers, etc.

- Secondary Processing: Value addition to produce e.g. Mini rice mill, atta chaki, horticulture produce processing etc.

#### **4. Agri -information centre:**

Testing lab for soil & water, creating panel of experts for providing services on payment basis, knowledge dissemination centre, and arrange training for farmers. The testing lab & expert guidance will be available to farmers at a cost.

#### **5. Agri Transportation & Marketing Facilities:**

Procurement of produce, direct market linkage after aggregation /processing, setting up of rural mart etc. The PACS, which are either in the area of marketing or intend to undertake this activity, may create this channel to facilitate the farmers in marketing.

#### **Availability of Funds:**

##### **i. Loan under PODF:**

NABARD will also support some of the PACS identified by the committee under PODF.

#### **Eligibility:**

PACS, being a registered society having the membership of farmers, is eligible to be assisted under PODF. Since the PACS are already an existing legal entity, the requirement of the grant support is not to the extent as in case of Producers Organisations. However, to facilitate PACS in taking up these activities for the benefit of the farmers, need based grant support is available which should not be utilised towards the capital cost of the project. In any case, the grant does not exceed 10% of the loan component. Interest free or low interest loan can also be considered in lieu of grant. The following activities can be supported:

- Knowledge dissemination centre
- Training to farmers
- Initial administrative cost to start new business activities

#### **Margin by PACS:**

Minimum 10% of the project cost. However, in case of rural godown, the margin will be as per the scheme in case the subsidy is claimed by PACS. As of now, NABARD is not one of the eligible institutions to claim subsidy under Grameen Bhandaran Yojana.

#### **Interest Rate:**

The interest rate under PODF is fixed by NABARD's Asset Liability Committee (ALCO).

**Repayment:**

The repayment term will be maximum 9 years, including a grace period of two years.

**ii. Loan through CCB or RRB:**

Loans with subsidy element can be sanctioned under PODF to CCBs for PACS in its area of operation. Each project will be evaluated by NABARD. Since CCB will be taking the loan from NABARD for on lending to PACS, it may charge a maximum additional 1% interest over and above the interest rate charged by NABARD. For example, if the loan is sanctioned to CCB @ 10%, CCB should not charge more than 11% from PACS. Loan can be routed through RRB (where DCCB is not in good health). Other terms & conditions will remain the same as per PODF guidelines.

In case of loans routed through DCCBs/RRBs, NABARD will continue to be involved in identifying PACS, appraising proposals and monitoring project implementation and loan recovery. However, this should not make the DCCBs/RRBs feel at any point of time that they are just a pass through agency.

**iii. Loan from CCB/RRB or from own sources:**

PACS can either use their own sources or avail credit facilities from CCB & RRB. In such a case, the grant support from PODF is not available. CCB or RRB can avail of refinance facilities as per the usual terms & conditions. Regional Office will keep a track of the facilities being developed at PACS level and monitor the same at regular interval.

In cases where loan is from the DCCB or RRB, or own resources are being used and financial support from NABARD is not being taken, NABARD would guide in project formulation, if necessary, so as to enable best utilisation of funds.