



PRIMARY AGRICULTURE CO-OPERATIVE SOCIETIES: GROWTH AND PERFORMANCE IN INDIA

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ABSTRACT

This paper attempts to analyze the growth and performance of PACs and explore the progress of PACS between 2004-2014, in India. They are organized and operated on the basis of co-operative principles. The agricultural contribution to GDP is significantly declining at a rapid pace (14.5% in 2010-11). As per 2011 census about 68.8% of the population resides in rural areas, depending directly and indirectly upon agriculture for their livelihood. Therefore development of agricultural sector is inevitable. PACs continue to be the main sources of agricultural credit to the farmer in rural areas.

KEYWORDS: Growth, Performance, Co-operatives, PACs, Agriculture.

INTRODUCTION:

Agriculture is a backbone of Indian economy. As per the census 2011, about 68.8 percent of population reside in rural area and depending directly or indirectly upon agriculture for their livelihood. The contribution of this sector to the gross domestic product (GDP) is however declining very rapidly and is presently about 15.5 percent (in 2013-14) and the sector is also showing deceleration in growth rates. Therefore, it is very important for this sector to achieve higher growth rates and also acts as an engine of growth, so that growth in other sectors and overall growth rate of the economy can be achieved.

The co-operatives were the pioneers in the subject of rural credit in India (Murray 2008). The entire formal rural credit delivery was more or less confined to the co-operatives credit institutions from 1904(colonial period) to 1969, when the nationalization of commercial banks and the emergence of Regional Rural Bank in 1975 led to the adoption of multi-agency approach to formal rural lending. Even today, the co-operative credit structure has the largest outreach and delivers credit to the largest number of clients in the rural areas when compared to other institutions, although the quantity of credit delivered is second to commercial banks.

The original purpose of the co-operative credit institutions was to free the rural population from the clutches of the money lenders who charged exorbitant interest rate and this continues to be the purpose even to this day apart from financial inclusion. Co-operative banking is not any different from banking except that in the cooperative mode, the clients are also the owners of the institution and not just customers. The short term credit structure consists of the Primary Agricultural Co-operative Societies (PACS) at the base level (villages) which are affiliated to the district level into the District Central Co-operative Bank and further into the State Co-operative Bank at the State level.

Being federal structured, the membership of the District Central Co-operative Bank comprises of all the affiliated PACS and other functional societies and for the State Co-operatives Bank, and the members are

the affiliated District Central Co-operative Banks. One of the most important functions of the District Central Co-operative Banks is to provide financial support to the PACS that are affiliated to it in the district.

RBI GUIDELINES AND BAKSHI COMMITTEE REPORT

The guidelines of Reserve Bank of India permits PACS to become business correspondents of commercial banks and regional rural banks, as and when the District Central Cooperative Banks graduate to the core banking platform. The Bakshi Committee felt it would be ideal for the PACS affiliated to the District Central cooperative Bank to become its business correspondent so that all deposit made at the PACS level are accounted directly in the books of District Central Cooperative Bank and therefore are covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC) protection and also the principal clients of the PACS, namely the farmer members, are able to get and operate ATM and Point of Sale (POS) enabled Kissan Credit Cards.

The Bakshi committee has also recommended that Aadhaar enabled Kissan Credit Cards be issued to all the members/ NABARD has taken the lead in creating a Common Core Banking Solution (CBS) system in more than 200 District Central Cooperative Banks (there are 366 such banks in all) and State Cooperative Banks across the country. It is also creating the required ICT support infrastructure in the form of POS terminals and ATM card, along with arranging capacity building in District Central Cooperative Banks. This will enable District Central Cooperative Banks to provide doorstep banking facilities using the services of PACS as business correspondents. This will also make possible the members clients of District Central Cooperative Banks and PACS to connect to the national payment system and make use of all types of financial services. This can be put into effect in any District Central Cooperative Bank or State Cooperative Bank having stabilized CBS branches.

REVIEW OF LITERATURE

S.S.Kalamkar(2003), "Progress of Agricultural Credit Societies in Maharashtra", The Maharashtra Co-operative Quarterly Vol.89, No.9, pp 21-25.

Viswanath A.R. (2001), "An Analysis of the Performance of Agricultural Credit Co-operatives and their Overdue Problems in India", Indian Co-operative Review, in his study on the performance of agricultural credit Co-operatives and their overdue problems in India reported that the important factors causing mounting overdues are grouped under two broad categories (i) external factors and (ii) internal factors. The external factors are defective agrarian structure with preponderance of small and marginal farmers, mis-utilisation of loans by the borrowers or farmers, natural calamities such as droughts, floods, crop epidemics etc., and willful default and unfavorable climate for recovery.

Laha and Kuri (2011), "Rural credit Market and the Extent of Tenancy: Micro Evidence from Rural West Bengal", Indian Journal of Agriculture Economics, Jan.1.2.2011.

RESEARCH GAP

The review of literature reveals that most of the study on PACS performance was till 2010. This paper aims to fill the gap by analyzing the progress of PACS, between 2010 to 2014, with specific application of statistical tools to understand the progress of PACS in India.

OBJECTIVES OF THE STUDY

- To Examine the trends, growth and performance of PACS in India
- To Assess the number of SC/ST Beneficiaries
- To Evaluate the status of Non-Performing Assets

SIGNIFICANCE OF THE STUDY

PACS plays a vital role in agricultural development in particular and rural development in general. It is the gross root level financial institution available for rural masses.

Scope of the study

The study aims to focus researcher mainly focuses on the performances of PACS relating to its numbers of members, deposits, loans, overdues in India.

Research Methodology

The study is based on secondary data from Official Publications and PACS Report published by National Federation of State Co-operative Bank Ltd (NAFSCOB), and from official website

Period of Study

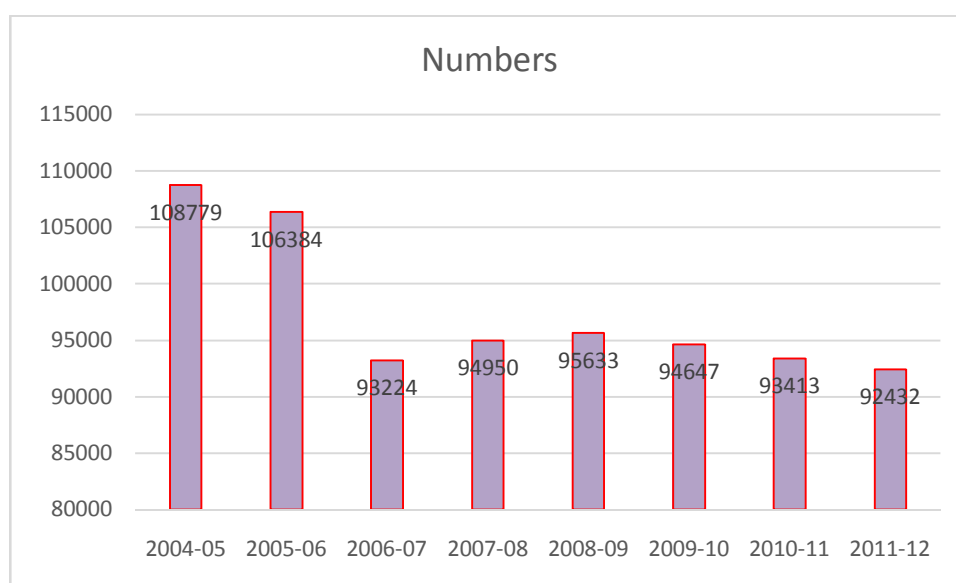
The study period of this study is 08 years i.e., between 2004-2012.

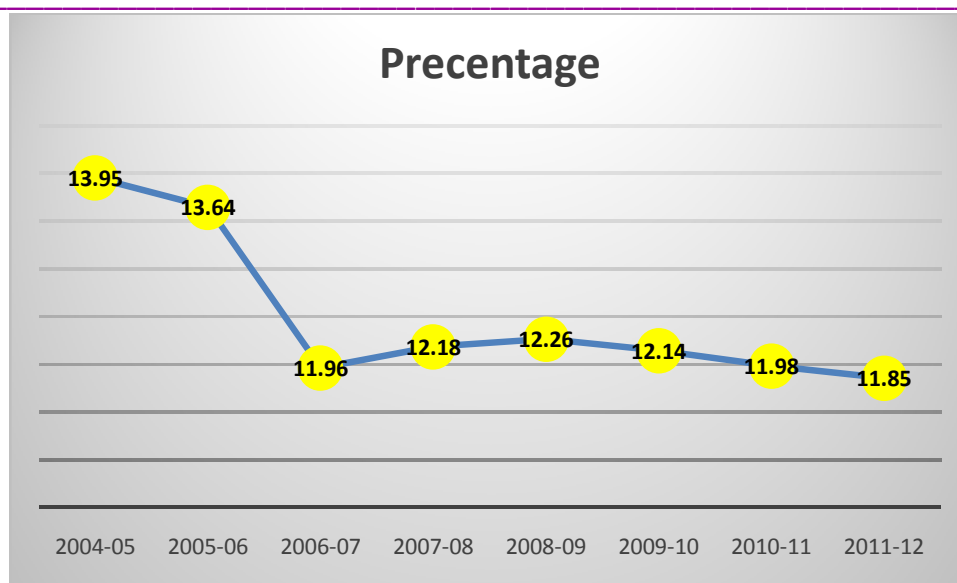
Performance of PACS for the period 2004-12

Table No:1 Number and Percentage growth of PACS during 2004-12

Years	Numbers	Percentage
2004-05	108779	13.95
2005-06	106384	13.64
2006-07	93224	11.96
2007-08	94950	12.18
2008-09	95633	12.26
2009-10	94647	12.14
2010-11	93413	11.98
2011-12	92432	11.85
Total	779462	100

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai



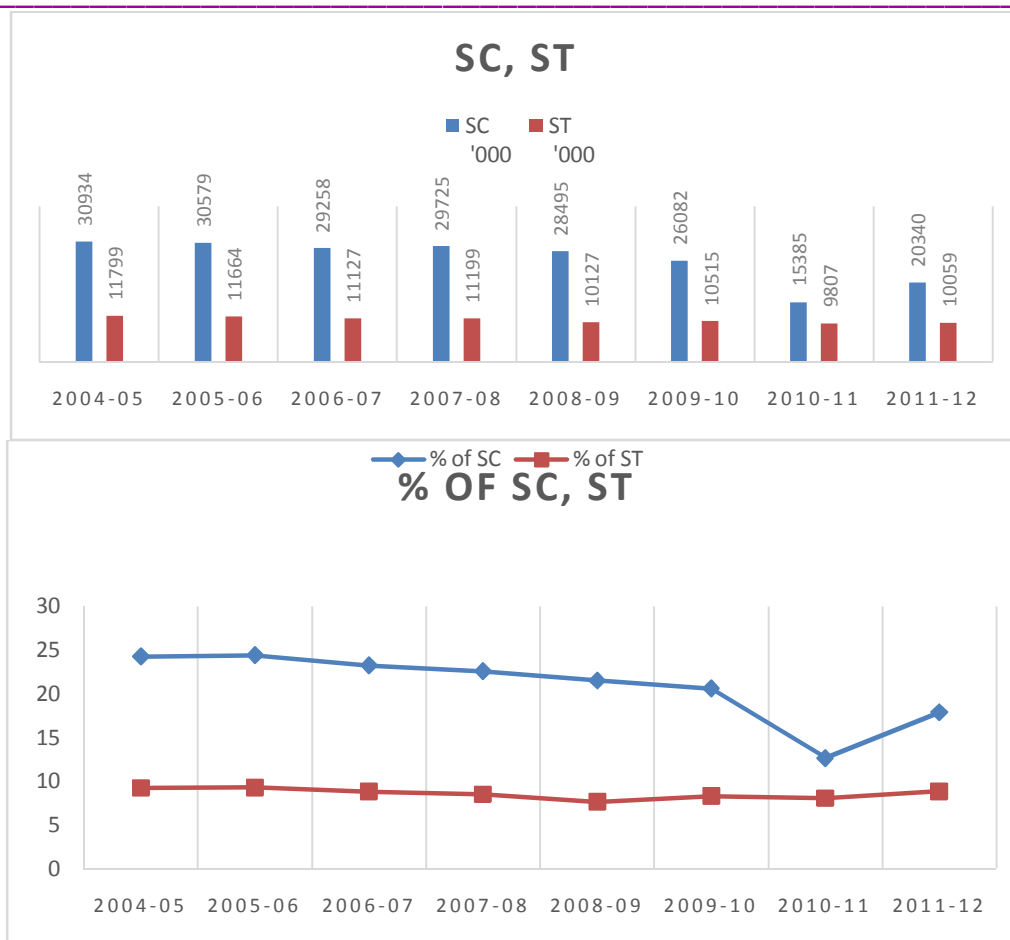


Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

The table and diagram indicate the number of established PACS in terms of number of credit societies. The number of PACS which was 108779 during 2004-05 decreased to 92432 during 2011-12. The percentage growth between 2004 to 2012 is witnessing decreasing trends. The maximum percentage growth which was registered in the year 2004-05 at 13.95 decreased to 11.85 percentage in 2011-12.

Table No:2 Number of total members, SC and ST members with Percentage growth of PACS during 2004-12

Years	SC '000	ST '000	Total Members	% of SC	% of ST
2004-05	30934	11799	127406	24.27986	9.260945
2005-06	30579	11664	125197	24.42471	9.316517
2006-07	29258	11127	125792	23.25903	8.845555
2007-08	29725	11199	131530	22.59941	8.514407
2008-09	28495	10127	132350	21.53003	7.651681
2009-10	26082	10515	126419	20.63139	8.317579
2010-11	15385	9807	121225	12.69128	8.089915
2011-12	20340	10059	113596	17.90556	8.855065



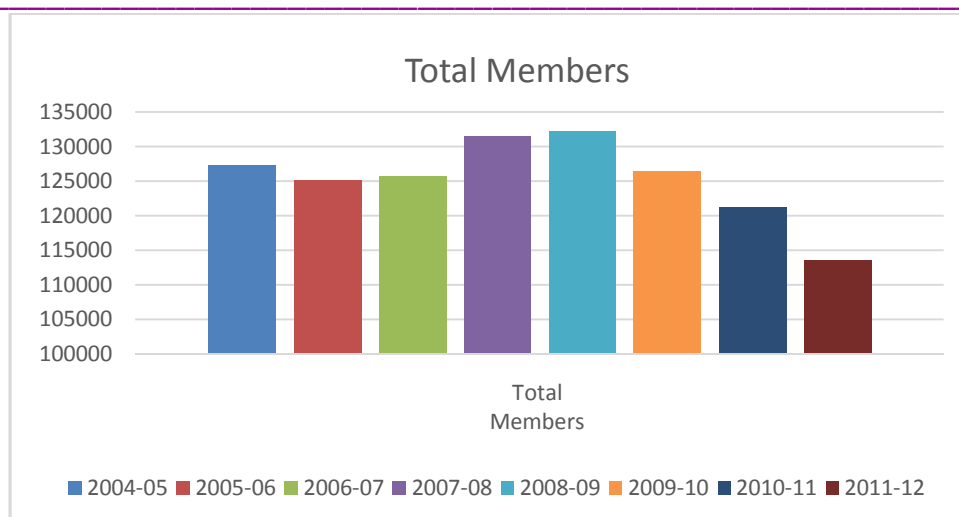
Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

The table and graph show the growth of SC/ST members in Primary Agriculture Co-operative Societies. The total number of members has decreased from 127406 to 113596 between 2004 to 2012. But the percentage growths of SC members are more compared to ST members between 2004-05 to 2011-12.

Table No: 3 Growth of total members PACS during 2004-12

Years	Total numbers of Members
2004-05	127406
2005-06	125197
2006-07	125792
2007-08	131530
2008-09	132350
2009-10	126419
2010-11	121225
2011-12	113596

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai



Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

The table and graph shows the growth in terms total membership of Primary Agriculture Co-operative Societies. The total number of members has decreased from 127406 to 113596 between 2004 to 2012. Maximum membership was registered in the year 2008-09. But after 2008 there is a decreasing trend of PACS members in India.

Table No:4 Total deposits, borrowings and working capital and percentage growth of PACS during 2004-12

Years	Total deposits	% GR	Total borrowing	% GR	Working Capital	% GR
2004-05	1897604	8.23	4024949	9.55	7540741	8.86
2005-06	1956119	8.27	4101760	9.85	7338667	8.61
2006-07	2348407	9.93	4371449	10.49	7995869	9.36
2007-08	2544926	10.76	4784797	11.49	8810685	10.34
2008-09	2624538	11.09	4893844	11.75	9458488	11.17
2009-10	3528607	14.92	5176390	12.43	13519152	15.87
2010-11	3723816	15.74	5400010	12.96	14422190	16.94
2011-12	5025279	21.24	8883557	21.33	16050797	18.85
Total		100		100		100

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

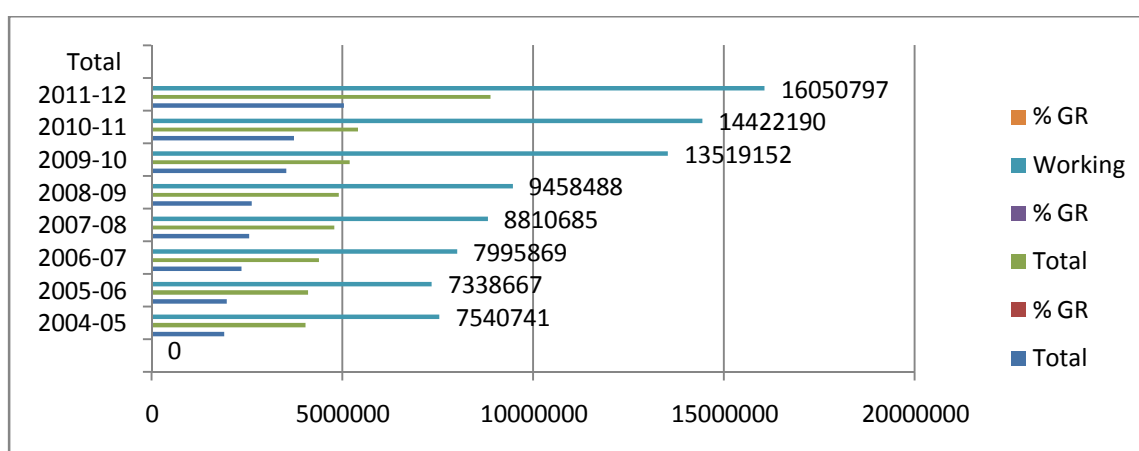
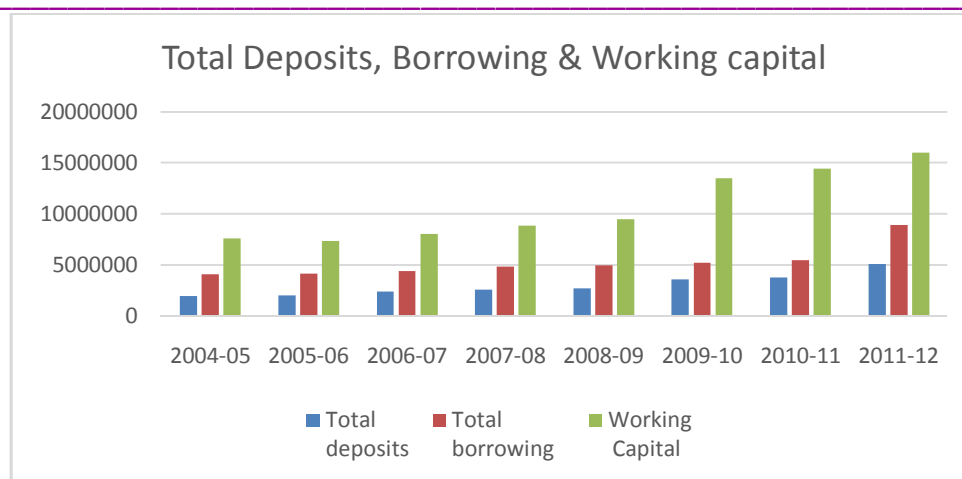
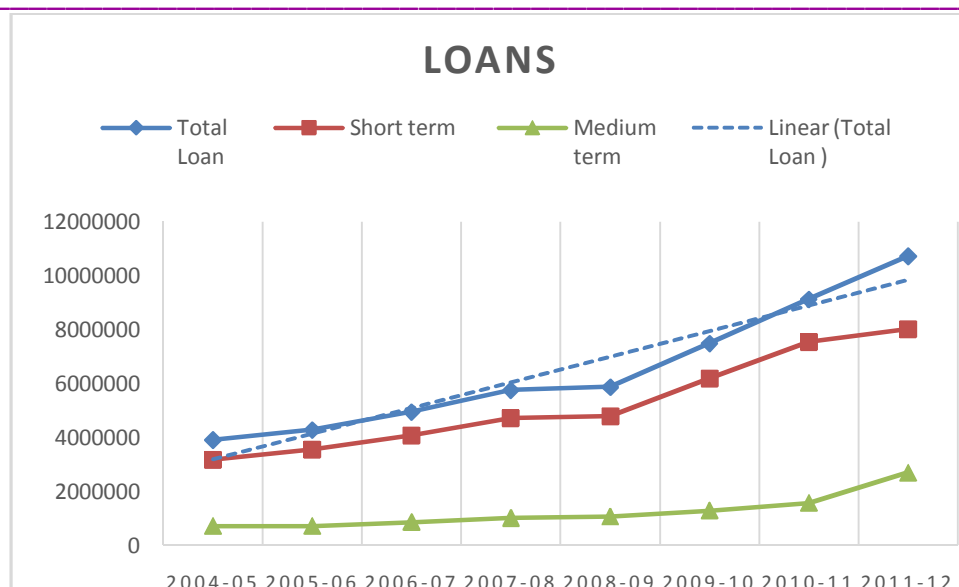


Table No.4 and bar graph show the information regards the deposits, borrowings and working capital of the PACS in India. Between 2004 to 2012, all the three showed increasing trends. The maximum growth of deposits and borrowing was registered at the rate of 21% whereas the working capital registered around 19% during 2014.

Table No:5 Growth of Total Lending, Short and Medium term of 2004-12

Year	Total Lending	Short term	Medium term
2004-05	3921172	3188709	732463
2005-06	4291959	3562354	729605
2006-07	4961275	4079596	881679
2007-08	5764248	4738975	1025273
2008-09	5878674	4802193	1076481
2009-10	7493754	6195076	1298678
2010-11	9130382	7542682	1587700
2011-12	10730023	8022775	2707248

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

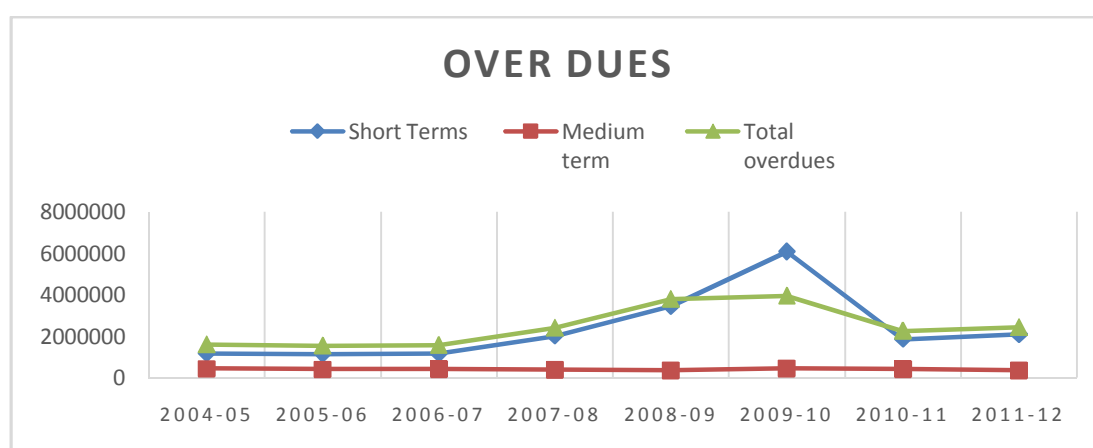


The table and graph shows the loan disbursed by PACS between 2004 to 2012. Between ,2009-10, short term loans increased remarkably.

Table No:6 Growth of Total Overdues, Short term and Medium during 2004-12

Year	Total overdue	Short Terms	Medium term
2004-05	1605223	1165594	439629
2005-06	1547623	1138724	408899
2006-07	1575150	1155795	419404
2007-08	2400348	2018229	382119
2008-09	3793635	3440780	352895
2009-10	3952401	3495835	456545
2010-11	2269713	1858201	411512
2011-12	2430359	2081310	349312

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai

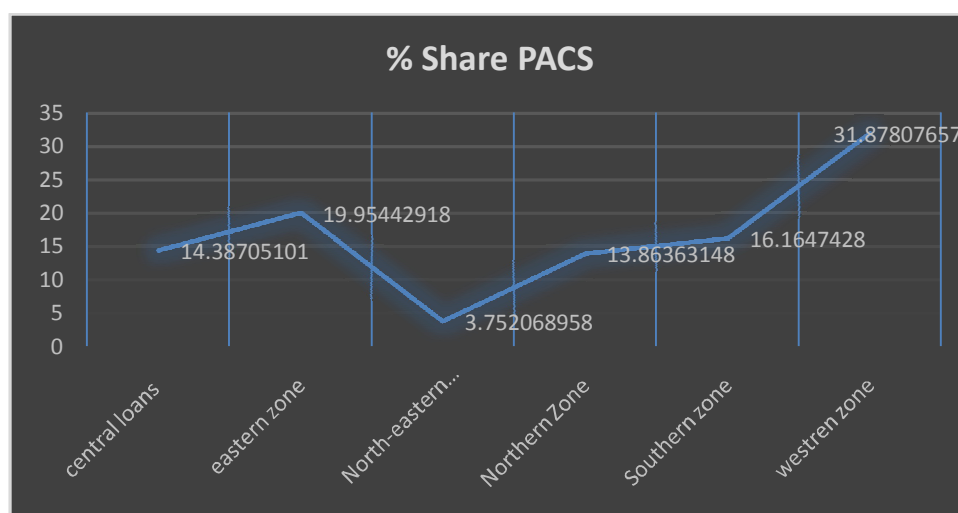
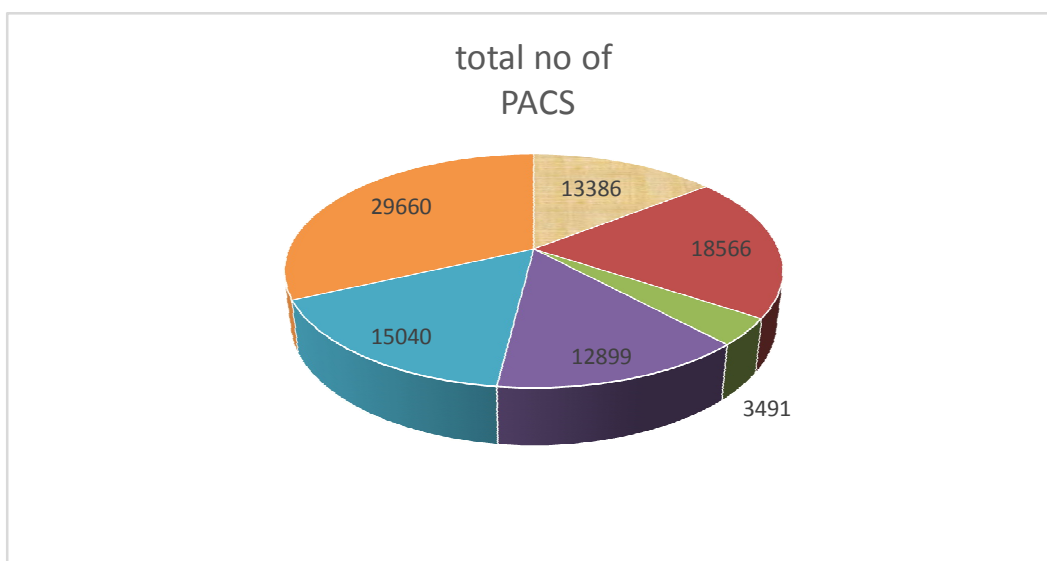


The total overdues has increased from 1605223 to 2430359 between 2004-05 to 2011-12, the maximum overdue was registered in the year 2009-10 at 3952400. During the same year short term and medium term was also maximum.

Table No7: A Comparison and Percentage share of PACS in different zones during 2004-12

Name of the territories	total no of PACS	% Share
central zone	13386	14.38705
eastern zone	18566	19.95443
North-eastern Zone	3491	3.752069
Northern Zone	12899	13.86363
Southern zone	15040	16.16474
western zone	29660	31.87808
All India total	93042	100

Source: Primary Agricultural Credit Societies 2013 by NAFSCOB, Navi Mumbai



The percentage share of PACS in western zone was more than 31% of as compared to other territories. The North Eastern zone registered only 3.75% of PACS during the same period

FINDINGS

- The total numbers of membership have increased during 2004-05 to 2013-14
- There is significant increase in SC/ST membership as increased during the reference period.
- The attitude of the farmers seems to be positive; as a result the total members have increased from 127406 to 113596 between 2004-05 to 2011-12.
- Total borrowing has increased from 402494 to 888355 between 2004-05 to 2011-12 (Almost 4.5%)
- Total deposits, have witnessed a notable improvement from 1897604 to 5025279 between 2004-05 to 2011-12.
- Working capital has also witnessed a notable improvement from 7540741 to 16050797 between 2004-05 to 2011-12.
- Due to better repayment of loans, the gap between loans and outstanding debt is showing decreasing trend.
- The percentage of overdues between 2004-05 to 2011-12 has increased mainly due to nonpayment within due date.
- The western zone alone had more than 31% of PACS in India.
- Overall the growth and performance of PACS has shown positive trends

SUGGESTIONS AND RECOMMENDATIONS

1. The Cooperative Banks must maintain adequate liquid resources, margin, proper scrutiny of loans and should strive for qualitative improvement of the staff.
2. The Cooperative Banks should try to increase their deposits by opening branches in business areas, improve the services to their clients, introduce different types of deposit schemes and offer competitive rates of interest.
3. Cooperative Banks should change their loan policies on the basis of crop loan systems.
4. Cooperative Banks should try to co-ordinate between the Board of Management, Members, Depositors and Employees of bank.
5. Accountability and transparency need to be brought in the implementation of the schemes.

CONCLUSION

Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the realization of agricultural and local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Their key role is to give credits financing various rural based entrepreneurship. Agricultural credits play a number of significant functions of which the primary include the intensification and growth of the agricultural production.

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