

Performance of Primary Agricultural Credit Societies in the Development of Agricultural Sector in Maharashtra

Shivanjali Bade¹ & Dipak Wayal²

¹ Student, Ness Wadia College of Commerce, Pune.

² Asst. Professor, Ness Wadia College of Commerce, Pune.

Received Feb. 07, 2017

Accepted March 13, 2017

ABSTRACT: *Agriculture has become more capital-intensive. Thus farmers' dependence on credit has increased to meet their agricultural needs. Cooperative banks play a significant role in the development of the agriculture sector. Maharashtra state is having three tier structure of Cooperative Banks. Maharashtra State Cooperative Bank (MSCBs) as an apex institution with District Central Co-operative Banks (DCCBs) at district level and Primary Agriculture Credit Societies (PACS) at village level. In this study, an attempt has been made to examine the role of Primary Agricultural Credit Societies in agriculture credit from 2010-2011 to 2019-20 in India and particularly in Maharashtra. Thus, this study examined the organisation, trend and pattern of agriculture credit and challenges faced by PACS banking institution in Maharashtra. . It can be concluded that the performance of PACS with regard to agriculture credit in Maharashtra has deteriorated. There is urgent need to start new PACS in rural areas and provide all financial services at low cost. Efforts shall be made to strengthen PACS by enhancing the capacity, efficiency, and effectiveness. So Government should promote people to open new PACS and ensure that its citizens have easy access to cooperative credit.*

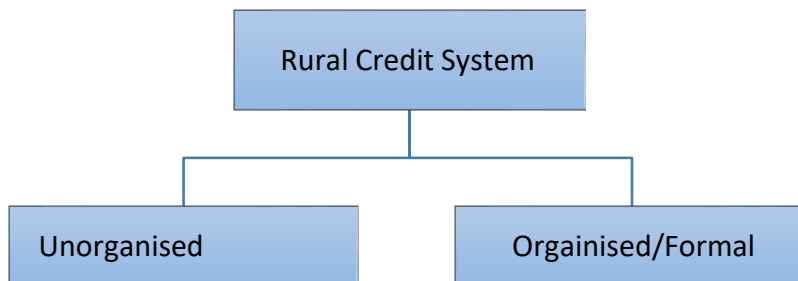
Key words: Agricultural Credit, cooperative Banks, PACS etc.

Introduction:

India is an agricultural country. As per the Economic Survey of 2017-18, 55 percent of the country's population lives in rural areas and 47 percent of the population is dependent on agriculture for livelihood. Agriculture and allied activities contribute 17.5 to 18 percent to the country's GDP. The agriculture sector is an important sector of from the perspective of poverty alleviation and employment generation. But the agriculture sector is facing the problem of credit. The nature of the agriculture business is seasonal. Agriculture needs finance for a particular period for good quality seeds, fertilizers and pesticides, infrastructure facilities, and for meeting the working capital needs of farmers.

Agricultural credit is a key component of the economy. Agricultural credit plays a crucial role in the economy and it helps in enhancing productivity and promoting a standard of living of the farmers.

Rural credit is divided into the following parts:



The rural credit system in India is divided into two parts:

- a) Unorganized or Informal segment: It includes money lenders, input suppliers, and traders.

- b) Organized or Formal segment: It includes Commercial Banks, Regional Rural Banks, Cooperative banks, and NBFCs.

Indian farmers are poor, illiterate, and indebted. Loans from unorganized/informal sectors are available for personal security or on the security of land, which is the main cause of farmers' suicide. The Governmental remedy to meet the challenge posed by the bad state of agricultural finance is mainly that of organizing cooperative credit societies. Nowadays, agriculture has become more capital-intensive. Thus farmers' dependence on credit has increased to meet their agricultural needs. The Rural Banking Enquiry Committee (Thakurdas Committee, 1950) stressed the importance, of having an efficient agricultural finance system, and of sound cooperative credit structure that is capable of developing closer relations with the Bank. Famine Commission (1901) expressed the view that 'in the establishment of mutual credit associations lies a large hope for the future of agriculture in India and the probability of lasting success which will be greatly strengthened if mutual credit associations take root and flourish in the country.'

The history of co-operative movement in India dates back to 1904. In 1904 first cooperative societies act was in 1904 by the government of India. The primary objective of this act was to extend credit facilities in adequate measure at a cheap rate of interest. As per the definition given by the International Labour Organization (ILO), a cooperative society is an association of persons, who assemble for their common cause and work together voluntarily on democratic lines. According to the definition given by the "International Cooperative Alliance" (ICA), a cooperative is an association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. It means that cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity in the tradition of their founders. Cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Cooperative banks play a significant role in the development of the agriculture sector. Agriculture and allied activities, one of the prime sectors of the economy, account for on an average 12.1 percent share in the Gross State Value Added of Maharashtra. Around 50 percent of the rural population in the State is dependent on agriculture and allied activities for their livelihood. Financial assistance to farmers is provided by way of short-term loans, medium-term loans, credit, etc. by the Government through various banks and cooperative institutions.

Maharashtra has been a pioneer in the development of Cooperative Banking and continues to hold the top-ranking position in the field of Co-operative Banking in post-independence years. Maharashtra has proved an outstanding co-operator, Shri. Vaikuntha Mehata and Prof. D.R. Gadgil, Vitthalrao Vikhe Patil who shaped the cooperative movement of India.

Literature Review:

Vijaykumar J. (2016) in his article, "Financial Performance of Primary Agriculture Co-Operative Credit Societies in India", has analysed the performance of primary agriculture credit societies and their contribution to the financial inclusion of farmers and the agricultural development of India. (Vijaykumar, 2016)

Shah D. (2016), in his study, Strategies to Resurrect Rural Credit Delivery System in India, states that "during the period between 1991 and 2000, Financial Institutes in Maharashtra have shown a slower growth in loan advances and other operational indicators and a poor performance afterward". (Shah, 2016)

Kumar, V., et al. (2015), explained that 'members of cooperatives can generate year-round employment and sustainable income by growing crops, vegetables, fruits, and livestock through the suitable farming system'. (Kumar, Wankhade, & Gena, 2015)

Kannusany & Nirmala (2011) studied the "growth pattern of primary agricultural credit societies in India. The study explained the important role played by PACS in agriculture development. The

study reveals that the membership pattern during 2001-2010 has increased with an average compound growth rate of 3.92%". (Kannusany & Nirmala, 2011)

OBJECTIVE OF THE STUDY:

To study the growth and performance of the Primary Agriculture Credit Society concerning agriculture credit in India and with particular reference to Maharashtra.

RESEARCH METHODOLOGY:

The present study is based on secondary data. The necessary data has been collected from annual reports of NAFSCOB, Statistical Abstract of Punjab, Economic Survey of Maharashtra and covered the period of 2010-11 to 2017-18.

Structure of Cooperative Banks in Maharashtra:

Maharashtra state has having three-tier structure of Cooperative Banks. Maharashtra State Cooperative Bank (MSCB) as an apex institution with District Central Co-operative Banks (DCCBs) at the district level and Primary Agriculture Credit Societies (PACs) at the village level.

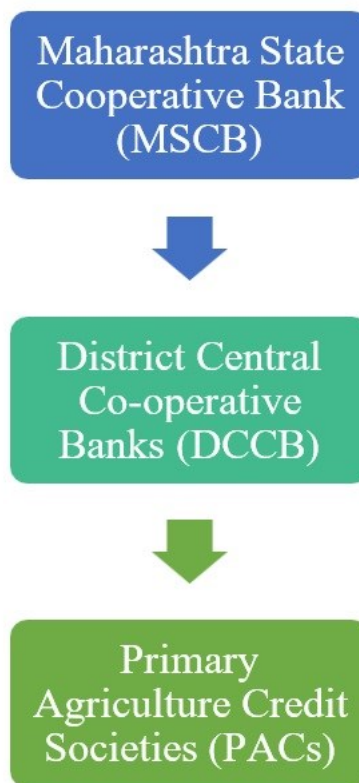


Figure 1 Structure of Cooperative Banks in Maharashtra

The main objective of the cooperative bank is to eliminate exploitations of the farmers by the money-lenders, by providing loans at cheaper rates of interest, repayable at easy instalments. After the Green Revolution, Cooperative Banks have further played its role for the diversification of agriculture loan by providing loans to the farmers for the various allied agricultural activities like Dairy, Poultry and Fishery etc. Cooperative Banks have played a pivotal role in White and Blue Revolutions in the state.

PACS: A Primary Agricultural Credit society can be formed with 10 or more persons belonging to a village or a group of villages. Loans are given to the members of society for short periods, normally for the harvest season, for carrying on agricultural operations. Primary Agricultural Credit Societies are the grassroots-level arms of the short-term cooperative credit structure. PACS directly deals with rural (agricultural) borrowers, issues loans collects repayments of loans issued, and also undertakes distribution and marketing functions.

They occupy a predominant position in the cooperative credit structure and form its base. It serves as the link between the ultimate borrowers on the one hand and the higher financing agencies, namely the Scheduled Commercial Banks, and the RBI/NABARD on the other hand.

Objectives of PACS:

- To cater to the credit need, mostly, farm credit and income generation activities of farmers, artisans, and other members.
- To extend selected banking services to members.
- To implement the Kissan Credit Card Scheme to provide timely and adequate farm credit to members.
- To take up marketing of agricultural produce of member farmers.
- To cater to the consumer needs, mostly, essential commodities of members.
- To create awareness among farmers to adopt improved farming practices.
- To reach up to the unprivileged section of the community through SHGs, JLGs, and TFGs.

STATUS OF PRIMARY AGRICULTURE CREDIT SOCIETY:

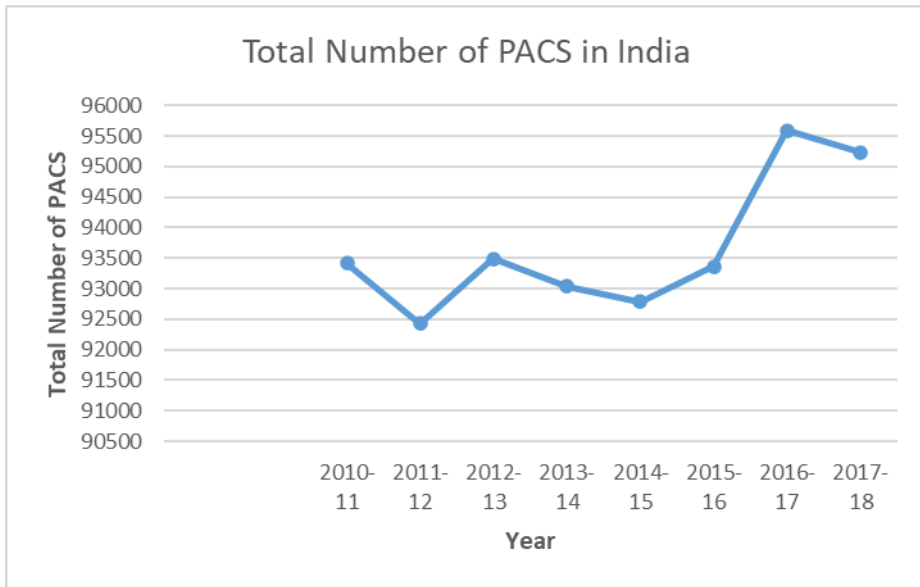
A Primary Agricultural Credit Society (PACS) is a basic cooperative credit institution in India. It works at the village level. Co-operative credit societies are meeting increasingly the needs of farmers. It has deep down penetration amongst all the other credit-providing institutions. At the end of year 2020 there were 95509 PACS in the country with membership over 138158 thousands.

Table No.1-Total Primary Agricultural Co-Operative Credit Societies in India and Maharashtra

YEAR	Total Number of PACS (Numbers)	
	MAHARASHTRA	INDIA
2010-11	21343	93413
2011-12	21402	92432
2012-13	21394	93488
2013-14	21268	93042
2014-15	21199	92789
2015-16	21094	93367
2016-17	21217	95595
2017-18	21181	95238

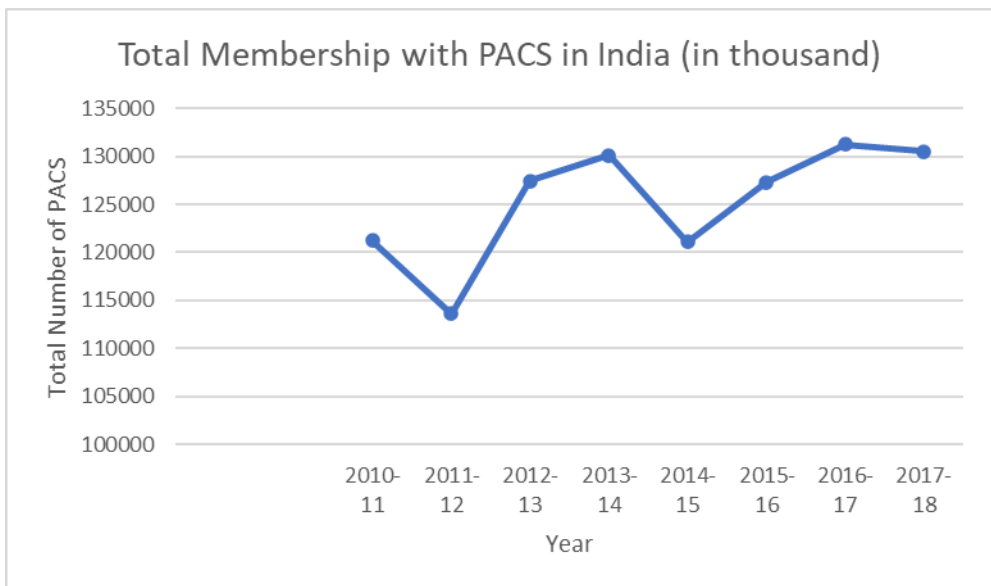
Source: <https://nafscob.org/primary-agriculture-co-operative-societies-basic-data.php>

Figure-1 Figure showing Total number of PACSs in India



Source: Data analyzed by Researcher

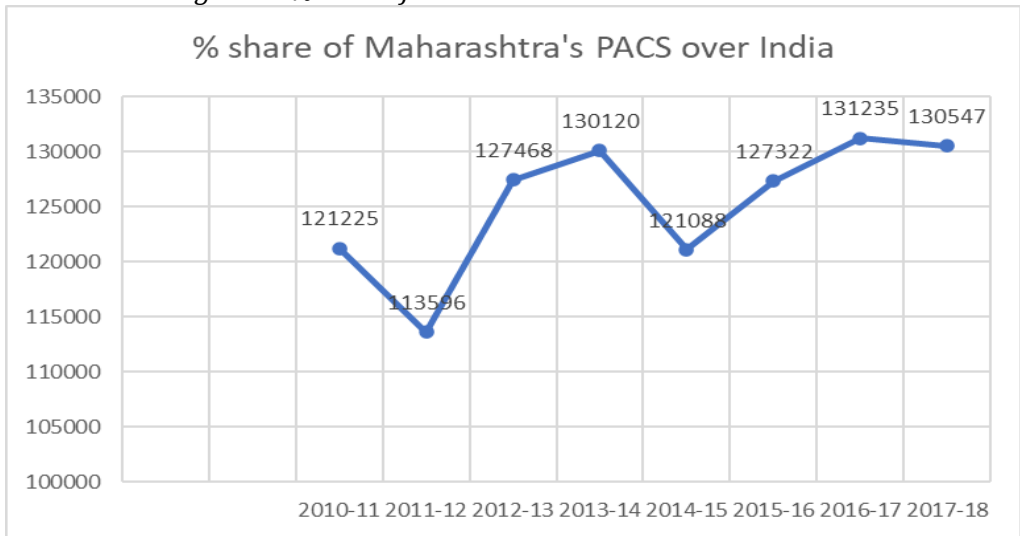
Figure-2: Figure showing Total number of PACS in Maharashtra



Source: Data Analysed by Researchers

Table 1 reveals the Primary Cooperative Agriculture Credit Societies (PACS) in Maharashtra and India from 2010-11 to 2019-20. In the case of India, no. of all PACS in India increased from 93413 in 2010-11 to 95509 in 2019-20, whereas in case of Maharashtra no. of all PACS in Maharashtra decreased from 21343 in 20010-11 to 20151 thousand in 2012-13.

Figure-3: % share of Maharashtra's PACS over India



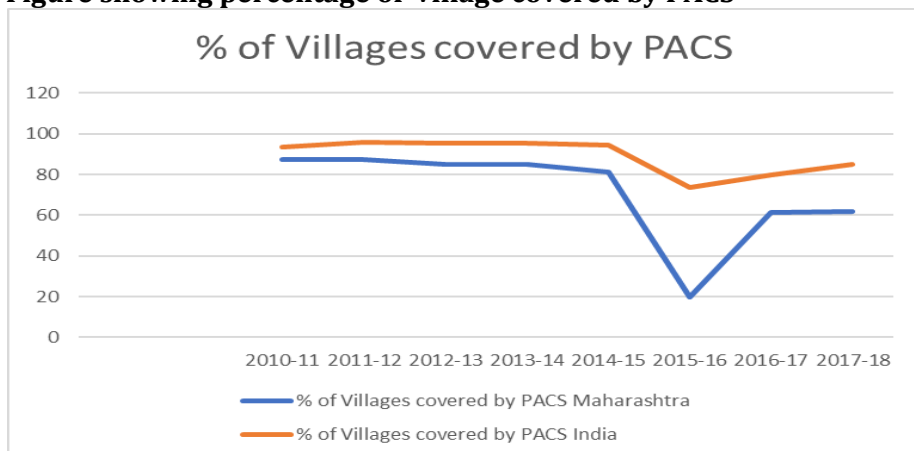
Source: Data analyzed by the Researchers

Table No- 2: table showing villages covered by PACS:

YEAR	TOTAL NUMBER OF VILLAGES		NUMBER OF VILLAGES COVERED BY PACS	
	Maharashtra	India	Maharashtra	India
2010-11	41095	670095	35870	627703
2011-12	41095	702914	35978	675382
2012-13	41095	697610	34860	666199
2013-14	41095	696879	34940	664312
2014-15	41095	667692	33467	629778
2015-16	160528	794840	31406	585453
2016-17	43727	758597	26854	604888
2017-18	44199	751621	27401	639342

Source: <https://nafscob.org/primary-agriculture-co-operative-societies-basic-data.php>

Figure - 4 : Figure showing percentage of village covered by PACS



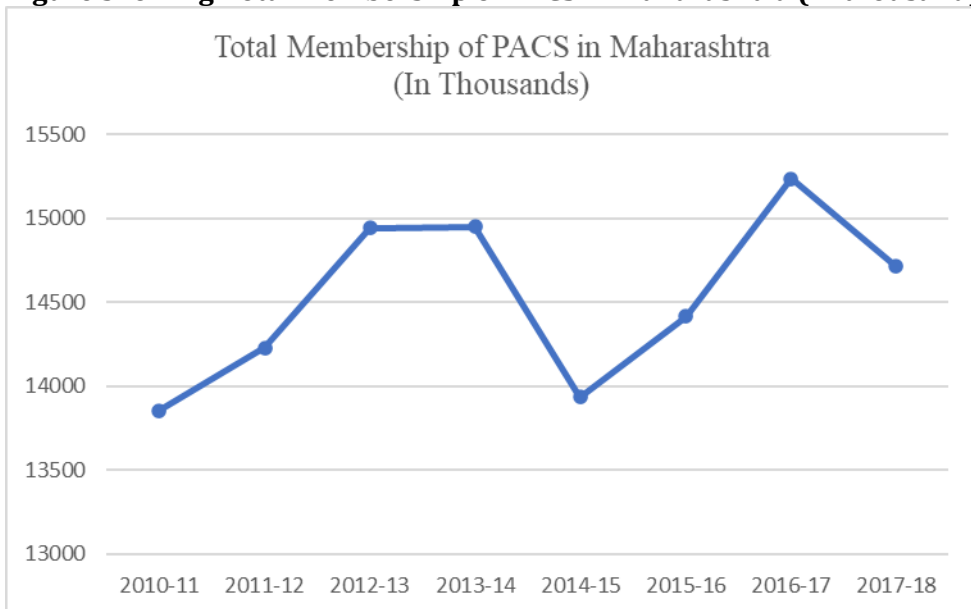
Source: Data analyzed by Researchers

Membership:*Table No.3: Table Showing Total Primary Agricultural Co-Operative Credit Societies in India and Maharashtra*

YEAR	TOTAL MEMBERSHIP (In Thousands)	
	MAHARASHTRA	INDIA
2010-11	13853	121225
2011-12	14230	113596
2012-13	14944	127468
2013-14	14949	130120
2014-15	13933	121088
2015-16	14415	127322
2016-17	15236	131235
2017-18	14713	130547

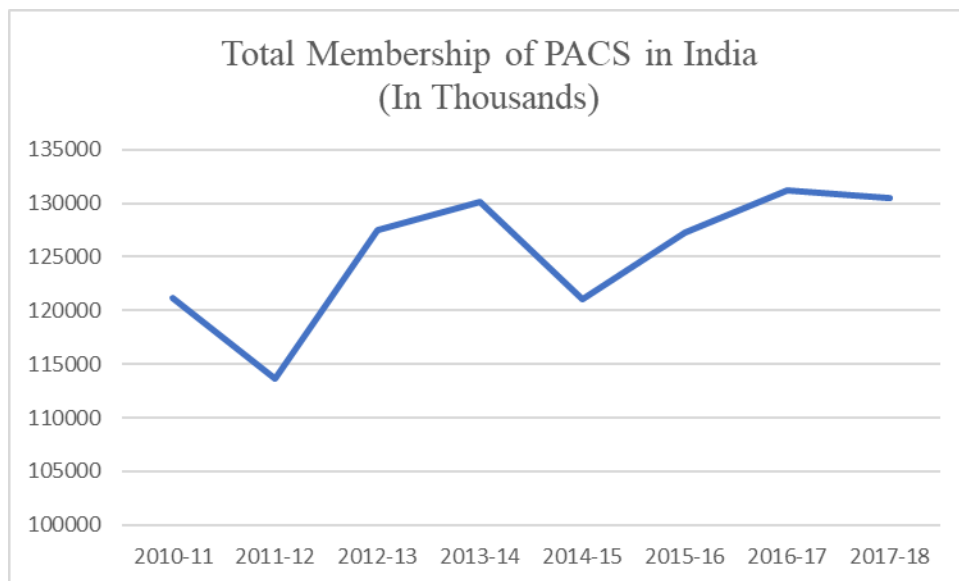
Source: <https://nafscob.org/primary-agriculture-co-operative-societies-basic-data.php>

Source: Data collected by researchers

Figure- 5 Figure showing Total Membership of PACS in Maharashtra (in thousand)

Source: Data analyzed by the Researchers

Figure- 6: Figure showing Total Membership of PACS in India.



Source: Data analyzed by the researcher

In the case of India, membership with all PACs in India has increased from 121225 thousand 2010-11 to 138158 thousand in 2020-21 and in case of Maharashtra membership with all PACS has increased from 13853 thousands in 2010-11 to 18747 thousands in 2019-20.

Borrowers:

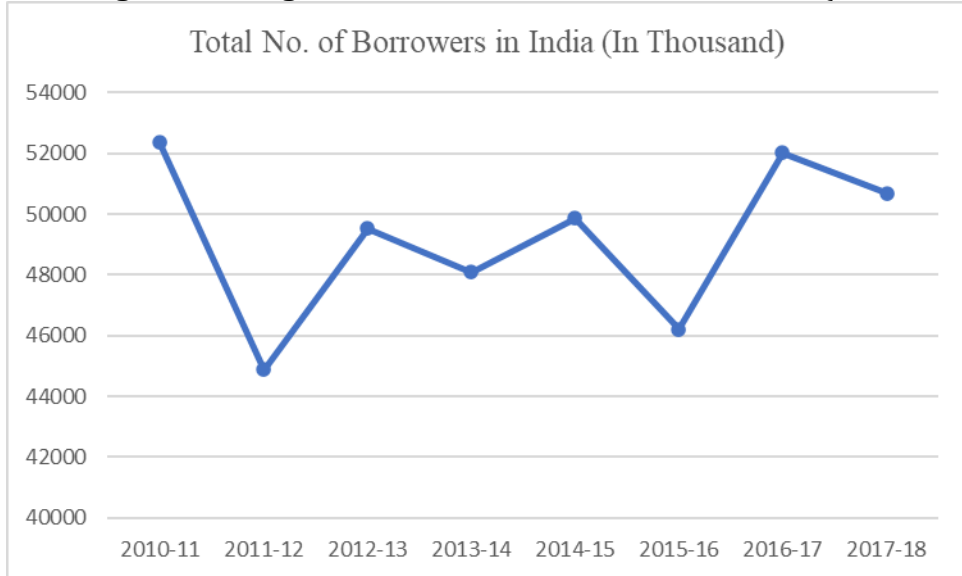
Table No. 4 Total Number of Borrowers in India and Maharashtra

YEAR	TOTAL NO. OF BORROWERS (In Thousands)	
	MAHARASHTRA	INDIA
2010-11	3129	52388
2011-12	3735	44886
2012-13	3611	49533
2013-14	3612	48081
2014-15	481	49858
2015-16	431	46214
2016-17	427	52017
2017-18	439	50690

Source: <https://nafscob.org/primary-agriculture-co-operative-societies-basic-data.php>

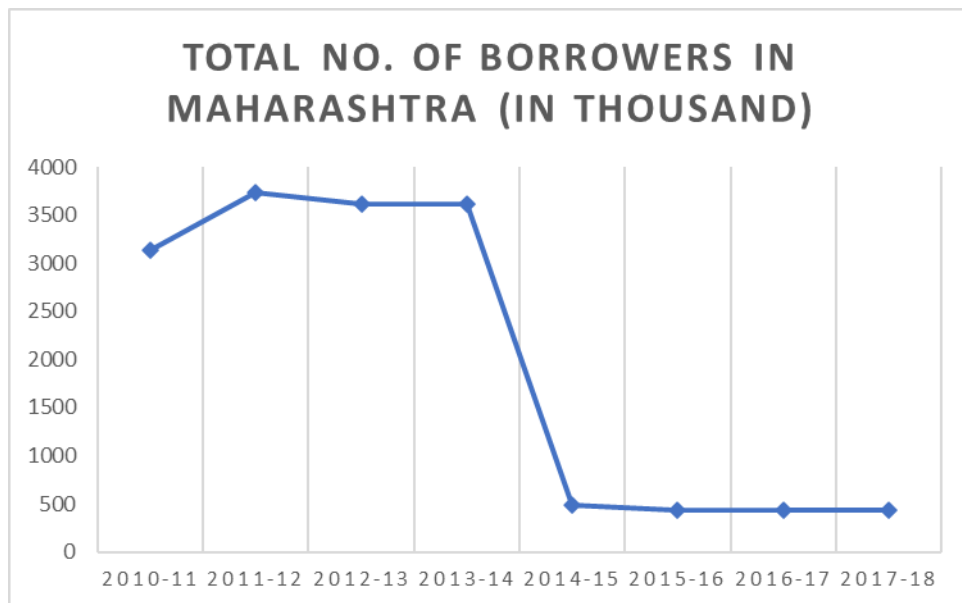
The Above Table shows the details of the number of Borrowers of Primary Agricultural Co-Operative Credit Societies during the Period 2010-11 to 2017-18 in India and the State of Maharashtra.

Figure-7: Figure showing total No. of Borrowers in Maharashtra (In Thousand)



Source: Data analyzed by Researchers.

Figure- 8: Figure showing total number of bothe rrowers in Maharashtra



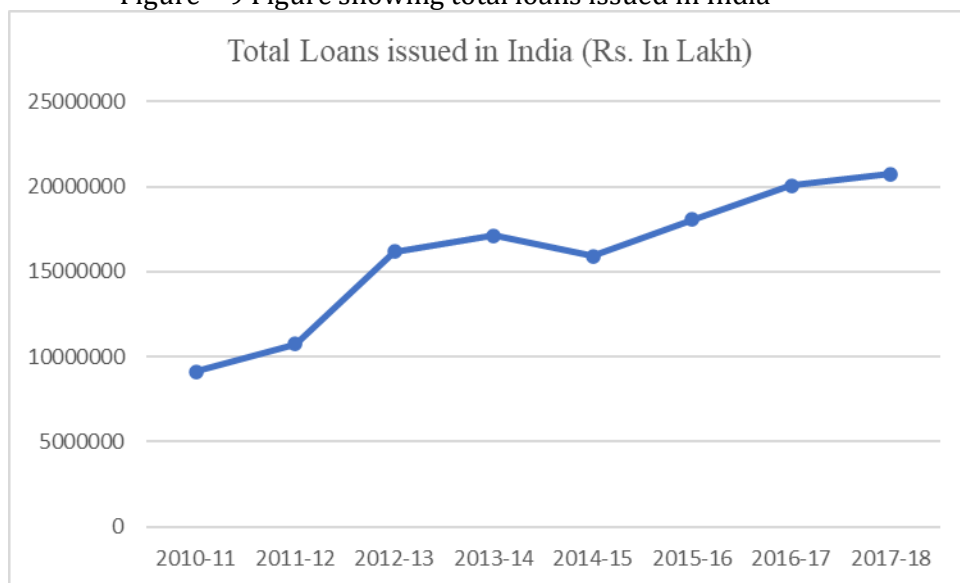
Source: Data analyzed by Researchers

Table No- 5: Table showing Total Loans Issued by PACS in India and Maharashtra during the period 2010-11 to 2017-18

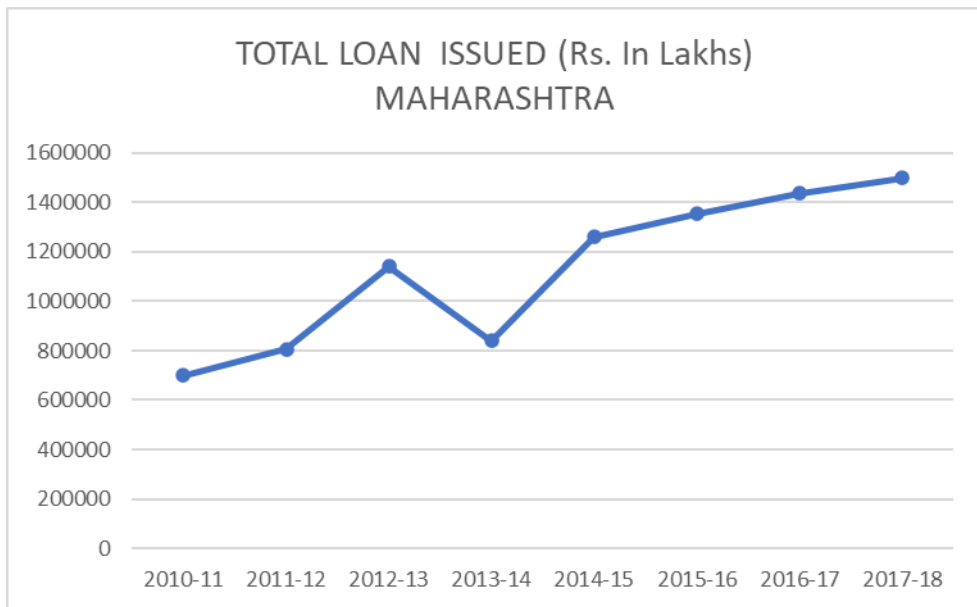
YEAR	TOTAL LOAN ISSUED (Rs. In Lakhs)	
	MAHARASHTRA	INDIA
2010-11	698884	9130382
2011-12	805762	10730023
2012-13	1140812	16190916
2013-14	839096	17141956
2014-15	1261256	15905029
2015-16	1354425	18082351
2016-17	1437458	20067839
2017-18	1498173	20732178

Source: <https://nafscob.org/primary-agriculture-co-operative-societies-basic-data.php>

Figure - 9 Figure showing total loans issued in India



Source: Data analyzed by the Researchers

Figure- 10: Figure showing Total Loan issued in Maharashtra (Rs. in Lacs)

Source: Data analyzed by Researchers

Findings of the Study:

- It was observed from the study that though the total number of PACS in India is increasing the situation in Maharashtra is deteriorating as the number of PACS has shown a sharp downfall.
- Over the years percentage share of Maharashtra PACS over India has decreased.
- In Maharashtra, only 62 percent of villages are covered by PACS whereas in India coverage is 83 percent.
- The study further shows that the total membership of the PACS in Maharashtra is increasing despite the decrease in the total number of PACS.
- The total number of borrowers in India is increasing but the total number of borrowers in Maharashtra has fallen significantly.
- Further data highlights that loans issued by PACS in India have increased.

Conclusion:

Cooperative Banks play a vital role in the development of agriculture and improve the overall state of agriculture, uplift the rural population, and promote inclusive economic growth. According to the census 2011, Thus 66 percent of villages are covered by PACS, and 34 percent of villages are yet to be covered.

There is an urgent need to start new PACS in rural areas and provide all financial services at low cost. Efforts shall be made to strengthen PACS by enhancing its capacity, efficiency, and effectiveness. So Government should encourage people to open new PACS and ensure that its citizens have easy access to cooperative credit.

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