

# Agricultural Development and Primary Agricultural Co-operatives

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**Abstract:** *Financial assistance is the key issue of agricultural development. Primary Agricultural Co-operative System play a very important role in developing the agriculture in any region, especially in India. Mainly providing credit facilities is the basic principles of PACS working under the District Credit Co-operative Banks. Short term and medium term loan to rural people to meet their financial needs, apart from all these factors still rural population are seem to be unorganized because of the money lenders and middle men in various places. One of the major considerations to establish PACS by the government is to eradicate poor in rural areas by facilitating them financial assistance.*

**Keywords:** primary, credit, agricultural, co-operative, society, finance.

## I. Introduction :

In developing countries like India the co-operative banks has a vast scope in financing rural population. These are registered under the Co-operative Societies Act and also regulated by the RBI. They are governed by the “Banking regulation Act-1949” and Banking Laws ( Co-operative societies) Act 1965. The business of co-operative banks in urban area also has increased in recent years due to sharp increase in the number of primary co-operative banks. The co-operative movement was stated in India with the interest of rural population to provide them loan with low interest rates.

## II. Objectives of the Study

1. To study the role and functions of PACS.
2. To enlist the advantages and weakness of the co-operatives

## III. Methodology

The study is based on Secondary data. The data has been collected from books, magazines and websites.

## Role of PACS in Agricultural Development:

A co-operative credit society, normally called Primary Agricultural Co-operative Society (PACS) is also explicit with ten or additional persons, ordinarily belonging to a village. The worth of every share is usually nominal thus on alter even poorest farmer to become a member. PACS occupy a predominant position within the co-operative structure and kind its base. A Primary Agricultural Credit Society is organized at grass-root level of a village or a bunch of little villages. It's the fundamental unit that deals with rural (agricultural) borrowers, offers those loans and collects repayments of loans given. It is the ultimate link between the final word borrowers on the one hand and better money agencies, specifically the RBI/ NABARD on the opposite hand. At the tip of Gregorian calendar month 1989 there have been 87000 PACS. These societies lined concerning 90th of 5.8 large integer villages.

There membership of nine large integers lined concerning sixty fifth of the entire calculable population of concerning fourteen large integers of rural households. over 1/2 members of PACS square measure persons of little means- little farmers, agricultural laborers, rural artisans, and twenty fifth of them belong to SC/ST. The assets of the PACS derived in the main from borrowings from Central Co-operative Banks (CCBs) and also the little proportion from in hand funds and deposits. That the PACS have did not attract deposits isn't most a mirrored image of low savings habits of the agricultural population as a mirrored image of the provision of higher assets to rural savers of each rate of come back and danger. High internet borrowings from CCBs show that PACS act in the main as marketing for funds mobilized elsewhere. Solely the members of a PACS square measure entitled to borrow from it. Most loans square measure for agricultural purpose and square measure such purpose of machinery (mostly pump sets for irrigation) and kind also are given. The share of loans given aiming to weaker sections is typically concerning four-hundredth of loans. A variable variety of PACS additionally undertake non-credit activities like handling the provision of farm requisites, distribution of commodity , among their members, constructing go downs and selling of agricultural turn out and method of it.

The management is unearned, the sole paid membership being ordinarily, the comptroller. Loans square measure given for brief amount ordinarily for one year, for closing agricultural operations, and also the rate of interest is low. Profits don't seem to be distributed as dividends to shareholders however square measure used for the development of the well or maintenance of the village college and then on. The PACS have stepped up their advances to the weaker sections notably the tiny and marginal farmers. This progress has been quite spectacular however not correct considering the demand for finance from farmers. However, the first credit society has continues to stay the weakest link within the entire co-operative structure.

## Functions of Cooperative Banks in India: cooperative banks functions

1. They function with the rule of “one member, one vote” and function on “no profit, no loss” basis

2. It performs all the main banking functions of deposit mobilization, the supply of credit and provision of remittance facilities
3. It provides financial assistance to the people with small means to protect them from the debt trap of the moneylenders
4. It is engaged in tasks of production, processing, marketing, distribution, servicing and banking in India
5. It supervises and guides affiliated societies
6. Mobilization of funds from their members
7. Advance loans to the members
8. Rural financing for farming, cattle, milk, hatchery, personal finance, etc.
9. Urban financing for Self – employment, Industries Small scale units, Home finance, Consumer finance, Personal finance

#### **List of Advantages of Cooperative Banks in India:**

1. Easy to form
2. No obstruction for membership
3. Limited liability
4. Service motive
5. Democratic management
6. Stability and Continuity
7. Economic operations
8. State patronage

#### **The weakness of Cooperative Banks in India:**

1. They are too small to be economical and viable; besides too many of them are dormant, existing only on paper
2. Co-operative banks are not doing well in all the states; only a few accounts for a major part of their business
3. These banks still rely very heavily on refinancing facilities from the government, the RBI, and NABARD
4. They suffer from dangerously low or weak quality of loan assets, and from the highly unsatisfactory recovery of loans.
5. They do not look like banks and do not inspire confidence in the potential members, depositors, and borrowers.
6. Most of the Co-operative banks are suffering from a lack of professional management.
7. Except for some Co-operative banks, technological development in Information Technology or computerized data management is conspicuously absent.
8. As there is no formal system of corporate governance in co-operative banks, many banks have become the hotbed of political patronage, unscrupulous financial practice, and gross mismanagement.
9. Another problem arises out of the duality of control over them i.e. these banks are organized under the dual control of RBI and as well as respective state government.
10. They unduly depend on government capital rather than member capital.

#### **Findings**

1. Rural credit is mainly focused on the agricultural sector and PACS plays a major role in rural finance.
2. The society provides only short-term and medium term loan but not long term loans
3. It supplies short-term credit on the personal security of the borrowers, while medium –term credit is given by charge on their immovable assets.
4. The society provides loans only relate to agricultural credit to farmers
5. Deposit mobilization in society is less. Because of lack of awareness among the people about the different schemes of the society.
6. The members deposit money for the purpose of compulsion made by banker to open account. 7. The amount of loan distributed to members was in inadequate time.
8. Use of computer is less in these societies

#### **Suggestions**

1. The society ought to give long loan conjointly to farmers to satisfy their money necessities.
2. As society give loans solely associated with agricultural credit to farmers it's advised that it ought to conjointly give alternative forms of loans in order that it will facilitate the farmers and maintain sensible normal of living.
3. To boost the deposit mobilization, the society ought to conduct awareness programs from time to time.
4. To assist farmers the society ought to adopt simple procedures for distributing and ill the loan from farmers.
5. To develop self employment within the rural areas the society ought to give coaching to the agricultural idle folks.
6. The adequate quantity of loan ought to be distributed to farmers at adequate time.

#### **Conclusion**

Primary Agricultural Credit Society is truly organized at the grass-roots level a village or a bunch of tiny villages. It's the fundamental unit that deals with rural credit to farmers for meeting their money needs. It provides short and medium-term loan to farmers that helps to fulfill their short money needs. It provides agricultural inputs and provides promoting facility for the agricultural product. For the event of agricultural sector and allied activities adequate and timely finance square measure essential. however several money issues square measure cropping up within the method of development of co-operative system they're lack of adequate and trained employees, lack of necessary funds, poor industrial relations climate, lack of skilled management, political interference, amendment in economic conditions, over dues and restricted supply of financial gain of the farmers and then on these societies square measure unable to produce adequate finance to the members and that they square measure creating delay within the enabling of loan. So to extend the potency of the society and to serve the agricultural folks in an exceedingly

higher perspective the cooperative banking ought to be robust and economical to face the challenges in competitive setting and it must take necessary measures.

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