

COMPARATIVE STUDY ON PERFORMANCE AND PROSPECTS OF PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS) IN INDIA AND MAHARASHTRA

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Abstract

Rural credit cooperatives came into existence primarily as associate institutional mechanism to provide credit to farmers at reasonable cost and address the dual problem of rural indebtedness and poverty. With its extraordinary growth in outreach and volume of business, rural credit cooperatives have a unique position within the rural credit delivery system. Through the short and long-term structures, they continue to play a vital role in dispensation of credit for increasing productivity, providing food security, generating employment opportunities in rural areas and guaranteeing social and economic justice to the poor and vulnerable. Many committees, from the All India Rural Credit Survey Committee to the Vaidyanathan Committee have stressed the relevance and importance of cooperative credit societies to the development of agriculture and rural economy. The present study was a comparative study aimed toward analyzing the performance and describing the progress of primary agriculture co-operative societies in India and Maharashtra during the last ten years i.e.2007-08 to 2017-18. The study based totally on secondary data collected from the National Federation of State Cooperative Banks Ltd. (NAFSCOB) and different revealed sources. The present study attempts to study the growth of Primary Agricultural Credit Society (PACS) in terms of the number of societies, membership, share capital, deposits, borrowing and working capital in India and Maharashtra. The current study concludes that the performance of primary agriculture co-operative societies in India as well as Maharashtra has not shown far better however smart within the scene of progress and development.

Keywords: Co-operative, PACS, Working Capital, Overdue

1. Introduction

The co-operative banks in India play a vital role in rural financing. 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. A co-operative credit society, unremarkably referred to as Primary Agricultural Co-operative Society (PACS) is the central visible face for cooperative movement in India.(Yashoda2017).The PACS are working at the grass root level and play a really vital role in rural credit system. They supply short term and medium term loan to rural people to meet their financial requirements. The main objective of cooperative credit is to increase credit productivity and save farmers from the exploitive tentacles of moneylenders or non-institutional sources of credit.

Credit is incredibly vital to the agriculture. India has solely four month rainy season in a year. During that time the credit delivers a major role for the cultivation of agriculture. On the basis of farmers’ background of economy, no one will be ready for to provide the credit. Because there is no surety to repaying the loan by the farmer because the income from agriculture is not guaranteed of the farmer. In this situation, farmer can get the credit from the primary agriculture credit co-operative society. These societies are working for farmer, by the farmer. In 1912, the Co-operative Societies Act was enacted which permitted the registration of non-credit co-operative societies as well. These societies are affiliated by the District Central Co-operative banks and the district Central co-operative banks are affiliated by the State Co-operative banks. It serves as the final link between the ultimate borrowers on the one hand and higher financial agencies, namely the RBI/ NABARD on the other hand.

According to statistics of the National Federation of State Cooperative Banks (NAFSCOB, 2017) the three tier structure consist of nearly 95,595 Primary Agricultural Credit Societies, 363 District Central Cooperative Banks (DCCB) with 12,858 branches and 31 State Cooperative Banks (SCB) with 953

branches in India and 21217 Primary Agricultural Credit Societies, 31 District Central Cooperative Banks (DCCB) with 3755 branches in Maharashtra.

The Primary Agriculture cooperative credit society plays an unparalleled role as far as short-term credit is concerned. Even though there are many other alternatives, which provides short-term credit to the farmers, the PACS are continued to be the most preferred agency of the farming community. But the PACS are subjected to many problems like mushrooming over dues, inadequate capital base, and lack of trained staff. So far, the studies conducted on the performance of PACS's are very limited and have not thrown light on multi - facets of the problem. So it is extremely essential to assess the past performance of PACS for formulating various financial policies and reforming the present structure.

2. Objective of the study

The main objective of the study is to analyze the performance of Primary Agricultural Cooperative Credit Societies in India and Maharashtra.

3. Literature Survey

Pinakin et.al (2014) studied Impact of Primary Agricultural Cooperative Societies on Farmer's Economy of Panchmahal District of Middle Gujarat. The study shows that the number of PACS, number of members, deposits and borrowing, number of borrowers and loan issued by the primary agriculture co-operative societies in India have increased significantly during the period from 2007-2008 to 2016-2017. It indicates that the primary agriculture cooperative societies play a major role for financial empowerment of farmers and agricultural development in India.

K. Sudhakara Rao (2016) Performance Of Primary Agricultural Credit Societies (PACS) In India And Andhra Pradesh. In his study he observed that the Western region has been the maximum number of PACS. More than 50 percent of total PACS are from Eastern and Western regions. Whereas, the PACS in North Eastern region has been lowest number of PACS. The working capital of the Central, Eastern, North-Eastern, Northern and Western regions was low due to the low quantum of deposits as against the huge quantum of borrowings.

Mohit Kumar and Mehta, V.P. (2018) studied on Performance and Prospects of Primary Agricultural Credit Societies (PACS) in Haryana during 2000-01 to 2014-15. They concluded that the number of societies decreased at an annual compound growth rate of 11.93 percent over the study period. The Membership, paid up share capital, deposits and working capital have increased over the study period. Every district showed a negative per cent change as far as number of PACS is concerned. The share of owned fund to total working capital was very small in proportion. The higher credit deposit ratio depicts more loans advanced than deposits. Deposits have increased significantly over the study period in Haryana but share of deposits in working capital was small. Number of PACS in profit decreased while no of PACS in loss increased over the

Anil S. Memane (2012) studied Performance of Primary Agriculture Co-operative Societies during 2000-01 to 2009-10 in India. He observed that, Agriculture Co-operative Credit societies are working positively. Though there is a negative direction found in the establishments in number of societies but the total numbers of members are increased during the ten years of 2000-01 to 2009-10. There is significant thing found that the SC membership are rapidly increased in that decade. The increasing number of members in Primary Agriculture Co-operative credit societies are indicating, that the farmer are getting awareness about the societies to motivate and its benefits and so the farmers are like to take a membership in those societies. So the total numbers of members are increased by 8.13 percent to 10.28 percent during 2001-02 to 2009-10 respectively. Though it is not significant growth it is showing farmers positive attitude about the PACS.

4. Scope of the Study:

Primary Agricultural Credit Societies (PACS) played a crucial role within the development and evolution of co-operative societies and overall agricultural development in India since 1904 when the first Co-operative Law was enacted. The most important source of finance of PACS is members' deposits. Borrowings constitute the most important element of their working capital. The criteria for borrowings differ from state to state according to their liability. Punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of overdues all over the country. There have been a lot of studies related to Primary Agricultural Credit Societies in India and Maharashtra however this present

study can update the previous studies and would be useful to policymaker and research worker to formulate new policies associate with credit disbursement and recovery.

5. Research Methodology

This is an attempt to revise the past performance of primary agricultural cooperative credit societies in India and Maharashtra. The present study is based totally on secondary data collected from the National federation of State Cooperative Banks Ltd. (NAFSCOB) and other published sources for the period from 2006-07 to 2016-17. Besides this, the required additional data were collected from the various publications and records of Directorate of Agriculture, Government of Maharashtra, journals, research report and websites like www.nafscob.org, www.nabard.org, www.rbi.org, www.epw.org.etc.

The Tabular analysis has been carried out to analyze the data. A simple statistical tool such as averages, percentages analysis has been used to bring the outline conclusion for the said objectives. For a better understanding of the progress and performance of cooperative credit institutions in the country and state, compound growth rates have been worked out for important variables like the number of societies, membership, share capital, reserve funds, own funds, deposits, borrowings, working capital, profits etc.

The trend analysis was carried out with the help of Exponential Trend Function and the significance was tested with the help of t-test. The compound growth rates were computed using the exponential trend function of the form:

$$X_t = ab^t u_t$$

$$\text{Log}X_t = \log a + t \log b + \log u_t$$

Where,

X_t = number of societies, membership, share capital, own funds in year 't'

t = Time elements which take the value 1, 2, 3, 4...n

a = Intercept

b = Regression coefficient

u_t = Standard error term

Compound growth rates were worked out as follow:

Compound growth rate (r) = (antilog b - 1) × 100

6. Result and Discussion

Primary Agricultural Credit Societies (PACS) have played crucial role in the overall agricultural development in India and Maharashtra. The performance of PACS has been analyzed with various components in the following tables.

i) Number of PACS and Membership

The progress of the number of PACS is shown in Table 1 and figure no.1. The number of PACS at India level had increased from 93224 in 2006-07 to 95595 in 2016-17. For the year 2016-17, though the number of societies had been increasing, the growth was uneven and there were only 93,224 societies found in the year 2006-07. In the case of Maharashtra, the number of PACS was not showing much growth for the year 2006-07 to 2016-17. It was 21045 in the year 2006-07 and 21217 in the year 2016-017 but membership was increased from 10702 to 15236 for the year 2006-07 to 2016-17 respectively. It is observed that only 16 percent of PACS were existed in Maharashtra out of the total no. PACS in India for the year 2016-17.

Table.1 Number of Primary Agricultural Credit Societies and Membership in India and Maharashtra during the period of 2007-08 to 2017-18

(In Numbers)

Sr.No.	Year	India		Maharashtra	
		No Of PACS	Membership (In 000)	No. Of PACS	Membership (In 000)
1	2006-07	93224	125792	21045	10702
2	2007-08	94950	131530	21184	10848
3	2008-09	95633	132350	21199	13478
4	2009-10	94647	126419	21240	13668
5	2010-11	93413	121225	21343	13853
6	2011-12	92432	113596	21402	14230

7	2012-13	93488	127467.79	21394	14944
8	2013-14	93042	130119.64	21268	14949
9	2014-15	92789	121087.81	21199	13933
10	2015-16	93367	127321.84	21094	14415
11	2016-17	95595	131235.4	21217	15236
CAGR		-0.059	-0.070	0.026	3.00**

Source: NationNational Federation of State Cooperative Banks Ltd.

Note: *,**,*** indicate 1,5 and 10 per cent level of significance respectively

The Compound growth rate at India for the number of societies was negative i.e.-0.059 percent and at Maharashtra level, it stood at 0.026 percent. The membership of PACS has been fluctuating at all India level shown in Figure no.2. The total membership position at all India level has been stagnant and it was gradually increased at Maharashtra level, the membership was more than 1 crore in all the years of the study period. The annual compound growth rate for the membership at India level was negative i.e. -0.070 per cent and it was positive and increase significantly at the rate of 3.00 per cent at 5 per cent level of significance in Maharashtra level due to the expansion of banking services by PACS.

Fig.1 Number of Primary Agricultural cooperative society in India and Maharashtra

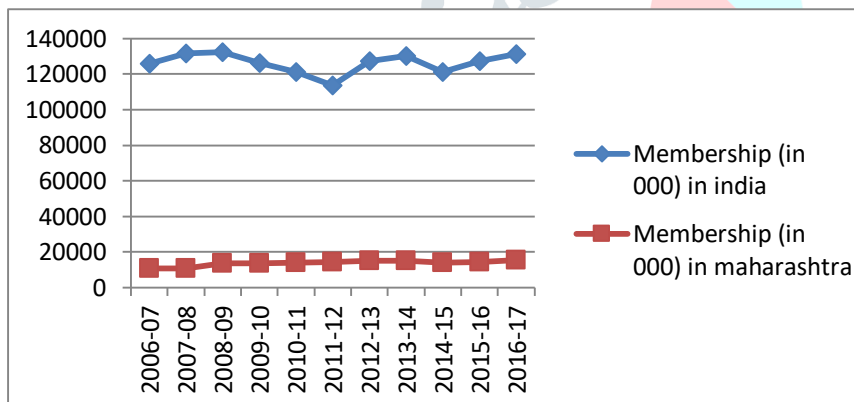
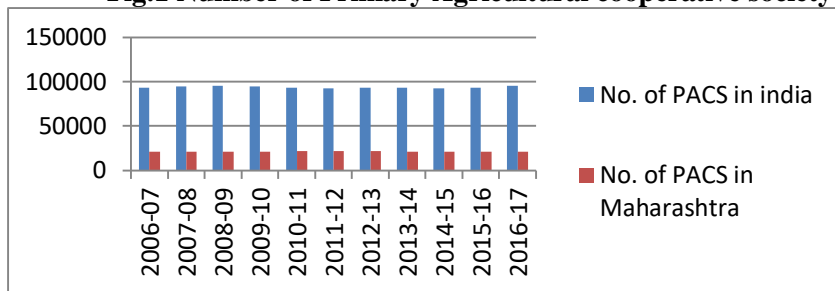


Fig.2. Membership of PACS in India and Maharashtra

ii) Performance Indicators of PACS

The membership strength and capital position are the two paramount components that will lead any cooperative credit society to success. The working capital gears up the concern for achieving the objectives. The sources of working capital of Primary Agricultural Credit Societies consisted of share capital, entrance fees, reserves and other funds, deposits from individuals, local bodies and other institutions and borrowings from government and DCCB. The share capital of PACS at India level had increased from Rs. 613.84 crores in 2006-07 to 1412.55 crores in 2016-17 as shown in table no.2.

Table No.2 Performance indicators of primary Agricultural society in Maharashtra and India

Year	India					Maharashtra				
	Paid up share Capital	Reserves	Deposits	Borrowings	Working Capital	Paid up share Capital	Reserves	Deposits	Borrowings	Working Capital
2006-07	613841	490043	2348407	4371449	7995859	136405	43503	13643	783436	1023270
2007-08	659665	438718	2544926	4784797	8810685	173904	70433	12890	1085137	1403611
2008-09	700732	488850	2624538	4893844	9458488	173904	70433	12890	1085137	1403611
2009-10	714842	533022	3528607	5176390	13519152	166444	64387	10041	938810	1293661
2010-11	755116	690444	3723818	5400010	14422190	168262	76147	10967	966498	1390596
2011-12	828010	771577	5025279	8883557	16050797	183358	85701	14244	1014362	1809588
2012-13	986830.9	864794.92	6711309.77	9335915.91	28081643.3	201519	98445	18644	1012524	1447244
2013-14	978880.4	913549.58	8189490.64	9583580.31	21242917.19	194925	97854	18645	1004137	1521847
2014-15	106828.6	1060658.6	8461632.91	9998011.03	22371056.74	236251	107828	18773	1219224	1521847
2015-16	1228111.0	1216207.3	10106547.8	11269029.1	20130441.2	209056	93190	17460	1119639	1755348
2016-17	1412155.4	1886031.2	11588420.4	12483095.2	23996699.25	238865	101952	17743	1120224	1923310
CAGR	8.44	14.03	19.15	12.13	12.49*	4.60*	7.29*	5.05**	2.24***	-98.16*

Source- National Federation of State Cooperative Banks Ltd.

Note: *, **, *** indicate 1, 5 and 10 per cent level of significance respectively

The deposits of PACS were Rs. 2348.40 crores in 2006-07 which increased to Rs. 11588.42 crores in 2016-17. In India the amount deposit has shown about five fold over the study period. These are a good indication for the societies. The compound growth rate of deposits 19.15 per cent per annum was increased but non significant over the study period

In case of Maharashtra the share capital of PACS had increased from Rs. 136.40 crore in 2006-07 to 238.86 crore in 2016-17 as shown in table no.2. This showed that there is growth in the share capital of cooperative societies of Maharashtra. The annual compound growth rate of share capital was found to be 4.60 percent which was highly significant at 1 per cent level of significance during the period of study.

The growth of working capital of these societies in Maharashtra is as shown in table no.2. The working capital has increased from 1023.27 crores in 2006-07 to 1923.31 crores in 2016-17. The working capital of PACS was fluctuating at Maharashtra level with heavy ups and downs throughout the study period, the growth rate was Negative. The annual compound growth rate of working capital was found to be -98.16 percent which was significant at 5 percent level of significance over the study period.

The deposits of PACS were Rs. 13.64crore in 2006-07 which increased to Rs. 17.74 crore in 2016-17. In Maharashtra the amount deposit had not shown much growth over the study period. The compound growth rate of deposits had increased with a 5.05 per cent per annum and significant at 10 percent level of significance over the study period.

The working capital of PACS of Maharashtra showing significant negative growth .It was the fact that the announcement of loan waiving scheme has hit the financial resources of these PACS. PACS in Maharashtra were not able to issue fresh loans to the member borrowers due to lack of funds. As a result, all the components of working capital were fluctuating year to year and lead to the unstable working capital base.

iii) Viability of PACS

The details of viable, dormant and others Primary Agricultural Credit Societies during 2000-01 to 2014-15. is shown in Table no. 3. Total number of viable PACS in India decreased over the study period but a total number of PACS showed an increasing trend.

Table3. Details of Primary Agricultural Credit Societies during 2006-07 to 2016-17

Sr.No	Year	India						Maharashtra					
		No.o f PACS	Viab le	Pote ntiall y viabl e	dorma nt	defun ct	othe rs	No.o f PACS	Viab le	Potenti ally viable	dor mant	defu nct	othe rs
1	2006-07	93224	57427 (61.60)	27047 (29.01)	4717 (5.05)	2485 (2.66)	1548 (1.66)	21045	13356 (63.46)	7566 (35.95)	42 (0.19)	56 (0.26)	25 (0.11)
2	2007-08	94950	58479 (61.58)	27447 (28.90)	4678 (4.92)	2469 (2.60)	1877 (1.97)	21184	13756 (64.93)	7285 (34.38)	32 (0.15)	111 (0.52)	0
3	2008-09	95633	64872 (67.83)	23046 (24.09)	3984 (4.16)	1970 (2.05)	1761 (1.84)	21199	13184 (62.19)	7757 (36.59)	31 (0.14)	49 (0.23)	178 (0.83)
4	2009-10	94647	65540 (69.24)	22372 (23.63)	3481 (3.67)	1665 (1.75)	1589 (1.67)	21240	13323 (62.72)	7917 (37.27)	0	0	0
5	2010-11	94413	65985 (69.88)	21598 (22.87)	3259 (3.45)	1364 (1.44)	1207 (1.27)	21343	14015 (65.66)	7268 (34.05)	60 (0.28)	0	0
6	2011-12	92432	66813 (72.28)	19975 (21.61)	2634 (2.84)	1507 (1.63)	1503 (1.62)	21402	15484 (72.34)	5918 (27.65)	0	0	0
7	2012-13	93488	66098 (70.70)	20713 (22.15)	3470 (3.71)	1490 (1.59)	1717 (1.83)	21394	14754 (68.96)	6342 (29.64)	65 (0.30)	48 (0.22)	185 (0.86)
8	2013-14	93042	66577 (71.55)	20367 (21.89)	3118 (3.35)	1474 (1.58)	1506 (1.61)	21268	14859 (69.86)	6296 (29.60)	65 (0.30)	48 (0.22)	0
9	2014-15	92789	67016 (72.22)	19929 (21.47)	2821 (3.04)	1590 (1.71)	1433 (1.54)	21199	16132 (76.09)	5008 (23.62)	55 (0.25)	4 (0.01)	0
10	2015-16	93367	62050 (66.45)	18615 (19.93)	2638 (2.82)	1478 (1.58)	8586 (9.19)	21094	16057 (76.12)	4963 (23.52)	54 (0.25)	20 (0.09)	0
11	2016-17	95595	64438 (67.40)	18101 (18.93)	2681 (2.80)	1526 (1.59)	8849 (9.25)	21217	16182 (76.26)	4878 (22.99)	128 (0.60)	29 (0.13)	0
CAGR		-0.059	0.861**	-3.769	-5.57***	-4.694*	14.01**	0.026	-10.32*	-12.02**	36.10*	4.40	19.53

Source: National Federation of State Cooperative Banks Ltd and Registrar cooperative.

Note: Figures in parentheses indicate the percentage to total number of PACS

In India, Potentially viable and defunct PACS was reduced from 29 percent in 2006-07 to 18.93 per cent in 2016-17 and 2.66 percent in 2006-07 to 1.59 percent in 2016-17 respectively. The percentage of dormant PACS was also show a decreasing trend it was 5.05 per cent in 2006-07 and 2.80 percent in 2016-17.

In case of Maharashtra, Total number of viable PACS was increased study period but a total number of PACS showed mixed trend.

Potentially viable PACS was reduced from 35 percent in 2006-07 to 22 per cent in 2016-17 .The percentage of dormant PACS was also show a decreasing trend it was 5.05 per cent in 2006-07 and 2.80 per cent in 2016-17. The dormant PACS was increasing from 0.19 to 0.60 per cent where as defunct PACS showing the fluctuating trend. The other PACS were reduced to zero during the study period.

Conclusion:

The study shows that number of PACS, number of members is shown increasing and decreasing trend whereas share capital, reserve, deposits and borrowing was positively increased and working capital shows significant growth at India level. In the case of Maharashtra, number of PACS, membership, share capital, reserve, deposits and borrowing shows significant growth where as working capital was decreased significantly. The viability of Primary Agricultural cooperative societies in India was shows positively significant growth where as at Maharashtra level it was negatively significant.

It indicates that the primary agriculture cooperative societies play a serious role in financial empowerment of farmers and agricultural development in India and Maharashtra. The PACS is supposed to function as viable units responsive to the needs, aspirations and convenience of its members, particularly, the members of the more vulnerable sections of the society. They are expected to function effectively as well as efficiently managed multipurpose societies providing a package of services including credit, supply of agricultural inputs and implements, consumer goods, marketing services and technical guidance to the rural people besides mobilizing their savings as deposits. However, there seems to be no solution for the weaknesses that severely hampered their growth. Revival and diversification could be a possible solution but not the sole remedy. It ought to be supported by HRD interventions. Proper monitoring and evaluation of the operating of the PACS is essential to confirm the efficient functioning of PACS. The recommendations suggested by numerous committees are enforced over the years that have strengthened the functioning of PACS in the cooperative credit system. However, the current study has not taken under consideration the spatial variations within the distribution of cooperative credit system across India. Hence this may be scope for any further study by other research scholars in the future.

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