

# IMPRESSIVE EFFORTS OF BRIDGING RURAL AGRICULTURAL CREDIT FACILITY: ROLE OF PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES IN PUDUKKOTTAI DISTRICT

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## INTRODUCTION

Cooperative societies play a vital role in ensuring that the nation's economic progress conforms to the requirements of democratic planning. The institution of a cooperative society provides support and sustainability to rural economic activities. The poorly equipped rural folk struggling to cope up with rural indebtedness and the evils of usury, need resources.

Small and marginal farmers need support in the form of inputs, harvesting, storage facilities, distribution channels and a network of market information system. Technical guidance is required to help agriculturists in processing their produce and reap benefits through value addition. The village artisan faced with competition from the organised sector finds it difficult to maintain his traditional employment.

Through pooling of experience, knowledge and by helping one another, cooperative societies help members to find solutions to their problems. These are local institutions addressing the local needs by using local talent. The importance of cooperative societies in the rural areas is mainly due to the fact that, they provide sustainable development to the agriculturists. The present study examines the agricultural credit facility extended by Primary Agricultural Co-operative credit societies of Pudukkottai District towards farmers.

## STATEMENT OF THE PROBLEM

Agriculture is one of the oldest and the primary occupation of India. It is also regarded as the backbone of Indian economic system. However, this sector is very backward owing to several reasons. One of the important causes of backwardness of agriculture is the non-availability of adequate credit. Credit is the life-blood of every undertaking. Agriculture is not an exception for it. Highlighting the importance of credit to agriculture, the significance of agricultural credit is a highly discussed subject. It would not be hyperbolic if a farm economist says that it is the back-bone of the agrarian sector of a developing economy. In India most of the farmers and agricultural labourers are poor; hence they are lying on the border line of starvation. They require credit not only for productive investment activities but also for consumption purpose. Farmers command no respect in the society and are looked down upon; they have no guaranteed income or sufficient income, and have no full-time work. There is unemployment, under-employment, and most of the time owing to famine, drought, floods and other natural calamities they have to migrate. The institutional lending and the institutional credit has been reduced abnormally. Farmers are to depend on moneylenders and their indebtedness lead to sell their products below the production cost. So, they are not in a position to repay the loan in time. Farmers approach banks and cannot get a loan from the bank for the mere reason of holding small size of land and hence they approach moneylenders and take money at a higher rate of interest and suffer.

## SIGNIFICANCE OF THE STUDY

The agricultural field represents the main source of employment in most countries. The larger farms usually find it necessary to hire additional hands to successfully cultivate the lands and to take care of the

related farm animals. Most of these large farms have processing plants located in nearby facilities for finalizing their agricultural products and developing the by-products. Most of the modern farms and agriculture-related industries make good use of today's modern equipment as well as the principles of science and technology. The use of technologies in farming is determined by finance and competence of farmers towards coping with these advancements relating to agriculture. These are the current issues of the agriculturists and farmers. In this regard, this study gets prominence in focusing farmers' perception towards functioning agricultural credit facility by various sectors of banks for the development of agriculture.

### SCOPE OF THE STUDY

This study is restricted to the cultivators mainly engaged in cultivation of land in Pudukkottai District. It provides the details of the status of farmers, perception of the farmers about agricultural finance and problems encountered by farmers for receiving agricultural loan and socio economic background of the farmers. It covers the farmers' perception towards functioning agricultural credit facility by various sectors of banks in Pudukkottai District

### OBJECTIVES OF THE STUDY

- To study socio-economic conditions of the farmers availing agricultural loan from banks through various schemes.
- To identify the various credit schemes followed by the banks and the loans sanctioned under various schemes.
- To draw the opinion of the farmers about receiving agriculture finance and the problems faced in settling the same.
- To offer suggestions to the banks and the beneficiaries for the efficient sanctioning and effective use of the loan sanctioned.

### METHODOLOGY

#### Area of study

For the purpose of this study the selected area is Pudukkottai district in Tamil Nadu, India. From this district, the Primary Agricultural Co-Operative Credit Societies has been selected. These cover eleven taluks in Pudukkottai region namely Pudukkottai, Iluppur, Aranthangi, Alangudi, Kulathur, Thirumayam, Karambakudi, Ponnamaravathi, Gandarvakkottai, Avudayarkoil and Manamelkudi. The research study covers only five taluks namely Pudukkottai, Iluppur, Aranthangi, Alangudi and Kulathur.

#### Periods of the study

Data collected from the sample PACCSs belong to a period of 5 years from 2013 to 2018. Primary data have been collected during the period 2017-18, that is from October 2017 to September 2018.

#### Methodology

The study is empirical in nature and based on survey method. Both the primary and secondary data are used for this study. The primary data have been collected from the respondents with the help of pre-tested interview schedule. The respondents have been contacted in person over a period of twelve months to elicit effective primary data. The sample of the study is 132 each in five taluks consisted total number of sample into 660. The secondary data have been collected from the official records of co-operatives and from the publications of the Government, Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD), Journals, Magazines, etc. Data which are required for analyzing financial performance, lending and recovery performance and overdues have been collected from the audit reports of the sample PACCSs for the period of 5 years that is from 2013 - 2018.

### SOCIAL RELEVANCE OF THE STUDY

Agriculture is the predominant occupation of two-third of working population for their livelihood. It is the major source of income for about three-fourths of India's populations. Agriculture provides not only food but also raw materials for manufacturing industries like textiles, sugar, vegetable oil, jute and tobacco. Agriculture is not only an important occupation of the people, but also the way of life, culture and custom. Most of the Indian customs and festivals are observed in consonance with agriculture seasons, activities and products. Finance is the life blood of all and without finance one can not do anything in the world. This study makes an attempt to evaluate a better way to distribute the financial product and to reduce the financial distribution barriers among the agriculturists and farmers, so as to increase the agriculture production and to contribute towards development of the economy.

## CHAPTER SCHEME

This study is organized and presented in five chapters.

**Chapter – I** : This chapter deals with the introduction of the study, statement of the problem, objectives, hypothesis, methodology and the chapter design.

**Chapter – II:** This chapter describes the review of the literature of various researches related to agricultural finance.

The agricultural finance – an overview that explains about the agricultural finance, its meaning, definition, characteristics, functions and types.

**Chapter – III:** This chapter expounds with the profile of the study area.

**Chapter – IV:** This chapter deals with the analysis of data relating to agricultural finance of farmers.

**Chapter – VI:** This chapter provides information relating to the summary, findings, suggestions, conclusion and scope for future research.

## SUMMARY OF THE MAJOR FINDINGS

- With Regard to the membership in the Co-operative Societies. There is an increase in the membership over the period regarding to all types of co-operative societies in Pudukkottai District. Increase in membership indicated that a large number of peoples are gathered under the principles of co-operation for mutual help and economic development.
- With regard to Deposits mobilized from the members, The popular source of funds for credit societies are deposits and interest received from members on lending of loans. The RBI has granted a number of concessions to non-credit co-operative societies to give an added fillip to enable them to attract larger deposits thereby facilitating increased lending.
- In Pudukkottai District the overdues is a serious problem. Nearly all co-operative societies are facing these issues. The amount of overdues have been increased every year the study period from 2013 to 2018, therefore, the growth rate was shown a fluctuating trend over the study period.
- Money recovery is difficult issue that affect the regular functioning of the co-operative societies which results in financial crisis. They cannot prove themselves successful or financial strong without complete recovery.
- The society provides only short-term and medium term loans to agricultural farmers and who are involved in primary agriculture.
- The society provides all types of agriloans only relate to agricultural credit to farmers. Deposit mobilization in society is less. Because of lack of awareness among the people about the different schemes of the society.
- The members deposit money for the purpose of compulsion made by banker to open account. The amount of loan distributed to members were in inadequate time.
- Use of computer and infrastructure is less in these societies.

## SUGGESTIONS AND CONCLUSION

It shows that the farmers have finds cheaper, easier and profitable to borrow from institutional agencies than from the non-institutional ones. But due to constant sector and fragmentation of holding the number of small farmers and marginal farmers has been on an growing trend. Therefore, in the years to come, the Government should take proper steps to start more and more small banks in the rural areas to meet the financial necessities. Over and above to avoid the problem of regional and institutional variation in the matter of agricultural finance, the government should establish the different institutional agencies equally among all the regions depending upon their requirements. The problem of poor upturn is posing a basic threat to the viability of the institutional lending finance to agriculture. The complete link between the flow of credit, generation of income and better recoveries in general seems to be weak as far as agricultural finance is concerned. One of the important causes of poor recovery is willful defaulting. The poor recovery because of willful default should be strictly dealt with through legal actions. Moreover there is a need of integration among various financial institutions to ensure that willful defaulters are not being entertained by them. Thus, the development of agriculture and other rural activities basically depend upon the credit. In the same way development of agriculture and other activities lead to increasing employment, increasing output, and in turn increasing income. The demand for credit, will, undoubtedly be more in the years to come. It is mainly because of two reasons! One is undertaking improved agricultural operation and second is changing cropping pattern. So Government must work out, in advance, the probable demand for credit depending upon, purposes and periods. It will definitely help the economy to grow at a faster rate due to development of agriculture and allied services.

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