



Pattern of Credit Disbursed by Primary Agricultural Credit Societies (PACS) in Haryana during 2000-01 to 2014-15

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ABSTRACT

A major quantum of Indian population is engaged in agriculture and this makes agriculture as the backbone of Indian economy, it provides employment to about 50 per cent of country working force and accounts for about 13 per cent to national GDP. There exist a spectrum of problems in agriculture but agriculture credit is one of the major problems in rural area. As far as credit in agriculture is concerned PACS play an important role. So the present study focuses on various facets of Primary Agricultural Credit Societies. The overall findings of study revealed that agricultural loans (short and medium term) constituted more than 90 per cent of total loan advanced over the study period. Consumption loans, loans to rural artisan and loans to petty shopkeeper decreased with a CAGR of 16.54%, 10.27% and 1.19% respectively during the study period. Major portion of total loan advanced was given as short term loans followed by long term.

Key words: Agriculture, Co-operative, Short term loans and Medium term loans

INTRODUCTION

A major quantum of Indian population is engaged in agriculture and this makes agriculture as the backbone of Indian economy, it provide employment to about 50 per cent of country working force and accounts for about 13 per cent to national GDP. Being the mammoth source of income and employment for a major part of population it becomes a vast market for a spectrum of industrial products. With the arrival and adoption of new capital intensive technologies in agriculture sector have increased the demand for agricultural credit and investment manifold. As majority of Indian farmers are

marginal farmers and they received income during a short span of time so they do not have enough funds to bought new technology. This makes the role of credit very important. New capital intensive technologies are very much dependent on borrowing funds from various sources. Therefore it is pretty much clear that the role of credit to enhance the pace of technological transformation in agriculture is unparalleled. Lack of credit or indebtedness in agriculture sector mainly in rural area leads to various others factors like exploitation by money lenders, alienation of land from farmer families to non-farmer families etc.

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The institutional credit being cheap and safe plays a vital role in development of agricultural sector. Among all these sources cooperative credit are the most emphasized source of credit for agriculture because from the planning period of time the government has been taking various steps to encourage finance through cooperative societies as it satisfy all the facet of good rural credit system.

The cooperative structure in India comprised of two parts one for the short term and medium term whiles other for long term credit. The former has a three tier structure i.e.,¹ Apex Cooperative Bank at State level², Central cooperative Bank at District level³, Primary Agricultural Credit Societies (PACS) at grass root level or village level. The PACS are the central visible face for cooperative movement in India. PACS provide credit to farmers in the form of term loans and recover the amount after harvesting of crop from the cultivator. The main objective of cooperative credit is to increase the credit productivity and save farmers from the exploitive tentacles of moneylenders or non-institutional sources of credit. The PACS are working at grass root level and providing credit facilities to farmers at village level and can be organized with ten or more people. There is a nominal value of each share so that even a poor farmer can get the membership easily. PACS are managed by elected body. Credit is provided for short term and medium term for carrying out agricultural operations. In fact, one of the weaknesses of the cooperative credit institution is that of the mounting overdues at Primary Agricultural Credit Societies. Agricultural credit overdues are becoming a paramount concern for the financial institution, the planners and the administrators working for the agricultural development in the states. Mounting overdues can jeopardize the agricultural credit structure designed to accelerate agricultural development.

So it is pretty much clear that PACS plays an important role at grass root level or village level as far as the short and medium term credits are concerned. With agriculture as backbone of our economy, timely and adequate credit supply is of utmost importance. So it is extremely essential to

assess the past performance of PACS for formulating various financial policies and reforming the present structure. PACS play an unparalleled role as far as short-term credit is concerned. Even though there are many other alternative, which provide 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 performance of PACS's are very limited and have not thrown light on multi facets of the problem.

Main objective of the study:

There has been a lot of study related to Primary Agricultural Credit Societies in Haryana but this present study will update the previous studies to help the govt. to formulate new policies related to credit disbursement. So the main objective of study To examine the pattern of credit disbursed by Primary Agricultural Credit Societies in Haryana.

MATERIAL AND METHODS

Tabular analysis has been carried out to analyze the data. Simple statistical tool such as averages, percentages and regression analysis have been used to bring the outline conclusion for the said objectives. For better understanding of the progress and performance of cooperative credit institutions in the state, compound growth rates have been worked out for important variables like number of societies, membership, share capital, reserve funds, own funds, deposits, borrowings, working capital, profits etc. For studying the trend and growth, compound annual growth rates (CAGR) were calculated for the study period i.e. 2000-01 to 2014-15. The compound growth rates were computed using the exponential function of the form:

$$X_t = a b^t u_t$$

$$\log X_t = \log a + t \log b + \log u_t$$

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

Pattern of credit disbursed by Primary Agricultural Credit Societies (PACS) in Haryana

Table 1 shows that in Haryana the volume of credit advanced were Rs. 2294.99 crore in 2000-01 increased to Rs. 8935.88 crore in 2014-15 showing an compound annual growth rate of 8.47 per cent. The proportion of short term loans was higher than the medium term loans. The purpose of advancing short term

loans indicate expenditure on current agricultural operations like purchase of seeds, fertilizers, pesticides, payments of hired labours, payments of hired machinery charges, etc.

Out of total advanced made by these societies, during the study period more than 90 per cent was advanced for raising crops and other allied activities. The amount of agricultural loans, which was Rs. 2134.52 crore in 2000-01, has increased continuously to Rs. 8075.92 crore in 2014-15. Consumption loans showed a declining trend over the period. The loan advanced per society increased from Rs. 0.93 crore in 2000-01 to Rs. 13.47 crore in 2014-15.

Table 1: Pattern of credit mix of Primary Agricultural Credit Societies in Haryana during the period 2000-01 to 2014-15

(in crore Rs.)

Year	Total Loan Advanced	Agricultural loans (Short and Medium term)	Rural artisans	Petty shopkeeper	Consumption loan
2000-01	2294.99	2134.52 (93.00)	61.47 (2.67)	79.36 (3.45)	19.64 (0.85)
2001-02	2612.34	2442.71 (93.50)	68.52 (2.62)	80.55 (3.08)	20.56 (0.78)
2002-03	2820.19	2642.97 (93.71)	73.49 (2.60)	81.78 (2.89)	21.95 (0.77)
2003-04	3360.87	3176.99 (94.52)	78.23 (2.32)	83.49 (2.48)	22.16 (0.65)
2004-05	4125.37	3944.4 (95.61)	75.11 (1.82)	81.23 (1.96)	24.63 (0.59)
2005-06	4759.56	4526.66 (95.10)	114.7 (2.40)	99.03 (2.08)	19.12 (0.40)
2006-07	4736.34	4514.09 (95.30)	123.25 (2.60)	81.53 (1.72)	11.45 (0.24)
2007-08	4887.57	4686.53 (95.88)	106.14 (2.17)	78.26 (1.60)	16.64 (0.34)
2008-09	3011.10	2881.86 (95.70)	79.02 (2.62)	31.44 (1.04)	18.78 (0.62)
2009-10	4316.64	4200.76 (97.31)	67.08 (1.55)	42.57 (0.98)	6.23 (0.14)
2010-11	5135.68	5033.3 (98.00)	67.24 (1.30)	28.4 (0.55)	6.74 (0.13)
2011-12	6083.33	5987.52 (98.42)	63.86 (1.04)	27.79 (0.45)	4.16 (0.06)
2012-13	7022.68	6911.82 (98.42)	69.03 (0.98)	36.17 (0.51)	5.66 (0.80)
2013-14	7483.46	7393.42 (98.76)	65.61 (0.87)	22.72 (0.30)	1.71 (0.02)
2014-15	8935.88	8075.92 (90.37)	60.40 (0.67)	23.66 (0.26)	1.83 (0.02)
CAGR%	8.47	8.72	-1.19	-10.27	-16.54

Source: The Haryana State Cooperative Apex Bank Ltd.

Figures in parenthesis indicate percentage to total

Table 2: Composition of loans issued by Primary Agricultural Credit Societies during 2000-01 to 2014-15
(in crore Rs.)

Year	Short term loans	Medium term loans	Total loans
2000-01	2135.48 (96.58)	75.46 (3.42)	2210.94
2001-02	2524.56 (99.66)	85.46 (99.34)	2533.10
2002-03	2737.57 (96.86)	88.61 (3.14)	2826.19
2003-04	3199.59 (95.20)	161.28 (4.80)	3360.87
2004-05	2795.85 (86.14)	449.84 (13.86)	3245.69
2005-06	4585.25 (96.33)	174.31 (3.67)	4759.56
2006-07	4652.76 (98.23)	83.57 (1.74)	4736.34
2007-08	4839.05 (99.01)	48.51 (0.99)	4887.56
2008-09	2943.10 (97.74)	67.99 (2.26)	3011.10
2009-10	4278.57 (99.11)	38.06 (0.89)	4316.64
2010-11	5103.15 (99.36)	32.52 (0.64)	5135.67
2011-12	5633.91 (95.36)	273.80 (4.64)	5907.71
2012-13	7001.42 (99.69)	21.25 (0.31)	7022.68
2013-14	7433.02 (99.32)	50.43 (0.68)	7483.45
2014-15	8058.03 (99.77)	17.89 (0.23)	8075.92

Source: National Federation of State Cooperative Banks Ltd and Registrar cooperative.
Figures in parenthesis indicate percentage to total loans

Findings:

- ✓ Agricultural loans (short and medium term) constituted more than 90 per cent of total loan advanced over the study period.
- ✓ Consumption loans, loans to rural artisan and loans to petty shopkeeper decreased with a CAGR of 16.54, 10.27 and 1.19 respectively over the study period.
- ✓ Major portion of total loan advanced was given as short term loans followed by long term.
- ✓ Short term loans outstanding constituted more than 90 percent of total loans outstanding.

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