



## Study of Extent of Overdue and Recovery of Loans in Primary Agricultural Credit Societies (PACS) in Haryana during 2000 to 2015

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### ABSTRACT

*Agriculture is the backbone of Indian economy as it provides employment to about 50 per cent of country working force moreover 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 such as extent of overdues and recovery, recovery pattern in selected areas etc. The overall findings of study revealed that Karnal was having more recovery percentage than Hisar for the year 2014-15. Loan recovered and loan outstanding increased with a compound annual growth rate of 8.38% and 5.46% over the study period.*

**Key words:** Agriculture, Co-operative credit, Recovery and Overdues.

### 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. The institutional credit being cheap and safe plays a vital role in development of agricultural sector.

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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.<sup>1</sup>, Apex Cooperative Bank at State level<sup>2</sup>, Central cooperative Bank at District level<sup>3</sup>, 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. 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 is to analyze the extent of overdue and recovery of loans in Primary Agricultural Credit Societies.

### 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 overdues and recovery 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:

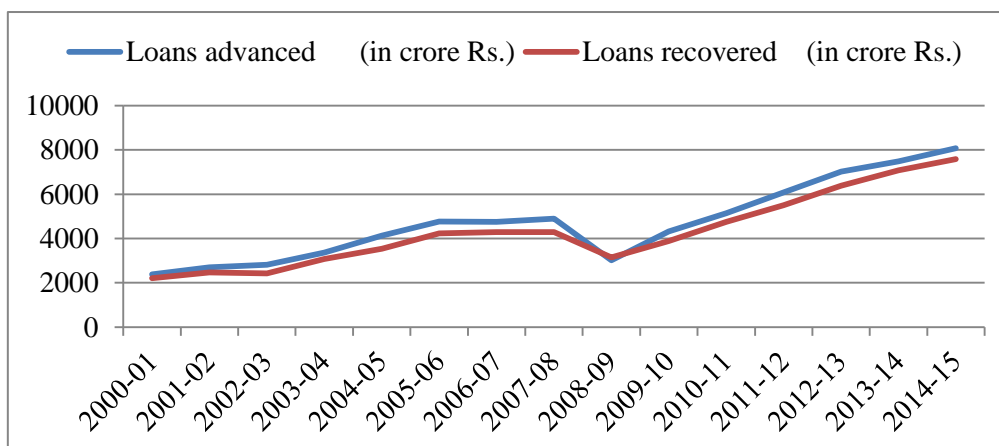
Compound growth rate (r) =  $(\text{antilog } b - 1) \times 100$

### Overdues and recovery status

The repayment of loans of Primary Agricultural Credit Societies is of considerable importance for the success of the credit movement. The Maclagan Committee very rightly stated that "unless loans are repaid punctually, co-operation is both financially and educationally an illusion". While recovering the loans, the due dates have been so fixed that it is not too distant from the harvesting season and at the same time, a reasonable time is allowed for enabling the

cultivator to dispose off his produce. It is common impression that there has been slackness in the recovery loans that has led to

grave problems of over dues in cooperative credit.



**Fig. I: Trend in loans advanced and loan recovered**

**Table 1: Recovery performance of Primary Agricultural Credit Societies in Haryana during 2000-01 to 2014-15**

( in crore Rs.)

| Years   | Loans Advanced during the year | Loans Recovered | Loans Outstanding at the end of year | Over dues | Over dues as %age of outstanding loans (in Percent) |
|---------|--------------------------------|-----------------|--------------------------------------|-----------|---|
| 2000-01 | 2376.28                        | 2209.62         | 1959.59                              | 847.06    | 43.23   |
| 2001-02 | 2702.94                        | 2462.71         | 2199.82                              | 915.91    | 41.64   |
| 2002-03 | 2820.19                        | 2419.13         | 2582.71                              | 1031.67   | 39.95   |
| 2003-04 | 3360.87                        | 3081.92         | 2696.13                              | 1007.14   | 37.36   |
| 2004-05 | 4135.86                        | 3536.85         | 3277.82                              | 1001.46   | 30.55   |
| 2005-06 | 4759.56                        | 4234.31         | 3884.65                              | 1476.17   | 38.00   |
| 2006-07 | 4747.30                        | 4294.89         | 4241.70                              | 1725.43   | 41.00   |
| 2007-08 | 4897.83                        | 4294.89         | 4464.31                              | 2056.77   | 46.07   |
| 2008-09 | 3022.18                        | 3151.37         | 4334.05                              | 2361.46   | 54.48   |
| 2009-10 | 4316.64                        | 3882.63         | 4832.80                              | 2427.71   | 50.23   |
| 2010-11 | 5135.68                        | 4752.95         | 5279.64                              | 2460.44   | 46.60   |
| 2011-12 | 6083.33                        | 5506.36         | 6207.71                              | 2638.94   | 41.84   |
| 2012-13 | 7018.48                        | 6380.52         | 7234.89                              | 2671.61   | 36.93   |
| 2013-14 | 7483.46                        | 7074.71         | 7407.00                              | 2898.13   | 37.44   |
| 2014-15 | 8075.92                        | 7591.61         | 9497.71                              | 2999.08   | 35.00   |
| CAGR%   | 8.02                           | 8.38            | 5.46                                 | 13.43     | -   |

Source: Department of Economic and Statistical Analysis, Government of Haryana

Table 1 revealed recovery position of Primary Agricultural Credit Societies. The amount of loan advanced in 2000-01 was Rs. 2376.28 crore increased to Rs. 8075.92 crore at a

compound annual growth rate of 8.02 per cent. On the other hand loan recovered also increased from Rs. 2209.62 crore in 2000-01 to Rs. 7591.31 crore in 2014-15 at a compound

annual growth rate of 8.38. The amount of over dues which was Rs. 847.06 crore in 2000-01 gradually increased to Rs. 2999.08 crore in 2014-15 at an annual compound growth rate of 13.43 per cent. The amount of loan

outstanding at the end of year was Rs. 1959.58 crore in 2000-01 increased to Rs. 9497.71 crore in 2014-15 at an annual compound growth rate of 5.46 per cent.

**Table 2: Composition of loans outstanding (category wise) in Primary Agricultural Credit Societies during 2000-01 to 2014-15**

| Year    | Short term loans outstanding<br>(in crore Rs.) | Medium term loans outstanding<br>(in crore Rs.) | Total   |
|---------|--|---|---------|
| 2000-01 | 2156.55<br>(95.46)                             | 102.53<br>(4.54)                                | 2259.08 |
| 2001-02 | 2365.89<br>(94.96)                             | 125.45<br>(5.04)                                | 2491.34 |
| 2002-03 | 2477.22<br>(94.60)                             | 141.40<br>(5.40)                                | 2618.62 |
| 2003-04 | 2710.19<br>(92.50)                             | 219.66<br>(7.50)                                | 2929.85 |
| 2004-05 | 2795.85<br>(86.14)                             | 449.84<br>(13.86)                               | 3245.69 |
| 2005-06 | 3282.89<br>(84.66)                             | 594.52<br>(15.34)                               | 3877.41 |
| 2006-07 | 3721.84<br>(87.88)                             | 513.02<br>(12.12)                               | 4234.86 |
| 2007-08 | 4001.04<br>(89.76)                             | 456.21<br>(10.24)                               | 4457.25 |
| 2008-09 | 3981.82<br>(92.02)                             | 345.13<br>(7.98)                                | 4326.95 |
| 2009-10 | 4519.82<br>(93.52)                             | 312.92<br>(6.48)                                | 4832.74 |
| 2010-11 | 4994.38<br>(94.59)                             | 285.25<br>(5.41)                                | 5279.63 |
| 2011-12 | 5933.90<br>(95.58)                             | 273.80<br>(4.42)                                | 6207.70 |
| 2012-13 | 6973.48<br>(96.38)                             | 261.40<br>(3.62)                                | 7234.88 |
| 2013-14 | 7470.52<br>(96.50)                             | 270.17<br>(3.50)                                | 7740.69 |
| 2014-15 | 9242.67<br>(97.31)                             | 255.03<br>(2.69)                                | 9497.70 |
| CAGR(%) | 10.45  | 4.33  | 10.06   |

Source: National Federation of State Cooperative Banks Ltd

Figures in parenthesis indicate percentage to total

The result presented in the Table 2 revealed that short term loans outstanding (category wise) constituted more than 80 per cent of total amount of loan outstanding while that of medium term loans outstanding constituted

less than 20 per cent over the study period. The compound annual growth rates for the short term and medium term loans outstanding found to be 10.45 per cent and 4.33 per cent respectively.

**Table 3: Composition of loans outstanding (purpose wise) in Primary Agricultural Credit Societies during 2000-01 to 2014-15**

(in crore Rs.)

| Year    | Agricultural loans outstanding | Non agricultural loans outstanding | Total   |
|---------|--------------------------------|------------------------------------|---------|
| 2000-01 | 894.65<br>(83.36)              | 178.49<br>(16.64)                  | 1073.14 |
| 2001-02 | 904.59<br>(86.49)              | 141.18<br>(13.51)                  | 1045.77 |
| 2002-03 | 914.82<br>(88.67)              | 116.83<br>(11.33)                  | 1031.65 |
| 2003-04 | 897.78<br>(89.10)              | 109.35<br>(10.86)                  | 1007.13 |
| 2004-05 | 764.96<br>(76.44)              | 235.71<br>(23.56)                  | 1000.67 |
| 2005-06 | 1078.04<br>(87.53)             | 153.57<br>(12.47)                  | 1231.61 |
| 2006-07 | 1539.28<br>(89.34)             | 183.59<br>(10.66)                  | 1722.87 |
| 2007-08 | 1846.59<br>(89.90)             | 207.27<br>(10.10)                  | 2053.86 |
| 2008-09 | 2133.17<br>(90.44)             | 225.27<br>(9.56)                   | 2358.44 |
| 2009-10 | 2158.40<br>(88.90)             | 269.30<br>(11.10)                  | 2427.70 |
| 2010-11 | 2160.91<br>(87.82)             | 299.52<br>(12.18)                  | 2460.43 |
| 2011-12 | 2327.41<br>(88.19)             | 311.52<br>(11.81)                  | 2638.93 |
| 2012-13 | 2378.45<br>(89.02)             | 293.15<br>(10.98)                  | 2671.60 |
| 2013-14 | 2568.85<br>(88.63)             | 329.27<br>(11.37)                  | 2898.12 |
| 2014-15 | 2736.98<br>(91.26)             | 262.09<br>(8.74)                   | 2999.07 |

Source: National Federation of State Cooperative Banks Ltd

Figures in parenthesis indicate percentage to total

Table 3 explained the composition of loans outstanding (purpose wise) during 2000-01 to 2014-15 and conferred that agricultural loans outstanding were far more than non-agricultural loans. The compound annual growth rate for agricultural loans outstanding

was found to be 91.26 percent while that of non-agricultural loans outstanding was 8.74 per cent.

#### Recovery performance of PACS in selected villages during 2014-15

**Table 4: Recovery performance of PACS in study area during 2014-15**

| Village       | Block    | District | Total Loan advanced | Amount repaid            | Amount over due          |
|---------------|----------|----------|---------------------|--------------------------|--------------------------|
| Dhansu        | Hisar-1  | Hisar    | 12.13               | 4.68<br>(38.59)          | 7.45<br>(61.41)          |
| Dabra         |          |          | 10.54               | 4.86<br>(46.11)          | 5.68<br>(53.89)          |
| <b>Total</b>  |          |          | <b>22.67</b>        | <b>9.54<br/>(42.08)</b>  | <b>13.13<br/>(57.92)</b> |
| Arainpur      | Ghraunda | Karnal   | 13.63               | 5.94<br>(43.58)          | 6.68<br>(60.84)          |
| Alipur Khalsa |          |          | 11.95               | 4.52<br>(37.82)          | 7.43<br>(62.18)          |
| <b>Total</b>  |          |          | <b>24.58</b>        | <b>10.46<br/>(42.58)</b> | <b>14.11<br/>(57.42)</b> |

Table 4 revealed the recovery performance of 120 farmers from four selected villages for the year 2014-15 and showed that amount overdue was far more than the amount repaid. The recovery percentages of Hisar and Karnal were 42.08 per cent and 42.58 per cent respectively and this clearly showed that Karnal district was having slightly more recovery per cent than Hisar district. Amount of loan advanced in Karnal was more than the amount advanced in Hisar. Similar findings were also reported by Goyal<sup>4</sup>.

Various loan waiving schemes by government also affect recovery performance drastically like one that happened in Haryana during 2007. All those farmers who had obtained loan from district cooperative banks between March 31, 1997 and March 31, 2007 were benefited by the scheme. This scheme had completely waived off loans of those marginal and small farmers who were defaulters as on December 31, 2007 and had not returned their loans by February 29, 2008. The loan waiver scheme is likely to benefit 6.64 lakh farmers in Haryana according to data of prospective beneficiaries compiled by different banks in the state. The total relief was about Rs 2,108.46 crore to farmers of the state either by way of waiving off loans or by relief.

#### Findings:

- ✓ Short term loans outstanding constituted more than 90 percent of total loans outstanding.

- ✓ Karnal was having more recovery percentage than Hisar for the year 2014-15.
- ✓ Loan recovered and loan outstanding increased with a compound annual growth rate of 8.38% and 5.46% over the study period.

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