

A Study of Composition and Working of the Primary Agricultural Co-Operative Credit Societies (Paccs) In Agricultural Services

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Abstract: *Agriculture is the backbone of Indian economy. It is the bedrock and foundation of all efforts for economic development and planning in India. Primary Agricultural Co-operative credit societies are an important constituent in the field of agriculture. Primary Agricultural co-operative Credit Societies lie at the root of the co-operative credit structure of the country. The purpose of this study is to analyze the role of Primary Agricultural Cooperative Credit Societies (PACCS) in providing the services and members' perception about their quality. The necessary information was collected both from the primary and secondary sources. Primary data was collected from the secretaries and the members of the PACCS through a designed questionnaire. Besides this, personal interviews were also conducted with the presidents and the secretaries of the PACCS to know their opinions about the functioning of these societies. To assess the quality of services provided by the PACCS, the perception of the members about their services was collected. For this purpose, a sample of 50 members was selected in each of the PACCS based on the land owned, amount of loan taken, type of services, level of education, etc. by using the random sampling technique. The findings of the study will help to identify the members' perception towards the services of PACCS. The study also mentions some suggestions for the effective working of PACCS in rendering more qualitative services for the members.*

Keywords: *Paccs, Agriculture, Credit, Loans, Borrowers, Members, Dharwal.*

1. INTRODUCTION

As agriculture is the backbone of the Indian economy, its development largely depends on the prosperity of the agriculture sector. Its growth and success has snow-balling effects over the entire economy. It is the most important sector for the survival of the nation by supplying food, basic materials and industrial investments providing employment opportunities, raising foreign earnings, etc. Primary Agricultural Co-operative credit societies are an important constituent in the field of agriculture. The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery. Hence, it is pertinent to examine how far these societies are rendering the services and their adequacy to the expected level of the farming members of these societies.

Features of Farmers' Service Societies (Fss) and Primary Agricultural Cooperative Credit Societies (Pacs)

Both these field-level rural financial institutions (RFIs) have been introduced for economic and non-economic reasons such as extending credit integrated with modern inputs and commodity markets related services, improving rural poor's share in formal credit and organizing a force to counter the usurious power of village moneylenders. But there are important differences in the emphasis on these factors. PACS came into being after the enactment of the Cooperative Credit Societies Act in 1904. This Act was subsequently revised in 1912 to promote multi-purpose cooperatives and to organize non-credit cooperatives. However, they picked up momentum only after the Reserve Bank of India recommended them in 1937 and the Five Year Plans provided state support for them. Moreover, it was felt that unless credit was organized on a group basis, virtues such as self-help, thrift, and modernized attitudes that are necessary to deal with the local moneylenders could not be promoted. As experience with such group efforts was gained, it was realized that multi-purpose cooperatives which integrated credit with other services would be in a better position to counter the influence of moneylenders-cumtraders. Features such as administration by honorary management and local participation, unlimited (and subsequently limited) liability of the members, small (and subsequently moderately large) size, and simple operations of these cooperatives helped in reducing costs and risks of rural finance operations. These cooperatives were also to receive state partnership in both equity-capital and administrative leadership.

By early 1970s, it was found that these multi-purpose PACS had not succeeded much in diversifying their operations, especially commodity marketing and processing, in reaching the weaker sections and in becoming viable. For these reasons, among others, the National Commission on Agriculture recommended introduction of farmers' service societies (FSS) which would incorporate the following features:

- FSS unlike PACS will have a compact area of operations in 10-20 villages (instead of 5-8 villages for PACS) with a potential of reaching a business of Rs.2.5 to Rs.3 million (instead of Rs.0.2 million for PACS) in 3 to 5 years.
- FSS unlike PACS will have branches and such FSS may even reach a business of Rs.10 million in 5 to 7 years.
- FSS will have an overall strategy of agro-based development to utilize land and manpower.
- FSS membership will be more oriented to the hitherto neglected weaker sections of the rural population.
- FSS management will also be represented by this section.
- FSS will undertake both credit and non-credit (including agro-processing) operations.
- FSS will be a self-paying proposition in the sense that it will meet all its costs within a reasonable period of time.
- FSS like PACS will be an integral part of a three tiered cooperative credit organization when sponsored by state cooperative banks.
- FSS will be a cooperative organization even when it is sponsored by the commercial banks.
- FSS will have adequate and properly trained managerial and technical personnel.

Member's Perception towards the Services of Paccs

It is observed from the survey that majority of the members borrowed from the PACCS due to the easiness in obtaining credit. It is also found that a majority of the members compared the interest rates charged by PACCS with that of money lenders and feel that the interest rate of PACCS is reasonable. On the other hand, they expressed that the agricultural credit given

by the PACCS is not sufficient for their agricultural activities. Besides PACCS, they are also taking loans from commercial banks against mortgage of gold and from private money lenders against promissory notes and mortgaging their properties. It is also observed that most of the farmers were prompt in repaying the loans taken from the PACCS except in times of natural calamities and crop failures. Further, it is found that the small and marginal farmers were most prompt, while medium farmers were prompt and the big farmers delayed repayment. Of the members who purchased their agricultural inputs from the PACCS, two-thirds of them preferred to buy their agri-inputs from PACCS because of the quality of the products and reasonable prices. Whereas, the rest of the members prefer to purchase their agri-inputs from private traders because of the availability of credit. As the credit sales are not permitted by the PACCS, the farmers approached the private dealers where they need not pay cash immediately. With respect to the quality of agricultural inputs sold by the PACCS, more than two-thirds of the members felt that the agricultural inputs are qualitative. The survey further revealed that all the PACCS were supplying qualitative and unadulterated fertilizers and pesticides. However, some of the PACCS were found to be selling inferior quality seeds sometimes, which do not germinate. The study also revealed that the members are giving some tips, based on the amount of loan taken, as a formality to the employees to motivate them to behave politely and help each and every member of the PACCS. With rampant underselling of fertilizers with varying seasonal and market conditions by the private traders, it is very difficult for the PACCS to compete. This problem is compounded by the pronounced brand and product preferences of the farmers for specific grades of fertilizers and other unfair trade practices indulged by the private traders.

2. METHODOLOGY OF THE STUDY

To analyze the role of PACCS in providing services to their members a survey is conducted in the Himachal Pradesh. It is a known fact that there are certain constraints in the census study. Hence, the study has taken-up a sample survey by taking all care to include the most representative characteristic units of both the societies and the members of these societies. Since all these PACCS are working as per the (Himachal Pradesh). Cooperative societies Act, the working and their operational activities are more or less uniform throughout the State; therefore, the study based on the collected data from the selected PACCS can give the inferences which are common to all societies. In order to minimize the cost and time it is decided to adopt the sample study, instead of census study keeping in view the representative characteristics of the societies. To assess the quality of services provided by the PACCS, the perception of the members about their services was collected. For this purpose, a sample of 50 members was selected in each of the PACCS based on the land owned, amount of loan taken, type of services, level of education, etc. by using the random sampling technique. The necessary information was collected both from the primary and secondary sources. Primary data was collected from the secretaries and the members of the PACCS through a designed questionnaire. Besides this, personal interviews were also conducted with the presidents and the secretaries of the PACCS to know their opinions about the functioning of these societies. The studies of this type require data for at least three to four years to analyse the role of the PACCS in providing services to their members. Hence, the study covers a period of three years. i.e., 2014-2017. The conclusions drawn from the analysis may not be different even if the period of study is more as there are no changes in the working policies of these cooperative societies during the last decade. Therefore, the same observations can be found even if the period is longer. Moreover, to collect the views and opinions of the members

about the quality of services rendered by these societies, data of the recent years is more appropriate.

Analysis of the Study

The analysis of the structure and working of PACCS and credit and non-credit services rendered and perception of members about the quality of services of the selected PACCS in Kanniyakumari District is discussed:

Table 1: Structural Composition of Membership in the Selected PACCS of Himachal Pradesh

Type of Member	Years			
	2014-15	2015-16	2016-17	Average
1. Big and medium farmers	4,818 (7.09)	4,897 (7.21)	5,137 (7.33)	4,951 (7.12)
2. Small and marginal farmers	17,600 (25.89)	18,024 (20.55)	18,751 (25.81)	18,125 (26.08)
3. Rural artisans	6,512 (9.58)	5,887 (8.67)	6,187 (8.52)	6,195 (8.91)
4. Landless labourers	35,560 (52.32)	35,596 (52.43)	35,659 (49.10)	35,605 (51.23)
5. Others	3,478 (5.12)	3,493 (5.14)	6,896 (9.50)	4,622 (6.65)
Total	67,968 (100.00)	67,897 (100.00)	72,630 (100.00)	694.98 (100.00)

The structural composition of membership in the selected PACCS during the period of study is shown in Table 1. It can be observed from the data that the landless labourers are more than half of the total membership followed by small and marginal farmers who constitute one-fourth of the members. While the remaining part is shared by big and medium farmers, rural artisans and others. Thus, the proportion of non-loanee members is more than double the loanee members. If the reasons are examined on the excessive share of landless labourers in the total membership of these PACCS, it is heartening to note that a majority of the landless labourers do not become members of PACCS on their own initiative but are motivated by the candidates contesting in the society elections. This indicates that the management of the societies are not elected by the real users of the services of the societies which is against the principles of co-operatives. This is due to the meager amount of membership fee which makes it very easy for the contesting candidates to join as many people as possible as members of the society to get votes in their favour.

Table 2: Number of members who availed different types of credit in the selected PACCS of Himachal Pradesh

Type of Credit	Years			
	2014-15	2015-16	2016-17	Average
1. Short-term	16,084 (81.75)	16,983 (82.57)	17,042 (81.22)	16,703 (81.85)
2. Medium-term	1,688 (8.58)	1,816 (8.83)	1,858 (8.85)	1,787 (8.70)
3. Long-term	1,903 (9.67)	1,768 (8.60)	2,083 (9.93)	1,918 (9.39)
Total	19,675 (100.00)	20,567 (100.00)	20,983 (100.00)	20,408 (100.00)

Table 2 shows the number of members who availed themselves of different types of credit from the selected PACCS of the study. The data indicates that more than 80 percent of the members have availed short-term credit. While the remaining 20 percent of the members have taken medium and long-term credit equally during the last three years of the study period. The percentage of borrowers of short-term credit is very high, where crop loans are very much required for every farmer for meeting the expenditure of the crops. The percentage of borrowers of medium-term credit is very less because these loans are arranged for the purchase of cattle bullock-carts, etc., which very few farmers use. The percentage of borrowers of long-term credit is also less, as it is usually taken by the big farmers whose share in the total membership is quite less.

Table 3: Percentage distribution of long-term credit (purpose-wise) of the selected PACCS area in the Himachal Pradesh during the period 2014-2017

Purposes of Long-Term Credit					
	Tractors	Pumpsets and Borewells	Land Development	Others	Total
Average	32.03	52.08	10.07	5.82	100.00

Table 3 presents the percentage distribution of long-term credit (purpose-wise) in the selected PACCS during the period 2014-2017. It can be seen from the data that out of the total long-term credit advanced by the PACCS, about 32 percent is advanced for purchasing tractors, about half of it is given for minor irrigation, about 10 percent for land development and the remaining for other purposes. The societies in the upland areas have sanctioned most of their long-term credit for minor irrigation. While the societies in the irrigated zone have advanced most of their long-term credit for purchasing tractors.

Table 4: Percentage distribution of short-term loans (crop-wise) by the selected PACCS in Himachal Pradesh during the period 2014-2017

Crops-wise						
	Paddy	Banana	Topioca	Coconut	Rubber	Total
Average amount of short-term loan	72.00	10.00	4.00	8.00	6.00	100.00

Table 4 presents the percentage distribution of short-term loans (crop-wise) during the period of study in the selected PACCS of the district. It can be seen from the data that about 72

percent of the short-term credit is advanced for paddy, 10 percent for Banana, 4 percent for Topioca, 8 percent for coconut and 6 percent for Rubber. Thus, more than 70 percent of the short-term credit is granted for paddy crop, as it is the major crop in the district.

Table 5: Category-wise percentage of borrowers of agricultural credit of the selected PACCS of Himachal Pradesh during the period 2014-17

Category-wise			
	Small & Marginal Farmers	Big & Medium Farmers	Total No. of Farmers
Average	76.37	23.63	100.00

Table 5 shows the data on the percentage of different categories of borrowers. The data revealed that the percentage of small and marginal farmers who availed themselves of agricultural credit from the PACCS is around 76 percent, while the percentage of big and medium farmers who availed themselves of agricultural credit from the PACCS is around 24 percent. Therefore, the small and marginal farmers were the maximum beneficiaries of the credit services of the PACCS. The low percentage of big and medium farmers who have taken credit from PACCS may be due to their capacity to get loans from commercial banks with less rate of interest by providing their properties as security which, however, is not possible in case of small and marginal farmers. Besides, many of the small and marginal farmers do not borrow from the commercial banks either because of illiteracy or ignorance in following the cumbersome procedures for the bank loans.

Table 6: Consumption pattern of agriculture inputs in the selected PACCS area of operation in Himachal Pradesh during 2014-17 (amount rupees in thousands)

Agriculture Inputs	Total Consumption (Rs.)	PACCS Contribution (Rs.)	Percentage of PACCS Contribution in the Total Consumption
Fertilizers	6,51,211 (93.80)	34,069 (85.89)	5.23
Seeds	11,003 (1.59)	3,170 (7.99)	28.81
Pesticides	32,075 (4.61)	2,427 (6.12)	7.57
Total	6,94,289 (100.00)	39,666 (100.00)	5.71

Table 6 describes the consumption pattern of agricultural inputs in the selected PACCS area of the study. It is observed from the data that the percentage of fertilizers distributed by the selected PACCS is just 5.23 percent of the total fertilizer consumption in the area of operation of the selected PACCS are sold fertilizers only for cash and no credit is given. As the private traders sell on credit, many farmers prefer to buy them from the private traders for want of fertilizers on credit. Like-wise, the percentage of seeds supplied by the PACCS is also low because of their experience of inferior quality of seeds supplied by the PACCS. Further, it is also noticed that many of the managements of the societies are not willing to sell all. Most of the secretaries felt that they are not facing any difficulty in rendering non-credit services to their members. When many of the societies have no problems, it is a wonder why the contribution of non-credit business in PACCS to the total potential business is

insignificant. The reason may be due to lack of initiative from the managements of PACCS to increase their noncredit business turnover.

Table 7: The sources of agricultural credit and the percentage of borrowers of the selected PACCS in the Himachal Pradesh during the period 2014-17

Sources of Borrowing					
	PACCS	Commercial Banks	Money Lenders	Friends & Relatives	Total
Average	100.00	31.00	41.00	2.00	174

Table 7 presents the data on the sources of borrowing of agricultural credit and the percentage of borrowers in the selected PACCS during the period of study. It can be seen from the table that among the borrowers of agricultural credit from the PACCS, 41 percent of them are borrowing from money-lenders, while 31 percent of them approach the commercial banks and 2 percent of them seek the help from their friends and relatives, in addition to PACCS. This shows that PACCS are not giving sufficient agricultural credit for meeting their total requirements and hence, they are forced to search for other financing agencies.

Table 8: Proportion of credit and non-credit business activities in the total business of the selected PACCS in the Himachal Pradesh during the period 2014-17

	Credit Activities	Non-Credit Activities	Total Activities
Average	78.17	21.83	100.00

Table 8 shows the data on the proportion of credit and non-credit activities in the total business of the selected PACCS. It can be said from the data that the aggregate percentage of credit business in the total business of the PACCS is about 78 percent whereas; the proportion of non-credit business is only 22 percent. This indicates that the PACCS are doing more credit business and very less non-credit business. Though the societies are supposed to render all types of agricultural services, in practice they are giving less importance to non-credit activities.

3. CONCLUSION

The study captures the member's perception towards the services of PACCS. It is observed from the survey that majority of the members borrowed from the PACCS due to the easiness in obtaining credit. On the other hand, they expressed that the agricultural credit given by the PACCS is not sufficient for their agricultural activities. The study also revealed that with rampant underselling of fertilizers with varying seasonal and market conditions by the private traders, it is very difficult for the PACCS to compete. Therefore, the management and staff of the PACCS must create awareness among the members about the different types of services available and help them in availing these services. The government must also sponsor cooperative education and training programmes regularly for creating awareness among the members and also to the managing committee members and employees of the PACCS in order to increase their professional skills. The PACCS should also arrange other service for members, like farm guidance, extension service, education and training, technical consultancy for transfer of technology. All these will help to create a strong base to PACCS business integrating it with members and thus, become a real institution of rural development.

4. REFERENCES

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