

Performance of Primary Agricultural Co-Operative Societies (PACs) In Haryana

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ABSTRACT

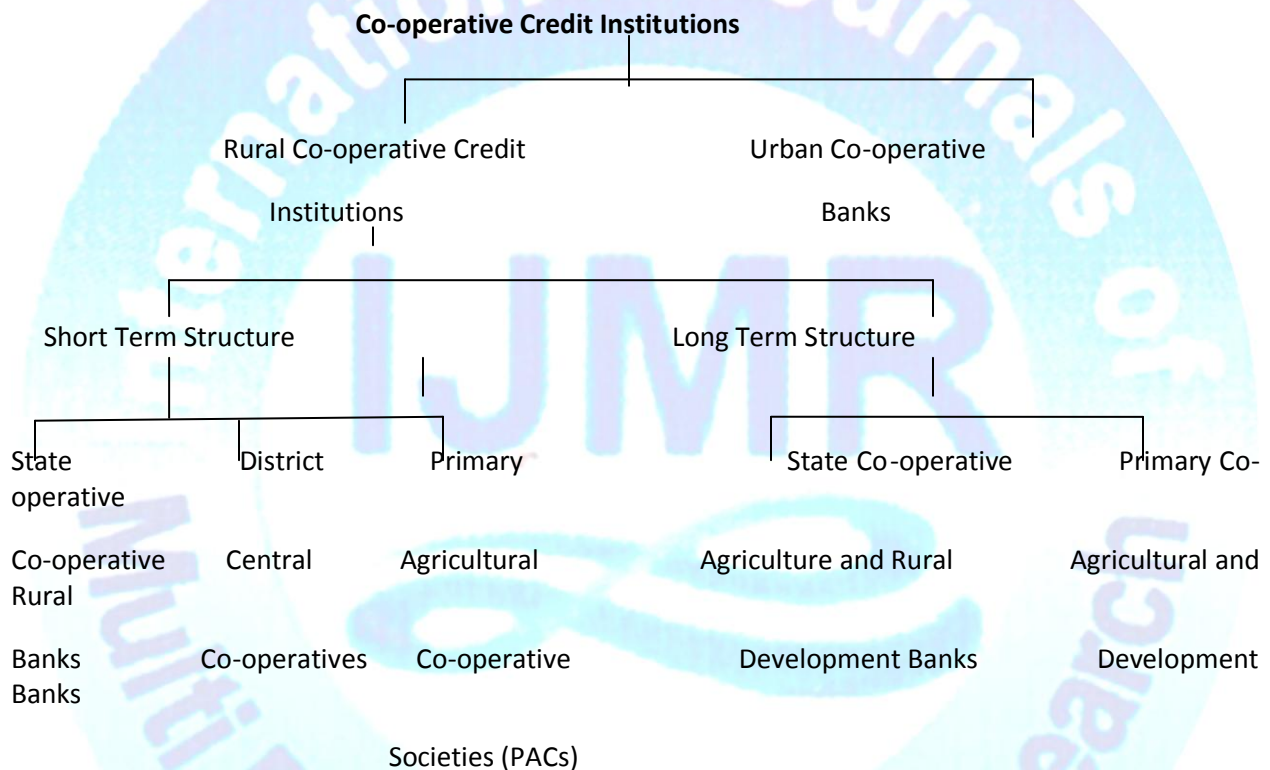
Agriculture holds a great importance from a futuristic perspective in India. Indian agriculture is heavily dependent upon monsoon despite India is having existence of river system or in other words we can say it is a gamble of monsoon and due to uncertainty of monsoon farmers are not able to cover the cost and caught in to debt and to repay their debt they require credit at cheap rate of interest. There are various institutional and non-institutional sources in India to fulfill the capital requirement of farmers by charging differential rate of interest. Among these sources Co-operative organization alone provide the vast network of institutional credit agencies throughout the length and breadth of the country of sub – continental size, covering the large bulk of Indian villages and yet the organization is not fulfilling its role due to several weakness. There are separate co-operative institutions for advancing short-term and medium-term loans on the one hand and the long-term loans on the other. Whereas the primary agricultural co-operative credit societies generally advance short-term and medium-term loans to the farmers, the primary land development banks look after long-term financial requirements of the farmers. In the present study attempt is made to analyse the temporal behavioral pattern of Growth of short and medium term advances made by Primary Agricultural co-operative societies (PACs) in Haryana by using secondary data from 1990-91 to 2011-12 i.e. post reform period and by analyzing through suitable technique it is found that PACs mainly act as distributional channels for funds mobilized elsewhere. Even this role is not played well by them, as they suffer from a very high ratio of over dues to loans outstanding.

Key Words: Agriculture, Debt, Seasonal, Exploitation, Institutions.

I. INTRODUCTION

The post- Green Revolution period in India is characterized by wide regional disparities in the matter of agricultural development. Haryana belongs to the genre of states which have had experienced a remarkable agricultural growth in the level of farm productivity, particularly in terms of yield rates of crops such as wheat and paddy and the overall volume of their production due to the adoption of improved farm practices brought about by the said revolution and this in turn, set in to motion a process of socio-economic modernization of the state having far reaching implications. It is generally observed that the process of agricultural development underway masks many of its disquieting facts. One such fact is that the peasantry in the Haryana countryside suffers from a heavy indebtedness and is subject to exploitation in the credit market due to exorbitant interest rates and lack of convenient access to credit. What scarcely needs to be overemphasized is that the rural households require credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. In view of the fact that cash flows and savings in rural areas for the majority of the households are small, these households are forced to depend on credit for other consumption needs such as education, purchase of food, housing other social ceremonies etc. what we wish to underline is that the rural households need access to financial institutions that can provide them with credit at lower rates and at reasonable terms and condition than the traditional money-lenders and thereby help them avoid debt-traps that are common in the Indian countryside. There is no denial to the fact that timely availability of adequate agricultural credit is

important for effecting increase in the fixed and working capital at the disposal of the farmers. For such reasons perhaps, many institutional (such as cooperatives, commercial banks, regional rural banks, various Government Organizations, etc.) and non-institutional agencies are engaged in supplying credit to the farmers to enable to meet their financial requirements for production purposes. While, transactions involving the latter are not recorded properly for a wide variety of reasons; those of the former, on the other hand, are even though these are also plagued by certain inconsistencies. Among all the sources available for agricultural finance Co-operative finance is the best and cheapest source because loans are advanced for productive activities and also at very low rates as compared to the moneylenders. There are separate co-operative institutions for advancing short-term and medium-term loans to the farmers. Structure of Co-operative Credit Institutions can be understood with the following chart:-



A Primary Agricultural Credit Societies (PACs) act as grassroots level co-operative Credit institutions for advancing short-term and medium-term loans to the agriculturists. Their activities are supervised and co-ordinate by the central Co-operative Banks at the district level. It is this basic unit which deals directly with rural (agricultural) borrowers, gives those loans and collects repayments of loans given. It serves as the final link between the ultimate borrowers on the one hand and the higher financing agencies, namely the SCBs, and the RBI/NABARD on the other hand.

II. REVIEW OF LITERATURE

Giri and Dasgupta(1988) seek to estimate the extent of inter-state and intra state variations in the distribution of institutional credit. The results of the study revealed that there were large inter-state variations in the distributions of loans by Primary Agricultural Societies (PACs). For instance Punjab (27.0 per cent) topped with highest rate of growth of loan from per borrowing, followed by Karnataka. The degree of inequality in the distribution of loan from PACS among the size group of farmers decreased in

the state of Maharashtra, Madhya Pradesh and Uttar Pradesh. While it increased Punjab, Gujarat, Jammu and Kashmir (j&k). The authors suggested that disbursement of loans to a state by National Bank for Agricultural and Rural Development (NABARD) should be made in accordance with their relative weight age in total borrowing members and on the basis of extent of medium and long –term loans covered by states. Furthermore, the credit limits should be fixed to eliminate their inter-state-variations.

Viswanath(2001) in his study observed that although the total loans advanced by Primary Agricultural Societies(PACs) multiplied phenomenally from Rs.24crore in 1950-51 to Rs.14,201 crore in 1995-96(i.e.587times), this increase, unfortunately, was followed by a corresponding increase in over dues. The results of Development Index in PACs of 16 states indicated that the performance of only 5 states i.e. Karnataka, Gujarat, Tripura, Orissa and Maharashtra was above the National average, while that of the remaining 11states including Punjab was below the said average. Using correlation technique, the extent of relationship between over dues and four variables, i.e. number of societies, total membership, working capital and total amount of loans advanced was studied. The study concluded that there was a direct and advanced was studied. The study concluded that there was direct and positive link between overdue and working capital, amount of loans advanced on the other.

Shah et al. (2007) in their study gave a brief overview of rural credit in 20th century. India according to this study, finds a remarkable continuity in the problems faced by the poor throughout this period. These include dependence on money lenders and the operation of a deeply exploitive grid of interlocked imperfect markets. The unleashing of the process of economic reforms in the early 1990s in the opinion of the authors did lead to increased profitability of the banks but at the cost of the poor and backward regions. By examining different studies the author observed that the life of rural Indians in periods of 20th century has been vulnerable to both ecological and market-induced shock. This vulnerability has grown in the post-WTO period and rural credit is one of the cushions against such shock. Rural incomes being seasonal, credit is needed to smoothen out of the asymmetry between the flow of earnings and cyclicity of expenditure. In this regard the formal banking system could meet some productive credit requirements but it has suffered greatly from lack of professionalism and accountability in its functioning. To meet the requirement of finance in rural India author suggested that Reforms of the co-operative credit structure on the lines proposed by the task force on revival of rural co-operative credit institutions in order to make PACs truly democratic, member-driven, professional organizations based on the concept of mutuality are implemented.

III. OBJECTIVES OF THE PAPER

- 1) To examine and analyse the temporal behavioral pattern of Growth of Primary Agricultural Co-operative societies in Haryana, 1991-92 to 2011-12 i.e. Post reform period.
- 2) To study the status of over dues and amount of losses made by Primary Agricultural Co-operative societies in post- reform era.
- 3) To make a comparative study of loan advanced and loan covered over a period of time.

IV. DATABASE AND RESEARCH METODOLGY

- 1) The present study covers the period between 1991-92 and 2011-12 i.e. the post-reform period of about two decades.
- 2) Information on Long –term Advances made by Primary Agricultural Co-operative Societies in Haryana is obtained from “*Statistical Abstract of Haryana*” for various years.

- 3) The present study also carries out economic analysis of variables pertaining to agricultural finance .A brief description of research-kit comprising various statistical tools used in the present study for the purpose is given below:-

a) Percentages

The present study uses a widely used applied technique of percentages .The use of percentage as a statistical tool lends precision to the whole mass of data and is also particularly useful for purposes of comparison in that it reflects the relative weight of the concerned variables(s).

b) Differential(d_i)

In consonance with the requirement of our study, we use the differential (d_i) technique to capture the overall growth/change in the temporal behavioral pattern of the various variables. The present study uses its following form of differential (d_i):-

$$\text{Differential } (d_i) = \frac{V_n - V_0}{V_0} * 100$$

Where V_n = Value of the concerned variable in the terminal Year

V_0 = Value of the concerned variable in the base year.

c) The Compound Annual Growth Rate (CAGR)

For quantifying the temporal pattern (trend) of growth in respect of various variables included in the study, it estimates the growth rates in respect of financial disbursement in Haryana. This is largely been made possible by the availability of time series data for the period between 1991-92 and 2011-12. It is relevant to point out that we have, in present study, calculated the Compound Annual Growth Rates (CAGRs) for the entire period rather than for sub-periods. Growth Rate can be calculated in several possible ways .of these, guided by considerations such as the limited objective of present study, simplicity in estimation and popularity of technique, used the semi-log form for computing the growth rate.

V. ANALYSE AND FINDINGS

Primary Agricultural Co-operative Societies thus mainly advances loans for fulfillment of short and medium term-credit requirement .An important point that deserves to be underlined in respect of these banks is that loans advanced by them attract low rate of interest rate and repayment of these loans are spread over longer duration. These banks are reported to have registered considerable progress in terms of financing the agricultural sector in Haryana. In this section we tried to analyse the performance of Primary Agricultural Co-operative Societies since post-reform period era in Haryana. The necessary details to this effect presented in Table1.1 and Table1.2 provide the information pertaining to performance of these societies for the 1991-92 to 2011-12 periods in terms of overall compound growth rate of these societies, their membership, loans advanced and recovered and over dues. The differential (d_i) have also been worked out in respect of the said indicators to take overall temporal view of their growth. Important Points given below table deserve attention in particular:- Table:1.1

Table 1.1 Temporal pattern of growth of Primary Agricultural Co-operative Societies in Haryana.

Source: Statistical Abstract of Haryana of Various Years.

Year	Societies (No.)	Membership (in 000')	Working Capital (Rs. In Lakh)	Borrowings (Rs. In Lakh)	Deposits (Rs. In Lakh)
(1)	(2)	(3)	(4)	(5)	(6)
1991-92	2404	1781	50408.69	42406.49	909.80
1992-93	2387	1909	66836.70	58153.92	852.84
1993-94	2380	1991	73200.50	63617.75	1040.97
1994-95	2371	2083	86418.01	73984.45	1503.78
1995-96	2379	2170	104527.13	90516.42	2934.03
1996-97	2384	2249	126314.46	110134.95	3585.46
1997-98	2384	2323	140038.79	121362.98	4974.74
1998-99	2379	2441	171191.97	152203.27	5662.63
1999-00	2425	2531	211968.45	190878.39	7198.76
2000-01	2466	2617	235490.10	212537.83	9677.14
2001-02	2466	2729	263308.37	237446.52	13569.30
2002-03	2418	2603	331459.00	242218.00	19235.00
2003-04	2423	2624	365070.00	278311.00	22012.00
2004-05	2435	2692	378794.85	335574.60	27568.36
2005-06	2441	2748	503523.00	391210.00	31960.00
2006-07	573	2845	535404.56	423868.27	30477.02
2007-08	618	2877	574968.18	425137.00	31125.20
2008-09	622	2934	638065.35	434591.93	31888.41
2009-10	628	2973	699239.84	448529.33	37170.00
2010-11	646	2985	782140.71	493651.44	50118.15
2011-12	640	3015	880513.80	559331.27	53168.73
(D _{ij})(In %)	-73.38	69.29	1646.75	1219	5744
CAGR	-6.11	2.54	14.59	13.07	21.37

In column 2 or 3 of Table points towards -73.38 percent decline in the number of PACs between 1991-92 and 2011-12 and the compound annual rate of growth in their case measures -6.11 per cent. As against this, the membership of these societies seems to have gone up from 1781000 in 1991-92 to 3015000 in 2011-12, which measures 69.29 percent in an overall sense and 2.54 percent in terms of compound annual growth rate. This is indicative of the fact that these societies, in spite of their experiencing a notable decline in terms of sheer numerical strength have remained popular with the farmers of the state as grass root level institution in the matter of financing the agricultural sector in Haryana. Second, column 3 of Table shows that the increase in the membership of these societies has helped them improve their position in ways more than one. It becomes obvious from the fact that working capital have increased steadily from Rs.50,408.69 lakh in 1991-92 to Rs.8,80,513.80 lakh in 2011-12 respectively depicted from column4 and this variable register an overall increase to the tune of 1646.75 per cent during the period as a whole; the respective compound annual growth rate is 14.59 per cent. Third, in column5 thanks to these important developments in the case of the PACs, their borrowings have multiplied by nearly 12-13 times i.e. from Rs.42, 406.49 lakh in 1991-92 to Rs. 5, 59,331.27 lakh in 2011-12 in absolute terms and by 1219 percent in an overall sense and by 13.07 per cent in terms of compound annual growth rate. Fourth, from column 6 the deposits by the primary co-op societies have recorded a mani-fold increase. For instance, the deposits of PACs have increased from Rs. 909.80 lakh in 1991-92 to Rs. 53168.73 lakh in 2011-12 registering thereby 5744.0 per cent overall increase and 21.37 increase on an annual basis.

Table 1.2 Temporal Pattern of Performance Of Primary Agricultural Co-operative Societies In Haryana.

Year	Loans Advanced During the Year	Loans Recovered (Rs. in Lakh)	Loans Outstanding at the end of year (Rs. In Lakh)	Over dues (Rs. In Lakh)	Over dues as %age in Outstanding Loans	Societies Showing Profit (No.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1991-92	21710.55	25757.36	40986.25	10304.94	25.14	1691
1992-93	72599.15	56776.19	56809.21	13688.00	24.10	1275
1993-94	79701.52	73978.34	62539.39	15368.53	24.57	1344
1994-95	98330.19	86625.92	74223.62	23464.11	31.61	1330
1995-96	109044.32	94052.71	89215.23	28823.71	32.31	903
1996-97	140453.77	123075.52	106593.48	37966.36	35.62	991
1997-98	135436.87	125718.62	116311.73	34149.93	29.36	793
1998-99	175255.73	146953.43	144614.03	51131.45	35.36	759
1999-00	218850.36	184171.62	179292.77	81323.54	45.30	744
2000-01	237628.28	220962.22	195958.83	84706.48	43.23	720
2001-02	270293.73	246270.95	219981.61	91590.93	41.63	687
2002-03	282019.00	241912.50	258271.00	103166.50	39.93	627

2003-04	336087.00	308192.25	269613.00	100714.02	37.36	1320
2004-05	413586.35	353685.19	327782.32	100146.34	30.55	1537
2005-06	475956.00	423431.00	388465.00	147616.70	38.00	1198
2006-07	474729.68	429489.01	424170.35	172542.75	41.00	180
2007-08	489783.03	454795.17	446431.05	205677.38	46.07	108
2008-09	302218.42	315137.39	433405.43	236145.48	54.48	147
2009-10	431664.36	388263.44	483279.50	242770.91	50.23	33
2010-11	513567.98	475295.25	527964.15	246044.61	46.60	80
2011-12	608332.92	550635.84	620771.26	263893.82	41.84	70
(d _i) (in%)	2702	2037.78	1414.58	2460.85	66.43	-95.86
CAGR	17.20	15.70	13.82	16.70	2.46	-14.07

Source: Statistical Abstract of Haryana of Various Years.

The loans advanced by Primary Agricultural Societies increased whoppingly by 2702.0 percent in an overall sense and by 17.20 per cent on compound annual basis during said period(i.e. from Rs. 21,710.55 lakh in 1991-92 to Rs. 6,08,332.92 in 2011-12. This is suggestive of the steady increase both in the deposits and loan advanced by these Primary Agricultural Co-operative societies. In view of column 3 the fact that recovery of loans is of tremendous importance from the viewpoint of recycling of credit by these financial institutions, our data, nonetheless, suggest that even though these societies were able to recover as 2037.78 per cent larger amount in 2011-12 than in 1991-92(the recovered amount being Rs. 5,50,635.84 lakh in the terminal year against Rs.25,757.36 lakh in 1991-92), this measured low on annual basis(15.70 per cent) in relation to the annual rate of growth of loan advanced i.e.(17.20 per cent). The result of the observed temporal behavioral pattern of loans advanced and recovered was that the amount of the loans outstanding at the end of the year increased from Rs.40,986.25 lakh in 1991-92 to Rs.620771.26 lakh in 2011-12. In terms of overall and annual increase, this measured 1414.58 per cent and 13.82 per cent respectively. The problem of over dues has not only remained a serious problem in context of agricultural finance, it has also assumed serious proportions over the period of time in rural India with Haryana being no exception to this effect. It becomes obvious from the fact that in absolute terms, the over dues (in column 5) grew from Rs.10,304.94 lakh in 1991-92 to Rs.2,63,893.82 lakh in 2011-12, increasing thereby by 2460.85 per cent in an overall sense and at a compound annual growth rate of 16.70 percent. In this regard, what indeed needs to be noted with concern is that the over dues as a percentage of outstanding loan of the PACs has increased by roughly three times during the period under reference i.e. from 25.14 per cent in 1991-92 to 41.84 percent in 2011-12, though zigzag pattern is visible to this effect the intervening period. And finally, unluckily though,(from column 7) the number of profit making PACs has also witnessed a sharp decline of -95.86 percent i.e. from all time high of 1691 in 1991-92 to 70 in 2011-12(certainly not all time low) ; these societies, judged from this perspective, do not seem to have great future in the emerging scenario.

VI. CONCLUSION

Health and Strength of the Co-operative credit movements depends upon co-operative societies but despite much effort and support and numerical expansion of the PACs in membership working capital, loans given and other activities their health and working leave much to be desired. PACs derives working capital borrowing from CCBs and in smaller proportions from owned funds and deposits. Due to low saving habits of the farmer population PACs failed to attract much deposits. The rich society of rural area invest their savings in physical assets or directly lends in the villages or deposits with banks or post-offices. Only residual savings of those households come to the PACs who want to wield influence in the actual working of the societies. These societies be in position to pay higher rate of interest rate than offered by other institutions so they attract more deposits. For this , the societies must be managed efficiently as well honestly. On the other side only members of a PACs are entitled to borrow from it. Most loans are for agricultural purposes and are short-term but consumption loans given mostly to landless laborers, artisans and marginal farmers are negligible. It is observed from findings that PACs mainly act as distributional channels for funds mobilized elsewhere. Even this role is not played well by them, as they suffer from a very high ratio of over dues to loans outstanding. Only the members of PACs are entitled to borrow from it. Most loans are for agricultural purposes and are short-term.

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