



PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT COOPERATIVES IN KARNATAKA

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ABSTRACT

Agricultural credit is one of the most essential inputs in all agricultural development programmes. The source of agriculture finance can be divided into two categories such as: Institutional finance and non-institutional finance. Particularly the primary Agricultural cooperative credit societies plays very important role in agricultural development it is considered to be the pillars of the entire cooperative edifice. The Primary Agricultural Co-operative Credit societies continue to be the main source of agricultural credit to the farmers in rural areas. This paper is carried out with a broad objective to examine the performance of primary agricultural credit co-operative societies in Karnataka for the year from 2005-06 to 2016-17 and the data analysis is carried out by the exponential growth model which has used to test the average annual growth of PACS.

KEYWORDS : Agriculture, Cooperatives, Credit

INTRODUCTION

Agriculture is a backbone of Indian economy. As per the census about 68.8 per cent of population resides in rural areas, depending directly or indirectly upon agriculture for their livelihood. The contribution of agriculture sector to the Gross Domestic Product is however declining very rapidly and is presently about 14.5 per cent and agriculture sector is also showing deceleration in growth rates. Therefore, it is very important for agriculture sector to achieve a higher growth rates and also be an engine of growth, so that growth in other sectors and overall growth rate of the economy can be achieved. Agricultural credit is one of the most essential inputs in all agricultural development programmes. For a long time, the major source of agricultural credit was private moneylenders. But, agriculture source of credit was inadequately, highly expensive and exploitative. To restrain this, a multi agency approach consisting of cooperatives, commercial banks and regional rural banks credit has been adopted to provide cheaper, timely and adequate credit to farmers. The sources of agriculture finance can be divided into two categories such as: Institutional finance and non-institutional finance. Institutional finance consists of co-operatives, scheduled commercial banks and regional rural banks, among co-operatives: Primary Agricultural Credit Cooperative Societies (PACS) provide mainly short and medium term loans and Primary Cooperative Agricultural and Rural Development Banks (PCARDBs) provide a long-term loan for the agriculture. The non-institutional finance consists of money lenders, land lords and others.

The Co-operative Credit Structure in India

The co-operative credit structure in India can be broadly classified as agricultural credit and non-agricultural credit. The credit structure is both pyramidal and federal in character. As far as agricultural credit is concerned, there are two streams one for short and medium term credit and another for long-term credit. The short and medium term agricultural credit follows a three-tier structure with the primary agricultural credit societies (also multipurpose co-operative societies and farmer's services societies) at the village level, Central Co-operative Bank at the district level and the State Co-operative Bank at the apex level. Regarding long-term credit, there is a two tier structure with Primary Land Development Banks at the village level and Central Land Development Bank at the state level. In some states in the country, the Central Land Development Banks operate through their branches.

Primary Agricultural Credit Societies (PACS)

The primary agricultural credit co-operative societies are considered to be the pillars of the entire cooperative edifice. The Primary Agricultural Co-operative Credit Societies continue to be the main source of agricultural credit to the farmers in rural areas. Primary Agricultural Credit Societies (PACS) are the base of the co-operative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members. The share capital of a society is divided into the units, its called shares, contributed by members. The most important source of finance of Primary Agricultural Co-operative Credit Societies is members' deposits. Borrowings amount to the most important element of their working capital. The criteria for borrowings differ from the state to state according to their liability. Punctuality in repayment of loans has hardly been observed by members, with the result that there has been a steep rise in the amount of overdues all over the country.

The Functions of PACS

- Provides credit to the farmers, distribute inputs like fertilizers and also run outlets under Public Distribution System.
- Provides short term and medium term credit for agriculture and allied activities. The short term loans are repayable within a period of 12 to 15 months and the medium term loans are repayable within a period of 3 to 5 years.
- Crop loan is the prominent item of credit to the farmers by Primary Agricultural Cooperative Credit Societies, provided without collateral security upto 10 acres in respect of registered sugarcane growers and upto Rs.1 lakh in respect of other crops. The loan amount more than this limit is secured with mortgage of property or pledge of jewels.
- Primary Agricultural Cooperative Credit Societies also issue loans for other agricultural purposes like purchase of farm machineries and
- To provide marketing facilities for the sale of agricultural produce and to associate itself with economic and social welfare programmes of the village.

Review of Literature

Bharat Shankar Khar (2017), in his paper "The Performance of Primary Agricultural Cooperative Credit Societies in Western Zone", and in this paper study finds that the Number

of PACCS shows the increasing trends in every year (2011 to 2015). Total number of members in PACCS decreased, the reduction of membership may be reason of cancelation of membership or death of member, and increase reasons are issued more loans to farmers. The financial aspects performance of primary agriculture co-operative societies has shown not much better but good performance in the scene of progress and development and the Maharashtra states number of PACCS is always high compared to Gujrat and Goa states, Gujrat state indicates very low numbers of PACCS cam paired to other states. **Vidya K and Kadam R. N., (2016)**, studied that "Broad-Spectrum Performance of Primary Agricultural Co-operative Credit Societies (PACS) in Shivamogga District of Karnataka: A Study", the analysis is made on the bases of the statistical data provided by the concerned for the period of 10 years i.e. 2004-05 to 2013-14. Different aspects concerned to the PACS such as number, membership, paid up capital, working capital, deposits, loan disbursed, loan recovered and over dues, etc. the study finds that the Shivamogga district is positive in co-operative sector. PACS in Shivamogga are playing imperative role in meeting agricultural credit. The co-operative credit sector is successful in Shivamogga district. The mixed performance of PACS is noticed. **SudhakarRao K., (2016)**, performance of primary agricultural credit societies in India and Andrapradesh", the study objectives is to the progress of PACS in India and Andrapradesh and to analyse the working capital structures of PACS and to examine the demand collection and overdues of PACS. The study was fact finding study and comparative study aimed at analysing the performance of PACS in India and Andrapradesh. The study found that the PACS in Andrapradesh were not able to issue fresh loans to the members borrowers due to lack of funds. As a result all the components of working capital were fluctuating year to year and lead to the instable working capital has and the demand has increased from year to year and influenced the collection of dues also. **Vijayakumar J. J., and Sukumar S., (2014)**, their paper attempted the role of primary agriculture cooperative societies in financial inclusion and agricultural development in India. The study reveals that number of primary agriculture co-operative societies, number of members, deposits and borrowing, number of borrowers and loan issued by the primary agriculture co-operative societies in India has increased significantly during the period from 2003-04 to 2012-13. It implies that the primary agriculture cooperative societies play a major role for financial inclusion of the farmers and agricultural development in India. It is beyond any doubt that no financial institutions can match the unmatched reach of the cooperatives in India. Cooperative societies as an institution is still important and can play a very constructive role in meeting the objective of greater degree of financial inclusion of the farmers in India. **Memane A. S., (2012)**, in his paper is evaluating the performance of these agriculture co-operative societies and describing the progress of primary agriculture cooperative societies during the year of 2000-01 to 2009-10 in India. The study finds that the Primary Agriculture Co-operative credit societies, total numbers of members were increased, and there is significant thing found that the SC membership are rapidly increased in that decade, Total borrowing, total deposits and working capital also increased and Overall the performance of primary agriculture co-operative societies has shown not much better but good performance in the scene of progress and development.

Table - 3: Physical Performance of Primary Agricultural Credit Cooperative in Karnataka from 2005-06 to 2016-17 (Rs. In Lakhs)

Year	Paid up Share Capital	Reserves	Deposits	Borrowings	Working Capital	Loan Issued	Loan Outstanding	Demand	Collection
2005-06	32369	18035	102685	196363	470393	230849	270878	262031	164738
2006-07	34923	19024	112170	200404	508361	245192	309200	277704	156114
2007-08	36322	18589	114407	219111	521066	289549	313723	302018	NA

Objective and Methodology of the Study

The present study was carried out with a broad objective to examine the performance of primary agricultural credit co-operative societies in Karnataka. The study has made use of secondary data; the secondary data were collected from website, published articles, books, department of cooperation and other government reports. The data analysis is carried out by the exponential growth model which has used to test the average annual growth of PACS and the various findings from secondary data have been summarized as under:

Data Analysis and Discussion

PACS are playing a crucial role in improving the economic and social conditions of the common masses of Karnataka. PACS provide short term and medium term loan to the members or farmers at reasonable interest rates to meet their variety of needs. They are providing credit to the farmers for agriculture purposes at economical and easy terms. PACS is the foundation of the Cooperative Credit System on which the super structure of the short term cooperative credit system is built. The performance of PACS has been analyzed with various components in the following tables.

Table - 1: Number of PACS and Memberships in Karnataka from 2005-06 to 2016-17

Year	Total Number of Societies	Membership (In Thousands)
2005-06	4911	4715
2006-07	4205	4657
2007-08	4620	4857
2008-09	4806	5417
2009-10	4694	7479
2010-11	4811	8992
2011-12	4739	5458
2012-13	4789	6128
2013-14	4915	5930
2014-15	5625	5191
2015-16	5337	8846
2016-17	5679	6696

Source: Annual reports of NAFSCOB,

The table 1 indicates the growth of PACS and Memberships in Karnataka for the year from 2005-06 to 2016-2017. Here, the present study has been used exponential growth model to analyse the average annual growth of the above said variables.

Table - 2: Results of Average Annual Growth of PACS and Memberships in Karnataka from 2005-06 to 2016-17

Dependent Variables	Constant	Parameter (β1)	Sig.	R Square
Societies	4.356	.018	.003	.616
Membership	4.875E3	.033	.084	.268

The table 2 shows the result of exponential growth model which has used to test the average annual growth of number of PACS and Memberships in Karnataka for the year from 2005-06 to 2016-17. As per the given results, the average annual growth of number of PACS in Karnataka is 1.8 and it is statistically significant at 1 percent level with the R square value of 0.616. However, the average annual growth of number of memberships in Karnataka is 3.3 and it is statistically significant with the R square value of 0.268.

2008-09	56870	27064	146523	314524	549416	412809	399636	309721	240319
2009-10	59240	37808	161761	370800	605819	326742	407155	334609	249994
2010-11	86682	92820	323723	442932	1017254	695496	695496	803017	695230
2011-12	57410	36049	228230	456157	791874	575682	555252	489838	391459
2012-13	68528	43368	258639	502176	855959	611719	576030	490915	416605
2013-14	75866	48211	285640	516278	924480	684826	638385	551882	479483
2014-15	132924	85220	602449	852100	1767803	1688457	1369851	994610	977797
2015-16	145545	89600	585990	1063059	1803773	1327230	1329493	1062033	1041349
2016-17	173751	102870	749701	1128455	2316084	1661704	1602069	1409195	1325945

Source: Annual reports of NAFSCOB.

The table 3 indicates the growth of Share capital, Reserves, Deposits, Borrowings, Working Capital, and Loans issued Loans outstanding, Demand and Collection of Loans of the Primary Agricultural Credit Cooperative in Karnataka for the year 2005-2017. Here, the present study has been used exponential growth model to analyse the average annual growth of the above said variables.

Table - 4: Results of Average Annual Growth of Physical Performance of Primary Agricultural Credit Cooperatives in Karnataka from 2005-06 to 2016-17

Dependent Variable	Constant	Parameter (β1)	Sig.	R Square
Share Capital	2.671E4	.146	.000	.890
Reserves	1.494E4	.161	.000	.781
Deposits	7.362E4	.185	.000	.916
Borrowings	1.509E5	.165	.000	.962
Working capital	3.447E5	.143	.000	.884
Loans Issued	1.713E5	.187	.000	.906
Loans outstanding	2.066E5	.161	.000	.905
Loan demand	1.968E5	.148	.000	.842
Loan Collection	1.458E5	.171	.000	.752

The table 4 represents the results of average annual growth of Share capital, Reserves, Deposits, and Borrowings, Working Capital, Loans issued, loans outstanding, Loans demand and loans Collection of the Primary Agricultural Credit Cooperative in Karnataka, the year from 2005-06 to 2016-17. The above results reveal that, the average annual growth of share capital is 14.6 which is statistically significant at 1 percent level with the R square value of 0.890. Where, the average annual growth of Reserves is 16.1 which is also statistically significant at 1 percent level with the R square value of 0.781. Similarly, the average annual growth of Deposits is 18.5. It is statistically significant at 1 percent level of significance with the R square value of 0.916. Likewise, the average annual growth of Working Capital of Primary Agricultural Credit Cooperative is 14.3 which is statistically significant at 1 percent level. So the R square value is 0.884. Subsequently, the average annual growth of Loans issued is 18.7 and it is also statistically significant at 1 percent level of significance with the R square value of 0.906. However, the average annual growth of loans outstanding is 16.1. It is statistically significant at 1 percent level of significance with the R square value of 0.905. And the average annual growth of Loans demand is 14.8 and it is also statistically significant at 1 percent level of significance with the R square value of 0.842. Whereas the average annual growth of loan collection of Primary Agricultural Credit Cooperative is 17.1 which is also statistically significant at 1 percent level with the R square value of 0.752.

CONCLUSION

The primary agricultural credit co-operative societies are considered to be the pillars of the entire cooperative edifice. The Primary Agricultural Co-operative Credit societies continue to be the main source of agricultural credit to the farmers in rural areas. The study reveals that number of primary agriculture credit co-operative societies,

memberships, Share Capital, Reserves, Deposits, Borrowing, Working capital, Loans Issued, Loans outstanding, Loan demand, and Loan Collection of primary agriculture co-operative societies in Karnataka has increased significantly during the period from 2005-06 to 2016-17. Overall the performance of primary agriculture credit co-operative societies has shown good performance in the scene of progress and development.

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