

Performance of PACS in irrigated and unirrigated areas of Dhule district of Maharashtra

PN SHENDAGE, AJ SHIVAGAJE and NK KALE

Department of Agriculture Economics, College of Agriculture (MPKV)

Dhule 424004 Maharashtra, India

Email for correspondence: ashokjs123@gmail.com

© *Society for Advancement of Human and Nature (SADHNA)*

Received: 01.06.2021/Accepted: 20.06.2021

ABSTRACT

The study of last 10 years (2009-10 to 2018-19) data of Primary Agricultural Credit Societies (PACS) in irrigated and unirrigated areas of Dhule district, Maharashtra indicated that the loan disbursement and loan recovery of PACSs from unirrigated area had declined by 26.13 and 51.77 per cent respectively. In order to improve the performance of these PACS, it is recommended that the farmers from Dhule district be motivated for the use of the recommended package of practices for cotton cultivation.

Keywords: PACS; irrigated; unirrigated; loan disbursement; loan recovery; problems

INTRODUCTION

The cooperative credit institutions are an important constituent of Indian financial system in general and banking sector in particular. The cooperative banks play a special role in the Five Year Plans for the economic development of rural areas in India. Cooperative banks and different cooperative credit societies cater to the credit needs of the rural people for agriculture, small scale industry, cottage and village industry etc since their inception as the cooperation is a dynamic movement for the socio-economic and cultural development of the people. Cooperatives have strong local linkage in the rural areas which need to be expanded for the all round development of the rural areas. Therefore cooperatives are considered as life blood of Indian economy and the mechanism for any development programme especially in an agriculture dominated rural sector in bolstering the common individual and financing to business and personal needs.

The three-tier structure of short-term credit consists of Primary Agricultural Credit Societies (PACS) at grass-root level, District Central Cooperative Banks (DCCBs) at district level and State Cooperative Banks (SCBs) at state level as apex

banks. The PACS from the grass-root level tier of the short-term cooperative credit structure in Maharashtra directly interfaces with individual borrowers to provide them short-term and medium-term credit. Reflecting cooperative culture, PACS advance loans only to their members by borrowing from higher tier cooperative credit institutions and constitute the majority of funds for the PACS which cater to a variety of other associated activities. They arrange for the supply of agricultural inputs, distribution of consumer articles and marketing of produce for their members through cooperative marketing societies. The performance of these societies needs to be studied at frequent intervals to bring the desired changes in them to meet the forthcoming challenges of future and to take appropriate corrective measures in case of their weak performance. Therefore present study on performance of PACS in irrigated and unirrigated areas of Dhule district was undertaken with specific objectives of studying the performance of PACS in irrigated and unirrigated areas and the problems faced by the PACS in disbursement and recovery of loans.

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 the country working

force and accounts for about 13 per cent to national GDP. There exists a spectrum of problems in agriculture but agriculture credit is one of the major problems in rural areas. As far as credit in agriculture is concerned, PACS play an important role (Kumar and Mehta 2018).

PACS, the age-long rural institutions were set up mainly focusing credit aspects of farming community. However with the passage of time PACS have undergone many changes in terms of their modus operandi as well as objectives. Of late they have been mobilizing financial resources from rural households in the form of savings etc. Additionally they are now promoting self-help groups (SHGs) particularly women groups who were untouched earlier (Ghosh et al 2018).

As per Shobana (2018), India has only four months rainy season in a year. During that time the credit delivers a significant role for the cultivation of agriculture. In 1912 the Cooperative Societies Act was enacted which permitted the registration of non-credit cooperative societies as well. Primary Agriculture Cooperative Credit Societies (PACCS) are providing the short- and medium-term loans for the farming purposes. In the field of cooperation, the PACCS provided mainly short-term and medium-term loans to the rural people and met the financial requirements of more than 121 million members in 2010-11.

Agricultural credit is one of the most crucial inputs in all agricultural development programmes. Access of rural credit has still remained scarce in India. PACS working at grass-root level are having direct contact with the rural people and meet their financial requirements. The problem of loan overdue is a serious concern in different regions of the country as it affects the recycling of funds and loses its economic viability as a lending institution (Mazumder et al 2014).

PACS are basic units and smallest cooperative credit institutions in India. They are the grass-root level institutions of the short-term cooperative credit structure. PACS deal directly with the rural (agricultural) borrowers, grant short- and medium-term loans, undertake marketing and distribution functions and also collect the repayments of loans given (Khyriem 2018).

The credit plays an important role in agriculture sector. PACS form the basic foundation of cooperative credit system essential for farming community. PACS are organized, managed and benefitted by the member

farmers. Credit societies at all India level are 95,238 with total membership consisting of 1,305.47 lakhs (Shinde et al 2020).

As per Santhosha et al (2020), farm credit is a strategic input and demand for it steadily increased with the advent of modern technology among the various financial institutions; the cooperatives have emerged as a major source of agricultural credit. A three-tier system of cooperative credit structure came into existence to meet short- and medium-term credit requirements of the farmers.

METHODOLOGY

The sampling design adopted for the present study was both purposive and simple randomization. Dhule district of western Maharashtra region was purposively selected for the study due to unsatisfactory performance of PACS in this district. There are four Tehsils viz Dhule, Sindhkheda, Shirpur and Sakri in this district. The district is further subdivided into irrigated and unirrigated areas based on maximum and minimum area under irrigation. Accordingly Shirpur and Sakri come under irrigated area and Sindhkheda and Dhule come under unirrigated area. From these areas, two Tehsils viz Shirpur (irrigated) and Sindhkheda (unirrigated) were also selected purposively based on maximum and minimum area under irrigation and as these two Tehsils cover more than 50 per cent of PACS in Dhule district. There were in all 413 PACS in the district. These PACS were further classified into Audit class A, B and C but none of PACS was observed to be in Audit class A and all of them were in Audit class B and C. Out of these 20 PACS (10 each from irrigated and unirrigated areas and five each from Audit class of B and C) were selected through simple randomization. The selected PACS from irrigated and unirrigated areas of Dhule district are shown in Table 1.

In addition 60 member farmers of PACS (30 each from irrigated and unirrigated areas) from the operational area of selected PACS were also selected through simple randomization for knowing the problems faced by them, their expectations from PACS and their suggestions for improving performance of PACS. The information pertaining to problems faced by the PACS were collected from the officials of the PACS.

For studying the performance of PACS, secondary data from 2009-10 to 2018-2019 were

Table 1. PACs selected from irrigated and unirrigated areas of Dhule district

Area	Audit class B	Audit class C
Irrigated	Hingoni	Mandal
	Amode	Bhaver
	Ajnad	Shingave
	Waghadi	Loaki
	Kurkhedi	Babhudade
Unirrigated	Vikharan	Mhadsar
	Bamane	Kanchanpur
	Methi	Mudavad
	Aamarade	Varapade
	Shindkheda	Varshi

collected from the selected PACS while primary data for the year 2018-2019 related to the problems faced by the PACS and expectations of famers from the PACS were collected through the questionnaire prepared for the purpose by conducting the personal interviews of sample respondents.

The collected data were analyzed by using the simple statistical tools such as averages, percentages, frequency distribution, compound growth rates, coefficient of variation etc.

RESULTS and DISCUSSION

Performance of PACS in Dhule district

The performance of PACS with respect to number of PACS, their average membership, share capital, loans disbursed and recovered during the year 2009-10 and 2018-19 and its percentage change over 2009-10 in irrigated and rainfed areas of Dhule district are presented in Table 2.

The data show that there was a positive growth in number of PACS, their average membership and share capital in both the irrigated and unirrigated areas. The rate of increase in number of PACS and share capital in irrigated area were more as compared to unirrigated area while rate of increase in average membership was relatively more in unirrigated area. On the contrary loans disbursed and loan recovery was increased by 17.67 and 39.19 per cent respectively in 2018-19 over the base year 2009-10 in irrigated area while it was decreased by 35.36 and 107.33 per cent respectively in unirrigated area. The PACS from both areas were running in loss and the picture was quite serious in unirrigated area as there was increase in loss by nearly about 38 per cent in 2018-19 over the base year 2009-10. In irrigated area, the loss decreased

by about 66 per cent in 2018-19 over the year 2009-10.

Changes in loan disbursement and loan recovery of PACS in Dhule district

The changes in average loan disbursement and loan recovery of PACS in Dhule district during the period 2009-10 to 2018-19 are presented in Table 3.

The loan disbursement increased by nearly about 18 per cent during last 10 years ie from 2009-10 to 2018-19 in irrigated area and it decreased by about 26 per cent in unirrigated area. While during the same period the loan recovery increased by about 39 per cent ie from Rs 18.21 lakhs in 2009-10 to Rs 25.35 lakhs/PAC in 2018-19 in irrigated area, it drastically decreased by about 52 per cent in unirrigated area during the same period. The annual rate of growth of loan disbursement of irrigated area was more (2.29%) as compared to unirrigated area (-2.96%). On the contrary the rate of recovery of loans was significantly lower (-6.43%) than the irrigated area (1.48%).

Problems faced by the PACS in disbursement and recovery of loans

The information on problems faced by the PACS in loan disbursement and recovery of loans in Dhule district was collected from the officials of the selected PACS and is presented by way of frequency distribution in Table 4.

The major problems faced by the PACS in irrigated and unirrigated areas of Dhule district were inadequate funds and untrained staff for disbursement of loans, political interference, non-fulfillment of required documents by member farmers and divergence

Table 2. Performance of PACS in Dhule district

Component	Irrigated area			Unirrigated area		
	2009-10	2018-19	Per cent change	2009-10	2018-19	Per cent change
Number of PACS	164	167	1.83	242	246	1.65
Average number of members	253	281	11.07	376	421	11.96
Share capital (Rs)	8,81,000	12,77,450	45.00	9,08,000	12,71,200	40.00
Loan disbursed (Rs)	25,03,000	29,45,400	17.67	28,80,700	21,28,100	-35.36
Loan recovery including interest (Rs)	18,20,900	25,34,600	39.19	20,55,900	9,91,600	-107.33
Loss (Rs)	6,82,000	4,10,800	-66.02	8,24,800	11,37,500	-37.92

Table 3. Changes in average loan disbursement and loan recovery of PACS in Dhule district (Rs in lakhs/PACS)

Year	Irrigated area		Unirrigated area	
	Loan disbursed	Loan recovery	Loan disbursed	Loan recovery
2009-10	25.03	18.209	28.807	20.559
2010-11	25.78 (03.00)	20.385 (11.95)	31.506 (09.37)	26.375 (28.29)
2011-12	29.42 (17.54)	24.325 (33.59)	32.007 (11.11)	25.328 (23.20)
2012-13	31.065 (24.11)	24.963 (37.09)	32.014 (11.13)	25.86 (25.78)
2013-14	29.55 (18.06)	22.372 (22.86)	37.274 (29.39)	29.966 (45.76)
2014-15	29.387 (17.41)	21.916 (20.36)	35.969 (24.86)	26.782 (30.27)
2015-16	31.611 (26.29)	24.698 (35.64)	30.222 (04.91)	21.38 (03.99)
2016-17	38.46 (53.66)	26.838 (47.39)	27.952 (-02.97)	20.073 (-02.36)
2017-18	29.302 (17.07)	17.705 (-02.77)	25.975 (-09.83)	18.26 (-11.18)
2018-19	29.454 (17.67)	25.346 (39.19)	21.281 (-26.13)	9.916 (-51.77)
CGR (%)	2.29	1.48	×2.96	-6.43**
CV _{0.05}	12.18	13.71	15.39	25.52

Figures in parentheses are per cent change values over 2009-10

Table 4. Problems faced by the PACS in disbursement and recovery of loans

Problem	Number of respondent officials	
	Irrigated area	Unirrigated area
Loan disbursement		
Inadequate funds	09 (90.00)	10 (100.00)
No fulfillment of clear documents	06 (60.00)	07 (70.00)
Divergence of loyal members to other financing agencies	05 (50.00)	03 (30.00)
Lack of policy to disburse loan to the tenant farmers	03 (30.00)	02 (20.00)
Political interference	09 (90.00)	07 (70.00)
Untrained staff	10 (100.00)	10 (100.00)
Loan recovery		
Low recovery due to successive drought conditions	10 (100.00)	10 (100.00)
Willful defaulters due to loan waving policy of the government	08 (80.00)	09 (90.00)
Restructuring of old loans	07 (70.00)	08 (80.00)
Low yields and prices to agricultural produce	10 (100.00)	10 (100.00)
Fluctuating policy of crop insurance protection	05 (50.00)	06 (60.00)

Figures in parentheses are per cent values to respective number of farmers

of loyal member farmers to other financing agencies besides lack of policy to disburse the loans to the tenant farmers. On the other hand, low recovery of loans due to successive drought conditions in the district, low yields and prices of agricultural produce, willful defaulters due to loan waving policy of government, restructuring of old loans and fluctuating policy of crop insurance protection were the major problems faced by the PACS in recovery of loans.

Problems faced by the farmers in obtaining the loans from PACS

The problems faced by farmers in obtaining the loans from PACS of irrigated and unirrigated areas of Dhule district are presented in Table 5.

The problems as opined by the member farmers of PACS from irrigated and unirrigated areas of Dhule district were unavailability of loan in time, non-availability of loan due to indebtedness, inadequate loan supplied, non-availability of loan for particular purpose, lack of transparency in loan supplied and inadequate staff resulting in poor communication and thereby delayed loan supply.

Kumar and Mehta (2018) reported that in Haryana, during 2000-01 to 2014-15 the number of societies decreased at an annual compound growth rate of 11.93 per cent. Membership, paid up share capital, deposits and working capital increased over the study period. Every district showed a negative per cent change as far as number of PACS was concerned. The share of owned fund to total working capital was very small in proportion. The higher credit deposit ratio depicted more loans advanced than deposits. Deposits had increased significantly but share of deposits in working capital was small. Number of PACS in profit

decreased while number of PACS in loss increased over the study period.

Ghosh et al (2018) examined the performance of PACS in terms of their coverage, inclusion, economic efficiency, social responsibility and prudence in financial management for the period 2007-08 to 2016-17 in of Nadia district, West Bengal and reported that PACS had broadened their base in terms of membership growth and quantum of loan disbursement. However they showed poor performance in recovery and decelerating NPA growth. An exhaustive evaluation was needed whether overdue or NPA were owing to growth of willful or non-willful defaulters.

The study conducted by Das (2017) signaled that the PACS had not fully performed well in all respects in northeastern region but they had been improving their performance over the time span on an average. Mazumder et al (2014) examined the recovery performance of rural credit given by PACS in six different regions of India and found that the performance of credit recovery had been low in northeastern states and high in northern and southern states. Recovery performance of credit was directly proportional to non-agricultural loan to agricultural loan, trained-untrained staff ratio and average members per society and inversely related with proportion of government capital to working capital and real growth rates at constant price. To make all PACS viable and ensure adequate and timely flow of credit, appropriate policies were required from the Reserve Bank of India in collaboration with state governments.

Shinde et al (2020) observed that the number of PACS and membership of PACS had increased marginally but the loan advanced by them had increased

Table 5. Problems faced by the farmers in obtaining the loans from PACS

Problem	Number of respondent farmers	
	Irrigated area	Unirrigated area
Unavailability of loan in time	21 (70.00)	22 (73.33)
Inadequate loan supplied	19 (63.33)	20 (66.67)
Inadequate staff resulted into poor communication and thereby delayed loan	13 (43.33)	20 (66.67)
Non-availability loan for a particular purpose	16 (53.33)	19 (63.33)
Lack of transparency in loan supplied	18 (60.00)	18 (60.00)
Non-availability of loan due to indebtedness	20 (66.67)	19 (63.33)

Figures in parentheses are per cent values

tremendously in Maharashtra during last 50 years. The loan advances through PACS were increased significantly in Kolhapur district of Maharashtra.

Santhosha et al (2020) reported that non-agricultural loan was dominated among the loan amount advanced for different purposes followed by agricultural loan in Chikamagaluru district of Karnataka. Demand and collection of the societies showed an increasing trend over the years. The recovery percentage for the PACS had been increasing over the years.

CONCLUSION

The rate of increase in number of PACS and their share capital in irrigated area was more as compared to unirrigated area while rate of increase in average membership was relatively more in unirrigated area than irrigated area. The loans disbursed and loan recovery was increased by 17.67 and 39.19 per cent respectively in 2018-19 over the base year 2009-10 in irrigated area while it was decreased by 35.36 and 107.33 per cent respectively in unirrigated area. The PACS from both areas were running in loss and picture was quite serious in unirrigated area as there was increase in loss by near about 38 per cent in 2018-19 over the base year 2009-10. The loan disbursement increased by 18 per cent during last 10 years from 2009-10 to 2018-19 in irrigated area and decreased by 26 per cent in unirrigated area. However loan recovery increased by about 39 per cent in irrigated area and drastically decreased by about 52 per cent in unirrigated area. The annual rate of growth of loan disbursement of irrigated area was more (2.29%) as compared to unirrigated area (-2.96%). The major problems faced by the PACS in disbursement of loans were inadequate funds, untrained staff, political interference, non-fulfillment of required documents by member farmers and divergence of loyal member farmers to other financing agencies. A number of problems were found in PACS which affected their performance. In order to improve the performance of these PACS, it is recommended that the funds from National Agricultural Credit (stabilization) Fund and National Agricultural

Credit (long-term operations) Fund as recommended by All India Rural Credit Survey Committee be provided for smooth running of these PACS.

REFERENCES

- Das S 2017. Performance of the primary agricultural cooperative societies: special reference to short-term cooperative credit structure in northeastern region. *Amity Journal of Agribusiness* **2(2)**: 22-29.
- Ghosh PK, Mitra A and Sarkar S 2018. An appraisal of performance of Primary Agricultural Cooperative Societies (PACS) in Nadia district of West Bengal. *Economic Affairs* **63(4)**: 891-896.
- Khyriem SW 2018. Performance of Primary Agricultural Credit Societies (PACS) in Meghalaya from 2004-05 to 2014-15. *International Journal of Scientific Research and Reviews* **7(3)**: 72-85.
- Kumar M and Mehta VP 2018. Performance and prospects of Primary Agricultural Credit Societies (PACS) in Haryana during 2000-01 to 2014-15. *International Journal of Current Microbiology and Applied Sciences* **7(4)**: 20-32.
- Mazumder R, Chakravarty C and Bhandari AK 2014. Recovery performance of Primary Agricultural Credit Societies in India: an assessment. IZA Discussion Paper #8294, Discussion Paper Series, Institute for the Study of Labour (IZA), Bonn, Germany.
- Santhosha KM, Gagana MD and Renuka 2020. Pattern of credit disbursed and recovery performance by Primary Agricultural Credit Societies (PACS) in Chikamagaluru districts of Karnataka, India. *International Journal of Current Microbiology and Applied Sciences* **9(6)**: 852-858.
- Shinde HR, Yadav JP, Ratanparkhe AN, Jadhav MS, Bondar US, Deshmukh BJ and Hile RB 2020. Performance of Primary Agricultural Credit Societies (PACS) in Kolhapur district. *International Journal of Chemical Studies* **8(4)**: 247-253.
- Shobana J 2018. A study on performance of Primary Agricultural Cooperative Credit Societies In Thiruvannamalai district, Tamil Nadu. *Indian Journal of Applied Research* **8(6)**: 36-38.