

**BROAD-SPECTRUM PERFORMANCE OF PRIMARY
AGRICULTURAL CO-OPERATIVE CREDIT
SOCIETIES (PACS) IN SHIVAMOGGA DISTRICT OF
KARNATAKA: A STUDY**

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ABSTRACT

Co-operation is a form of organization where in persons voluntarily associate together on the basis of equality for the promotion of their economic interest. Under this system people with limited means are benefited more. "One for all and all for one" is the philosophy and principle of co-operation. Generally known as Primary Agricultural Co-operative Credit Societies (PACs) may be started with ten or more than ten persons. They normally belong to a village. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. Primary Agricultural Co-operative Credit Societies are the grass root level institution of the short term co-operative credit structure. PACs deal directly with the farmer borrowers and grant short and medium term loans and also undertake marketing and distribution functions.

In this paper an attempt is made to evaluate the general performance of PACS, Shivamogga district of Karnataka state. 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.

Key Words: Co-Operation, Organization, Paid Up Capital, Working Capital, Deposit.

I. INTRODUCTION

Co-operation is a form of organization where in persons voluntarily associate together on the basis of equality for the promotion of their economic interest. Under this system people with limited means are benefited more. "One for all and all for one" is the philosophy and principle of co-operation. Generally known as Primary Agricultural Co-operative Credit Societies (PACs) may be started with ten or more than ten persons. They normally belong to a village. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. Primary Agricultural Co-operative Credit Societies are the grass root level institution of the short term co-operative credit structure. PACs deal directly with the farmer borrowers and grant short and medium term loans and also undertake marketing and distribution functions.

Primary Agricultural Credit Societies (PACS) are the foundation of the co-operative credit system in which the superstructure of the short-term co-operative credit system rests. It is the PACS which directly interface with

individual farmers, provide short-term and medium-term credit, supply agricultural inputs, distribute consumer articles and arrange for marketing of produce of its members through a co-operative marketing society.

Karnataka is a predominantly agricultural state with 10 agro-climatic zones facilitating the cultivation of a wide range of crops. The cropping activities in the state needed to be supported with timely and adequate farm credit. There are 4392 Primary Agricultural Credit Societies are affiliated to 19 District Central Cooperative Banks, which shoulder the responsibility of strengthening the primary unity by providing them an effective linkage with the Apex Cooperative Bank at the state level. The economic viability and the overall efficiency of the primary units depend to a great extent on the viability of the central cooperative banks. A critical evaluation of the working of the central units can shed light on the limitations and draw backs of these units, and help suggest ways to improve their functioning.

The usefulness of primary agricultural co-operative credit societies has been rising steadily. In 1950-51 it advanced Rs. 23 Crore, this increased to worth Rs. 34.520crore in 200%. The Primary Agricultural Co-operative Credit Societies have stepped up their advances to the weaker sections, particularly the small and marginal farmers. This progress has been quite spectacular but not adequate considering the demand for finance from farmers. However the Primary Agricultural Co-operative Credit Societies have continued to remain the weakest link in the entire co-operative structure.

As per 2011 census, about 68.8% of my population resides in rural areas, depending directly or indirectly upon agriculture for their livelihood. Agriculture is my mainstay of my Indian economy because of its high share in employment. The Primary Agricultural Credit-co-operative Societies are considered to be the pillars of my entire co-operative credit structure. The PACs constitute to be the main source of agricultural credit to the farmers in rural areas. The rural short-term co-operative credit structure comprises of state co-operative Banks (STCBs) at the state level (Apex) District Central Co-operative Banks (DCCBs) at district level and Primary Agricultural Credit Societies (PACs) at village level. At the grass-root levels the PACS are expected to play a significant role in meeting the needs of rural credit as well as providing agricultural inputs to the farmers so as to enhance the agricultural production thereby improving the economic and social condition of rural people. As these PACS are working as mini banks and are most suitable agencies to attain the present objective of financial inclusion.

The Primary Societies are owned by farmers, rural artisans etc. and planned to promote prudence and reciprocated help among the members, fulfil their credit needs and provide credit-linked services like supply of input, storage and marketing of agricultural produce of members, etc. These Cooperative Credit societies have extensive out-reach in the rural areas and accessible to the small and marginal farmers and the other marginalized people in the rural areas have been playing a very important role in providing necessary agricultural credit.

1.1 Objectives of the PACS

- To supply the needful credit and get involved in the income generating activities of farmers, artisans and other members.
- To give certain banking services to the members.
- To provide timely and adequate farm credit to members, implement the Kissan Credit Card Scheme.

- To help the member farmers in marketing of their agricultural produce.
- To arrange for the essential commodities to members.
- To create consciousness among farmers to take on advanced farming practices, etc

1.2 Significance of Primary Agricultural Co-operative Credit Societies

- Mobilizing the small saving of non member of the society in addition to the members.
- Primary Agricultural co-operative societies provide short term loans for seasonal agricultural operations, medium term loans for building agricultural infrastructure and to a certain extent consumption loans.
- Motivating the farmers to intensive deposit mobilization and inculcating the habit of banking in rural people.
- Primary Agricultural co-operative credit societies to promote ancillary occupations like, dairy farming, poultry, Bee keeping etc to supplement the Agriculture income.
- Primary Agricultural co-operative credit societies are lending the small business to promote entrepreneurship in rural areas. And also join hands with villagers to establish schools and dispensaries by liberally donating out of their charity fund.

1.3 Profile of Shivamogga District

Shivamogga is one of the 30 districts of Karnataka state. It is situated roughly in the mid-south western part of the state, with an eventful history and cultural tradition. The district is bestowed with abundant natural resources. The western part consists of mountains terrains and on eastern side it is densely forested hilly region with heavy rain fall is called as malnad. The western part is septet with fascinations stimulated by heavy rainfall. The eastern part also consist of as open area with attractive lakes and hilly. Shivamogga district covers an area of 8,495 59 square kms. i.e. 3.21 percent of states total geographical area. According to 2011 censuses the population of the district is 1,755,512. The density of population is 207 per sq. km. There are 7 Talukas, 40 Hobalies, 1440 Villages, 260 Village Panchayats, 9 Town/Urban Communities, and 09 Corporations in the district. All the seven talukas are grouped in two revenue sub-divisions for administrative purposes viz Shivamogga & Sagar.

II. PERFORMANCE OF PACS IN SHIVAMOGGA DISTRICT

The Primary Agricultural Credit Co-operative Societies play a imperative role in providing necessary financial assistance and some of the banking services to the farmers. The performance of Primary Agricultural Credit Co-operative Societies in Shivamogga district is assessed with different dimensions. The study has been taken up with different dimensions of PACS in the district. The following table with different kind of information gives clear picture of overall performance of the PACS.

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General Performance of PACS in Shivamogga District (Rs. in Thousands)

Year	Number of Societies	Total Membership	Paid up Capital	Working Capital	Total Deposits	Total Loan Issued	Total Over Dues	Loan Recovered	Net Profit
2004-05	155	155311	129944 (6.47)	973732 (4.84)	191735 (4.65)	852374 (5.39)	496965 (18.33)	759919 (4.97)	16395 (5.33)
2005-06	157	167120	148117 (7.38)	1173138 (5.83)	197056 (4.71)	163092 (1.03)	113662 (4.19)	915918 (5.99)	75584 (24.56)
2006-07	165	150662	164074 (8.17)	1584226 (7.87)	262369 (6.37)	1276793 (8.08)	129623 (4.78)	687825 (4.50)	9185 (2.98)
2007-08	157	142543	170193 (8.48)	1563705 (7.77)	292874 (7.11)	1284427 (8.13)	660117 (24.35)	1359690 (8.89)	25891 (8.41)
2008-09	157	143051	181091 (9.02)	1393592 (6.92)	322588 (7.83)	1214931 (7.69)	498955 (18.40)	1417838 (9.27)	16427 (5.34)
2009-10	157	236228	198812 (9.91)	4967990 (24.70)	375269 (9.11)	1843141 (11.66)	202489 (7.46)	1657137 (10.83)	22986 (7.47)
2010-11	157	189124	229560 (11.44)	1537388 (7.60)	471258 (11.45)	1870474 (11.84)	168890 (6.22)	1615904 (10.56)	25898 (8.41)
2011-12	158	212415	246057 (12.26)	1870323 (9.30)	609853 (14.81)	1965935 (12.44)	153042 (5.64)	2012708 (13.16)	35439 (11.51)
2012-13	161	198428	246158 (12.27)	2592356 (12.89)	636136 (15.45)	2421542 (15.33)	153248 (5.65)	1352133 (8.84)	36088 (11.72)
2013-14	161	155250	292119 (14.56)	2453475 (12.20)	755966 (18.37)	2902995 (18.37)	133957 (4.94)	3515135 (22.98)	43851 (14.25)
Total	161	155250	2006125	20109925	4115104	15795704	2710948	1529420 7	30774 4

Source: Work Book of NABARD, Bengaluru. Figures in parenthesis are percentage to total.

The detailed information is provided in the above table. The number of PACS in Shivamogga district was 155 in the year 2004-05 increased to 165 in 2006-07 and decreased to 161 in the year 2012-13. The number remained same for the year 2013-14. The membership of the PACS in Shivamogga District varied slightly. It was 155311 in 2004-05 and 155250 in 2013-14 which shows the PACS have not attracted more farmers to join hands with the co-operative movement. The paid up capital and working capital have shown increasing trend. The total paid

up capital of all PACS in the Shivamogga district was Rs. 2006125 thousand during the study period. It was Rs. 129944 thousand (6.47 percent to the total) in the year 2004-05 increased to Rs. 148117 thousand (7.38) in 2005-06 and shown continues increasing trend during the study period and reached Rs. 229560 thousand in 2010-11, Rs.246158 thousand (12.27) in 2012-13 and Rs. 292119 thousand (14.56) in 2013-14 which shows increasing strength and positive performance of the PACS in Shivamogga distict.

The working capital was Rs. 973732 thousand (4.84) in 2004-05 increased to Rs. 2453475 thousand (12.20) in 2013-14, shows the stunning financial strength of PACS to provide good financial assistance to their members. The total working capital during the study period i.e 2003-04 to 2013-14 was Rs. 20109925 thousand. The amount of total deposits were Rs. 191735 thousand (4.65) in 2003-04 increased to Rs. 471258 thousand (11.45) in 2010-11, to Rs. 636136 thousand (15.45) in 2012-13 and to Rs. 755966 thousand (18.37) in 2013-14 which shows the faith of the members in PACS to deposit their hard earn money and success of PACS in attracting deposits. The total deposited amount with the PACS during the study period was Rs.4115104 thousand.

The PACS in Shivamogga district have disbursed total loans of Rs.15795704 thousands during the study period. In 2004-05 total loan disbursed by the PACS was Rs. 852374 thousand (5.39), Rs.2902995 thousand (18.37) in 2013-14. The issuance of loans from PACS was increasing year by year and it is positive trend. This shows the involvement of PACS in providing financial needs of farmers to meet their financial needs and trying to release the farmers from indigenious bankers and money lenders. The total over dues of the PACS was Rs. 496965 thousand (18.33) in 2004-05 increased to Rs. 660117 thousand (24.35) in 2007-08 decreased to Rs. 498955 thousand (18.40) in 2008-09, Rs.202489 thousand (7.46) in 2009-10, Rs. 168890 thousand (6.22) in 2010-11 again to Rs. 153042 thousand (5.64) in 2011-12. The amount of over dues remained more or less same in 2012-13 and decreased to Rs. 133957 thousand (4.94) in 2013-14. Total over dues during the period 2004-05 to 2013-14 stood at Rs. 2710948 thousand. The percentage to the total is decreasing year by year. This show the members are not so prompt in repaying the loan taken from the PACS which is not good attitude of the farmers. The recovery of loan by the PACS was amounted to Rs. 759919 thousand (4.97) in 2004-05 increased to Rs.1359690 thousand (8.89) in 2007-08 to Rs. 2012708 thousand (13.16) in 2011-12 and to Rs. 3515135 thousand (22.98) in 2013-14. Total amount of loan recovered by the PACS during the period was Rs. 15294207 thousand against the loan issued amounted to Rs. 15795704 thousand. The percentage of recovery to the total during the study period is improving. It is clear that, the PACS are putting effort for more recovery.

Profit is the parameter to measure the health of a financial institution. The PACS made net profit to the extent of Rs. 307744 thousand during the study period. The net profit earned was minimum of Rs. 16395 thousand in 2004-05 and maximum of Rs. 43851 thousand and the net profit varied between these two figures. The average net profit of the PACS stood at Rs.30774 thousand. The percentage of net profit of the PACS is increasing.

Findings

- The number of PACS increased slightly.
- Membership of PACS is declining.
- The amount of Paid up Capital, Working Capital and Deposits are increasing.
- Loan disbursed is increased.
- The percentage of Over dues is decreasing.

- The percentage of Loan recovery is increasing.
- The net profit is increasing.

III. CONCLUSION

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.

Suggestions:

- The number of PACS should be increased.
- For increasing membership of PACS more attractions should developed.
- Steps should be taken for increasing Working Capital.
- More and variety of deposits are to be attracted by increasing rate of interest on deposits.
- The amount of loan disbursed should be increased so that the agro financial need is fulfilled.
- The members are to be motivated to repay loans in time.
- The Loan recovery process should be tender and non-hurting.
- The government should take initiative for improving PACS.

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