



Research Paper

## Performance of Primary Agricultural Credit Cooperatives In Telangana – A Study

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**ABSTRACT:** *The cooperative credit society, known as Primary Agricultural Co-Operative Society (PACS). It plays an importance role in the Indian economy and always acceptance as an imperative part of our national economy. The cooperative bank institutions cover all rural areas in India. Cooperative banks serve an important role in the Indian economy, especially in rural areas. They are registered under the Cooperative Societies Act, 1912. They are regulated by the Reserve Bank of India under the Banking Regulation Act, 1949 and Banking Laws (Application to Cooperative Societies) Act, 1965. The co-operation is the backbone of development of every country's economy. The Co-operative Credit Institutions in Telangana can be classified as under a three-tier structure- Primary Credit Societies at the bottom; Central Co-operative Bank at the middle.*

**KEYWORDS:** *Cooperative Credit society, Indian economy, cooperative bank, Agriculture, Institutional finance and not-institutional finance.*

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### I. INTRODUCTION

Our culture is agriculture. Agriculture is the backbone of our Indian economy. As per the census about 69% of population resides in rural areas, depending directly / indirectly upon agriculture for their livelihood. The contribution of an agriculture sector to the GDP (Gross Domestic Product) is however declining very rapidly and is presently about 14% and agriculture sector is also showing deceleration in growth rates. Therefore, it is the most important for agriculture sector to achieve a higher growth rates also be an engine of growth. So that growth in

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Other sectors (like industrial & service sectors) and overall growth rate of the economy can be achieved. The primary function of these co-operative banks is: Providing loans to small borrowers and small businesses. Extending credit facilities like term loans and working capital loans. Giving advances against shares and debentures. Agricultural credit is one of the most important inputs in all agricultural development programs. For a long time, the large source of agricultural credit was private moneylenders. But, agriculture source of credit was not sufficiently and highly expensive. To constrain this, a multi-agency perspective consisting of cooperatives, commercial banks and regional rural banks credit was adopted to provide cheaper, timely and adequate credit to farmers.

The sources of agriculture finance is divided into two categories such as: 1. Institutional finance and 2. Non- institutional finance. Institutional finance comprises of co- operatives, scheduled commercial banks and regional rural banks, among co-operatives: Primary Agricultural Credit Cooperative Societies (PACS) provide mainly short-term 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 comprises of land lords, money lenders and others.

Co-operative bank members are both customer and owner of the bank. Co-operative banks are owned

and controlled by the members, who democratically elect a board of directors. Indian co-operative credit system can be broadly classified as agricultural credit and non-agricultural credit. As far as agricultural credit is concerned, there are two streams one for short term, medium term credit and another for long-term credit. The short term & medium term agricultural credit follows a three-tier structure with the primary agricultural credit 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 India, the Central Land Development Banks operate through their branches.

## **II. PRIMARY AGRICULTURAL CREDIT SOCIETIES - (PACS)**

A Primary Agricultural Credit Society (PACS) is a basic unit and smallest co-operative credit institutions in India. It works on the grassroots level that means gram panchayat and village level. The primary agricultural credit co-operative societies (PACS) are considered to be the supporters of the entire cooperative structure. 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 overdue all over the country. PACS were increased to 4,520 from 820 in Telangana from year 2016 to year 2019.

## **III. FUNCTIONS OF PACS**

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

## **IV. REVIEW OF LITERATURE**

Vidya K and Kadam R. N., (2016), studied that "Broad-Spectrum Performance of Primary Agricultural Co-operative Credit Societies (PACS) in Shivamogga District of Telangana: 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 and 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. Sudhakar Rao K., (2016), performance of primary agricultural credit societies in India and Andhra Pradesh", the study objectives is to the progress of PACS in India and Andhra Pradesh and to analyses the working capital structures of PACS and to examine the demand collection and overdue of PACS. The study was fact finding study and comparative study aimed at analyzing the performance of PACS in India and Andhra Pradesh. The study found that the PACS in Andhra Pradesh 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. 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 compared to other states.

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.

**V Hypothesis of the study**

➤ Beneficiaries thinking that central co-operative society plays positive role in development of farming and non- farming sectors.

**1. 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 Telangana. 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:

**2. DATA ANALYSIS AND DISCUSSION**

PACS are playing a crucial role in improving the economic and social conditions of the common masses of Telangana. PACS provide short term and medium term loan to the members or farmers at reasonable interest rate 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 Telangana 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 Telangana 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 Telangana 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 Telangana for the year from 2005-06 to 2016-17.

As per the given results, the average annual growth of number of PACS in Telangana 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 Telangana is 3.3 and it is statistically significant with the R square value of 0.268.

**Table-3: Physical Performance of Primary Agricultural Credit Cooperative in Telangana 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
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 Telangana for the year 2005-2017. Here, the present study has been used exponential growth model to analyses 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 Telangana from 2005-06 to 2016-17**

Dependent Variable	Constant	Parameter ( $\beta$ 1)	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 Telangana, 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.

**Table 5: Telangana State Agriculture and Non Agriculture Loan Distribution in the Beneficiaries**

Agriculture Loan			Non-agriculture Loan				
Category	Agriculture	Allied Activity	Rural Industry	Small Business	Transport	Other	Total
Big Farmers	14 (37.83)	13 (37.83)	2 (15.48)	3 (8.11)	3 (8.11)	2 (6.25)	37 (100)
Medium Farmers	19 (34.54)	17 (30.90)	4 (7.27)	6 (10.91)	5 (9.09)	4 (7.27)	55 (100)
Small Farmers	22 (29.72)	22 (29.72)	4 (5.40)	9 (12.16)	13 (17.56)	4 (5.40)	74 (100)
Marginal Farmers	24 (35.29)	28 (41.17)	2 (2.91)	3 (4.41)	6 (8.82)	5 (7.35)	68 (100)
Non- Farmers	10 (15.15)	24 (36.36)	--	21 (31.81)	5 (7.57)	6 (9.09)	66 (100)
Grand Total	89 (29.66)	104 (34.66)	12 (4.00)	42 (14.00)	32 (10.66)	21 (7.00)	300 (100)

**Source:** Interview Schedule

**Note:** Figures in the bracket represents percentage of the total.

- a. **In the Agriculture:** We include Seed & Fertilizer and agriculture equipment: Bullock-cart, Horse-cart, Tube-well, Engine-oil, Electricity-motor, making a well and other equipment etc.
- b. **In the Allied Activities:** We include all animal husbandries: dairy Sheep and Goat, Poultry farm, Pig farm, Gardening, Flowering.
- c. Fishery etc.,
- d. **Rural Industry:** We including Atta-Chaki, Small Factory, Dharm- kanta, Kholu of sugar can, Ice Factory etc.
- e. **In the small Business:** We include types of Shope, Extension of business as raw material, all type of street Hawker, Cycle,
- f. Rickshaw. etc.,
- g. **In the Transport:** We include Atuo, Bus, Track, Tempo, Four Wheelers, and etc.
- h. **In the Other:** We including Non productive as like, House, Two wheeler, Juicer of sugar cane, Chaki Gandasa for house use, consumption good etc.

Table 5 explains that in Telangana 29.66, 34.66, 4, 14 10.66 and 7 percent beneficiaries have taken loan for the purpose of agriculture, allied activities, rural industry, small business, and transport respectively.

## V. 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 Telangana 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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