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Performance and Prospects of Primary Agricultural Credit Societies (PACS) in Haryana during 2000-01 to 2014-15

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ABSTRACT

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 country working force and accounts for about 13 per cent to national GDP. There exist a spectrum of problems in agriculture but agriculture credit is one of the major problems in rural area. As far as credit in agriculture is concerned PACS play an important role. So the present study focuses on various facets of Primary Agricultural Credit Societies. The overall findings of study revealed that the number of societies decreased at an annual compound growth rate of 11.93 per cent over the study period. Membership, paid up share capital, deposits and working capital have increased over the study period. Every district showed a negative per cent change as far as number of PACS is concerned. The share of owned fund to total working capital was very small in proportion. The higher credit deposit ratio depicts more loans advanced than deposits. Deposits have increased significantly over the study period in Haryana but share of deposits in working capital was small. Number of PACS in profit decreased while no of PACS in loss increased over the study period.

Keywords

Agriculture, Co-operative credit and Performance

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Introduction

A major quantum of Indian population is engaged in agriculture and this makes agriculture as the backbone of Indian economy, it provide employment to about 50 per cent of country working force and accounts for about 13 per cent to national GDP. Being the mammoth source of income and employment for a major part of population it becomes a vast market for a spectrum of industrial products. With the arrival and adoption of new capital intensive

technologies in agriculture sector have increased the demand for agricultural credit and investment manifold. As majority of Indian farmers are marginal farmers and they received income during a short span of time so they do not have enough funds to bought new technology. This makes the role of credit very important.

New capital intensive technologies are very much dependent on borrowing funds from various sources. Therefore it is pretty much clear that the role of credit to enhance the pace

of technological transformation in agriculture is unparalleled. Lack of credit or indebtedness in agriculture sector mainly in rural area leads to various others factors like exploitation by money lenders, alienation of land from farmer families to non-farmer families etc. The institutional credit being cheap and safe plays a vital role in development of agricultural sector. Among all these sources cooperative credit are the most emphasized source of credit for agriculture because from the planning period of time the government has been taking various steps to encourage finance through cooperative societies as it satisfy all the facet of good rural credit system.

The cooperative structure in India comprised of two parts one for the short term and medium term whiles other for long term credit. The former has a three tier structure i.e., (1) Apex Cooperative Bank at State level, (2) Central cooperative Bank at District level, (3) Primary Agricultural Credit Societies (PACS) at grass root level or village level. The PACS are the central visible face for cooperative movement in India. PACS provide credit to farmers in the form of term loans and recover the amount after harvesting of crop from the cultivator. The main objective of cooperative credit is to increase the credit productivity and save farmers from the exploitive tentacles of moneylenders or non-institutional sources of credit. The PACS are working at grass root level and providing credit facilities to farmers at village level and can be organized with ten or more people. There is a nominal value of each share so that even a poor farmer can get the membership easily. PACS are managed by elected body. Credit is provided for short term and medium term for carrying out agricultural operations. In fact, one of the weaknesses of the cooperative credit institution is that of the mounting over dues at Primary Agricultural Credit Societies. Agricultural credit over dues are becoming a paramount concern for the

financial institution, the planners and the administrators working for the agricultural development in the states. Mounting over dues can jeopardize the agricultural credit structure designed to accelerate agricultural development.

So it is pretty much clear that PACS plays an important role at grass root level or village level as far as the short and medium term credits are concerned. With agriculture as backbone of our economy, timely and adequate credit supply is of utmost importance. So it is extremely essential to assess the past performance of PACS for formulating various financial policies and reforming the present structure. PACS play an unparalleled role as far as short-term credit is concerned. Even though there are many other alternative, which provide short-term credit to the farmers, the PACS are continued to be the most preferred agency of the farming community. But the PACS are subjected to many problems like mushrooming over dues, inadequate capital base, and lack of trained staff. So far, the studies conducted on performance of PACS's are very limited and have not thrown light on multi facets of the problem.

Main objective of the study

There has been a lot of study related to Primary Agricultural Credit Societies in Haryana but this present study will update the previous studies to help the govt. to formulate new policies related to credit disbursement. So the main objective of study is to analyze the trends and growth of Primary Agricultural Credit Societies in Haryana.

Materials and Methods

Tabular analysis has been carried out to analyze the data. Simple statistical tool such as averages, percentages and regression analysis

have been used to bring the outline conclusion for the said objectives. For better understanding of the progress and performance of cooperative credit institutions in the state, compound growth rates have been worked out for important variables like number of societies, membership, share capital, reserve funds, own funds, deposits, borrowings, working capital, profits etc. For studying the trend and growth, compound annual growth rates (CAGR) were calculated for the study period i.e. 2000-01 to 2014-15. The compound growth rates were computed using the exponential function of the form:

$$X_t = a b^t u_t$$

$$\log X_t = \log a + t \log b + \log u_t$$

Where,

X_t = number of societies, membership, share capital, own funds in year 't'

t = Time elements which take the value 1, 2, 3, 4...n

a = Intercept

b = Regression coefficient

u_t = Standard error term

Compound growth rates were worked out as follow:

$$\text{Compound growth rate (r)} = (\text{antilog } b - 1) \times 100$$

The number of societies

The number of societies that were 2466 in 2000-01 had decreased to 663 in 2014-15 in Haryana as shown in table 1. The number of societies decreased at an annual compound growth rate of 11.93 percent. All of villages within the states were covered by Primary Agricultural Credit Societies, on an average

one society covered three villages during 2000-01 but on the other hand one society covered about 10 villages during 2014-15 which clearly depicts that area of operation per society had increased significantly.

Table 2 inferred the details of Primary Agricultural Credit Societies during 2000-01 to 2014-15.

Total number of viable PACS decreased over the study period but as a percentage of total number of PACS showed an increasing trend. Potentially viable and defunct PACS reduced to zero. There were no dormant PACS during the study period.

All districts of Haryana showed a negative percentage change as far as the number of PACS is concerned over the study period as shown in table 3.

Panchkula district showed the maximum negative change of 89 per cent while Kurukshetra showed minimum negative change of 32 percent. The study area of Hisar and Karnal also showed a negative change of 53 percent and 45 percent respectively.

Proportion and composition on membership

The total membership position of Primary Agricultural Credit Societies in Haryana was 25.47 lakh in 2000-01 that gradually increased to 31.26 lakh in 2014-15 as shown in table 4. The membership increased at an annual compound growth rate of 1.54 per cent. Out of total membership in Haryana during the period of 2014-15, 41.25 per cent were small farmers, 11 per cent were rural artisan while 47.53 were marginal farmers. The category of small farmer showed 48.28 per cent increase while that of marginal farmer showed 75.23 percent increase in membership during the study period.

Table.1 Number of Primary Agricultural Credit Societies in Haryana during the period of 2000-01 to 2014-15

Year	Number of Societies	Effective coverage of villages (%)
2000-01	2466	100
2001-02	2466	100
2002-03	2418	100
2003-04	2423	100
2004-05	2435	100
2005-06	2441	100
2006-07	573	100
2007-08	618	100
2008-09	622	100
2009-10	628	100
2010-11	646	100
2011-12	640	100
2012-13	656	100
2013-14	657	100
2014-15	663	100
2015-16	663	100

Source: Department of Economic and Statistical Analysis, Govt. of Haryana

Table.2 Details of Primary Agricultural Credit Societies during 2000-01 to 2014-15

Year	Total no of PACS	Viable	Potentially Viable	Dormant	Defunct	Other
2000-01	2466	2256 (91.48)	156 (6.33)	0	54 (2.19)	0
2001-02	2466	2143 (86.9)	323 (13.10)	0	0	0
2002-03	2418	2176 (89.99)	242 (10.01)	0	0	0
2003-04	2423	2123 (87.62)	3 (0.12)	0	297 (12.36)	0
2004-05	2435	1517 (62.3)	916 (37.62)	0	0	0
2005-06	2441	1867 (76.49)	462 (18.93)	0	0	112 (4.59)
2006-07	573	573 (100)	0	0	0	0
2007-08	618	618 (100)	0	0	0	0
2008-09	622	622 (100)	0	0	0	0
2009-10	628	628 (100)	0	0	0	0
2010-11	646	646 (100)	0	0	0	0
2011-12	640	640 (100)	0	0	0	0
2012-13	656	656 (100)	0	0	0	0
2013-14	657	657 (100)	0	0	0	0
2014-15	663	663 (100)	0	0	0	0

Source: National Federation of State Cooperative Banks Ltd and Registrar cooperative.
 Figures in parentheses indicate the percentage to total number of PACS

Table.3 Per cent change in numbers of societies (district wise) during the period 2003-04 to 2014-15

District	Number of Societies (2003-04)	Number of Societies (2014-15)	Per cent change
Ambala	119	45	-55
Panchkula	46	11	-89
Yamunanagar	113	39	-61
Kurukshetra	111	68	-32
Kaithal	125	35	-65
Karnal	150	55	-45
Panipat	91	32	-68
Sonipat	142	34	-66
Rohtak	65	22	-78
Jhajjar	105	23	-77
Faridabad	127	30	-70
Gurugram	164	33	-67
Rewari	87	26	-74
Mahendergarh	94	23	-77
Bhiwani	203	54	-46
Jind	143	30	-70
Hisar	203	47	-53
Fatehaba	137	30	-70
Sirsa	210	36	-64
Total	2435	673	-72

Source: <http://www.esaharyana.gov.in>

Table.4 Membership composition of primary agricultural credit societies in Haryana during the period of 2000-01 to 2014-2015

(in lakh)

Year	Membership	Schedule Caste	Others	Small Farmers	Rural Artisan	Marginal Farmers
2000-01	25.47	5.40 (21.20)	20.07 (78.79)	8.74 (34.31)	2.44 (9.57)	8.48 (33.29)
2001-02	25.81	5.56 (21.74)	20.25 (78.45)	8.85 (34.28)	2.56 (9.91)	8.60 (33.32)
2002-03	26.03	5.66 (21.74)	20.44 (78.52)	8.94 (34.34)	2.68 (10.29)	8.75 (33.61)
2003-04	26.24	5.76 (21.95)	20.48 (78.04)	9.15 (34.87)	2.90 (11.05)	8.43 (32.12)
2004-05	26.58	5.77 (21.70)	20.81 (78.29)	9.28 (34.91)	5.50 (20.69)	6.03 (22.68)
2005-06	27.48	5.78 (21.03)	21.70 (78.96)	9.98 (36.31)	3.04 (11.06)	8.64 (31.44)
2006-07	28.37	5.94 (20.93)	22.43 (79.06)	10.49 (36.97)	3.06 (10.78)	8.95 (31.54)
2007-08	28.68	5.77 (20.11)	22.91 (79.88)	10.88 (37.93)	3.16 (11.08)	8.87 (30.92)
2008-09	29.24	5.90 (20.17)	23.34 (79.82)	10.92 (37.34)	3.34 (11.42)	9.08 (31.05)
2009-10	29.70	5.67 (19.09)	24.03 (80.90)	11.74 (39.52)	3.38 (11.38)	9.06 (30.50)
2010-11	29.85	5.67 (18.99)	24.28 (81.34)	11.54 (38.65)	3.35 (11.22)	9.14 (30.61)
2011-12	30.15	5.63 (18.63)	24.52 (81.32)	12.16 (40.33)	3.37 (11.10)	8.99 (29.81)
2012-13	30.46	5.66 (18.58)	24.80 (81.41)	12.34 (40.51)	3.38 (11.09)	14.74 (48.39)
2013-14	30.4	5.65 (18.58)	24.75 (81.41)	12.36 (40.65)	3.48 (11.44)	14.56 (47.89)
2014-15	31.26	5.84 (18.68)	25.42 (81.31)	12.96 (41.45)	3.44 (11.00)	14.86 (47.53)
CAGR(%)	1.54	0.16	1.89	3.09	1.73	4.12

Source: National Federation of State Cooperative Banks Ltd

Table.5 Composition of capitals of PACS in Haryana during the period of 2000-01 to 2015-16
(in crore Rs.)

Year	Share Capital	Owned Funds	Deposits	Working capitals
2000-01	227.46	235.62	180.44	2904.55
2001-02	230.52	240.94	185.42	3135.65
2002-03	236.82	242.03	192.35	3314.59
2003-04	244.30	262.99	220.12	3650.70
2004-05	276.57	299.10	269.98	4263.34
2005-06	321.22	340.87	319.60	5035.23
2006-07	351.42	370.25	300.92	5337.74
2007-08	384.19	419.78	304.59	5732.68
2008-09	401.19	423.27	311.10	6342.51
2009-10	427.56	447.60	371.70	6992.40
2010-11	458.40	377.03	501.18	7821.41
2011-12	487.17	584.56	531.69	8805.14
2012-13	533.04	808.59	579.64	9801.60
2013-14	599.15	1155.59	564.61	10585.49
2014-15	615.08	1391.08	497.18	11226.41
2015-16	621.85	1757.88	505.99	12140.36
CAGR%	8.07	12.28	9.34	10.65

Source: The Haryana State Cooperative Apex Bank Ltd.

Table.6 Ownership of paid up share capital of primary agricultural credit societies in Haryana during the period 2000-01 to 2014-15

(in crore Rs.)

Year	Share Capital	Ownership of share capital		Percent increase in share capital over the previous year
		Government	Individual	
2000-01	227.46	19.34 (8.50)	208.12 (91.50)	-
2001-02	230.52	18.56 (8.05)	211.96 (91.95)	1.35
2002-03	236.82	17.67 (7.46)	219.15 (92.54)	2.73
2003-04	244.30	30.5 (12.48)	213.8 (87.52)	3.16
2004-05	276.57	14.71 (5.32)	261.86 (94.68)	13.21
2005-06	321.22	11.78 (3.67)	309.44 (96.33)	16.14
2006-07	351.42	14.49 (4.12)	336.93 (95.88)	9.40
2007-08	384.19	19.01 (4.95)	365.18 (95.05)	9.33
2008-09	401.19	15.27 (3.81)	385.92 (96.19)	4.42
2009-10	427.56	14.04 (3.28)	413.52 (96.72)	6.57
2010-11	458.40	10.53 (2.30)	447.87 (97.70)	7.21
2011-12	487.17	11.28 (2.32)	475.89 (97.68)	6.28
2012-13	533.04	24.49 (4.59)	508.55 (95.41)	9.42
2013-14	599.15	62.46 (10.42)	536.69 (89.58)	12.40
2014-15	615.08	63.20 (10.28)	551.88 (89.72)	2.66

Source: National Federation of State Cooperative Banks Ltd and Registrar cooperative.

Table.7 Credit deposits ratio by primary agricultural credit societies in Haryana during the period 2000-01 to 2014-15

Year	Credit (in crore)	Deposit (in crore)	C.D. ratio
2000-01	2294.99	180.44	12.71
2001-02	2612.34	185.42	14.08
2002-03	2820.19	192.35	14.66
2003-04	3360.87	220.12	15.26
2004-05	4125.37	269.98	15.28
2005-06	4759.56	319.6	14.89
2006-07	4736.34	300.92	15.73
2007-08	4887.57	304.59	16.04
2008-09	3011.10	311.10	9.67
2009-10	4316.64	371.7	11.61
2010-11	5135.68	501.18	10.24
2011-12	6083.33	531.69	11.44
2012-13	7022.68	579.64	12.11
2013-14	7483.46	564.61	13.25
2014-15	8935.88	497.18	17.97

Source: The Haryana State Cooperative Apex Bank Ltd.

Table.8 Profitability position of primary agricultural credit societies in Haryana during the period 2000-01 to 2014-15

Year	Working Capital (in crore)	Profits (in crore)	No of PACS in profit	Loss (In crore)	No of PACS in loss	Total number of PACS	Ratio of profit/loss making PACS
2000-01	2756.48	10.45	827 (33.53)	40.23	1639 (66.46)	2466	0.33
2001-02	3013.25	11.25	749 (30.37)	45.65	1717 (69.62)	2466	0.30
2002-03	3314.59	12.25	624 (25.80)	57.1	1794 (74.19)	2418	0.25
2003-04	3650.70	48.61	1320 (54.47)	27.65	1103 (45.52)	2423	0.54
2004-05	4263.34	82.19	1535 (63.03)	20.53	898 (36.87)	2435	0.63
2005-06	5035.23	370.90	1198 (49.07)	39.06	1243 (50.92)	2441	0.49
2006-07	5337.74	18.24	189 (32.98)	53.04	382 (66.66)	573	0.32
2007-08	5732.68	56.71	365 (59.06)	53.65	251 (40.61)	618	0.59
2008-09	6342.51	26.5	145 (23.31)	272.73	475 (76.36)	622	0.23
2009-10	6992.4	1.95	33 (5.25)	294.02	595 (94.74)	628	0.05
2010-11	7821.41	5.57	80 (12.38)	265.61	566 (87.61)	646	0.12
2011-12	8805.14	6.95	70 (10.93)	307.97	570 (89.06)	640	0.10
2012-13	9801.6	7.79	95 (14.48)	250.59	561 (85.51)	656	0.14
2013-14	10585.49	5.33	77 (11.71)	359.72	580 (88.28)	657	0.11
2014-15	11226.41	4.92	46 (6.93)	412.55	617 (93.06)	663	0.06
CAGR(%)	10.65	-12.68	-	23.48	-	-11.93	-

Source: The Haryana State Cooperative Apex Bank Ltd.
 Figures in parenthesis indicate percentage to total number of PACS

Fig.1 Trend in number of primary agricultural credit societies in Haryana during the period of 2000-01 to 2014-15

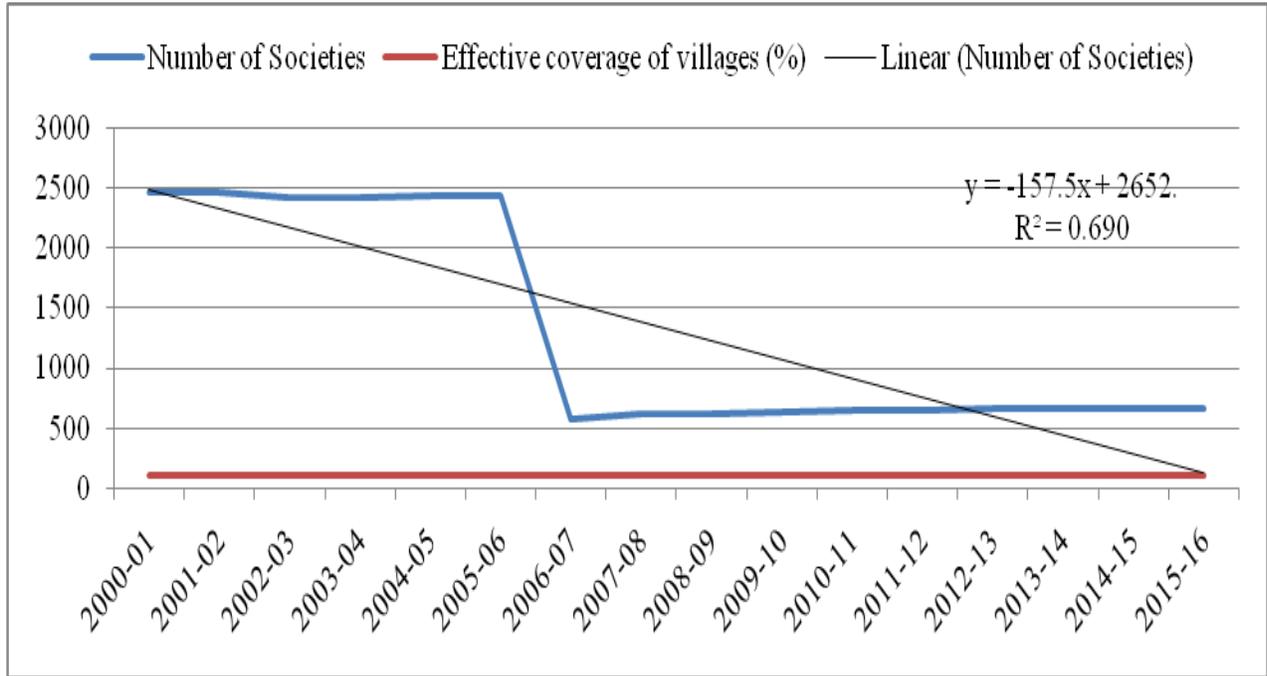


Fig.2 Trend in share capital and working capital

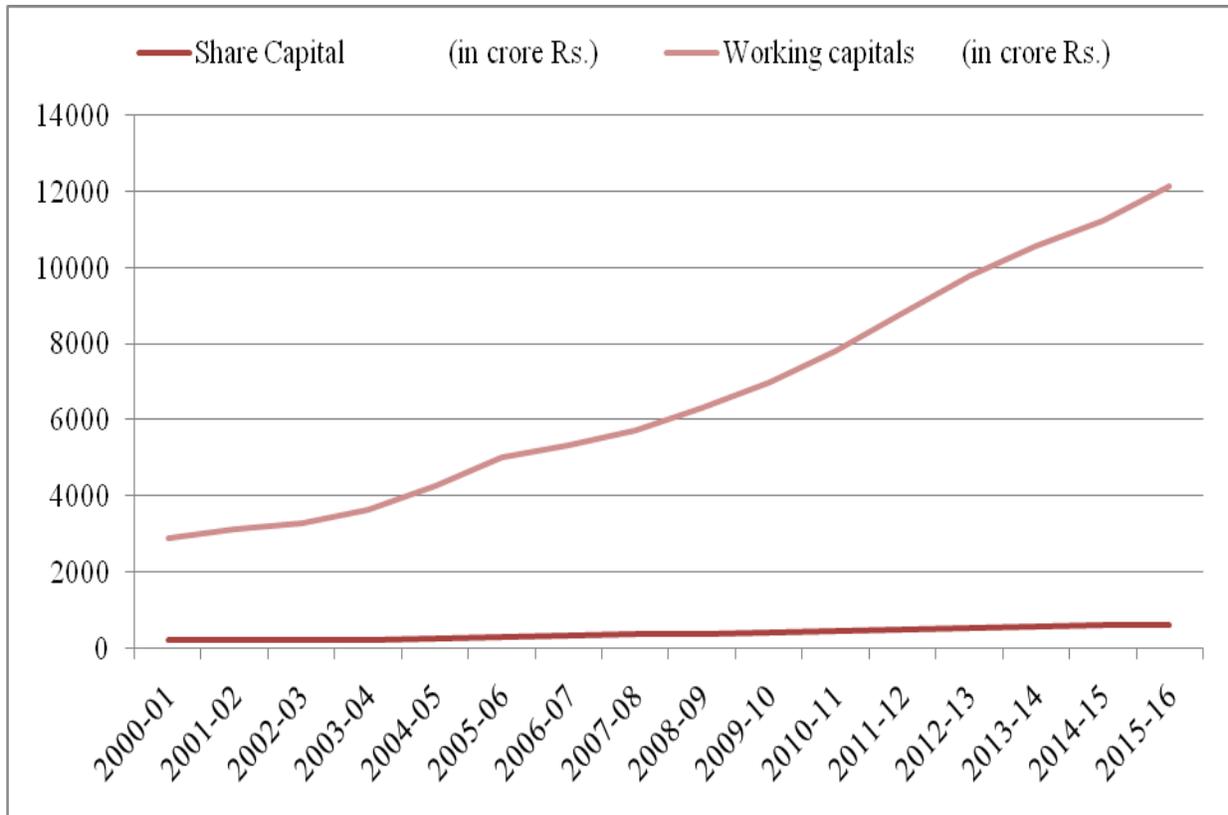
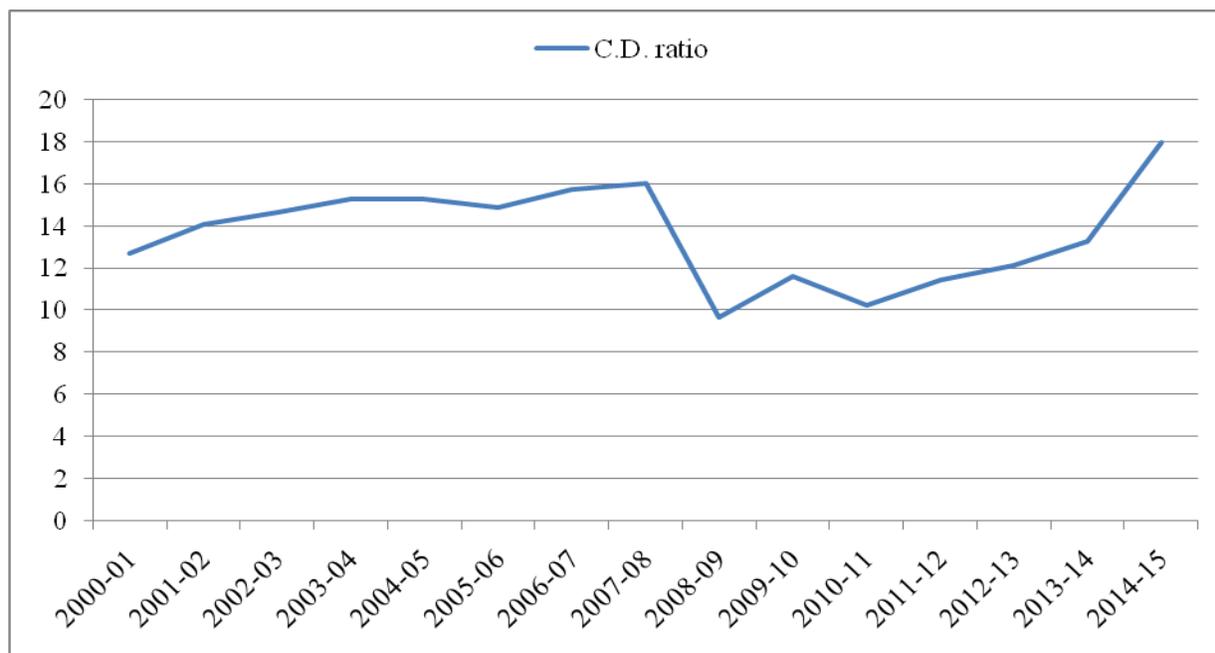


Fig.3 Trend in Credit Deposits ratio (C.D. ratio)



Composition of capitals

The membership strength and capital position are the two paramount components that will lead any cooperative credit society to success. This is more so with the Primary Agricultural Credit Societies. The share capital of these PACS have increased from Rs. 227.46 crore in 2000-01 to 615.08 crore in 2014-15 as shown in table 5. This showed an increase of around three times which is quite impressive. The annual compound growth rate of share capital was found to be 8.07 during the period of study.

The sources of working capital of Primary Agricultural Credit Societies consist of owned capital deposits from members and borrowings from government and other Central Financing agencies, including Cooperative Banks and Commercial Banks. The growth of working capital of these societies is as shown in table 5. The working capital has increased from 2904.55 crore in 2000-01 to 11226.41 crore in 2014-15. The annual compound growth rate of working capital was found to be 10.65 per cent over the study period. The owned fund which was Rs. 235.62 crore in 2000-01 increased to Rs.

1391.08 crore in 2014-15 in Haryana but its share to working capital revealed not much changeover the period. From these tables we can easily infer that the societies over the study period were highly dependent upon the external financial sources.

The deposits of PACS were Rs. 180.44 crore in 2000-01 which increased to Rs. 497.18 crore in 2014-15. In Haryana the amount deposits has shown about three fold over the study period. These are good indication for the societies. The deposits have increased with a compound growth rate of 9.34 per cent per annum over the study period.

Credit Deposits (C.D.) ratio

The credit deposit ratio is an indication of effective and efficient planning for utilization of deposits. The credit deposit ratio has registered a big number greater than unity which is an indication of excess over dues during the study period as shown in table 7. This very high ratio also reveals that the amount of deposits mobilized was very small as compared to the amounts of loan disbursed by these societies.

So, to make these societies profitable and business like institution, more efforts should be made to mobilize more amounts of deposits from rural families.

Profitability position

Table 8 shows profit/loss position of Primary Agricultural Credit Societies. It may be seen from the table that the number of societies working at a profit was lesser than that of loss making societies in Haryana. This may be due to mismanagement, accumulation of heavy over dues, inadequate credit, and delay in loan disbursement and absence of thrift. The numbers of profit making societies were 827 in 2000-01 decreased to merely 46 in 2014-15. On the other hand, the loss making societies were 1639 in 2000-01, which also decreased to 617 but as a proportion to total number of societies it increased. This shows that numbers of societies working at profit were far more less than number of societies working at loss and there is need to take appropriate steps to increase the number of societies working at profit in Haryana.

Findings

Number of societies decreased at an annual compound growth rate of 11.93 percent over the study period.

Membership, paid up share capital, deposits and working capital have increased over the study period.

Number of viable PACS decreased over the study period but as a percentage of total they increased. Every district showed a negative per cent change as far as number of PACS is

concerned. The share of owned fund to total working capital was very small in proportion.

The higher credit deposit ratio depicts more loans advanced than deposits.

Deposits have increased significantly over the study period in Haryana but share of deposits in working capital was small. Number of PACS in profit decreased while no of PACS in loss increased over the study period.

The lower value of ratio of profit/loss making PACS revealed that number of PACS making profit is less than number of PACS in loss.

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