

PRIMARY AGRICULTURAL CREDIT SOCIETIES TO CHANGE THE INDIAN AGRICULTURAL ECONOMY TRAJECTORY

Bhagya Vijayan¹, Anshida Bevi C.N², Sangeeta Bhattacharya³ and Sitaram Bishnoi⁴

¹ICAR-Central Soil Salinity Research Institute, Karnal-132001, Haryana

²ICAR-Central Research Institute for Dry land Agriculture, Hyderabad, Telangana

³ICAR-Central Citrus Research Institute, Nagpur-440033, Maharashtra

⁴ICAR-Indian Agricultural Research Institute, New Delhi-110012

*Corresponding author Email: bhagyavijayan11@gmail.com,

Received: Nov 23, 2022; Revised: Dec 03, 2022 Accepted: Dec 03, 2022

Abstract

About 13 crore farmers are members of the country's three-tier system of short-term cooperative finance, with Primary Agricultural Credit Societies making up its lowest tier. PACS is responsible for 41% of all KCC loans provided by businesses in the country, with 95% of loans made through the Kisan Credit Card (KCC) going to small and marginal farmers. The Cabinet Committee has already approved computerising PACS with the goal of increasing PACS's productivity and introducing accountability into their operations. PACS provides the following services to its members as authorised cooperative societies. Only

65,000 PACS are now operational across the country. The latter two types are state cooperative banks and district central cooperative banks (Fig 1). Because PACS fall outside of the 1949 Banking Regulation Act's purview, they are not overseen by the Reserve Bank of India. PACS offers input facilities including storage space, rentable agricultural equipment, monetary or in-kind contributions (Fig.2) etc. In his opening remarks at the Eastern and North-Eastern Cooperative Dairy Conclave 2022, the Union Home Minister promised that PACS would be established in every Panchayat in the country.

Primary Agricultural Credit Societies

In the year 1904, the first Primary Agricultural Credit Society (PACS) was established. Since that time, these organisations have been essential in helping farmers get short- and

medium-term finance. This was the sole institution-based credit agency accessible to rural residents until the early 1970s. It functions at the village and gram Panchayat levels.

Contrary to joint stock companies, where there is only the accumulation of wealth, primary agricultural credit societies are associations of

people. As such, they grant all of their members equal rights without taking into account their shareholdings or social position.

Organizational Structure

- **General Body of PACS:** Exercise the control over board as well as management.
- **Management Committee:** Elected by the general body to perform the work as prescribed by the society's rules, acts, and by-laws.
- **Chairman, Vice-Chairman, and Secretary:** Work for the benefit of the members by performing their roles and duties as assigned to them.
- **Office Staff:** Responsible for performing day to day work.

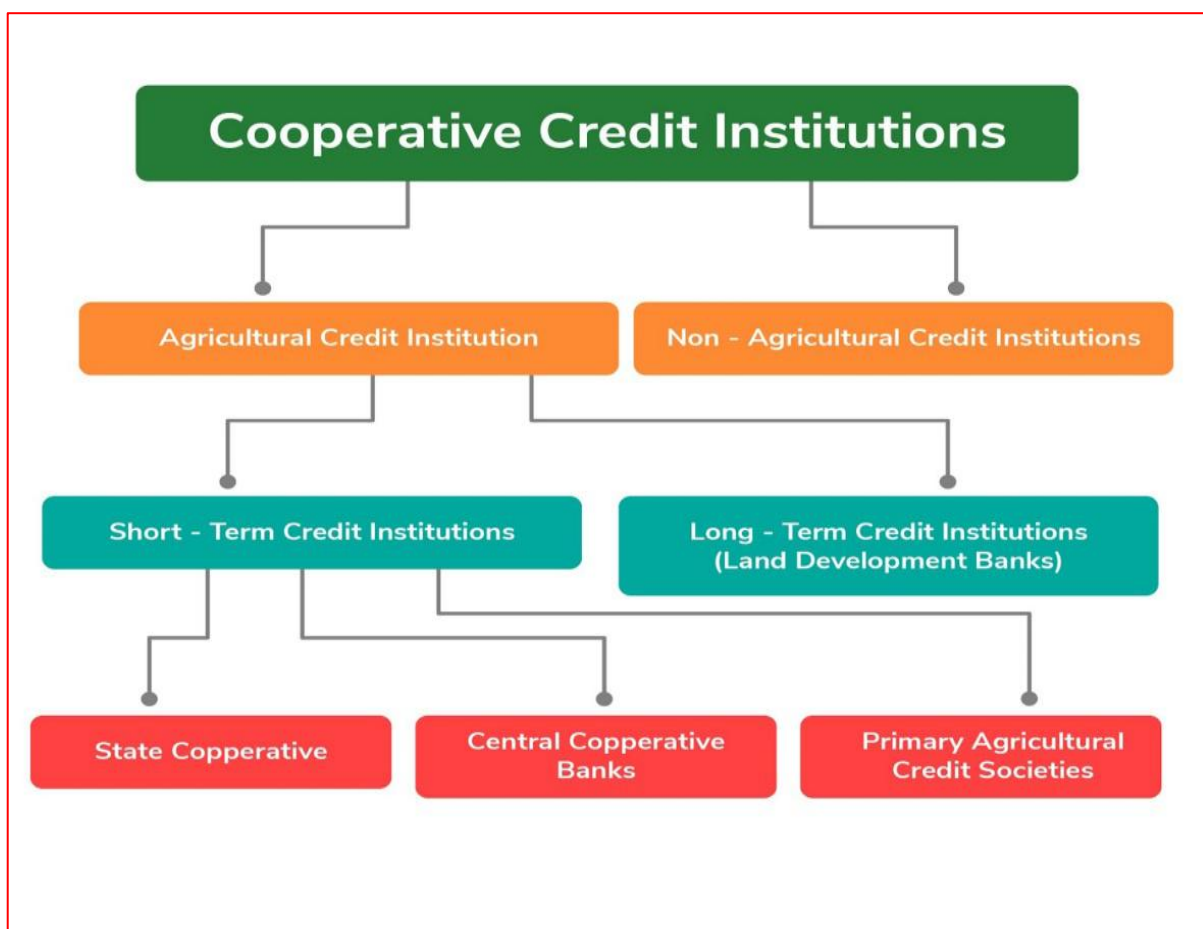


Fig.1: Structure of Co-operative Credit Institutions in India

Functions of PACS

- To provide short and medium-term purpose loans to its members
- Borrowing an adequate amount of funds from central financial agencies
- Maintaining the supply of the hire light machinery for the agricultural purpose
- Promotes savings habits among its members
- To make the arrangement of supplying of the agricultural inputs. Example -seeds, fertilizers, insecticides, kerosene etc
- It helps its members by providing marketing facilities that could enhance the sale of their agricultural products in the market at the proper prices

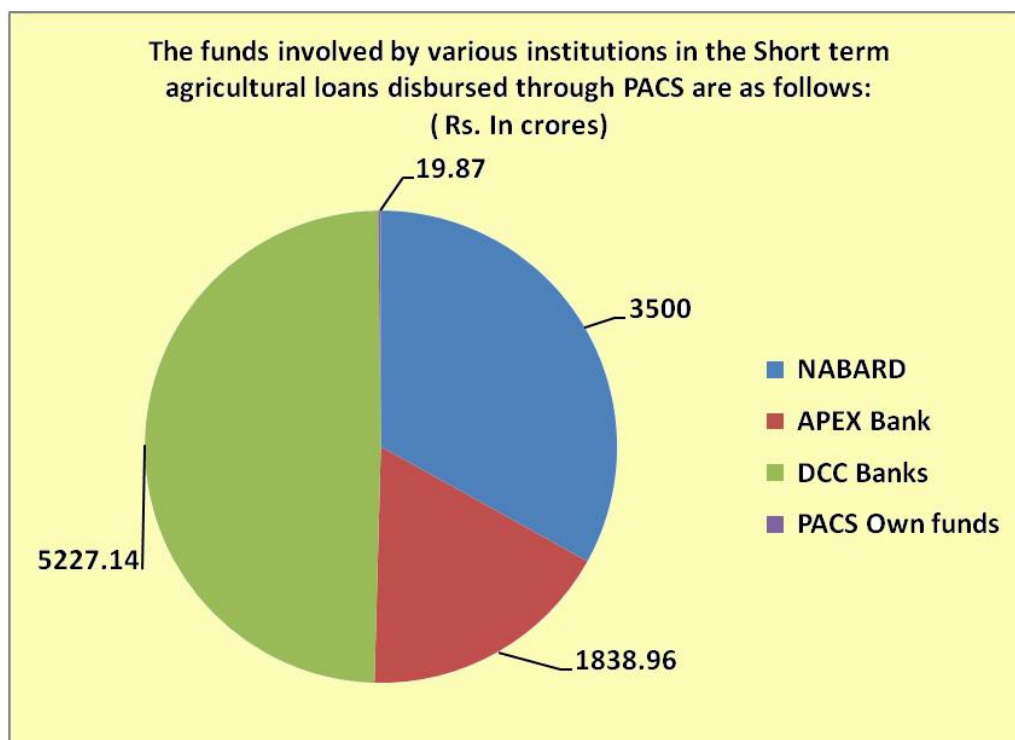


Fig 2: Disbursement of Short term Agricultural Loan

The major deficiencies of the PACS

1. Organizational Weakness

Even though active PACS geographically cover over 90% of the country's 5.8 villages, there are regions, particularly in the north-east, where this coverage is quite poor. Furthermore, only 50% of all rural households are covered by the rural population as members. The weakness of individual PACS's finances and organisational structure is the primary cause of this inadequate coverage.

2. Inadequate Resources

In comparison to the rural economy's short- and medium-term credit needs, the PACS's resources are far too little. Even these insufficient funds are primarily provided by higher financing agencies rather than by societies' own money or deposit mobilisation on their behalf.

3. Over-dues

Large overdues have grown to be a significant issue for the PACS. They restrict the flow of loanable funds, lessen societies' capacity for both borrowing and lending, and give them the

unfavourable impression that defaulting debtor societies are willful. Larger landowners unfairly benefit from their relative position of strength in villages by grabbing cheaper cooperative financing and delaying loan repayment.

4. Inadequate and Restricted Credit

The PACS only extend credit to a small part of the entire rural population, to start. Second, even with all fruitful agricultural endeavours, the societies do not fully credit them. The amount of credit extended is generally limited to crop finance (seasonal agricultural operations) and medium-term loans for clearly defined uses such the installation of pump sets, the digging of wells, etc.

5. Other Linked Inputs, Extension Service, and Marketing

The provision of adequate and timely credit is only one of the necessary conditions for improving the productivity of farmers and others in villages. Additional facilities in the form of the supply of inputs (like better seeds,

fertilizers, pesticides, etc.) extension and marketing service must also be provided to

What needs to be done to change the present conditions of PACS

PACS need to be developed as a One Stop Shop for meeting all the needs of its member

- PACS have to look for new Business opportunities
- Provide much-needed forward and backward linkages
- PACS as Multi Service Centers can help members to become self-reliant and promote rural entrepreneurship - facilitating increased income
- PACS as Multi Service Centers – can financially strengthen the members, by increasing their income through economic linkages with various sectors of rural economy (The recent decision by NABARD to develop 35,000 PACS into MSCs in mission-mode is a step in this direction.)

Conclusion

PACS assists in meeting the financial needs of its members, so their work should not be suspended due to a lack of funding. It increases the credit criteria for farmers, assisting them in expanding their enterprise. If the PACS are reorganised into strong and viable units through similar actions, their capacity to mobilise resources will significantly increase. Then, they

small and marginal farmers to enable them to make good use of the credit given to them.

- PACS as MSC - Technology supported activities like Micro-ATMs and Wi-Fi Internet. thereby PACS members who stay far away from the PACS also can have access to banking services
- PACS as Business Correspondents can undertake various activities under financial inclusion and Aadhaar linkage of bank account.
- Potential for expansion of business through convergence with other stakeholders like Farmers Producer Organizations
- PACS can be provided direct exposure to best practices in various facets of agri-business through partnerships with leading Agricultural Universities / Institutes.

References

1. Asher, M. G. (2007). Reforming governance and regulation of urban cooperative banks in India. *Journal of Financial Regulation and Compliance*, 15(1), 20–29.
2. Chalam, G. V., & Prasad, A. (2007). An evaluation of financial performance of cooperative societies in Andhra Pradesh (A study of selected PACS in West Godavari district). *Indian Cooperative Review*, 45(1), 42–58.
3. Dutta, U., & Basak, A. (2008). Appraisal of financial performance of urban cooperative banks-A case study. *The Management Accountant*, 43(3) (March), 170–174.
4. Ghosh, P. K., Mitra, A., & 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.