

## **PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES FOR LOAN DISBURSEMENT FOR AGRICULTURE– A STUDY**

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### **ABSTRACT**

The Co-operative banking sector, with its more than a century old existence, plays an important role in enlarging the reach of institutional credit both from geographic and socioeconomic perspective. Agriculture sector is the backbone of the Indian Economy. Agriculture occupies the first place in the improvement of the National economy. Indian agriculture is the source of raw material to our leading industries like cotton, textile, and sugar. All these depend on the agricultural sector. Agriculture accounts for 17 per cent of GDP and about two third of the population depends on agricultural sector. The importance of agricultural credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macro economic framework and its role in poverty alleviation. Agriculture provides the principal means of livelihood for more than 60% of India's population. Despite a steady decline in its share of the GDP, it remains the largest economic sector in the country. Low and volatile growth rates and the recent escalation of agrarian crisis in several parts of the Indian countryside are a threat not only to national food security, but also to the economic well-being of the nation as a whole.

**Keywords:** Agricultural Co-operative Societies, Agricultural Loan Disbursement

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### **INTRODUCTION**

Agriculture sector is the backbone of the Indian Economy. Agriculture occupies the first place in the improvement of the National economy. Indian agriculture is the source of raw material to our leading industries like cotton, textile, and sugar. All these depend on the agricultural sector. Agriculture accounts for 17 per cent of GDP and about two third of the population depends on agricultural sector. The importance of agricultural credit as a critical input to agriculture is reinforced by the unique role of Indian agriculture in the macro economic framework and its role in poverty alleviation. Agriculture provides the principal means of livelihood for more than 60% of India's population. Despite a steady decline in its share of the GDP, it remains the largest economic sector in the country. Low and volatile growth rates and the recent escalation of agrarian crisis in several parts of the Indian countryside are a threat not only to national food security, but also to the economic well-being of the nation as a whole.

The Co-operative banking sector, with its more than a century old existence, plays an important role in enlarging the reach of institutional credit both from geographic and socioeconomic perspective. Though it supplements the efforts of the commercial banks in credit delivery and deposit mobilization, its extensive branch networks with reach even in remote areas, makes it an important instrument for achieving greater financial inclusion. However the financial health of most of the co-operative banks has been a cause for concern and has so far proved to be a serious handicap in reaching out to the larger population.

## **OBJECTIVES OF THE STUDY**

The main objective of the study is

- To study the role of Primary Agricultural Cooperative Societies in Agricultural loan disbursement
- To provide suggestion based on the findings of the study

## **METHODOLOGY**

Both primary and secondary data were collected for the study. On the basis of the pilot study conducted by the researcher, a questionnaire and a schedule have been prepared for collecting data from Primary Agriculture Co-operative Credit societies and the farmers selected from each society respectively. The researcher has followed direct personal enquiry method for collecting data from the sample respondents for their opinion about loan waiver scheme of the government. The researcher has met the secretaries of the PACCS and had oral discussions with them for collecting their views were incorporated. Two stages random sampling method was used to select samples from 114 primary agricultural co-operative credit societies in the district. At the first stage 54 societies were selected by taking 6 societies randomly selected from each union in the district. At the second stage, 540 members were selected by taking 10 members randomly selected from each society. The role of Primary Agricultural Cooperative Societies in Agricultural loan disbursement has been measured with the help of Mean Garrett's Score about reasons for borrowings, purpose for choosing Primary Agricultural Co-operative Societies, reasons for full utilization of loan amount, and the reasons for non-repayment. Reasons for partial payment and non-payment of the loan amount by sample respondents were analysed with the help of point Scale method

In this study Kanyakumari district is selected as the study area. Kanyakumari district is having 114 Primary Agricultural Co-operative Societies and had a ban on recovery during the last three years.

## PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES

The Co-operative movement was started in India largely with a view to provide agriculturists funds for agricultural operations at low rates of interest and to protect them from the clutches of moneylenders. A Co-operative credit society commonly known as the Primary Agricultural Co-operative Credit Society (PACCS) consists of minimum ten members. The value of each share is generally nominal so as to enable even the poorest former to become a member. The members have unlimited liability, that is each member is fully responsible for the entire loss of the society in the event of failure. This means that all the members should know each other immediately.

The Management of the society is under an elected body consisting of President, Secretary & Treasurer. The Management is honorary, the only paid member being normally. Loans are given for short periods, normally for one year, for carrying out agricultural operations, and the rate of interest is low. Profits are not distributed as dividend to shareholders but are used for the welfare of the village.

The main functions of primary agricultural co-operative credit societies.

- \* Providing crop loans to the rural farming community, especially to the small and marginal farmers.
- \* Short-term loans issued for agricultural purposes are repayable in maximum of 15 months depending on the crop cultivated.
- \* Provide Medium term loans are repayable within 3 to 5 years and they are provided to the members for taking up subsidiary occupations allied to agriculture such as dairying, sheep rearing, poultry farming etc.
- \* Receive deposit from its members

## CATEGORIES OF FARMERS

Government allow loan waiver scheme to certain specified category of farmers. The following table depicts the major categories of farmers.

**Table – 1. Categories of Farmers**

S. No	Particulars	No. of respondents	Percent of respondents
1	Marginal farmers	203	37.59
2	Small farmers	337	62.41
<b>Total</b>		<b>540</b>	<b>100.00</b>

Source: Primary Data

It is inferred from Table 1 that majority farmers were belonging to small farmers. Only 37.59 percent of the sample respondents were the marginal farmers. These types of farmers were getting medium term and short term Loans. The small farmers were getting short term agricultural loans, Jewel loans, Kisan credit loan and Fixed deposit loans Hence , it could be noted that the small farmers were denoted in borrowings.

### **NEED FOR LOAN**

Farmers have to spend different expenses for cultivate their lands, so they borrow money for different reasons. The following table highlights the reason for borrowings of the farmers

**Table. 2. Needs for loan of Farmer Respondents**

<b>Reasons</b>	<b>Mean Garrett's Score</b>	<b>Rank</b>
<b>Cultivation Expenses</b>	74.66	1
<b>To Purchase cattle/wild animals</b>	43.08	8
<b>Land Development purpose</b>	53.48	2
<b>For Improved methods of irrigation</b>	48.05	6
<b>Marketing purpose</b>	50.15	3
<b>Purchase of machineries</b>	48.90	4
<b>To invest in other businesses</b>	45.17	7
<b>Family Expenses</b>	48.21	5
<b>House construction</b>	41.94	9
<b>Social Ceremonies</b>	34.71	10

*Source: Primary Data*

Table 2 shows that cultivation expense plays the first rank in borrowings, because respondents were borrow loan along with pesticides and chemicals from the PACCS with subsidized rates. Land development plays the second rank; hence most of the agricultural lands were ups and downs due to heavy rain in Kanyakumari district, so all the season the farmers has to develop the land for storing the water. Social ceremonies play the tenth rank in the purpose of borrowings, due to inadequate income from agriculture

### TYPE OF FORMAL SOURCE

The type of formal source of money is from two ways namely PACCS and Commercial banks. It is clearly shown in table 3

**Table. 3. Type of formal source of money borrowed by sample respondents (in numbers)**

Sl. No.	Particulars	Marginal farmers	Percent	Small farmers	Percent	Overall	Percent
1	PACCS	193	95.07	324	96.14	517	95.74
2	PACCS and Commercial banks	10	4.93	13	3.86	23	4.26
<b>Total</b>		203	100.00	337	100.00	540	100.00

Source: Primary data

Table 3 states that 95.74 per cent of the sample respondents borrow money from the PACCS for the purpose of getting subsidy , low interest rate, easy repayment schedule, timely availability of loan, approaches of the society ‘s employees, loan by way of pesticides and chemicals and conversion facility

### REASONS FOR CHOSING PACCS

There are different reasons for choosing PACCS to get loan. The following table highlights the major reasons for choosing PACCS to get loan

**Table – 4.Reasons for Choosing PACCS**

Reasons	Mean Garrett’s Score	Rank
<b>Lesser rate of interest</b>	51.65	3
<b>Simple formalities</b>	57.95	2
<b>Timely availability of loan</b>	59.09	1
<b>Loan for different purposes</b>	47.11	4
<b>Availing benefit under govt. schemes</b>	32.91	7
<b>Conversion facilities of loan</b>	37.08	6
<b>Loan in terms of money and goods</b>	38.19	5
<b>Announcement of waiver during drought</b>	24.10	8

Source: Primary Data

It is inferred from Table 4 that Timely availability of loan came under the first rank, Since all the PACCS were sanction the loan within a day from the date of submission of application for loan. Simple formalities play the second rank, because all the applicants were the members of the concerned Co-operative Societies. Lesser rate of interest came at third rank, PACCS charged 7 per cent interest per annum it is low rate of interest as compared with nationalized banks. At the eight ranks, announcement of waiver during drought respondents has the intention to get the loan waiver it was affixed in the minds of farmers from the previous waiver.

### TYPE OF LOAN

The borrowers availed loans for various periods due to their needs and requirements. Table 5 states the type of loans availed by the borrowers

**Table– 5. Type of loan availed by sample respondents in PACCS (in numbers)**

Sl. No	Particulars	Marginal farmers	Percent	Small farmers	Percent	Overall	Percent
1	Short Term	178	87.68	299	88.73	477	88.33
2	Short Term and Jewel loan	25	12.32	33	9.79	58	10.74
3	Short Term converted to Medium Term	-	-	5	1.48	5	0.93
<b>Total</b>		<b>203</b>	<b>100.00</b>	<b>337</b>	<b>100.00</b>	<b>540</b>	<b>100.00</b>

Source: Primary data

Table 5discloses 88.33 per cent of the respondents availed Short term loan for cultivating crops- paddy, bananas and vegetables, since it has lower rate of interest. 10.74 per cent respondents got both Short Term and Jewel loan due to insufficient Short term loan amount, 0.93 per cent of the respondents benefited through Short Term converted to Medium Term, because they did not repay the loan with in the stipulated time.

### LOAN UTILISATION

The respondents utilize the loan amount for different purpose. The below table represents that utilization of loans by the PACCS members

**Table6. Farmer respondents utilized the Loan Amount for various Purpose**

Particulars	Mean Garrett's Score	Rank
<b>Purchase of Tractors/Power tillers</b>	60.61	1
<b>Construction of cow sheds</b>	52.05	6
<b>Construction of Farm houses</b>	51.54	7
<b>Reclamation of land</b>	56.14	4
<b>Repairs &amp; Maintenance expenses</b>	50.24	8
<b>Irrigation arrangements</b>	53.52	5
<b>Family expenses</b>	59.03	2
<b>Medical expenses</b>	57.85	3
<b>Educational expenses</b>	49.80	9
<b>Purchase of jewels etc</b>	43.37	10
<b>Repayment of old debts</b>	42.93	11
<b>Social ceremonies</b>	37.56	12
<b>Others</b>	29.61	13

Source: Primary Data

It is noticed from table 6 that most of the respondents utilized their balance amount of loans for purchasing tractors which is also one of the agriculture purposes. Secondly, they utilized the amount for their personal, family purpose and medical purpose. It shows that the loan amount was utilized only for useful purpose.

## FINDINGS

The purpose regarding borrowings 95.74 per cent of the sample respondents borrow money from the PACCS for the purpose of getting subsidy, low interest rate, easy repayment schedule, timely availability of loan, approaches of the society 's employees, loan by way of pesticides and chemicals and conversion facility

The purpose for getting loan from the PACCS, 88.33 per cent of the respondents availed Short term loan for cultivating crops- paddy, bananas and vegetables, 10.74 per cent respondents got both Short Term and Jewel loan, 0.93 per cent of the respondents benefited through Short Term converted to Medium Term.

Timely availability of loan came under the first rank, since all the PACCS were sanctioned the loan within a day from the date of submission of application for loan. Simple formalities play the second rank, because all the applicants were the members of the concerned Co-operative Societies. Lesser rate of interest came at third rank, PACCS charged 7 per cent interest per annum it is low rate of interest as compared with nationalized banks. At the eighth rank, announcement of waiver during drought respondents has the intention to get the loan waiver it was affixed in the minds of farmers from the previous waiver.

On the topic of borrowing loan from different parties 50.39 per cent of the respondents got loan from private parties, and 37.80 per cent of the respondents borrow money through commercial banks in addition to PACCS, Societies granting loans up to certain limit, 11.81 per cent respondents were got loan from SHG's, friends and relatives

About utilization 83.70 percent of the respondents were fully utilizing their loan for agricultural activities; hence the loan and interest rates were suitable for payment of the loan amount against the yield from agriculture, 16.30 per cent of the respondents partially utilize their loans for agriculture and remaining amount utilized for other personal activities.

## **SUGGESTIONS**

Indian farmers are unhappy today for the minimum supported price. Hence the government has to implement minimum support prices (MSP). Crop failure is the main reason for the non-repayment of loans. The loan waiver scheme applicable only for crop loans up to December 31, 2007 and the farmers those who had loan outstanding after December 31, 2007 should not count for the waiver and they continue to be defaulters and would be ineligible for fresh loans. So the Primary Agricultural Co-operative Societies suffered by overdue problems. The government can take initiative to solve the problem.

Agriculturists need finance in time for performing agricultural operations like tilling, sowing, weeding, and harvesting.

Farmers meeting can be conducted by the Societies for collecting the loan from the farmers. Society can increase the reminder letter numbers to the borrowers to repay the loan. Repayment schedule can be prepared by the Societies(PACCS) and distribute it to the members. Interest waiver can be given than loan waiver, so the farmers easily repay the loan amount,

The Government has to take analyses impact of any programs or policy relating to agriculture before implementing is essential for the better result and co-operation from the appropriate authorities.



## CONCLUSION

Primary Agricultural Co-operative Credit Societies plays the vital role in the development of agriculture and improving overall scenario. Now days it fulfill all the needs of the farm population. Thus debt waiver cannot become a permanent solution to the farmers financial crunch. Rather it creates unwanted problems such as willfull defaulters, financial commitment to the government and political interference. Therefore, finding out an alternative solution to the debt waiver and maintaining the discipline of loan repayment is the need of the hour. The loan waiver scheme not only reduces their debt burden but also enabled them to restore their discontinued access to the institutional credit – *sick person getting relief from the doctor*(IRMA w.p. 86) Agriculture, today, stands at a crossroads, which demands for rational policy formulation and implementation, especially in favour of the small and marginal farmers, and the landless labourers. Creation of off-farm employment through schemes like NREGS might help to ensure livelihood security during the times of extreme poverty and distress. The importance of public accountability in government-sponsored schemes cannot be overlooked. After liberalization of the Indian economy, agricultural sector suffered due to neglect and apathy. Indian peasantry had to compete internationally in the absence of social security and safety nets. The minimum support prices (MSP) offered to the farmers could not rise *paripassu*with input prices, thus, affecting profitability. Paying more attention to fiscal austerity in the name of efficiency gained momentum during the 1990s. Farm income and farm expenditure were the significant factors to determine indebttness. Efficient management with effective supervision and follow up action would ensure proper utilization of loan as well as prompt repayment by the members. However revival package as loan waiver/relief scheme has given boost to the below poverty line farmers in kanyakumari district. After implementation of the revival package the credit flow to the priority sectors depicted as a moderate increase.

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