

# Services Provided By Primary Agricultural Co-Operative Credit Societies - A Conceptual Analysis

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## ABSTRACT

Cooperative banks generally provide their members with a wide range of banking and financial services. Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a cooperative federation or central body. Co-operative banking is retail and commercial banking is organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the world. Co-operative credit structure in India consists of two parts of which one is engaged in short term, medium term and other in long term credit. They mainly rely upon deposits from members and nonmembers and in case of need, they get finance from either the district central co-operative bank to which they are affiliated or from the apex co-operative bank if they work in big cities where the apex bank has its Head Office. They provide credit to small scale industrialists, salaried employees and other urban and semi-urban residents.

**Key words:** PACCS, Members' Satisfaction, Co-operative bank, NABARD

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## 1. INTRODUCTION

Cooperatives play an important role in the socio-economic development of rural masses. These institutions are considered as shield of the poor. A small beginning was made with the enactment of first Cooperative Credit Societies Act in 1904 and now the cooperative movement has completed a century. Cooperative Societies mobilized deposits and purveyed not only agricultural and rural credit but also extended credit to priority sectors of the nation with a wider outreach. They have also been an important instrument for various development schemes, particularly subsidy-based programmes for the poor. At present, "there are more than 5.28 lakhs cooperative societies functioning with the membership of

23.95crores". The network of these societies has covered almost every village of the country and nearly 85 percent of the rural households are in the cooperative net.

At present, the Cooperative Credit Delivery System (CCDS) consists of both short-term and long-term credit structure. The short-term cooperative credit structure consists of 30 State Cooperative Banks (SCBs) at State level, 370 District Central Cooperative Banks (DCCBs) at the District level and 1,00,604 PACS at the village level. PACS are the base level institutions on which the whole Cooperative edifice is built. These societies functioning at grass-root level have direct contact with the rural people and meet the financial requirements of 10.983crore members. PACS provide short-term loans for the cultivation of crops and for consumption purposes as well as medium-term loans for allied agricultural activities. To meet the long-term credit needs of the farmers, "the long-term credit structure has been functioning with 1475 Primary Cooperative Agriculture and Rural Development Banks (PCARDBS) at Taluk level and 19 State Cooperative Agriculture and Rural Development Banks (SCARDBs) at the State level." These institutions are governed by their respective State Cooperative Societies Act and Rules.

Agriculture plays an important role in the economic development of India. Agriculture is the source of livelihood of more than 65 per cent of the population in India and contributes less than 20 per cent to gross domestic product, with a sizable share of exports. To meet the requirement of the growing population and rapid development economy, agriculture has to grow fast and modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection chemicals, modernized equipment and machineries which need huge investment. The rural agriculture sector of the Indian economy is labor abundant, land poor and capital scarce. So it would be the Indian economy is labor abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest. Farmers' access to credit from commercial banks (public and private banks) to has been a mirage for them in the given socioeconomic and political conditions in the rural areas. The small farmers are the most hapless victims of the private money lenders they are free to recover their loans by high handling of the crops of the poor farmers as well as their personal belongings, land and living quarters. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agriculture sector however is limited at present. Institutional financing viewed from this angle as a principal resource of external finance is to support in a planned manner. Institutional credit enables the farmers to procure the necessary production and creates conducive climate for enhanced output. Since institutional credit exerts a "push effect and has a catalytic role in development process, provision of adequate, timely and liberal credit to the farmer has become an integral and part of the agricultural development policy in India. As a result, agricultural credit service in the country is provided through three main channels, viz., commercial banks including private sector banks in the recent years, regional rural banks and co-operatives.

The primary agricultural credit co-operative societies are considered to be the pillars of the entire cooperative edifice. The PACSS continue to be the main source of agricultural credit to the farmers in rural areas. RBI started special department for the development and growth of Co-operative credit Societies. Credit is very important to the agriculture. India has only four month rainy season in a year. During that time the credit plays a significant role for the cultivation of agriculture. On the basis of farmers' economical background no one is ready to provide credit to them. Because there is no surety of repayment of loan by the farmers Because, the income from agriculture is not guaranteed. In this

situation farmers can get the credit from the primary agriculture credit co-operative society. These societies are working for the farmers, and by the farmer. The Co-operative Societies Act 1912 permitted the registration of non-credit co-operative societies as well. These societies are affiliated to the District Co-operative Central banks. And the district Central co-operative banks are affiliated to the State Co-operative banks. Primary agriculture co-operative credit societies are providing short and medium term loans for the farming purposes. Primary Agricultural Credit Society provides financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops) and the byelaws of which do not permit admission of any other co-operative society as a member.

## 2. COOPERATIVE CREDIT STRUCTURE AND ITS PERFORMANCE

Cooperative credit institutions were evolved mainly to check the usurious practices of the moneylenders and to provide loans to various sections of the population. The short-term rural credit structure consists of three tiers with Tamil Nadu State Apex Cooperative Bank at the state level, District Central Cooperative Banks at the district level and Primary Agricultural Cooperative Banks at the village level. The long-term credit structure consists of Tamil Nadu Cooperative State Agriculture and Rural Development Bank at the state level and primary cooperative agriculture and rural development banks at the Taluk / Block level. The cooperative urban banks provide banking services to the people in the towns and cities.

## 3. OBJECTIVES

The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery. Owing to an increasing emphasis on the development of land and agriculture, long-term cooperative credit has assumed great importance.

## 4. FUNCTIONS:

- PACCS provides credit to the farmers, distributes inputs like fertilizers and also runs outlets under Public Distribution System.
- It provides short term and medium term credit for agriculture and allied activities.
- The short term loans are repayable within a period of 12 to 15 months and the medium term loans are repayable within 3 to 5 years.
- Crop loan is the prominent item of credit to the farmers by Primary Agricultural Cooperative 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 exceeding this limit is secured with mortgage of property or pledge of jewels. Primary Agricultural Cooperative society also issues loans for other agricultural purposes like purchase of farm machineries and for non-agricultural purposes including loans for the purchase of consumer durables, housing loans, education loans and professional loans.
- It provides marketing facilities for the sale of agricultural produce.
- It associates itself with economic and social welfare programmes of the village. Interest subsidy for the Medium Term loans is sanctioned to the Primary Agricultural

Cooperative Credit Societies for the purchase of Agricultural equipments and Interest subsidy for the Medium Term loans is sanctioned to the Primary Agricultural Cooperative Credit Societies for the purchase of computers and its accessories.

E-Banking facility has been introduced in the Primary Agricultural Cooperative Credit Societies under the guidance of Tamil Nadu State Apex Cooperative Bank. This facility has benefited the members of Primary Agricultural Cooperative Credit Societies to have seamless transfer of funds at minimum cost. This scheme has not only benefited the people residing in remote rural areas, but also increased the revenue of the Primary Agricultural Cooperative Credit Societies.

## **5. SERVICES PROVIDED BY PACCS**

The Primary Agricultural Cooperative Credit Societies till recently were functioning only as Credit Institutions. With a view to bring about a positive change in the rural economy, the Primary Agricultural Cooperative Credit Societies have diversified their activities by extending other services to their members and people in rural areas.

Services provided by PACCS

- Improving the Sale of inputs
- Agri Clinics
- Common Service Centers
- Agro Service Centers
- Micro Insurance
- Processing
- computerization
- Strengthening the Safety Measures in Cooperative society

## **6. PROBLEMS FACED BY THE CO-OPERATIVE CREDIT SOCIETIES**

- Lack of supervision and inspection by Registrar of Co-operative Societies resulting into financial misuse and disproportion institutional development.
- Government is hesitating to entrust any important government work since it does not have any participation.
- These Co-operatives are away from the mainstream. The Co-operative Banks and other important institutions are not prepared to admit them as members.
- NABARD and RBI are not agreeing for conversion of Central and Urban Co-operative Banks.
- RBI has also objection about the use of word "Co-operative" since Banking Regulation Act uses the word "Cooperative Society".
- Perhaps the people/institution are not prepared or educated or sensitized enough to work without control and supervision.
- Mischievous persons may take advantage of the situation to cheat the general public.
- When the Government is exploring the possibility of regulating the Non-governmental organizations having vast experience, it is doubtful as to whether the mutually aided Co-operatives in various fields can give desired result. - Poor recovery of loans due to persuasive policy, differential rates of interest when compared to commercial and private banks and also no customer friendly technological solutions, restricted area of operation of the PACCS, and high transaction costs as well

as the traditional policy of undiversified lending

- On the management side, there is a need for rationalization of staff and introduction of modern management techniques
- The circumstances and the situation give rise to the Co-operative Movement in the Countries are still prevalent. The market is still not accessible to small and marginal farmers. Supply of agricultural credit is not adequate. About 50% of our rural and tribal households still have no facility for institutional credit.
- The Co-operatives are today at the cross road at their existence, particularly in view of the fast emerging economic liberalization and globalization. The Co-operatives still continued to function in a traditional way with poor governance and management, poor resource mobilization, outside interference, dependence on Government and lack of professionalization.

## 7. STRATEGIES FOR SUCCESSFUL CO-OPERATIVES CREDIT SOCIETIES

- Strengthening information and database of Co-operatives is utmost importance. MIS is to be adopted by the process of computerization and inter-connectivity to provide best services to members and customers with anytime and anywhere service.
- Professionalization of management is one of the basic prerequisites of Co-operatives. Both the personnel as well as directors of committee of management should be exposed to regular training, interaction and orientation.
- Adoption of scientific planning for deployment of human resources on the principle of 'right man for the right post at right time' would help Co-operatives to accelerate the pace of reforms. Human resources need be proactive. Motivation, recognition for good work and leadership is inculcated for augmenting productivity.
- Basic tenets of corporate governance like fair play, transparency and accountability are to be adopted.
- Cooperatives have to be repaid on time and necessary infrastructure including consumer/farmer-friendly technologies in cooperative institutions have to be adopted. In agriculture, more importance has to be given to the emerging agricultural extension and diversification activity such as horticultural development and godown construction. Lending has to be extended to horticultural, herbal crops, wasteland development programmes and micro irrigation schemes. Diversified lending for profitable avenues has to be encouraged. Common Service Centers (CSCs), Agri-clinics and Agro Service Centers are also being established in PACCS to diversify their activities.

## 8. METHODOLOGY

This paper is review paper information gathered from secondary sources the journals, newspaper and web search

## 9. CONCLUSION

Government of India is giving top priority to the agriculture sector. The farmers belonging to the villages do not have sufficient financial resources and background to carry out agricultural operations on a regular and continuing basis. On many occasions they depend on Private money-lenders and other similar sources to generate finance for performing agricultural activities. However, they get only a meager support from this unorganized source of finance. As a result of this financial shortage and the burden of

already availed help make their life miserable. In this context, it is apt to consider an old adage that "the Indian farmer is born in debt lives in debt and dies in debt". The sufferings of the farmers are never-ending. As a result of this, villages and suburban areas witness many suicides and agonies in this section of the population. In this backdrop, Co-operative societies assume greater significance and scope. Co-operative societies are institutions organized under the principles of co-operation set up for saving the hapless victims of fate by extending financial support to rejuvenate their occupation.

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