

# Primary Agricultural Cooperative Credit Societies and Rural Credit Delivery in India: A Performance Analysis

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## Abstract

Primary Agricultural Cooperative Credit Societies (PACCS) form the backbone of the cooperative credit structure in India and play a crucial role in delivering institutional finance to farmers, particularly small and marginal cultivators. This study examines the growth and performance of PACCS in India with a focus on key financial indicators such as number of societies, working capital, loan issuance, loan recovery, overdues, profitability, and accumulated losses. The study is based on secondary data collected from official publications of cooperative departments, NABARD, RBI, and government reports for a period of ten years from 2013–14 to 2022–23. The analysis employs statistical tools such as averages, Compound Annual Growth Rate (CAGR), Average Annual Growth Rate (AAGR), and Coefficient of Variation (CV) to assess trends and stability in performance. The findings reveal that while the number of PACCS has shown a marginal decline due to consolidation, there has been a significant increase in working capital and loan disbursement, indicating enhanced credit outreach and resource mobilization. Loan collections have improved over time, and overdue percentages have declined in recent years, reflecting better recovery performance. However, profitability remains inconsistent, and accumulated losses continue to pose a serious challenge to the financial sustainability of PACCS. The study concludes that PACCS have made notable progress in expanding agricultural credit, but structural weaknesses such as high overdues, weak governance, and limited diversification of income sources need urgent policy attention. Strengthening institutional capacity, improving credit discipline, and promoting modernization are essential for ensuring the long-term viability of PACCS in India.

**Keywords:** Primary Agricultural Cooperative Credit Societies (PACCS), Cooperative Credit, Agricultural Finance, Rural Credit System, Loan Recovery, Financial Performance

## Introduction

The cooperative movement is one of the most significant socio-economic initiatives aimed at empowering marginalized sections of society. In India, cooperatives have played a crucial role in addressing rural poverty, promoting self-help, and facilitating access to essential services such as credit, inputs, and marketing facilities. The cooperative credit structure, particularly PACCS, forms the foundation of rural financial intermediation and agricultural credit delivery. PACCS were established to protect farmers from the exploitative practices of moneylenders by providing timely, affordable, and institutionalized credit. Over the decades, PACCS have evolved into multipurpose institutions offering not only credit but also

non-credit services such as distribution of fertilizers, seeds, pesticides, and consumer goods through the Public Distribution System (PDS).

### Review of Literatures

Primary Agricultural Cooperative Credit Societies (PACCS) play a crucial role in India's rural credit delivery system by providing institutional finance to small and marginal farmers at the grassroots level. Several studies have emphasized that PACCS enhance financial inclusion by offering timely and affordable short-term and medium-term credit, thereby reducing farmers' dependence on informal moneylenders (Srinivasan, 1994; Rai & Singh, 2012). Research findings indicate that the proximity of PACCS to rural households enables better access to crop loans and seasonal finance, which contributes positively to agricultural productivity and rural livelihoods (Bhende & Mehta, 2005). However, literature also highlights persistent challenges such as weak governance, inadequate professional management, low recovery performance, and rising non-performing assets, which adversely affect the financial sustainability of these institutions (Patel & Patel, 2016; Joshi, 2017). Policy-oriented studies underline the importance of institutional support from agencies such as National Bank for Agriculture and Rural Development in strengthening PACCS through refinancing, capacity building, and governance reforms (Mishra, 2015). Overall, the literature suggests that while PACCS remain indispensable to rural credit delivery, their effectiveness depends on continuous reforms, improved management practices, and technological modernization.

### Statement of the Problem

Primary Agricultural Co-operative Credit Societies were established to provide institutional credit to farmers at reasonable interest rates and to eliminate dependence on non-institutional sources of finance. Despite their wide network and long history, PACCS in India continue to face several structural and operational challenges. Although there has been notable growth in working capital and loan disbursement over the years, many PACCS suffer from high levels of overdue loans, accumulated losses, and declining profitability. The uneven performance across regions and societies raises concerns about managerial efficiency, governance, and credit discipline. In Tamil Nadu, while PACCS have expanded their lending activities, issues such as declining number of societies, financial stress, and limited diversification of services persist.

### Objectives of the Study

The present study is undertaken with the following objectives:

1. To examine the historical growth and financial performance of PACCS in India
2. To analyze the trends in working capital, loan issuance, collections, profits, and overdues of PACCS

### Research Methodology

The study adopts a descriptive and analytical research design, relying exclusively on secondary data. Data have been collected from official records and publications of cooperative departments, NABARD, RBI, and government reports. The period of analysis spans ten years, from 2013–14 to 2022–23, enabling an examination of long-term trends and structural changes in PACCS performance.

To analyze the data systematically, statistical tools such as averages, growth rates, and variability measures have been employed. Compound Annual Growth Rate (CAGR) and Average Annual Growth Rate

(AAGR) are used to measure growth trends, while the Coefficient of Variation (CV) is used to assess consistency and stability in performance indicators. Percentage analysis is applied to study proportional changes and relative contributions.

### Growth and Performance of PACCS in India

At the national level, PACCS have shown both progress and challenges during the study period. The number of PACCS declined initially, reflecting consolidation and restructuring efforts aimed at improving efficiency. However, this decline did not adversely affect credit delivery, as working capital and loan issuance increased significantly. The steady growth in working capital indicates enhanced resource mobilization and increased borrowing capacity. Loan issuance witnessed a strong upward trend, highlighting the expanding role of PACCS in agricultural credit. Loan collections also improved, although overdue levels fluctuated, reflecting repayment challenges influenced by crop failures, price volatility, and farmers' income instability. Profitability of PACCS remained inconsistent, with many societies reporting accumulated losses despite positive annual profits. This suggests structural inefficiencies, weak governance, and dependence on interest income. The findings underline the need for reforms in credit appraisal, recovery mechanisms, and diversification of income sources.

**Table-1**  
**Growth of PACCS in India**  
**(Rs. in Lakhs)**

Year	No. of PACCS	Working Capital	Issue of loans	Collection	% of overdue	Profit	Accumulated Loss
2013-14	108771	6942257	4021171	3273304	32.7	90828	-40173
2014-15	106381	7087079	4391958	3650324	29.47	55432	-73174
2015-16	93229	7923739	5061274	3935931	28.22	45094	-74352
2016-17	94959	8528105	5864247	4428946	34.78	49067	-83647
2017-18	95634	8807963	5978673	4769763	43.93	71326	-37880
2018-19	94645	10052859	7593753	5697259	40.5	82589	-40071
2019-20	93413	10669386	9230381	6854322	24.26	94460	-41166
2020-21	92431	15608440	10830022	6744438	25.89	86791	-40173
2021-22	93259	15176057	9943999	7134599	25.78	90828	-73174
2022-23	94588	16298210	10125631	7722099	19.65	55432	-74352
<b><math>\bar{x}</math></b>	<b>96731.00</b>	<b>10709409.50</b>	<b>7304110.90</b>	<b>5421098.50</b>	<b>30.52</b>	<b>72184.70</b>	<b>-57816.20</b>
<b><math>\sigma</math></b>	<b>5524.39</b>	<b>3450580.47</b>	<b>2434647.47</b>	<b>1532165.12</b>	<b>7.14</b>	<b>18284.71</b>	<b>18160.28</b>
<b>CV (%)</b>	<b>5.71</b>	<b>32.22</b>	<b>33.33</b>	<b>28.26</b>	<b>23.40</b>	<b>25.33</b>	<b>-31.41</b>
<b>CAGR (%)</b>	<b>-1.39</b>	<b>8.91</b>	<b>9.67</b>	<b>8.96</b>	<b>-4.97</b>	<b>-4.82</b>	<b>6.35</b>
<b>AAGR (%)</b>	<b>-1.45</b>	<b>10.66</b>	<b>11.31</b>	<b>10.19</b>	<b>-3.33</b>	<b>-1.75</b>	<b>14.60</b>

PACCS in India from 2013-14 to 2022-23 provides insights into their performance and trends over the years.

**Number of PACCS:**

The number of PACCS initially declined from 108,771 in 2013-14 to a low of 92,229 in 2015-16. However, there has been a gradual increase afterward, reaching 94,588 in 2022-23, indicating a stabilization and slight recovery in the number of societies. The average number of PACCS over the years is 96,731, with a negative Compound Annual Growth Rate (CAGR) of -1.39%.

**Working Capital:**

Working capital has generally increased over the years, growing from ₹69,422.57 lakh in 2013-14 to ₹162,982.10 lakh in 2022-23. This indicated that PACCS were gaining more financial resources to support their operations and lend to farmers. The average working capital was ₹10,709,409.50 lakh with a high coefficient of variation (CV) of 32.22%, indicating some volatility in working capital year over year.

**Issue of Loans:**

The amount of loans issued by PACCS saw significant growth, particularly between 2019-20 and 2020-21, where it peaked at ₹10,830,022 lakh. There were fluctuations in loan issuance, but overall, the trend indicated an increasing capacity to lend.

**Collection of Loans:**

Loan collections also showed an upward trend, growing from ₹3,273,304 lakh in 2013-14 to ₹7,722,099 lakh in 2022-23. The increase in collections relative to loans issued have improved repayment rates, although there were mounting overdue. This growth was essential for supporting farmers' credit needs and contributing to agricultural development. The average amount of loans issued stood at ₹7,304,110.90 lakh.

**Percentage of Overdue Loans:**

The percentage of overdue loans has seen fluctuations, peaking at 43.93% in 2017-18 and dropping to 19.65% in 2022-23. Decreasing trend in overdue loans indicated the improved financial health and better loan management by PACCS, reflecting their effectiveness in collecting repayments. The average collection stood at ₹5,421,098.50 lakh.

**Profit and Accumulated Loss:**

Profits have varied significantly, with a high of ₹94,460 lakh in 2019-20, but the overall trend showed challenges in achieving consistent profitability. The average profit over the years was ₹72,184.70 lakh, while accumulated losses have also been a persistent issue, averaging -₹57,816.20 lakh with an increasing negative CAGR of -4.82%. This suggested that while PACCS were generating profits, they were simultaneously grappling with significant financial losses that need to be addressed.

**Growth of PACCS in Tamil Nadu**

PACCS in Tamil Nadu exhibited relatively stable performance compared to the national level. Although the number of PACCS declined due to consolidation, working capital and loan issuance increased steadily. This indicates improved operational efficiency and financial discipline among societies.

A notable improvement was observed in loan recovery, with overdue percentages declining in recent years. This reflects better monitoring, stronger member relationships, and effective recovery strategies. However, profitability trends were uneven, and accumulated losses continued to pose challenges. The Tamil Nadu experience highlights that consolidation, when combined with effective governance and administrative support, can strengthen PACCS. Nevertheless, modernization, digitization, and diversification remain critical for ensuring long-term sustainability.

**Table-2**  
**Growth of PACCS in Tamil Nadu**  
**(Rs. in Lakhs)**

Year	No. of PACCS	Working Capital	Issue of loans	Collection	% of overdue	Profit	Accumulated Loss
2013-14	5565	783023	480989	299069	39.4	3600	-1176
2014-15	5514	849439	495689	325698	39	3369	-1356
2015-16	5502	953074	523698	325690	42.7	3125	-1588
2016-17	5429	956433	535694	345689	40.2	3008	-1632
2017-18	5381	934964	560578	366225	37.9	2130	-2462
2018-19	4533	838167	512355	371844	21.1	1839	-1905
2019-20	4592	987575	621043	481918	38	2030	-1773
2020-21	4489	897725	762061	384434	22.7	1941	-1759
2021-22	4508	852443	841464	353478	17.4	1780	-1939
2022-23	4495	883051	880077	379680	14.6	1847	-1112
$\bar{x}$	<b>5000.80</b>	<b>893589.40</b>	<b>621364.80</b>	<b>363372.50</b>	<b>31.30</b>	<b>2466.90</b>	<b>-1670.20</b>
$\sigma$	<b>480.35</b>	<b>60909.69</b>	<b>142522.78</b>	<b>47145.89</b>	<b>10.36</b>	<b>682.27</b>	<b>378.89</b>
CV (%)	<b>9.61</b>	<b>6.82</b>	<b>22.94</b>	<b>2.97</b>	<b>33.09</b>	<b>27.66</b>	<b>-22.69</b>
CAGR (%)	<b>-2.11</b>	<b>1.21</b>	<b>6.23</b>	<b>2.42</b>	<b>-9.45</b>	<b>-6.46</b>	<b>-0.56</b>
AAGR (%)	<b>-2.21</b>	<b>1.75</b>	<b>7.33</b>	<b>3.47</b>	<b>-5.23</b>	<b>-6.53</b>	<b>2.59</b>

The data on the growth of PACCS in Tamil Nadu from 2013-14 to 2022-23 provided valuable insights into their performance over the years.

**Number of PACCS:**

The number of PACCS in Tamil Nadu decreased from 5,565 in 2013-14 to 4,495 in 2022-23. This decline suggested a consolidation of societies, which may indicate a focus on strengthening the existing PACCS rather than expanding the number of societies. This represented a negative Compound Annual Growth Rate (CAGR) of **-2.11%**, indicating a consolidation of PACCS in the state.

**Working Capital:**

Working capital has fluctuated but generally increased from ₹783,023 lakh in 2013-14 to ₹883,051 lakh in 2022-23. The growth in working capital indicated that PACCS were managing to gather more financial resources to support their operations over time. The average working capital stood at ₹893,589.40 lakh,

with a relatively low coefficient of variation (CV) of 6.82%, indicating stability in the capital structure of PACCS.

#### **Issue of Loans:**

The amount of loans issued has shown an overall increasing trend, rising from ₹480,989 lakh in 2013-14 to ₹880,077 lakh in 2022-23. This growth suggested that PACCS were becoming more effective at providing credit to farmers, enhancing access to financial resources for agricultural activities. The average amount of loans issued was ₹621,364.80 lakh.

#### **Collection of Loans:**

Loan collections have also improved, moving from ₹299,069 lakh in 2013-14 to ₹379,680 lakh in 2022-23, demonstrating a CAGR of 2.42%. This upward trend in collections was significant for ensuring the financial viability of PACCS, with an average collection of ₹363,372.50 lakh.

#### **Percentage of Overdue Loans:**

The percentage of overdue loans showed significant fluctuations, peaking at 42.7% in 2015-16 and declining to 14.6% in 2022-23. The consistent decrease in overdue loans reflected better management practices, increased collection efficiency, and potentially stronger relationships between PACCS and farmers. The average overdue percentage was 31.30%, with a CV of 33.09%, indicating significant variability.

#### **Profit and Accumulated Loss:**

PACCS reported varying profits over the years, with the highest profit of ₹3,600 lakh in 2013-14 and a gradual decline to ₹1,847 lakh in 2022-23. Despite generating profits in certain years, accumulated losses have been present throughout, indicating ongoing financial challenges. The accumulated losses decreased from -₹1,176 lakh in 2013-14 to -₹1,112 lakh in 2022-23, suggesting a slight improvement in financial stability. The negative CAGR of -6.46% for accumulated losses indicated that while PACCS have made some profits, they were still struggling with substantial financial liabilities.

#### **Conclusions**

The present study on the performance of Primary Agricultural Cooperative Credit Societies in India highlights the critical role played by PACCS in strengthening the rural credit delivery system and supporting agricultural development. The analysis of data over the period from 2013–14 to 2022–23 reveals that PACCS have undergone significant structural and financial changes during the study period. At the national level, although the number of PACCS declined due to consolidation and restructuring, their capacity to deliver credit improved considerably. The steady growth in working capital and loan issuance indicates enhanced financial strength and greater involvement of PACCS in meeting farmers' credit requirements. Loan collections also registered growth, and the reduction in overdue percentages in recent years reflects improved recovery performance and better financial management practices. However, the study also reveals persistent challenges. Profitability of PACCS remains uneven, and many societies continue to carry accumulated losses despite recording annual profits. This suggests underlying inefficiencies related to governance, loan appraisal, recovery mechanisms, and overdependence on interest income. High variability in financial indicators further indicates instability in performance across regions

and societies. The experience of PACCS in Tamil Nadu reinforces these findings, showing that consolidation combined with administrative support can improve efficiency, but long-term sustainability requires modernization, digitization, and diversification of services. Overall, the study concludes that while PACCS have expanded their outreach and strengthened agricultural credit delivery, focused reforms are essential to address financial stress and operational weaknesses. Policy measures aimed at strengthening governance, improving credit discipline, adopting technology, and enhancing income diversification will be crucial for ensuring the sustainable growth and effectiveness of PACCS in India.

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