

# Contribution of Primary Agricultural Cooperative Credit Society to Rural Financial Inclusion in Tamil Nadu

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## Abstract

Financial inclusion plays a crucial role in rural economic development by providing access to affordable financial services. Primary Agricultural Cooperative Credit Societies (PACCS) are important institutions that support rural financial inclusion in Tamil Nadu by providing credit facilities to farmers and rural householders. This study examines PACCS's contribution to promoting financial inclusion through the distribution of short- and medium-term loans. The study analyses loan trends, outstanding balances, collection performance, and overdue amounts over the years. The results show that PACCS play a vital role in meeting farmers' credit needs and reducing their dependence on informal sources of finance.

**Keywords:** Financial Inclusion, Rural Development, and Primary Agricultural Cooperative Credit Societies.

## 1. Introduction

Financial inclusion is essential for improving the economic condition of rural people and farmers. In Tamil Nadu, Primary Agricultural Credit Societies (PACCS) play an important role in providing institutional credit at the village level. These societies help farmers and rural households access affordable financial services. One of the major credit facilities provided by PACCS is the Kissan Credit Card (KCC) loan, which supports farmers in meeting seasonal Agricultural expenses such as seeds, fertilisers, and pesticides. PACCS also provide loans to Self-Help Groups (SHG), which help rural women start small income-generating activities and improve their economic status. In addition, PACCS offer short-term loans mainly for crop cultivation and seasonal Agricultural operations. They also provide medium-term loans for activities such as purchasing farm equipment, livestock development, and improving Agricultural infrastructure. These credit services help farmers maintain Agricultural production and reduce dependence on informal moneylenders. By providing timely and affordable credit, PACCS strengthen rural credit delivery. Therefore, PACCS play a significant role in promoting rural financial inclusion in Tamil Nadu.

## 2. Objective of the study

1. To examine the role of Primary Agricultural Cooperative Credit Societies in promoting rural financial inclusion in Tamil Nadu.

2. To analyse the distribution of KCC loans, SHG loans, short-term loans, and medium-term loans through PACCS in Tamil Nadu.
3. To assess the contribution of PACCS in improving access to institutional credit among rural farmers and households.

### 3. Statement of the Problem

Access to institutional credit is essential for the economic development of rural people. However, many farmers and rural households still face difficulties in obtaining timely and affordable financial services. Due to limited access to formal credit institutions, they often depend on private moneylenders who charge high interest rates. Primary Agricultural Cooperative Credit Societies (PACCS) offer various loan types, including KCC, SHGG, short-term, and medium-term loans, to meet rural credit needs. Therefore, it is important to examine PACCS's contribution to improving rural financial inclusion in Tamil Nadu.

### 4. Methodology

The present study is based on secondary data from official reports and publications on the Cooperative credit system in Tamil Nadu. Data on the distribution of KCC loans, SHG loans, short-term loans, and medium-term loans through PACCS were collected from sources such as Tamil Nadu Cooperative Department reports, NABARD publications, and other government statistical records. The collected data were analysed using simple statistical tools such as tables, percentages, and graphical presentation to understand the pattern of credit distribution and the contribution of PACCS to rural financial inclusion in Tamil Nadu.

### 5. Review of literature

1. **NABARD (2021)**. Seasons change, and money moves fast between neighbours when it is time to plant. Not banks, but trust holds things together where forms drag on too long. Food grows only if support arrives on time - this method makes sure of that. Loans pile up costs, while words given before carry more weight. A foot moves ahead, then help spreads right where hands reach first. Not fast, yet sure - every small spot proves trust can grow inside official cash worlds.
2. **RBI (2020)** Out in open fields, far from busy towns, farming groups like PACCS fill gaps where banks do not go. Though unseen by most, these networks hand out modest sums directly to workers at harvest time. Instead of borrowing from local moneylenders who charge higher rates, families draw on shared funds held by members to buy seeds and tools.
3. **Kumar and Singh (2019)**. Silence can carry help just fine – Kumar worked alongside Singh, looking into PACCS and its impact on growers' access to farm credit. Since payments flow on time through village cooperatives, equipment reaches farms before the planting season. Lending hubs close by keep things moving without pause.
4. **Sharma (2018)**. Looking closely at village lending circles moving cash into cut-off areas, Sharma saw how loans reach both individual growers and local groups through shared trust. As help flows in, farming picks up, while small household ventures begin to move forward. Instead of signing empty pledges, such systems quietly shape smarter ways with cash - setting aside scraps, thinking months ahead. Over time, members come to see value beyond just getting fast loans.
5. **Reddy (2017)**. Now that the figures are clear, Reddy looked beyond cities, drawn instead to clusters of rural lenders tucked under open horizons. Beyond banks' grasp, tight-knit circles carry on, funds

tioned to PACCS, moving hand to hand among growers or trusted neighbours. Where elsewhere stalls drag progress, here payments shift swiftly - buying seedlings, gear, one time even a loom installed on a porch corner.

## 6. Discussion

### 6 Kisan Credit Card (KCC) Loan and Rural Finance in Tamil Nadu

The Kisan Credit Card (KCC) scheme is an important institutional credit mechanism that provides timely and adequate credit to farmers. The scheme was launched in 1998, based on recommendations from the Reserve Bank of India and the National Bank for Agriculture and Rural Development. The main objective of the KCC scheme is to ensure easy access to short-term credit for Agricultural operations. Under this scheme, farmers are provided with a credit card that allows them to withdraw funds for Agricultural expenses, such as the purchase of seeds, fertilisers, pesticides, irrigation equipment, and other cultivation activities. The credit is offered at a relatively low interest rate, thereby reducing farmers' dependence on informal moneylenders. In Tamil Nadu, KCC loans are mainly distributed through Cooperative banks, commercial banks, and regional rural banks. Primary Agricultural Cooperative Credit Societies (PACCS) play a crucial role in extending KCC loans to small and marginal farmers at the village level.

**Table-1**

S.No	Year	Formers benefited	Loan Issue (In Crores)
1	2015-16	6,52,752	5567
2	2016-17	7,62,772	4227
3	2017-18	10,63,524	6220
4	2018-19	11,63,524	7654
5	2019-20	38,531	1,012
6	2020-21	36,532	989.53
7	2021-22	44,531	1,272.23
8	2022-23	2,90,291	2,406
9	2023-24	4,53,305	4,875
10	2024-25	17,37,460	15,543

*Source:* Tamil Nadu Government Annual Report

*Note:* Figures in the above table are for the Financial Year 2015 to 2025

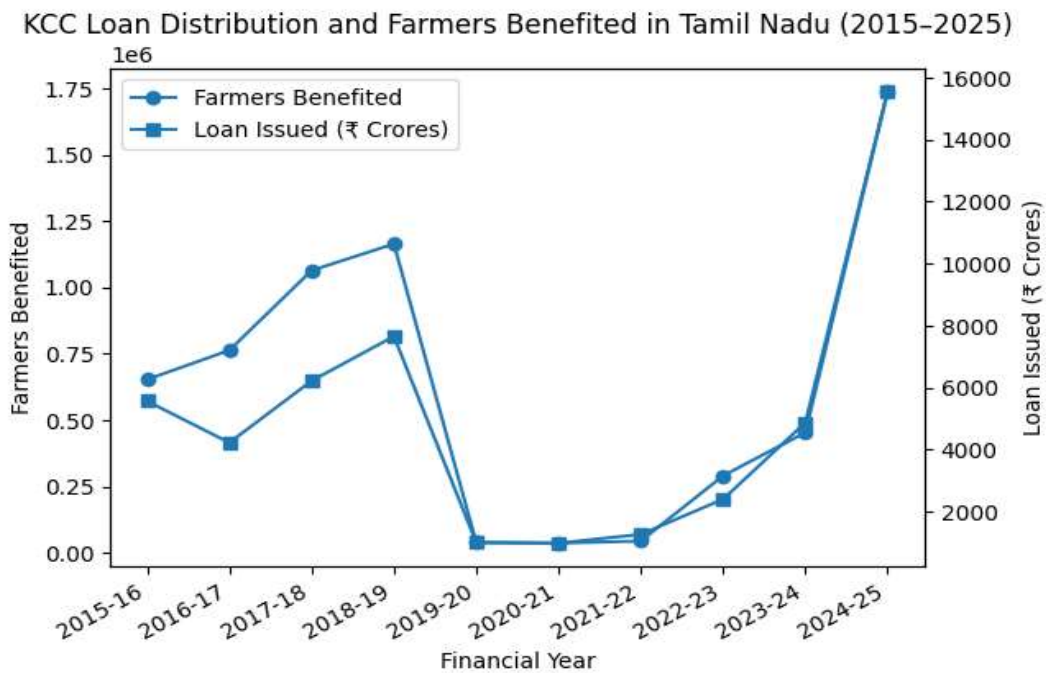


Table 1 shows the number of farmers benefited and the amount of Kisan Credit Card (KCC) loans issued in Tamil Nadu from 2015-16 to 2024-25. The data indicates a gradual increase in both beneficiaries and loan distribution from 2015-16 to 2018-19. A decline is observed from 2019-20 to 2021-22 in the number of farmers and the loan amount. However, from 2022-23 onwards, the trend shows a clear recovery in credit distribution. The year 2024-25 recorded the highest number of farmers benefited and the highest loan disbursement, indicating the expansion of rural Agricultural Credit.

### 7. Importance of SHG in Rural Areas through Cooperative Societies

Self-Help Group (SHG) play a significant role in promoting rural development through Cooperative institutions. SHG encourages rural people, especially women, to develop the habit of saving and of collective financial management. Through regular savings and internal lending, SHG helps members meet their small financial needs. Cooperative societies and banks support SHG by providing institutional credit and financial services. This linkage improves access to formal finance for rural households. SHG also promotes income-generating activities such as small businesses, Agricultural, and allied activities. As a result, members can improve their economic conditions through decision-making among rural people.

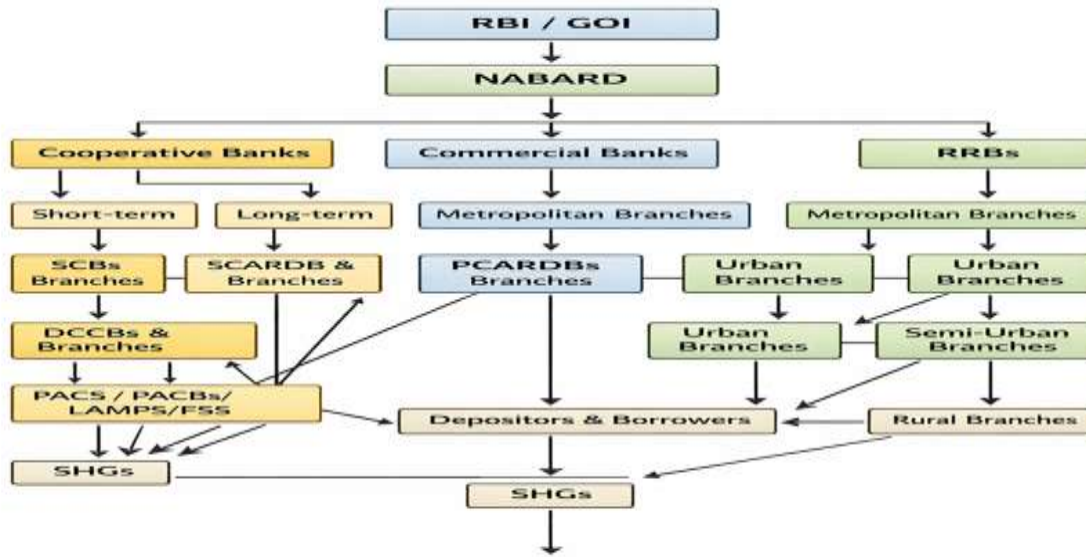


Figure: Institutional Structure of Agricultural and Rural Credit Delivery System in India

**Table 2**  
**SHGs in Tamil Nadu Cooperative Societies and their Loan Distributions**

S. No	Year	SHGs in the Tamil Nadu Cooperative Societies	Loan Distribution (Rs. in Crore)
1	2015-2016	29,701	550.08
2	2016-2017	18,844	525.99
3	2017-2018	23,501	810.95
4	2018-2019	30,128	1161.80
5	2019-2020	32,821	1561.80
6	2020-2021	54,434	1699.81
7	2021-2022	19,296	681.65
8	2022-2023	49,356	2,010
9	2023-2024	76,871	4275
10	2024-2025	53,757	4063

Source: Tamil Nadu Government Annual Report

Note: Figures in the above table are for the Financial Year 2015 to 2025

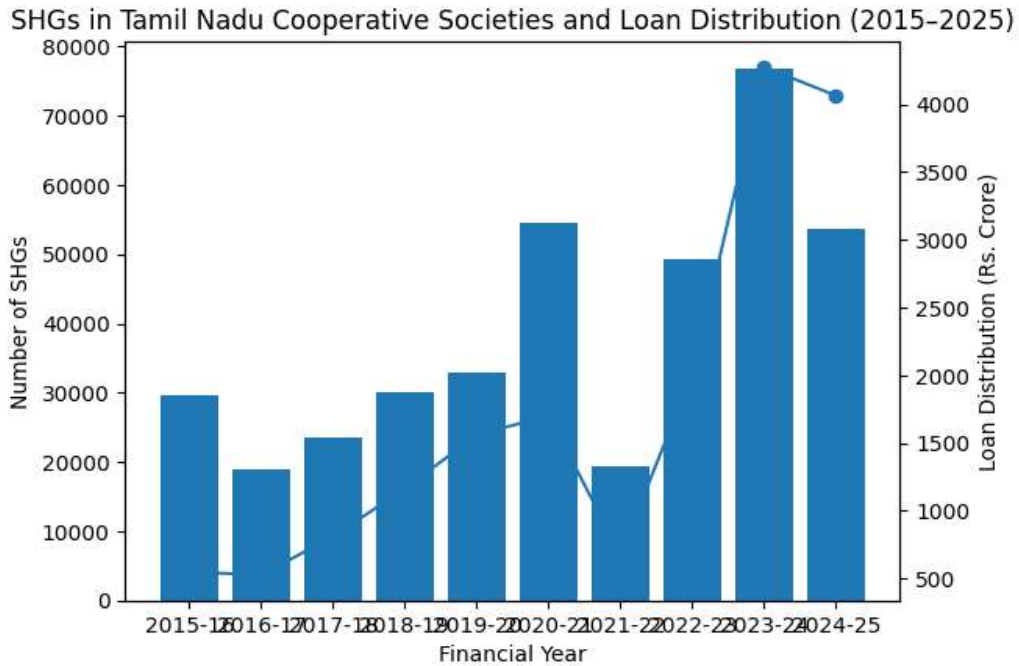


Table 2 shows the number of self-help Groups (SHG) linked with Cooperative Societies and their loan distribution in Tamil Nadu from 2015-16 to 2024-25. The data indicate that both SHG Participation and loan distribution generally increased over the years. A noticeable rise is observed during 2020-21 and again after 2022-23. The highest loan distribution was recorded in 2023-24 with ₹4275 crore. This trend highlights the growing role of SHG in promoting rural financial and financial inclusion through Cooperative Societies.

### 8. Role of Short-Term Loans in Rural Finance

Short-term loans are an important source of Agricultural Credit in rural areas. These loans are mainly provided to farmers to meet their immediate financial needs during the cultivation period. Farmers use short-term loans to purchase seeds, fertilisers, pesticides, and other agricultural inputs. These loans are usually provided for up to one year and are repaid after crop harvest. Cooperative banks and Primary Agricultural Cooperative Credit Societies (PACCS) play a key role in providing short-term credit to farmers. The availability of short-term loans helps farmers to carry out Agricultural operations without financial difficulty. It also reduces their dependence on informal moneylenders who charge high interest rates. Short-term credit improves agricultural productivity by ensuring timely access to inputs. In Tamil Nadu, Cooperative institutions play a major role in distributing short-term Agricultural loans. Therefore, short-term loans are essential for strengthening rural finance and supporting Agricultural development.

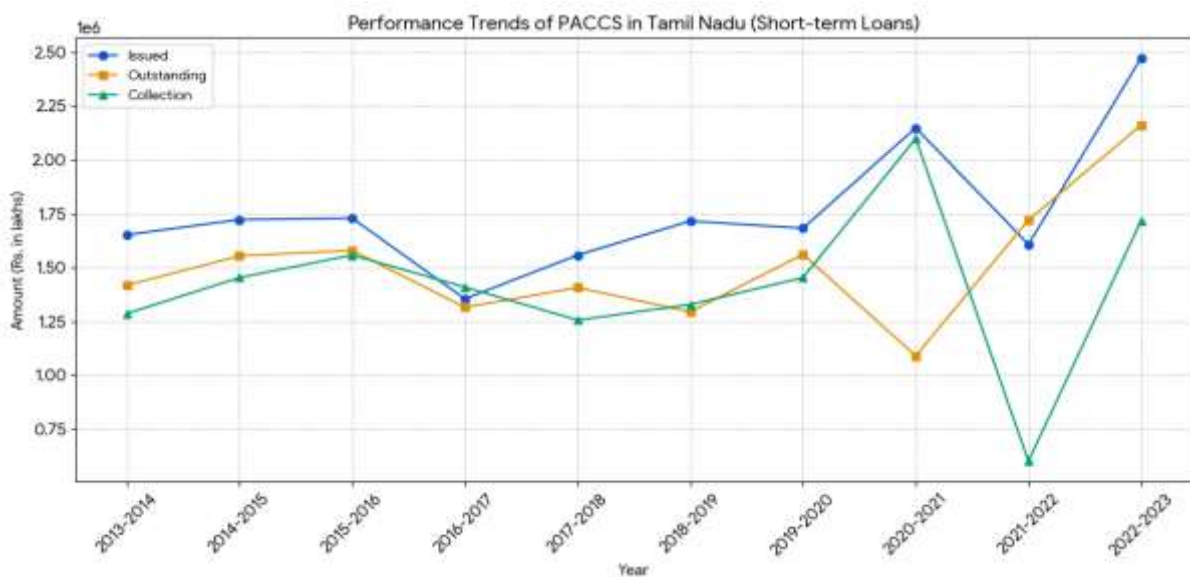
**Table 3 Performance of PACCS in Tamil Nadu (Rs. in lakhs)**

S. No.	Year	Total short-term loan issued	Total Shot term loans outstanding	Collection of short-term loans	Short term (overdue) Balances
1	2013-2014	1651798.2	1417397.64	1286515.41	87202.83
2	2014-2015	1722143.43	1554214.93	1453051.01	116686.23

3	2015-2016	1728843.39	1579455.53	1557709.48	160821.42
4	2016-2017	1354633.71	1315672.93	1409051.13	171107.28
5	2017-2018	1557775.11	1406911.74	1256243.3	156919.72
6	2018-2019	1715746.53	1294684.74	1328525.02	178623.79
7	2019-2020	1682376.08	1561293.88	1452996.52	17706.4
8	2020-2021	2148128.8	1090123.3	2098786.5	95977.78
9	2021-2022	1607230.79	1720352.14	601526.74	306025.21
10	2022-2023	2472171.68	2161546.17	1717763.47	234148.63

Source: Tamil Nadu Government Annual Report

Note: Figures in the above table are for the Financial Year 2013 to 2023



The performance data for PACCS in Tamil Nadu from 2013 to 2023 shows significant growth in Agricultural Credit distribution. Initially, the short-term loan issuance stayed around 16 to 17 lakhs, but it jumped to 24.72 lakh by 2022-2023, marking the highest credit flow in a decade. While loan issuance has been consistent, collection efficiency has shown major fluctuations, particularly in 2021-2022, when the recovery dropped sharply to just 6.01 lakh. This specific year also recorded the highest overdue balance of 3.06 lakh, indicating a period of financial stress for the societies. However, the data shows a strong recovery trend in the subsequent year (2022-2023), as both lending and collections stabilised again. Overall, the table shows that while PACCS effectively reaches farmers with credit, maintaining a steady collection rate has been a challenge in recent years.

### 9. Role and Impact of Medium-Term Loans in Tamil Nadu Agricultural

While Short-term Loans provide immediate relief for seasonal crop cultivation, medium-term loans offered by Primary Agricultural Credit Societies (PACCS) in Tamil Nadu serve as the backbone for long-term Agricultural development. These loans are designed to help farmers move beyond just planting crops and focus on building sustainable assets. Medium-term loans are generally provided for 3 to 5 years. Unlike crop loans, these are intended for investment activities that enhance farm productivity. Key areas where these funds are utilised include:

**Livestock Development:** Purchasing milch animals like cows and buffaloes to provide an alternative income source.

**Minor Irrigation:** Installing electric pumpsets, digging borewells, or laying pipelines for better water management.

**Farm mechanisation:** Acquiring small-scale machinery such as power tillers, sprayers, and threshers.

**Land Improvement:** Levelling and reclaiming fallow land to make it fit for cultivation.

The Credit flow is supported by the National Bank for Agriculture and Rural Development (NABARD) and routed through the District Central Cooperative Bank (DCCB) to the PACCS level. To secure these loans, farmers typically provide land as collateral or through personal sureties. The repayment is structured as half-yearly or annual instalments, aligning with the harvest cycles to minimise the burden on the farmer. In the Context of the Tamil Nadu rural economy, Medium-Term loans act as a catalyst for asset creation. By shifting the focus from mere survival to infrastructure building, these loans empower farmers to modernise their practices and improve their overall standard of living.

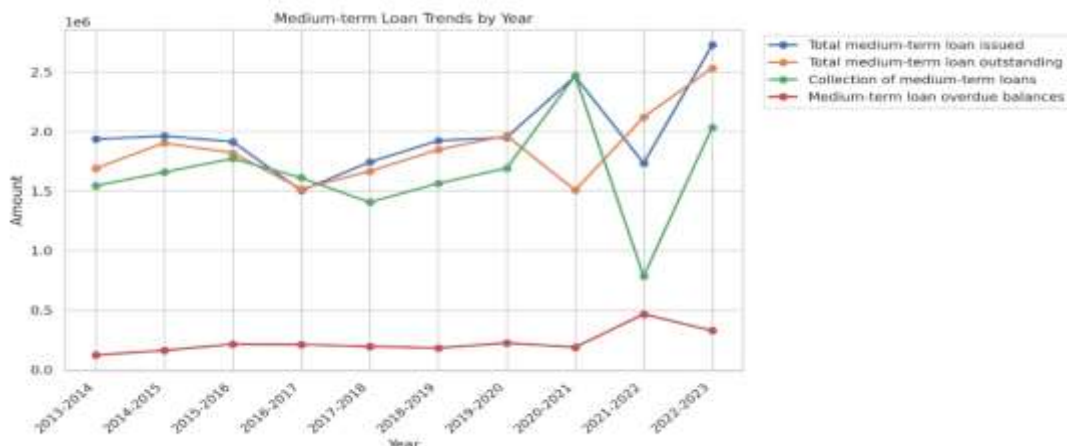
**Performance of PACCS in Tamil Nadu**

(Rs. in lakhs)

S. No.	Year	Total medium-term loan issued	Total medium-term loan outstanding	Collection of medium-term loans	Medium-term loan (overdue) Balances
1	2013-2014	1934762.86	1689313.01	1544373.41	122529.74
2	2014-2015	1961818.71	1903564.08	1657102.9	161957.6
3	2015-2016	1913338.78	1819458.01	1772101.85	214145.95
4	2016-2017	1503573.82	1518902.33	1611023.31	210703.33
5	2017-2018	1742005.38	1665423.23	1404884.86	195319.49
6	2018-2019	1922849.77	1847345.45	1564253.35	182409.29
7	2019-2020	1949771.45	1963569.89	1690763.04	224759.87
8	2020-2021	2462210.29	1506965.36	2466985.31	188453.63
9	2021-2022	1732944.86	2119707.07	784770.58	466000.92
10	2022-23	2724468.69	2531283.87	2033890.39	327869.13

Source: Tamil Nadu Government Annual Report

Note: Figures in the above table are for the Financial Year 2013 to 2023



The graph shows the trends in medium-term loans issued, outstanding amounts, collections, and overdue balances from 2020-21 to 2022-23. The amount of medium-term loans issued generally shows a fluctuating trend, with significant increases in 2020-21 and again in 2022-23. The collection of medium-term loans also increased in some years, particularly during 2020-21, indicating better recovery performance. However, a noticeable decline in loan collections was observed in 2021-22, leading to an increase in overdue balances. The outstanding loan amount shows a gradual increase in the later years, reflecting the growing demand for medium-term Agricultural Credit. Overall, the graph indicates that medium-term loans play an important role in supporting Agricultural investment through Cooperative Credit institutions.

## 10. Conclusion

The study concludes that Primary Agricultural Cooperative Credit Societies (PACCS) play a significant role in promoting rural financial inclusion in Tamil Nadu. These institutions provide farmers and rural households with easy, timely access to credit facilities. The analysis of short- and medium-term loans shows that PACCS supports agricultural activities and rural development. The loan trends indicate increasing demand for institutional credit in rural areas. PACCS also help reduce dependence on informal moneylenders. Through their services, farmers can invest in agriculture and improve productivity. However, fluctuations in loan recovery and overdue balances indicate certain challenges in credit management. Strengthening recovery mechanisms and improving members' financial awareness can enhance their performance. The Cooperative Credit System remains an important pillar of rural finance. Overall, PACCS contribute significantly to strengthening financial inclusion and economic development in rural Tamil Nadu.

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