

## **A STUDY ON CONTRIBUTION OF PRIMARY AGRICULTURE CREDIT SOCIETITES (PACS) IN INDIA**

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### **Abstract**

India being a rural country the total population accounts for 64% and above as on 2021. As the vast population engage in rural occupation and allied activities, the most Important factor of credits arises to meet up their farm and other requirements. Rural credits comprise of 3 factors. State Cooperative Banks and District Cooperative Banks which is also governed by NABARD third comes the Primary Cooperative Credit Societies (PACS) which works at grassroots level. The main occupation of PACS is to provide short term credits to small farmers for crop cycle, like buying seeds and fertilizers etc with very less documentation. As the commercial banks through PACS provides loan at the interest rate of 7%, of which 3% subsidy and 2% subsidy provides by central and state govt and only 2% is owe by farmers. In RBI report dated 27 Dec ,2022 total no of PCS accounts for 1.02 lakh of which 47297 PCS are sitting on profits. Farmers act as a member of PACS and formed their committee, the committee working in formal group has a good decision making power and due to very less documentation involve, even a small single farmer gets very needed crop or other agriculture related funds quickly. Due to vast presence and distribution of credit requirements the need of digitalization is felt to keep the accountability and proper functioning to provide better incentives and other govt subsidies. However, govt has allotted 2500 crore in the last budget to link all the PACS to digitalize the full structure as in the case with DCCB and SCCB and creditability and transparency will increase in PACS. However due to introduction of Banking software, accountability and source of funds will be in check and farmers will also be trained and skilled in using banking transaction.

**Keywords:** PACS, NABARD, DCCB, SCCB, RBI

### **INTRODUCTION**

Rural development is the top most priority of an agrarian nation like India as more than 2/3 population is engage in agriculture and allied activities.

However the steady transition to urbanization over the year is leading to the decline in the rural share in the population. India's population increased by 31.8 percent compared to 12:18 percent between 2001-2010.

People of rural India has taken up different occupation at ground level suiting the needs of local environment (fishery, agriculture, pottery, handicrafts, rubber plantation ,coffee plantation etc) however for every occupation to grow they have one thing in common is the come up with the financial assistance to meet their local and marginal requirements.

Rural cooperative societies plays a vital role in developing rural area mostly unorganized part in coping with its needs and necessities of the people and their livelihood.

Primary cooperative society formed in 1904 with an aim to provide necessary credits to small and marginal farmer both at small and medium term.

Main function of the primary cooperative (PACS) to provide working capital requirement (crop cycle) mainly buying seeds, fertilizers etc.

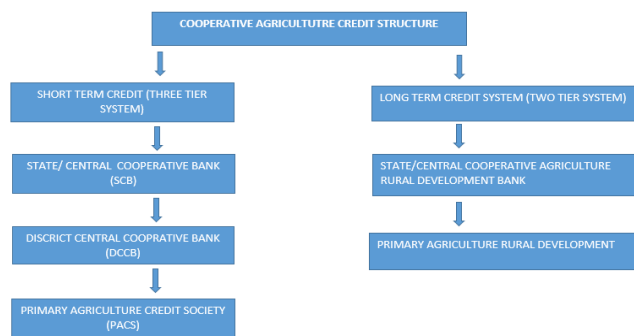
Short term credit is categorized at three level

Village level: Primary agriculture cooperative societies and it's not regulated by RBI, neither it covers under banking regulations act 1949.

District level central cooperative banks (DCCBs) and State level central cooperative societies (govern by NABARD for inspection under section 35 (6) of the banking regulation act.

**Agriculture Credit Structure**

Cooperative Agriculture Credit Structure are described below



**Objectives of the study :**

To determine the position of the Marginal Farmer in terms of Primary agriculture society in overall credit system meant for agriculture short term lending.

Problem faced and what measures needs to be taken to eradicate the issues.

**HYPOTHESES OF STUDY:**

There is definitely an impact on marginal farmers if the crop cycle loan facilities are not available for them due to political interference and corporate governance issues .

Many measures to eradicate the employments issues and migration problem will remain unsolved if the given PACS benefits not reaching to these marginal farmers due to unavailability of correct data and technological gap.

Meeting of demand and supply for foods will not bridge and the gap will increase over a period of time impacting agriculture related activities and food shortage leading to food inflation and food shortage.

5 States consider for PACS Study,data taken from RBI in a tabular form below.

Select Indicators of Primary Agricultural Credit Societies-State-wise								
(At end-March 2020)								
(Amount in ₹ Lakh)								
Sr. No.	State	No of PACS	Deposits	Working Capital	Loans and Advances Outstanding		Societies in Profit	
					Agriculture	Non-Agriculture	Number	Amount
1	Maharashtra	20,151	23,057	20,83,568	10,07,727	2,70,061	8,739	607
2	Kerala	1,643	1,15,90,200	1,30,12,397	N.A.	N.A.	964	78,897
3	Gujarat	8,823	91,156	15,57,674	12,72,623	42,095	6,375	9,912
4	Uttar Pradesh*	8,929	6,820	1,25,927	80,031		0	4,536
5	Goa	78	9,607	15,452	1,503	3,141	48	268

**SCOPE OF THE STUDY**

The Study indicates what are the challenges face by small and marginal farmers and why migration is been carried on a large scale from agriculture to other sector .and why institutions like NABARD ,RRB ,RBI and Govt will have to focus on certain aspect to bring more PACS directly under their control.

For the Above study is restricted to Maharashtra,Kerala and Gujarat .

### JUSTIFICATION OF SAMPLING METHOD & SAMPLING PROCEDURE

Due to time constraint random sampling has been selected and of which 3 states is chosen to carry out study.

### RESEARCH METHODOLOGY:

Both the primary and secondary data were used for the present study.

Three states were chosen to consider research across india .

### METHOD OF DATA COLLECTION:

Primary Data :

Personal Interview taken for the migrated farmer from Uttar Pradesh and Bihar & Kerala .

Personal visit is done in state of kerala covering Kochi ,Periyar ,Munnar ,Kottayam.

Another Visit is done in Farm area near Pune.

Secondary Data:

Articles & News paper, Internet , References

### REVIEW OF IMPORTANT & RELEVANT LITERATURE ON THE STUDY:

Journal of Economics and Commerce by DAV PG COLLEGE-Short Term (Seasonal Agricultural Operations)

Refinance is provided for production purposes at concessional rate of interest to State Cooperative Banks (SCBs) and Regional Rural Banks (RRBs) by way of sanction of credit limits. Each withdrawal against the sanctioned credit limit is repayable within 12 months.

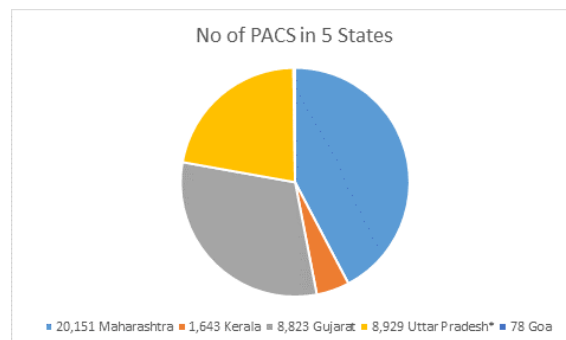
Short Term Refinance to RRBs, PSBs and CCBs (directly) for financing PACS for their Seasonal Agricultural Operations

A new refinance product for financing of PACS through PSBs & RRBs, wherever Cooperative Banks are weak or not in a position to lend to PACS adequately.

The ST (Others) limit would consist of different purposesviz. ST- Agriculture and Allied Activities,

### DATA ANALYSIS:

Primary Agriculture Credit Societies (PACS) which works at the grass root level in providing farm credits to small and marginal farmers. We have depicted in short summary of the state and their problem which can be treated by PACS if use effectively at bottom level with 3 States out of 5 in the given diagram.



Maharashtra: The average size of land holdings among Maharashtra's farmers has reduced gradually over a period of time mainly due to inadequate land holding leading to low irrigation possibilities from low land holding 4.28 hectare in the 1970s to 1.34 hectare in recent years.

Due to large no of farmers migrating to urban area in search of better living mainly due to farmers losing land due to draught ,famines ,flood and also not able to pay off banks or other credit dues . Warehousing facilities at taluka level with refrigeration facilities for mainly perishable products. Connecting maximum PACS under digital bharat to NABARD mapping State Cooperative Banks and District Cooperative Banks.

Kerala : Kerala which is also known as “Gods Own Country” is the greatest gift to mankind geographically and it’s a mixture of varied activities that has taken up in so many years in developing kerala by its rich culture ,Education as 100% literacy rate and unity among different farmers collectively to raise any issues arising .

State is geographically so well divided for its different agriculture and allied activities and have marked an impression on other state to learn how to manage cultivable and non-cultivable land.

Some of the best things that have come out of kerala as an example for others to follow.

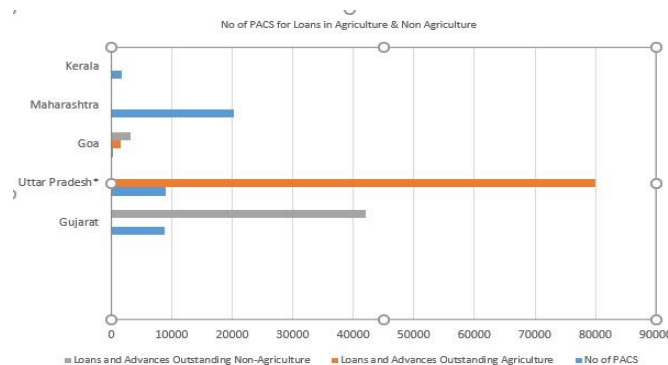
a) Coconut Board of India :Kerala is the largest supplier of coconut and the most important crop with over 7.9 lakh hectar under cultivation .Govt has then taken drastic steps to venture with different marketing agencies in promoting coconut, beverages a measures to boost marginal farmers at taluka level to revive coconut economy of the state.

b)Tourism : Kerala has bagged the title “Gods own Country because of its natural resources and the having located at tropical coast ,it has many wild life sanctuaries like periyar ,eravikulam and wayanad and has attracted many tourist across the globe.Tourism has given some sort of income to marginal farmers which again has boosted them and they have come in close contact with the committee which comes under PACS in providing subsidies and other benefits from the govt .

c) Rubber : Kerala contributes the largest share of rubber holdings (67%) and production (75%) in the country (Rubber Board 2019) .

d) Tea Garden : Tea Cultivation has been the cash operating agriculture activities ,its has been located at the altitude near munnar which is again a drive of 5-6 hours from the tropical climate of coachin .some part of the hilly area of tea garden is owned by coporate house like TATA and RPG Group.

Gujarat:This state has set a remarkable example of cooperative movement by giving birth to the nation gem of white revolution (operation flood ) by Late Dr Vergese Kurian .Amul which was created against polson dairy who exploited milk producers by dealers of those time in 1946. It has a history of providing and nurturing rich milk cooperative in the state.PACS, owned by farmers, rural artisans etc, are the bottom-tier of the short-term cooperative credit structure functioning at the grassroots (Gram Panchayat) level.



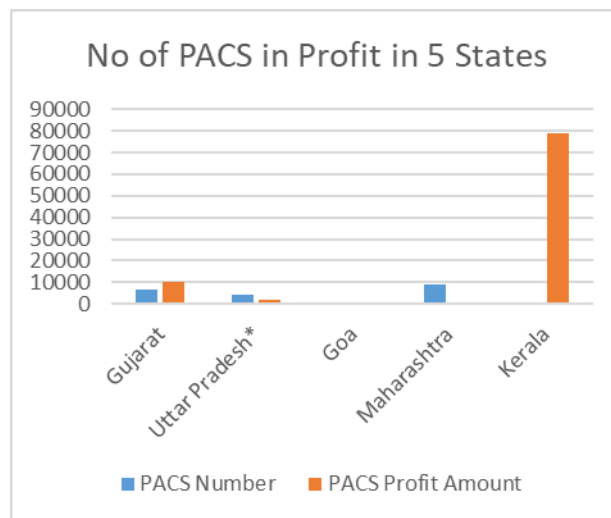
**PROBLEM AREA:**

PACS was introduced mainly to eradicate the the gap the marginal farmers were facing in getting crop loan (working capital for agriculture & allied activities)

Below issues are still unsolved in most of the states.

- a) Credit facilities not reaching at the grass root level (Taluka Level).
- b) PACS should set up proper centre for each taluka and registration for Farmers supposed to meet the requirement is to be carried out .

- c) These Data should be enrich and link with NABARD,RRB and finally RBI to study the impact and how positively demand and supply of small credits and govt subsidy can be met.
- d) PACS should be brought under banking regulation Act 1949 .
- e) Needs to find the root area responsible for shift in agriculture to service and other industries from one generation to other .
- f) Absence of agriculture institute at taluka or village level made farmers ignorant of many scheme and resource which are readily available for them.
- g) More RBI & NABRD to interfere than political and Agents in current scenario.
- h) NABARD’s drastic step of shutting down of role of PACS who has been lender to farming community will have an unrest among Gujarat and the question on the current existence of over 93,000 PACS in India who lends short term funds will be affected.



**CONCLUSION:**

Taking an example of 3 states (Maharashtra, Kerala and Gujarat ) the role of PACS is mostly affected due to the activities and the corporate governance issues at the local politicians level .

I conclude the PACS functions at national level and its drawback by summing up via SWOT analysis.

**Strength:** In the below RBI table, best part of the 3 state is that all PACS is in profit .

It also states that farmers paying back the loans and advance they take it from PACS for their crop cycle as short term farming. PACS should be boost as it provides direct benefits to small and marginal farmers at the grass root level.

**Weakness:** Most marginal farmers who refrain from going to PACs due to non-availability of proper source and not having guidance or proper education turn down by sahuakar and commercial banks ending up paying high interest and sometimes losing their farm land as security.

Most PACS are neither digitally connected to NABRD,RRB or RBI , the actual demand of funds is untraceable and the accounting becomes difficult affecting corporate governance .

**Opportunities:** Some classic example has been set up in the 3 state by providing incentives and benefits by the govt through PACS directly.

**Maharashtra:** Special scheme benefits announced by govt to small and marginal farmers and also providing insurance claim in the event of flood, draught ,famines .

Mahabank Kisan Tatkal scheme: minimum amount 5000 to maximums amount 50000 subject to 50% ceiling limit of kisan credit card .

Kerala: Kisan Credit Card (KCC) –KCC has been simplifies in Kerala in providing short term agriculture and allied activities loan.

working capital requirements of allied activities like Dairy, Poultry, Piggery, etc.

Annual maintenance/ repair cost of farm machinery/equipment.

Maintenance/ repair cost of fencing, soil and water conservation structures.

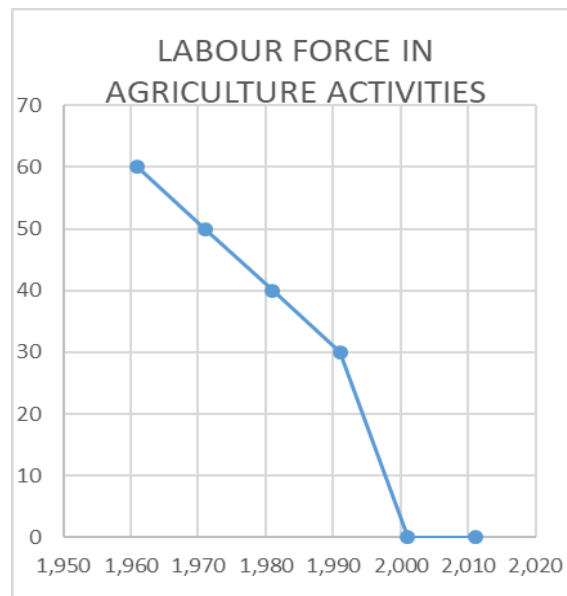
**Gujarat** : Kisan credit card was implemented by RBI and NABARD and facilitating farmers with and loan of Amount 2 lakh at 2% interest .

**Threat** : Govt has to take drastic step in order to link PACS digitally as present scenario is a big threat for the small farmers getting exploited from money lender ,commercial bank and politicians who takes undue advantage of farmers not being educated and various scheme and benefits not implemented at grass root level .

Govt needs to take drastic steps in bringing PACS under banking regulation and transforming it digitally making it effecting and reachable .

**RESULTS:**

1) Agriculture accounts for 18% contributing to GDP and employing 50% pf the workforce directly or indirectly both.



2) However Shares of labour force in agricultures and allied activities are diminishing due to migration and shift of Agriculture activities from one generation to another in search of daily wage to service and other sector.

3) PACS directly contributes to nearly 20% in Agriculture and related activites which accounts in huge no.

4) Govt has noted this shift from agriculture and its threat to food security its impact on rising population.

5) In Budget nearly 2500cr has allocated for linking PACS at taluka and panchayat level .

6) PM has decided to set up multi-dimensional PACS at every panchayat linking directly with NABARD.

7) Agriculture Institute to Setup at district level and farmers at every village level to educate about farming,how to apply for finances and credits and subsidies to be given to farmers who pays back loan amount on time.

8) Each PACS will get around ₹4 lakh to upgrade its capacity and even old accounting records will be digitised and linked to cloud-based software.

9) A government statement said that PACS account for 41% (3.01 crore farmers) of the Kisan Credit Card (KCC) loans given by all entities in the country

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