

Role of Primary Agriculture Cooperative Credit Societies (PACS) in the Development of Agriculture Sector in India

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Abstract

Primary Agriculture Cooperative Credit Societies (PACS) are the banks which are situated in rural area and plays a very important role in rural credit system by performing their activities on co-operative principles and also these banks are worked under the District Credit Co-operative Banks. They provide short term and medium term loan to rural people to meet their financial requirements. But, the rural people still depend on unorganized sources such as money lenders in village, mandies, traders etc. So, various measures taken by Government to reduce these unorganized sources through the establishment of PACS in rural areas. In order to know the role of PACS in agricultural development in India the study has been undertaken.

Keywords: *primary, credit, agricultural, co-operative, society, finance.*

Introduction

The co-operative banks in India play a significant job in even today in provincial financing. These are enrolled under the Co-operative Societies Act and furthermore managed by the RBI. They are administered by the "Banking guideline Act-1949" and Banking Laws (Co-operative Societies) Act 1965. The matter of co-operative banks in urban territory additionally have increased in recent year due to sharp increment in the number of essential co-operative banks. The co-operative development was expressed in India generally with the end goal of giving agriculturists reserves for agricultural activities, at low paces of intrigue and shields them from the grip of cash moneylenders.

Objective of the Study

1. To study the role and performance of PACS in respect of agricultural credit and rural development.
2. To find out reasons for poor recovery of loans in PACS.
3. To offer suggestions to improve the performance of PACS.

Methodology

The study is based on Secondary data. The data has been collected from books, magazines and websites.

A) Role of PACS

A co-operative acknowledges society, ordinarily known as Primary Agricultural Co-operative Society (PACS) might be expressed with at least 10 people, regularly having a place with a town. The estimation of each offer is commonly ostensible in order to empower even most unfortunate rancher to turn into a part. PACS involve a prevalent situation in the co-operative structure and structure its base. A Primary Agricultural Credit Society is sorted out at grass-root level of a town or a gathering of little towns. It is the fundamental unit which manages rustic (horticultural) borrowers, gives those advances and gathers reimbursements of advances given. It fills in as the last connection between definitive

borrowers from one viewpoint and higher budgetary offices, to be specific the RBI/NABARD then again, at the end of March 2019 there were 105000 PACS. These social orders secured about 90% of 5.8 lakh towns. Their participation of 12 crores secured about 65% of the complete assessed populace of around 14 crore of provincial family units. The greater part of individuals from PACS are people of little methods little ranchers, farming workers, rustic craftsman's, and 25% of them has a place with SC/ST.

The working capital of the PACS got principally from borrowings from Central Co-operative Banks (CCBs) and the little extent from claimed assets and stores. That the PACS have neglected to draw in stores isn't such a lot of an impression of low reserve funds propensities for the provincial populace as an impression of the accessibility of better advantages for rustic savers of both pace of return and danger.

A high net borrowing from CCBs shows that PACS demonstration mostly as circulation channel for reserves prepared somewhere else. Just the individuals from a PACS are qualified for acquire from it. Most credits are for agrarian reason and are such motivation behind apparatus (generally siphon sets for water system) and steers are likewise given. In any case, utilization advances given for the most part to landless workers, craftsman's, and negligible ranchers. The portion of credits offered going to more vulnerable areas is normally about 40% of advances. A shifting number of PACS likewise embrace non-acknowledge exercises, for example, taking care of the stockpile of ranch requirements, conveyance of customer merchandise, among their individuals, developing godowns and advertising of rural produce and procedure of it.

The administration of the general public is under a chosen body comprising of President, Secretary and a Treasurer. The administration is privileged, the main paid participation being ordinarily, the bookkeeper. Credits are given for brief period ordinarily for one year, for doing horticultural activities, and the pace of intrigue is low. Benefits are not dispersed as profits to investors however are utilized for the development of the well or support of the town school, etc.

The PACS have ventured up their advances to the more vulnerable segments especially the little and minimal ranchers. This advancement has been very tremendous yet not precise thinking about the interest for money from ranchers. Be that as it may, the essential credit society has keeps on outstanding the most fragile connection in the whole co-operative structure.

B) Objectives of PACS

1. For the membership of co-operatives credit society members should belong to located at village of co-operative societies.
2. The work of PACS should limited to its village only.
3. The liability of PACS should be unlimited.
4. PACS is liable for to the deposits and loans on its account.
5. PACS provides loans to its member solely.
6. Loans repayment schedule can be decided by the co-operative society as per the significance purpose of the loans.
7. PACS provide the loan only for medium and short term purpose.

C) Functions of PACS

1. It promotes economic interest of members in accordance with the co-operative principle.
2. It provides short term and medium term loans.
3. It promotes savings habits among members.
4. It supplies agricultural inputs like fertilizers, seeds, insecticides, and implements.
5. It provides marketing facilities for the sale of agricultural products and
6. It supplies domestic products requirements such as sugar, kerosene etc.

D) Management, Membership and Share Capital of PACS

The general body chooses an overseeing board which comprises of 5 to 9 individuals and chooses a president, secretary, and treasurer to take care of the day today working of the general

public. All the workplace bearers render privileged assistance. The RBI has given a mandate to designate a full time paid secretary to keep up the records for every general public.

All agriculturists, agrarian workers, craftsmans and little brokers in the town can become individual from the general public. PACS issue standard portions of little worth relying on the specific culture .for example Rs.10 and Rs .50 each to their individuals. The responsibility for chooses the privilege and commitments of the holder to the general public. Offer capital structures a significant structure or part of the working capital. Individuals obtaining limits were controlled by the quantity of offers held by them. At first, social orders were structure with boundless risk. The All India Rural Credit Review Committee brought up that boundless obligation works as a limitations on the readiness of the general public to change its advance arrangements, to concede new individuals and to broaden its territory of activity. Additionally, it blocks the general public to get commitment from the State government, whose risk unavoidably must be constrained. In perspective on these reasons, the social orders were shaped with restricted obligation and existing social orders were changed over into constrained risk social orders, to make all Primary Agricultural Society feasible and guarantee satisfactory and opportune progression of co-operative credit to the country territories the RBI, as a team with State Government's had been finding a way to fortify the PACS and to address provincial uneven characters in co-usable improvement. These endeavors are being escalated by giving bigger assets to feeble social orders to discount their misfortunes, awful obligations and overdue.

E) Reasons for Poor Recovery of Loans in PACS

i) Internal reasons

1. Laxity in internal control system
2. Poor management information system
3. Low motivation and involvement of staff
4. Poor industrial relations climate
5. Improper identification of borrower
6. under or over financing
7. Lack of post disbursement follow up
8. Lack of appraisal skills
9. Failure to ensure adequate, rapport with govt. agencies
10. Perception of bank as a charity institution
11. Delay in loan sanctioning

ii) External reasons

1. Change in policy environment
2. Inadequate market linkages
3. Change in economic conditions
4. Change in technology
5. Political interference
6. Target approach under government sponsored programmes
7. Legal process
8. Geographical factors
9. Loan waiver, write off etc.

F) Findings

1. Rural credit is predominantly centered on the agro division and PACS assumes a significant job in country fund.
2. The society gives just present moment and medium-term advance.
3. It supplies transient credit on the individual security of the borrowers, while medium – term credit is given by charge on their unfaltering resources.
4. The society gives advances just identify with horticultural credit to ranchers
5. Deposit assembly in the public arena is less. In view of absence of mindfulness among the individuals

about the various plans of the general public.

6. The individuals store cash with the end goal of impulse made by financier to open record.

7. The measure of credit conveyed to individuals was in insufficient time.

8. Use of computer is less in these societies.

G) Suggestions

1. The society should provide long term loan to the farmers to meet their financial requirements.

2. As society give advances just identified with rural credit to ranchers it is proposed that it ought to likewise give different sorts of advances so it can support the ranchers and keep up great way of life.

3. To improve the store assembly, the general public should direct mindfulness programs now and again. This will advance the various plans of the general public and there by draw in new clients and instructing the ranchers identifying with various administrations gave by society.

4. To assistance ranchers the general public ought to receive simple methods for disseminating and recuperating the advance from ranchers.

5. To create independent work in the provincial zones the general public ought to give preparing to the rustic jobless individuals.

6. The adequate amount of loan should be distributed to farmers at adequate time.

Political impedance in loaning activity ought to be killed according to as could be allowed.

8. Early recovery of data utilization of computer ought to likewise be presented for keeping up mechanized bookkeeping framework securely.

9. Society ought to instruct the ranchers identifying with various administrations gave by society.

10. The society ought to give quality essential agrarian things at sensible cost to the ranchers

11. The staff citizen ought to keep up great co-operative relationship with individuals by giving all data to ranchers.

H) Conclusion

Primary Agricultural Credit Society is actually organized at the grass-roots level a village or a group of small villages. It is the basic unit which deals with rural credit to farmers for meeting their financial requirements. It provides short-term and medium-term loan to farmers which helps to meet their short-term financial requirements. It supplies agricultural inputs and provides marketing facility for the agricultural products. For the development of agricultural sector and allied activities adequate and timely finance are essential. But many financial problems are cropping up in the process of development of co-operative system they are lack of adequate and trained staff, lack of necessary funds, poor industrial relations climate, lack of professional management, political interference, change in economic conditions, over dues and limited source of income of the farmers and so on these societies are unable to provide adequate finance to the members and they are making delay in the sanctioning of loan. Therefore to increase the efficiency of the society and to serve the rural agricultural people in a better perspective the co- operative banking should be strong and efficient to face the challenges in competitive environment and it needs to take necessary measures.

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