

Role of Primary Agricultural Co-Operative Society (PACS) in Agricultural Development in India

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8 Abstract

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

18 *Index terms*— primary, credit, agricultural, co-operative, society, finance.

¹⁹ 1 Introduction

20 he co-operative banks in India play an important role in even today in rural financing. These are registered under
21 the Co-operative Societies Act and also regulated by the RBI. They are governed by the " Banking regulation
22 Act-1949" and Banking Laws (Co-operative societies) Act 1965. The business of co-operative banks in urban
23 area also have increased in recent years due to sharp increase in the number of primary co-operative banks. The
24 co-operative movement was started in India largely with a view to providing agriculturists funds for agricultural
25 operations, at low rates of interest and protect them from the clutches of money lenders.

26 2 III.

27 3 Methodology

²⁸ The study is based on Secondary data. The data has been collected from books, magazines and websites.

29 4 a) Role of Pacs

30 A co-operative credit society, commonly known as Primary Agricultural Co-operative Society (PACS) may be
31 stated with 10 or more persons, normally belonging to a village. The value of each share is generally nominal so
32 as to enable even poorest farmer to become a member. PACS occupy a predominant position in the co-operative
33 structure and form its base. A Primary Agricultural Credit Society is organized at grass-root level of a village
34 or a group of small villages. It is the basic unit which deals with rural (agricultural) borrowers, gives those loans
35 and collects repayments of loans given. It serves as the final link between the ultimate borrowers on the one hand
36 and higher financial agencies, namely the RBI/ NABARD on the other hand.

37 At the end of June 1989 there were 87000 PACS. These societies covered about 90% of 5.8 lakh villages.
38 There membership of 9 crores covered about 65% of the total estimated population of about 14 crore of rural
39 households. More than half of members of PACS are persons of small means-small farmers, agricultural labourers
40 , rural artisans, and 25% of them belongs to SC/ST.

6 CONCLUSION

41 The working capital of the PACS derived mainly from borrowings from Central Co-operative Banks (CCBs)
42 and the small proportion from owned funds and deposits. That the PACS have failed to attract deposits is not
43 so much a reflection of low savings habits of the rural population as a reflection of the availability of better assets
44 to rural savers of both rate of return and riskiness.

45 High net borrowings from CCBs shows that PACS act mainly as distribution channel for funds mobilized
46 elsewhere. Only the members of a PACS are entitled to borrow from it. Most loans are for agricultural purpose
47 and are such purpose of machinery (mostly pump sets for irrigation) and cattle are also given. But, consumption
48 loans given by Abstract-PACS are the banks which are situated in rural area and plays a very important role in
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50 the District Credit Co-operative Banks. They provide short term and medium term loan to rural people to meet
51 their financial requirements. But, the rural people still depend on unorganized sources such as money lenders in
52 village, mandies, traders etc. So, various measures taken by Government to reduce these unorganized sources
53 through the establishment of PACS in rural areas. In order to know the role of PACS in agricultural development
54 in India the study has been undertaken. mostly to landless labourers, artisans, and marginal farmers. The share
55 of loans given going to weaker sections is usually about 40% of loans. A varying number of PACS also undertake
56 non-credit activities such as handling the supply of farm requisites, distribution of consumer goods, among their
57 members, constructing godowns and marketing of agricultural produce and process of it.

58 The management of the society is under an elected body consisting of President, Secretary and a Treasurer.
59 The management is honorary, the only paid membership being normally, the accountant. Loans are given for
60 short period normally for one year, for carrying out agricultural operations, and the rate of interest is low. Profits
61 are not distributed as dividends to shareholders but are used for the construction of the well or maintenance of
62 the village school and so on.

63 The PACS have stepped up their advances to the weaker sections particularly the small and marginal farmers.
64 This progress has been quite spectacular but not accurate considering the demand for finance from farmers.
65 However, the primary credit society has continues to remain the weakest link in the entire co-operative structure.
66 b) Objectives of PACS 1. For the membership of co-operatives credit society members should belong to located
67 at village of co-operative societies. 2. The work of PACS should limited to its village only. 3. The liability of
68 PACS should be unlimited. 4. PACS is liable for to the deposits and loans on its account. 5. PACS provides
69 loans to its members only. 6. Loans repayment schedule can be decided by the co-operative society as per the
70 significance purpose of the loans. 7. PACS provide the loan only for medium and short term purpose.

71 5 d) Management, Membership And Share Capital of PACS

72 The general body elects a managing committee which consists of 5 to 9 members and elects a president, secretary,
73 and treasurer to look after the day today functioning of the society. All the office bearers render honorary service.
74 The RBI has given a directive to appoint a full time paid secretary to maintain the accounts for each society.

75 All agriculturists, agricultural labourers, artisans and small traders in the village can become member of
76 the society. PACS issue ordinary shares of small value depending upon the particular society i.e. Rs.10 and
77 Rs .50 each to their members. The ownership of shares decides the right and obligations of the holder to the
78 society. Share capital forms an important form or part of the working capital. Members borrowing capacities
79 were determined by the number of shares held by them. Initially, societies were formed with unlimited liability.
80 The All India Rural Credit Review Committee pointed out that unlimited liability operates as a restraints on the
81 willingness of the society to liberalize its loan policies, to admit new members and to extend its area of operation.
82 Besides, it hinders the society to receive contribution from the State government, whose liability inevitably has
83 to be limited. In view of these reasons, the societies were formed with limited liability and existing societies were
84 converted into limited liability societies.

85 To make all Primary Agricultural Society viable and ensure adequate and timely flow of co-operative credit to
86 the rural areas the RBI, in collaboration with State Government's had been taking a series of steps to strengthen
87 the PACS and to correct regional imbalances in cooperative development. These efforts are being intensified by
88 providing larger funds to weak societies to write off their losses, bad debts and overdue.

89 6 Conclusion

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

100 the cooperative banking should be strong and efficient to face the challenges in competitive environment and it
101 needs to take necessary measures.¹

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e) Reasons for Poor Recovery of Loans in Pacs Year

A. 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 8. For early retrieval of information use of computer should also be introduced for maintaining mechanized accounting system safely. 9. Society should educate the farmers relating to different services provided by society. 10. The society should provide quality necessary agricultural items at reasonable price to the farmers 11. The staff member of society should maintain good co-operative relationship with members by providing all information to farmers. VI.

10 10. perception of bank as a charity institution

Global Functions of Pacs 11. delay in loan sanctioning 12. insufficient gestation or repayment period 13. lack of borrower contact and poor of understanding of rural clientele 14. no thrust Manon recovery 15. Personal accident, death etc. age- 16. misutilisation of loan 17. willful default mentl8. diversion of funds 19. shifting of place and of residence or business 20. lack of technical Busiand management skills 21. poor maintenance ness of assets IV. Findings 1. Rural credit is mainly Re- focused on the agro sector and PACS plays a searchmajor role in rural finance. 2. The society pro- Vol- vides only short-term and medium-term loan. ume 3. It supplies short-term credit on the personal XVII security of the borrowers , while medium -t term Is- credit is given by charge on their immovable sue assets. 4. The society provides loans only III relate to agricultural credit to farmers 5. De- Ver- posit mobilization in society is less. Because of sion lack of awareness among the people about the I different schemes of the society.

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6. The members deposit money for the purpose of compulsion made by banker to open account. 7. The amount of loan distributed to members were in inadequate time . 8.4Use of computer is less in these societies.

B. 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. C. EXCLUSIVE REASONS

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