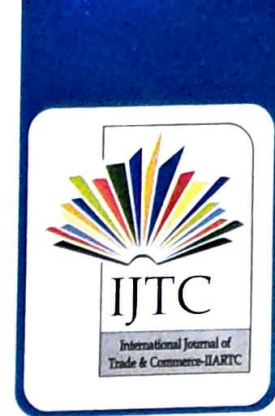


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Role of Primary Agricultural Co-operative Credit Societies in Agricultural Services (A Case Study of Kanyakumari District, Tamilnadu)

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Abstract

Agriculture is the backbone of Indian economy. It is the bedrock and foundation of all efforts for economic development and planning in India. Primary Agricultural Co-operative credit societies are an important constituent in the field of agriculture. Primary Agricultural co-operative Credit Societies lie at the root of the co-operative credit structure of the country. The purpose of this study is to analyze the role of Primary Agricultural Cooperative Credit Societies (PACCS) in providing the services and members' perception about their quality. The necessary information was collected both from the primary and secondary sources. Primary data was collected from the secretaries and the members of the PACCS through a designed questionnaire. Besides this, personal interviews were also conducted with the presidents and the secretaries of the PACCS to know their opinions about the functioning of these societies. To assess the quality of services provided by the PACCS, the perception of the members about their services was collected. For this purpose, a sample of 50 members was selected in each of the PACCS based on the land owned, amount of loan taken, type of services, level of education, etc. by using the random sampling technique. The findings of the study will help to identify the members' perception towards the services of PACCS. The study also mention some suggestions for the effective working of PACCS in rendering more qualitative services for the members.

Keywords: PACCS, Agriculture, Credit, Loans, Borrowers, Members, Kanyakumari.

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1. INTRODUCTION

As agriculture is the backbone of the Indian economy, its development largely depends on the prosperity of the agriculture sector. Its growth and success has snow-balling effects over the entire economy. It is the most important sector for the survival of the nation by supplying food, basic materials and industrial investments providing employment opportunities, raising foreign earnings, etc. Primary Agricultural Co-operative credit societies are an important constituent in the field of agriculture. The major objectives of the primary agricultural credit service societies are to supply agricultural credit to meet the requirements of funds for agricultural production, the distribution of essential consumer commodities, the provision of storage and marketing facilities and for light agricultural implements and machinery.

Hence, it is pertinent to examine how far these societies are rendering the services and their adequacy to the expected level of the farming members of these societies.

2. OBJECTIVES OF THE PAPER

An attempt is made to analyse the role of Primary Agricultural Cooperative Credit Societies (PACCS) in providing the services and members' perception about their quality. At the end of this analysis, suggestions are also offered for the effective working of these societies in providing better services. More particularly, the following are the objectives of the study:

- to present the structural composition and working of the primary agricultural co-operative credit societies (PACCS) in the selected area of the study;
- to analyse the role of PACCS in providing credit and non-credit services to their members;
- to know the members' perception of the selected PACCS on the quality of services provided by them and
- finally, to suggest measures for their effective working to provide better services to their members.

3. METHODOLOGY OF THE STUDY

To analyze the role of PACCS in providing services to their members a survey is conducted in the Kanyakumari District of Tamil Nadu. It is a known fact that there are certain constraints in the census study. Hence, the study has taken-up a sample survey by taking all care to include the most representative characteristic units of both the societies and the members of these societies.

Since all these PACCS are working as per the T.N (Tamil Nadu). Cooperative societies Act, the working and their operational activities are more or less uniform throughout the State; Therefore, the study based on the collected data from the selected PACCS can give the inferences which are common to all societies. In order to minimize the cost and time it is decided to adopt the sample study, instead of census study keeping in view the representative characteristics of the societies.

To assess the quality of services provided by the PACCS, the perception of the members about their services was collected. For this purpose, a sample of 50 members was selected in each of the PACCS based on the land owned, amount of loan taken, type of services, level of education, etc. by using the random sampling technique.

The necessary information was collected both from the primary and secondary sources. Primary data was collected from the secretaries and the members of the PACCS through a designed

questionnaire. Besides this, personal interviews were also conducted with the presidents and the secretaries of the PACCS to know their opinions about the functioning of these societies. The studies of this type require data for atleast three to four years to analyse the role of the PACCS in providing services to their members. Hence, the study covers a period of three years. i.e., 2014-2017. The conclusions drawn from the analysis may not be different even if the period of study is more as there are no changes in the working policies of these co-operative societies during the last decade. Therefore, the same observations can be found even if the period is longer. Moreover, to collect the views and opinions of the members about the quality of services rendered by these societies, data of the recent years is more appropriate.

4. ANALYSIS OF THE STUDY

The analysis of the structure and working of PACCS and credit and non-credit services rendered and perception of members about the quality of services of the selected PACCS in Kanniyakumari District is discussed:

Table 1: Structural Composition of Membership in the Selected PACCS of Kanyakumari District

Type of Member	Years			
	2014-15	2015-16	2016-17	Average
1. Big and medium farmers	4,818 (7.09)	4,897 (7.21)	5,137 (7.33)	4,951 (7.12)
2. Small and marginal farmers	17,600 (25.89)	18,024 (20.55)	18,751 (25.81)	18,125 (26.08)
3. Rural artisans	6,512 (9.58)	5,887 (8.67)	6,187 (8.52)	6,195 (8.91)
4. Landless labourers	35,560 (52.32)	35,596 (52.43)	35,659 (49.10)	35,605 (51.23)
5. Others	3,478 (5.12)	3,493 (5.14)	6,896 (9.50)	4,622 (6.65)
Total	67,968 (100.00)	67,897 (100.00)	72,630 (100.00)	694.98 (100.00)

Source : Compiled data from the different Annual Reports.

Figures in parenthesis are percentages

The structural composition of membership in the selected PACCS during the period of study is shown in Table 1. It can be observed from the data that the landless labourers are more than half of the total membership followed by small and marginal farmers who constitute one-fourth of the members. While the remaining part is shared by big and medium farmers, rural artisans and others. Thus, the proportion of non-loanee members is more than double the loanee members. If the reasons are examined on the excessive share of landless labourers in the total membership of these PACCS, it is heartening to note that a majority of the landless labourers do not become members of PACCS on their own initiative but are motivated by the candidates contesting in the society elections.

This indicates that the management of the societies are not elected by the real users of the services of the societies which is against the principles of co-operatives. This is due to the meager amount

of membership fee which makes it very easy for the contesting candidates to join as many people as possible as members of the society to get votes in their favour.

Table 2: Number of members who availed different types of credit in the selected PACCS of Kanyakumari District

Type of Credit	Years			
	2014-15	2015-16	2016-17	Average
1. Short-term	16,084 (81.75)	16,983 (82.57)	17,042 (81.22)	16,703 (81.85)
2. Medium-term	1,688 (8.58)	1,816 (8.83)	1,858 (8.85)	1,787 (8.70)
3. Long-term	1,903 (9.67)	1,768 (8.60)	2,083 (9.93)	1,918 (9.39)
Total	19,675 (100.00)	20,567 (100.00)	20,983 (100.00)	20,408 (100.00)

Source : Compiled from the annual reports of the selected societies

Figures in parenthesis are percentages

Table 2 shows the number of members who availed themselves of different types of credit from the selected PACCS of the study. The data indicates that more than 80 percent of the members have availed short-term credit. While the remaining 20 percent of the members have taken medium and long-term credit equally during the last three years of the study period. The percentage of borrowers of short-term credit is very high, where crop loans are very much required for every farmer for meeting the expenditure of the crops. The percentage of borrowers of medium-term credit is very less because these loans are arranged for the purchase of cattle bullock-carts, etc., which very few farmers use. The percentage of borrowers of long-term credit is also less, as it is usually taken by the big farmers whose share in the total membership is quite less.

Table 3: Percentage distribution of long-term credit (purpose-wise) of the selected PACCS area in the Kanyakumari District during the period 2014-2017

	Purposes of Long-Term Credit				
	Tractors	Pumpsets and Borewells	Land Development	Others	Total
Average	32.03	52.08	10.07	5.82	100.00

Source : Compiled data from Annual Reports of the selected societies.

Table 3 presents the percentage distribution of long-term credit (purpose-wise) in the selected PACCS during the period 2014-2017. It can be seen from the data that out of the total long-term credit advanced by the PACCS, about 32 percent is advanced for purchasing tractors, about half of it is given for minor irrigation, about 10 percent for land development and the remaining for other purposes. The societies in the upland areas have sanctioned most of their long-term credit for minor irrigation. While the societies in the irrigated zone have advanced most of their long-term credit for purchasing tractors.



Table 4: Percentage distribution of short-term loans (crop-wise) by the selected PACCS in Kanyakumari District during the period 2014-2017

Crops-wise						
	Paddy	Banana	Topioca	Coconut	Rubber	Total
Average amount of short-term loan	72.00	10.00	4.00	8.00	6.00	100.00

Source : Compiled from the collected data

Table 4 presents the percentage distribution of short-term loans (crop-wise) during the period of study in the selected PACCS of the district. It can be seen from the data that about 72 percent of the short-term credit is advanced for paddy, 10 percent for Banana, 4 percent for Topioca, 8 percent for coconut and 6 percent for Rubber. Thus, more than 70 percent of the short-term credit is granted for paddy crop, as it is the major crop in the district.

Table 5: Category-wise percentage of borrowers of agricultural credit of the selected PACCS of Kanyakumari District during the period 2014-17

Category-wise			
	Small & Marginal Farmers	Big & Medium Farmers	Total No. of Farmers
Average	76.37	23.63	100.00

Source : Compiled from the collected data

Table 5 shows the data on the percentage of different categories of borrowers. The data revealed that the percentage of small and marginal farmers who availed themselves of agricultural credit from the PACCS is around 76 percent, while the percentage of big and medium farmers who availed themselves of agricultural credit from the PACCS is around 24 percent. Therefore, the small and marginal farmer's were the maximum beneficiaries of the credit services of the PACCS. The low percentage of big and medium farmers who have taken credit from PACCS may be due to their capacity to get loans from commercial banks with less rate of interest by providing their properties as security which, however, is not possible in case of small and marginal farmers. Besides, many of the small and marginal farmers do not borrow from the commercial banks either because of illiteracy or ignorance in following the cumbersome procedures for the bank loans.

Table 6: Consumption pattern of agriculture inputs in the selected PACCS area of operation in Kanyakumari District during 2014-17 (amount rupees in thousands)

Agriculture Inputs	Total Consumption (Rs.)	PACCS Contribution (Rs.)	Percentage of PACCS Contribution in the Total Consumption
Fertilizers	6,51,211 (93.80)	34,069 (85.89)	5.23
Seeds	11,003 (1.59)	3,170 (7.99)	28.81
Pesticides	32,075 (4.61)	2,427 (6.12)	7.57
Total	6,94,289 (100.00)	39,666 (100.00)	5.71

Source : Compiled from the collected data; Figures in parenthesis are percentages

Table 6 describes the consumption pattern of agricultural inputs in the selected PACCS area of the study. It is observed from the data that the percentage of fertilizers distributed by the selected PACCS is just 5.23 percent of the total fertilizer consumption in the area of operation of the selected PACCS are sold fertilizers only for cash and no credit is given. As the private traders sell on credit, many farmers prefer to buy them from the private traders for want of fertilizers on credit. Like-wise, the percentage of seeds supplied by the PACCS is also low because of their experience of inferior quality of seeds supplied by the PACCS. Further, it is also noticed that many of the managements of the societies are not willing to sell all.

Most of the secretaries felt that they are not facing any difficulty in rendering non-credit services to their members. When many of the societies have no problems, it is a wonder why the contribution of non-credit business in PACCS to the total potential business is insignificant. The reason may be due to lack of initiative from the managements of PACCS to increase their non-credit business turnover.

Table 7: The sources of agricultural credit and the percentage of borrowers of the selected PACCS in the Kanyakumari District during the period 2014-17

Sources of Borrowing					
	PACCS	Commercial Banks	Money Lenders	Friends & Relatives	Total
Average	100.00	31.00	41.00	2.00	174

Source : Compiled from the collected data

Table 7 presents the data on the sources of borrowing of agricultural credit and the percentage of borrowers in the selected PACCS during the period of study. It can be seen from the table that among the borrowers of agricultural credit from the PACCS, 41 percent of them are borrowing from money-lenders, while 31 percent of them approach the commercial banks and 2 percent of them seek the help from their friends and relatives, in addition to PACCS. This shows that PACCS are not giving sufficient agricultural credit for meeting their total requirements and hence, they are forced to search for other financing agencies.

Table 8: Proportion of credit and non-credit business activities in the total business of the selected PACCS in the Kanyakumari District during the period 2014-17

	Credit Activities	Non-Credit Activities	Total Activities
Average	78.17	21.83	100.00

Source : Compiled from the annual reports of the selected PACCS.

Table 8 shows the data on the proportion of credit and non-credit activities in the total business of the selected PACCS. It can be said from the data that the aggregate percentage of credit business in the total business of the PACCS is about 78 percent whereas, the proportion of non-credit business is only 22 percent. This indicates that the PACCS are doing more credit business and very less non-credit business. Though the societies are supposed to render all types of agricultural services, in practice they are giving less importance to non-credit activities.

Member's Perception towards the Services of PACCS

It is observed from the survey that majority of the members borrowed from the PACCS due to the easiness in obtaining credit. It is also found that a majority of the members compared the interest rates charged by PACCS with that of money lenders and feel that the interest rate of PACCS is reasonable. On the other hand, they expressed that the agricultural credit given by the PACCS is

not sufficient for their agricultural activities. Besides PACCS, they are also taking loans from commercial banks against mortgage of gold and from private money lenders against promissory notes and mortgaging their properties.

It is also observed that most of the farmers were prompt in repaying the loans taken from the PACCS except in times of natural calamities and crop failures. Further, it is found that the small and marginal farmers were most prompt, while medium farmers were prompt and the big farmers delayed repayment.

Of the members who purchased their agricultural inputs from the PACCS, two-thirds of them preferred to buy their agri-inputs from PACCS because of the quality of the products and reasonable prices. Whereas, the rest of the members prefer to purchase their agri-inputs from private traders because of the availability of credit. As the credit sales are not permitted by the PACCS, the farmers approached the private dealers where they need not pay cash immediately.

With respect to the quality of agricultural inputs sold by the PACCS, more than two-thirds of the members felt that the agricultural inputs are qualitative. The survey further revealed that all the PACCS were supplying qualitative and unadulterated fertilizers and pesticides. However, some of the PACCS were found to be selling inferior quality seeds sometimes, which do not germinate.

The study also revealed that the members are giving some tips, based on the amount of loan taken, as a formality to the employees to motivate them to behave politely and help each and every member of the PACCS.

With rampant underselling of fertilizers with varying seasonal and market conditions by the private traders, it is very difficult for the PACCS to compete. This problem is compounded by the pronounced brand and product preferences of the farmers for specific grades of fertilizers and other unfair trade practices indulged by the private traders.

5. CONCLUSION

The study captures the member's perception towards the services of PACCS. It is observed from the survey that majority of the members borrowed from the PACCS due to the easiness in obtaining credit. On the other hand, they expressed that the agricultural credit given by the PACCS is not sufficient for their agricultural activities. The study also revealed that with rampant underselling of fertilizers with varying seasonal and market conditions by the private traders, it is very difficult for the PACCS to compete. Therefore, the management and staff of the PACCS must create awareness among the members about the different types of services available and help them in availing these services. The government must also sponsor cooperative education and training programmes regularly for creating awareness among the members and also to the managing committee members and employees of the PACCS in order to increase their professional skills. The PACCS should also arrange other service for members, like farm guidance, extension service, education and training, technical consultancy for transfer of technology. All these will help to create a strong base to PACCS business integrating it with members and thus, become a real institution of rural development.

6. SUGGESTIONS

The following suggestions are made for the effective working of PACCS in rendering more qualitative services for the members:

- The membership fee must be enhanced in order to discourage the contestants to the posts of President and Directors from joining their friends and relatives as members of the PACCS just before the elections, so that the PACCS would be governed by the real beneficiaries.

- The PACCS should link credit with marketing of products which will go a long way towards better recovery of loans and advances, which in turn, will surely improve the financial soundness of PACCS.
- The PACCS must arrange loans to the farmers against hypothecation of agricultural produce stored by farmers in their own premises or in rural godowns or warehouses. This will help the farmers to wait until they get a remunerative price for their produce.
- The PACCS must increase the distribution of agricultural inputs such as fertilizers, pesticides, seeds, etc. considerably. In order to avert the members from purchasing agricultural inputs from Private Traders, the PACCS must supply the agricultural inputs to the members on credit.
- The PACCS must have good business-mix like disbursement of agricultural credit, non-agricultural credit, supply of consumer goods of all types, distribution of fertilizers of required varieties, including supply of other agricultural inputs, hiring of agricultural equipments, storage, processing and marketing facilities. All these activities help the members in increasing their earnings through productivity improvement, reduction in cost and remunerative prices by value added activities.
- In addition to credit and non-credit activities, the PACCS should also arrange other service for members, like farm guidance, extension service, education and training, technical consultancy for transfer of technology. All these will help to create a strong base to PACCS business integrating it with members and thus, become a real institution of rural development.
- The management and staff of the PACCS must create awareness among the members about the different types of services available and help them in availing these services. The government must also sponsor cooperative education and training programmes regularly for creating awareness among the members and also to the managing committee members and employees of the PACCS in order to increase their professional skills.
- As the development of any organization is mainly based on the quality of people who are working in it and it is, therefore, important for the PACCS to recruit people with higher potential and better quality. As a manager with a well-knit team of workers produces better results, people who are selected for there PACCS should be provided with good working conditions, freedom of work, etc.

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