

Original Research Article

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## Pattern of Credit Disbursed and Recovery Performance by Primary Agricultural Credit Societies (PACS's) in Chikamagaluru Districts of Karnataka, India

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### ABSTRACT

#### Keywords

Short & Medium term loans, Recovery Percentage, Demand and Collection

#### Article Info

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Farm credit is a strategic input and demand for it steadily increased with the advent of modern technology among the various financial institutions; the co-operatives have emerged as a major source of agricultural credit. A three tier system of co-operative credit structure came in to the existence to meet short and medium term credit requirements of the farmers; an enquiry into the performance of PACSs in Chikamagaluru district could reveal interesting facts about the society's performance. Four PACS's were selected for the study. The study was based on the both primary and secondary data. Non-Agricultural loan is dominated among the loan amount advanced for different purpose followed by Agricultural loan in the study area. Demand and collection of the societies showed an increasing over the years. The recovery percentage for the selected PACS's increasing over the year.

### Introduction

Agriculture remains to be the main stay of the Indian economy providing livelihood to about 58 per cent of the India's population. Gross value added by Agriculture and its allied sector is estimated at Rs.18.55 lakh crore in FY19 (Source: IBEF) and contributing about

15.4 per cent to the gross domestic product (GDP). In the last five decades there was a tremendous increase in agricultural production which was evident from the increase in food grain production from just 50 million tons during 1990-51 to 283.37 million tons in 2018-19 higher by 17.62 million tons than the previous five year (ET Bureau).

However, in the last decades, signs of stagnation and even some degree of declaration in few crops have become visible and calls for immediate attention. Further, growth in agriculture requires larger investment enabling better use of all resources. But, the fact is that, the rate of investment in agriculture has declined in the recent years.

With the advent of green revolution, the Indian agricultural scenario changed from subsistence to commercial, which led to more demand for capital to purchase various inputs. Though co-operatives were pioneering institutional agencies in the sphere of agricultural credit, subsequently various institutional agencies made their entry in the field of agricultural finance. Despite of it, co-operative movement has given much impetus to the development of agriculture in India. It also created new hopes and inspirations in the minds of rural farming community.

Institutionalization of agricultural credit in India began with the passing of the Cooperative Credit Societies Act, 1904. Co-operatives are the vital organizations not only in ensuring smooth flow of agricultural credit, but also in the development of rural economy. They help in mobilizing human resource and political power for achieving their goals and identifying and developing local leaders through democratic process. Co-operatives help in horizontal and vertical integration of production, procurement, processing and marketing functions and achieving an equitable distribution of developmental benefits.

The three-tiered co-operative credit structure consists of Primary Agricultural Credit Societies at village level, the Central Co-operative Banks (CCBs) at district level and the State Co-operatives Apex Banks (SCBs) at the state level. The DCCBs ensure the strict

implementation of developmental schemes in the co-operative sector and avoid misuse of funds by PACS or the affluent sections of the rural society.

Hence, managing the PACS's more efficiently, to serve at best, the farming community needs a comprehensive study on these societies to identify strengths and weakness in their smooth working. An effective research every now and then in the evaluation of performance of PACS's can alone provide an answer in this regard. Keeping this in view, an attempt was made to evaluate the performance of PACS's in Chikamagaluru district of Karnataka state.

The main objectives of this study, to examine the pattern of credit disbursed and recovery performance by Primary Agricultural Credit Societies in Chikamagaluru Districts of the Karnataka.

## **Materials and Methods**

We selected four PACS from Chikamagaluru district for the study purpose. Tabular analysis has been carried out to analyze the data. Simple statistical tool such as averages, percentages have been used to bring the outline conclusion for the said objective.

## **Results and Discussion**

### **Purpose-wise loan disbursed**

Table 1 show that the proportion of Non-agricultural loans was higher than the agricultural loans. The purpose of advancing agricultural loans indicate expenditure on current agricultural operations like purchase of seeds, fertilizers, pesticides, payments of hired labours, payments of hired machinery charges etc. and they also advanced loan towards non-production purposes including consumption, pigmy loan, FD loan, repair of

house, repayment of old loan purposes etc. Out of total advanced made by these societies, during the study period more than 70 per cent was advanced for raising crops and other allied activities in NR Pura PACSs followed by Seethur PACSs which is reverse in case of other two PACSs i.e. Kalasa and Balehonnur PACSs.

The amount of agricultural loans, which was disbursed by these PACSs has increased continuously from 2014-15 to 2018-19. In addition to this demand for the non – agricultural loan also increasing across the PACSs over the years.

Agricultural loan dominated among the loan amount advanced for different purposes followed by non-agricultural loan for small farmers in Seethur and Balehonnur as well as N R pura except KalasaPACS. This may be due to constant encouragement given by the societies to these purposes and variation in the allocation of funds by the societies after meeting the credit requirements for agriculture and allied sector.

With commercialization of agriculture, the cash requirement of farmers increased to diversify their activities to stabilise their income. For this purpose, farmers were not able to meet the requirement due to limited owned funds. Hence farmers need to be advanced adequate credit for diversified purposes.

### **Recovery performance**

Over the study period the demand, collection of the societies showed an increasing trend and recovery showed decreasing trend except Kalasa PACSs

The demand, collection and balance of the societies were found to be more (Table 4.16). On an average the loan recovery was high in Kalasa (96 per cent) followed by Seethuru (80

per cent) and was lowest in Narasimharajapura PACS (75 per cent). The results also revealed that over the study period demand showed an increasing trend, while recovery exhibited a fluctuating trend. The loan recovery is found to be satisfactory in some PACS and is found to be very low in other societies. Loan recovery camps have helped the PACS to achieve high recovery performance. The low recovery rates might be because of expectation of loan waiver schemes by the borrowers from the Government.

The recovery of the loan is very important from the point of view of recycling of funds safeguarding the trust and confidence of depositors and for drawing refinance from KCCB. Over dues come in the way of viability and sustainability of the society. Health of the cooperative credit institution which is an important factor in sustaining the projected levels of credit supply and the level of loan recovery matters very.

### **Findings**

Non-Agricultural loans is dominating over the Agricultural Loan during the study period Both agricultural loan and non-agricultural loan is increasing over the year in all the PACSs

In some PACSs the non-agricultural disbursement is more than the agricultural loan hence the PACSs has to give some awareness or training to its members for the judicious usage of loan to non-agricultural purpose

Recovery performance of all the PACSs show satisfactory trend.

### **Policy implications**

It was evident from the analysis that, the profit margin of some PACS was poor. The financial resource base is poor in for some societies.

**Table.1** Purpose-wise Loan Disbursement in Selected PACS's in Chikamagaluru district of Karnataka

	Purpose- Wise Loan Disbursement of PACS(Rs. in lakhs)											
	KALASA PACS			SEETHUR PACS			BALEHONNUR PACS			N R PURA PACS		
	AL	NAL	TOTAL	AL	NAL	TOTAL	AL	NAL	TOTAL	AL	NAL	TOTAL
<b>2014-15</b>	447.08 (40.6%)	654.3 (59.4%)	1101.4 (100%)	240.1 (76.02%)	75.7 (23.97%)	315.8 (100%)	255.2 (50.31%)	252.0 (49.68%)	507.2 (100%)	171.0 (97.09%)	5.1 (2.90%)	176.1 (100%)
<b>2015-16</b>	606.8 (41.9%)	840.7 (58.1%)	1447.5 (100%)	215.7 (49.39%)	221.0 (50.60%)	436.8 (100%)	280.1 (51.44%)	264.3 (48.55%)	544.4 (100%)	205.2 (98.33%)	3.4 (1.66%)	208.7 (100%)
<b>2016-17</b>	690.2 (29.7%)	1631.7 (58.1%)	2321.9 (100%)	381.4 (71.43%)	152.5 (28.56%)	533.9 (100%)	283.0 (38.17%)	458.3 (61.82%)	741.4 (100%)	216.9 (98.66%)	2.9 (1.33%)	219.8 (100%)
<b>2017-18</b>	701.2 (29.4%)	1683.2 (70.3%)	2384.4 (100%)	383.1 (71.02%)	156.3 (28.97%)	539.4 (100%)	285.1 (38.20%)	461.2 (61.79%)	746.3 (100%)	219.2 (98.47%)	3.4 (1.52%)	222.6 (100%)
<b>2018-19</b>	702.3 (29.5%)	1689.3 (70.6%)	2391.6 (100%)	392.1 (70.86%)	161.2 (29.13%)	553.3 (100%)	291.2 (38.13%)	472.4 (61.86%)	763.6 (100%)	223.5 (98.15%)	4.2 (1.84%)	227.7 (100%)

Note: AL - Agricultural loan: NAL - Non-Agricultural loan.

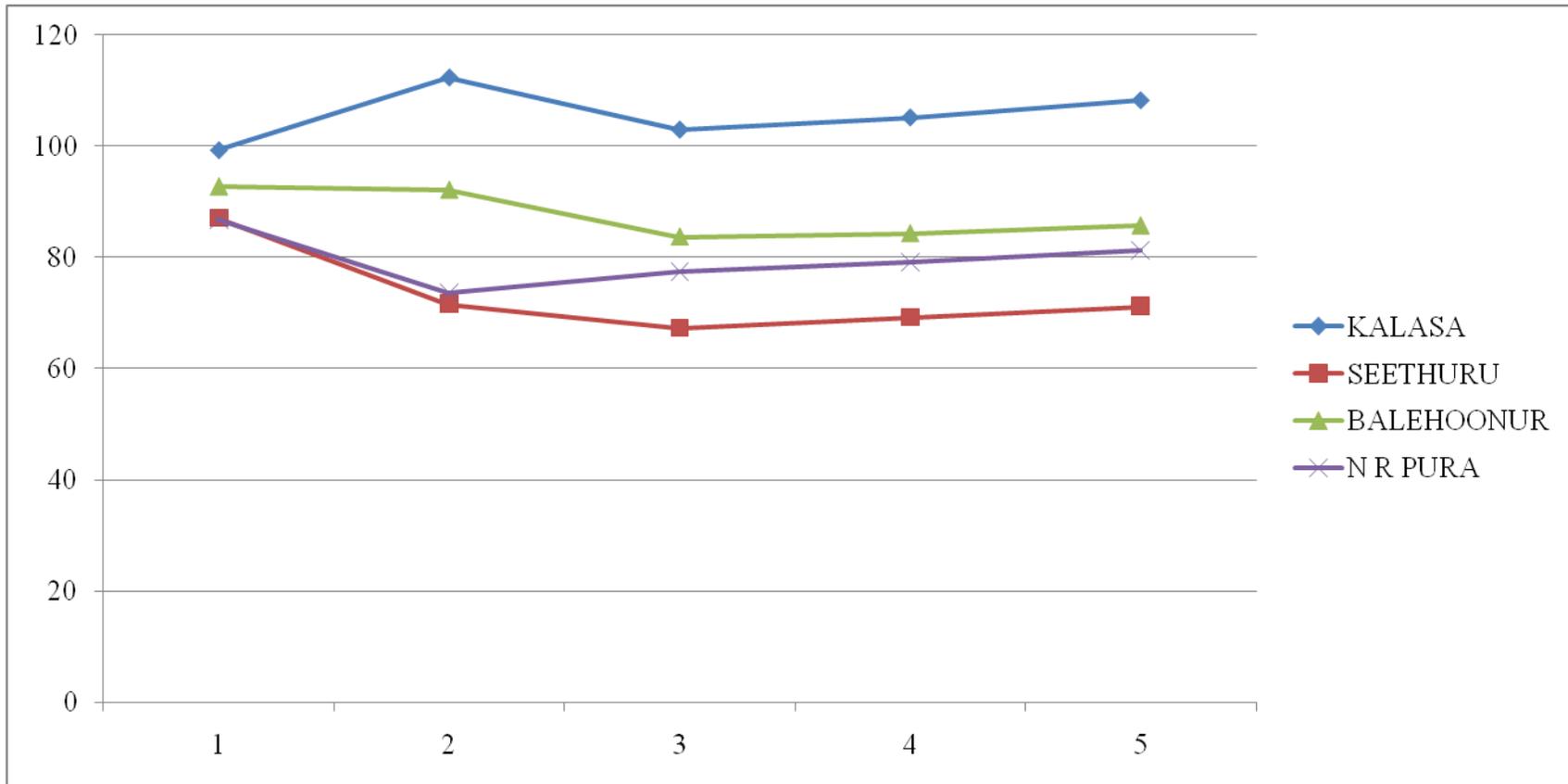
Source: Audit Report of the Selected PACSs

**Table.2** Recovery Performance of Selected PACS's in Chikamagaluru District of Karnataka

	Recovery Performance of PACS (Rs. in lakhs)											
	KALASA PACS			SEETHUR PACS			BALEHONNUR PACS			Narasimharajapura PACS		
	DEMAND	COLLECTION	RECOVERY PER CENT	DEMAND	COLLECTION	RECOVERY PER CENT	DEMAND	COLLECTION	RECOVERY PER CENT	DEMAND	COLLECTION	RECOVERY PER CENT
<b>2014-15</b>	2331.8	2317.3	99.30	452.3	332.3	87.1	507.2	470.6	92.7	176.1	152.9	86.8
<b>2015-16</b>	2232.2	2509.0	112.4	519.8	478.3	71.6	544.4	501.7	92.1	208.9	153.9	73.6
<b>2016-17</b>	2934.0	3021.9	103.0	586.9	497.6	67.3	741.4	620.9	83.7	219.8	170.5	77.5
<b>2017-18</b>	2956.3	3023.2	105.2	591.2	498.3	69.2	745.2	623.2	84.3	220.3	172.3	79.1
<b>2018-19</b>	3002,1	3025.1	108.3	599.3	501.1	71.2	753.2	625.6	85.7	232.3	175.4	81.2

Source: Audit Report of the Selected PACSs

**Fig.1** Recovery Performance of Selected PACS's in Chikamagaluru District of Karnataka



In future, the PACS's can improve their financial resource base by venturing into the scheduled banking activities. For this purpose, necessary amendments are required.

In the recent years, the decline in recovery per cent of loans was partly due to announcement of loan waiver scheme and implementation of other subsidy schemes. Therefore, there is a need to recognize prompt borrowers and provide incentives for repayment of the loans at time. Instead of Debt Waiver and Debt Relief Scheme, government should think of providing incentives in terms of interest subsidy to regular repayers, and reduction of interest rates on agricultural loans. Results revealed that there was an increased inequality in flow of credit for different purpose. Hence, efforts may be made at the society's level to diversify the lending of funds for different purposes.

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- IBEF-India Brand Equity Foundation  
ET-Bureau- Economics Times Bureau

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