



AN ECONOMICS OF PRIMARY AGRICULTURAL CREDIT COOPERATIVE SOCIETIES

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Introduction

Co-operation an economic miracle of the 19th century is not a mere slogan in the present era; it is one of the potent instruments to resolve the socio economic problem of mankind. Co-operation is much older than mankind. Examples are not wanting of 'reflexive' and 'instinctive' co-operation in animal world. Formations of social groups are the outcome of reflexive co-operation, while the life of ants, bees, wasp, lions etc., and provide the best example of instinctive co-operation1. The practice of instinctive co-operation has continued to development of human race more than any other factors. Right from the hunting ages up to the present day the progress and development of human beings, in any sphere social, economic, religious and political is marked by sense of thinking and living together. In India throughout the ages, the people and communities worked together on an informed co-operative basis with the regard to their religious, social, economic and cultural life.2 Cooperative movement in India had a long history. Initiated in the field of credit, the movement today touches various aspect of social and economic life of the people. In recent years, the co-operation movement in India has made a considerable progress and diversified its activities in different spheres of economy such as credit, marketing, processing, consumers, fisheries etc. An agricultural credit has an unlimited scope to raise the income of farmers and especially weaker section such as small and marginal farmers in the villages. Primary agricultural credit societies (PACs) played an important role in agricultural development. To assess the performance of agricultural credit societies, in present study an attempt has been made to analyze the economics of the selected PACs in Karveer tahsil of Kolhapur district.

Objectives

- 1. To study the structure of Agricultural Credit Societies
2. To evaluate the economic performance of PACs in the study area

Methodology

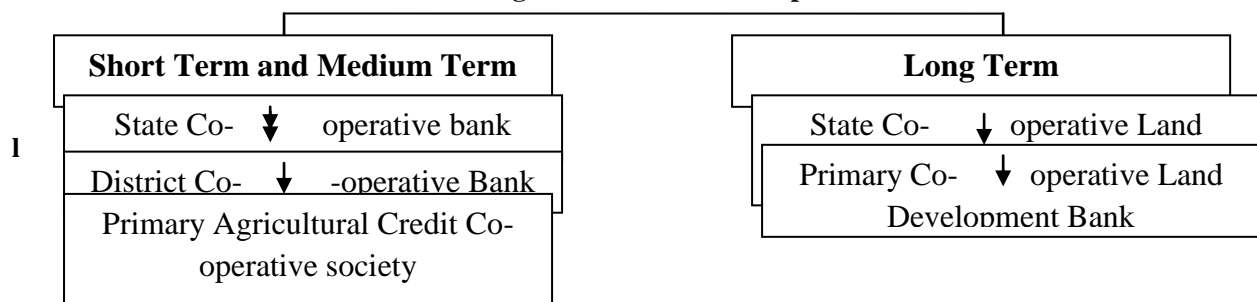
In the present study research methodology is accepted to suit the fulfillment of objective. For the present secondary as well as primary data has been used. Secondary data has been collected from Annual Reports of the selected PACs in Karveer tahsils of Kolhapur district, books, journals, magazines. For primary data, interview and observation method were used. Official staff

and authorities of selected PACs were interviewed. The data has been computed and analyzed with the help of computer. It has been computed in tabulated forms and simple statistic techniques i.e. mean, average, percentage, simple growth rate etc were used

Structure of Agricultural Credit Co-operative

Agricultural credit co-operatives again can be classified according the period of credit, i.e. 1) Short term and medium term and 2) Long Term. In India, the following chart depicts detail structure of agricultural credit co-operative institutions in India.

Structure of Agricultural Credit Co-operative



Primary Agricultural Credit Co-operative Societies (PACS) lies at the lowest level of the short terms structure at the rural co-operative credit institutions and deal directly with individual borrowers, grant short to medium terms loans and undertake distribution and marketing functions. When Primary Agricultural Credit Society was organized their sole function was the provision of credit and their area of operation was usually restricted to a village. The liability of such societies was unlimited and the functioning of co-operative society was based on the honorary services of the office-bearers.

An Economics of the Primary Agricultural Credit Cooperative Societies

A person who has a common interest and is prepared to be abiding by the rules of the society has the right to join the society as and when he wishes to do so, continue in it as long as he likes, and leave it at his will. There are variations in temporal and spatial of membership of the Primary Agricultural Credit Societies in Karveer Taluka. Growth or variation of the selected societies shown in the following table

Table 1 Growth or variation of Members of the selected PACS

Sr. No.	Member	2007-8	2008-9	2009-10	2010-11
1	Vadanage PACS, Ltd. Vadanage	1653	1663	1667	1757
			(0.60)	(0.24)	(5.40)
2	Shri Kedarling PACS, Ltd. Donvade	449	458	455	461
			(2.00)	(-0.66)	(1.32)
3	Shri Jyotirling PACS, Ltd. Koge	1817	1817	1826	1820
			(0.00)	(0.50)	(-0.33)
4	Shri Shivshambho PACS, Ltd. Kuditre	452	447	434	435
			(-1.11)	(-2.91)	(0.23)
5	Shri Hanuman PACS, Ltd. Koparde	1034	1076	1078	1080
			(4.06)	(0.19)	(0.19)

Source: Annual Report of the selected PACS from 2005-06 to 2010-11

Parenthesis indicate percentage growth rate

Trends and variation of membership of Selected Packs in Karveer Taluka are shown in the above table. In case of size of membership, huge variation was observed. Memberships of Vadanage and Shri Jyotirling PACSs were over 1500 while it was observed below 500 for Shri Kedarling and shri Shivshabo PACSs. Trends of Memberships of most of the societies were shown increasing trend during the study period.

Share Capital: The finances of a co-operative society are contributed by members through the purchase of shares. Since co-operatives are generally formed by the weaker and poorer sections of the society, their capital collections are meager. The details of the share capital of the societies are shown in the following table.

Table: 2 Share-Capitals of Selected PACS

(Share Capital in Rs. Lacks)

Sr. No.	Share Capital	2008-9	2009-10	2010-11
1	Vadanage PACS, Ltd. Vadanage	171.81	166.35	169.89
			-3.18	2.13
2	Shri Kedarling PACS, Ltd. Donvade	25.37	27.12	28.6
			6.90	5.46
3	Shri Jyotirling PACS, Ltd. Koge	69.85	76.04	82.56
			8.86	8.57
4	Shri Shivshambho PACS, Ltd. Kuditre	19.23	19.54	21.5
			1.61	10.03
5	Shri Hanuman PACS, Ltd. Koparde	34.95	35.56	40.77
			7.27	14.65

Source: Annual Report of the selected PACS from 2005-06 to 2010-11

The share capital of Vadangae is so high as compare to other The PACSs, which were above 160 lacks in the year 2010-11, after Vadange PACS, Jyotirling, Hanuman, Kedarling and Shivshambho PACS occupied their rank. In case

of growth rate of share capital, the trends of it were showing increasing rate.

Reserve Funds

Unlike profit-oriented enterprises, the surplus (i.e., profit after limited interest has been paid on capital) of a co-operative society is not

distributed to the members in the ratio of their capital contribution or in an agreed ratio. Under the provisions of the law, at least 25 percent of the profit must be transferred to the general reserve. Likewise, a certain percentage (not exceeding 10) may also be utilized for the general welfare of the local community. In financial accounting, reserve is any part of shareholders' equity, except for basic share capital. In nonprofit accounting, an "operating reserve" is the unrestricted cash on hand available to sustain an organization, and nonprofit boards usually specify a target of maintaining several months of operating cash or a percentage of their annual income, called an Operating Reserve Ratio. The reserve fund of the selected societies was examined very low. For the year 2010-11, except Vadanage Societies, reserved funds of all the societies were below 20 lakhs.

Investment

Primary Agricultural Credit Societies invest their amount in different assets for gaining profits, viz. investment as deposit in District Central Bank, other co-operative banks, tahsil cooperative marketing institutions, post-saving, postal saving certificates, national saving certificates, Kisan Credit Cards etc.

Investment is time, energy, or matter spent in the hope of future benefits actualized within a specified date or time frame. This article concerns investment in finance. In finance, investment is buying or creating an asset with the expectation of

capital appreciation, dividends (profit), interest earnings, rents, or some combination of these returns. This may or may not be backed by research and analysis. Size of investment in the PACS of Vadanage and Hanuman were over 100 lacks in the study period except in the year 2010-11, in that year investment of Hanuman PACS decreased drastically.

Deposits by Member Farmers

A deposit is money placed with some other entity. It is a credit for the party who placed it, and it may be taken back (withdrawn), transferred to some other party, or used for a purchase. It is often used with respect to banks, where deposits are usually their main source of funding. Individuals and corporations need money to pursue their daily business. They place the money on deposit to earn interest, using the money market. Deposits of the selected PACS during the period 2005-06 to 2010-11 has shown in following table

Table: 4.6 Deposits of Members of Selected PACS
(Share Capital in Rs. Lacks)

Sr. No.	Deposits of Members	2007-8	2008-9	2009-10	2010-11
1	Vadanage PACS, Ltd. Vadanage	98.74	132.77	107.69	110.3
			34.46	-18.89	2.42
2	Shri Kedarling PACS, Ltd. Donvade	25.26	26.62	29.54	31.32
			5.38	10.97	6.03
3	Shri Jyotirling PACS, Ltd. Koge	47.78	46.2	50.57	56.06
			-3.31	9.46	10.86
4	Shri Shivshambho PACS, Ltd. Kuditre	15.88	16.92	18.41	21.11
			6.55	8.81	14.67
5	Shri Hanuman PACS, Ltd. Koparde	6.1	6.22	7.02	7.95
			1.97	12.86	13.25

Source: Annual Report of the selected PACS from 2005-06 to 2010-11

Parenthesis indicate percentage growth rate

Above table 4.6 and chart no. 4.6 shows that the deposits of member were very low over the study period in the PACSs of Jaybhavani and Hanuman PACSs. These PACSs were collected below 8 lacks rupees in the year 2010-11. Vadanage PACS collected over rupees 100 lacks as deposits by the member farmers.

Distributed Loans to Members

Credit unions have the purpose of promoting thrift, providing credit at reasonable rates, and providing other financial services to its members. Its members are usually required to

share a common bond, such as locality, employer, religion or profession, and credit unions are usually funded entirely by member deposits, and avoid outside borrowing. Primary credit cooperative societies are mainly formed for to satisfy capital or money need of poor and needy farmers. These societies are providing only agricultural loans to member as well as non-member farmers of the societies. It provides short term and medium term loan. The loans of the selected PACS during the period 2005-06 to 2010-11 has shown in following table

Table: 4.7 Total Loans (Short Term + Long Term Loan) of Selected PACS
(Share Capital in Rs. Lacks)

Sr. No.	Loans	2007-8	2008-9	2009-10	2010-11
1	Vadanage PACS, Ltd. Vadanage	414.34	399.77	189.53	162.78
			-3.52	-52.59	-14.11
2	Shri Kedarling PACS, Ltd. Donvade	65.09	82.15	56.37	62.78
			26.21	-31.38	11.37
3	Shri Jyotirling PACS, Ltd. Koge	108.84	61.63	131.9	129.92
			-43.38	114.02	-1.50
4	Shri Shivshambho PACS, Ltd. Kuditre	41.65	21.91	35.77	37.79
			-47.39	63.26	5.65
5	Shri Hanuman PACS, Ltd. Koparde	75.44	50.62	106.11	102.87
			-32.90	109.62	-3.05

Source: Annual Report of the selected PACS from 2007-08 to 2010-11

Cooperative banking is retail and commercial banking organized on a cooperative basis. Cooperative banking institutions take deposits and lend money in most parts of the world. In case of loan distribution, the performance of all the PACS was better as compared to deposit collections. Vadange and Jyotirling PACSs distributed loans over rupees 100 lacks to all the years of the study period. In the year 2010-11, except Kedarling and Shivshambho PACSs, the credit distribution of all the PACS was over rupees 100 lacks.

Outstanding

Repayment of loans is an important indicator of the management efficiency in terms of credit

evaluation, specialized skills and follow-up. The assumption while providing credit is that its application to production increase output, generate enough income which in money terms would be sufficient to repay the loans together with interest and leave a reasonable surplus to the borrower. Kedarling PACS perform well in terms of repayment of loans. The outstanding of this PACS were zero over the years. Following next to Kedarling PACS, Jyotirling perform satisfy, its outstanding were zero consequently last three years.

Profit or Loss : Profit or loss of the selected PACS during the period 2005-06 to 2010-11 has shown in following table

Table: 4.9: The Profit or Loss of Selected PACS
(Share Capital in Rs. Lacks)

Sr. No.	Profit or Loss	2007-8	2008-9	2009-10	2010-11
1	Vadanage PACS, Vadanage	12.19	3.38	-2.74	0.19
			-72.27	-181.07	-106.93
2	Shri Kedarling PACS, Ltd. Donvade	1.19	2.02	2.89	3.05
			69.75	43.07	5.54
3	Shri Jyotirling PACS, Ltd. Koge	4.35	7.03	0.06	0.98
			61.61	-99.15	1533.33
4	Shri Shivshambho PACS, Ltd. Kuditre	-4.25	0.52	-0.42	0.28
			-112.24	-180.77	-166.67
5	Shri Hanuman PACS, Ltd. Koparde	0.86	0.16	1.32	1.57
			-81.40	725.00	18.94

Source: Annual Report of the selected PACS from 2005-06 to 2010-11

The difference between the purchase price and the costs of bringing to market is as known profit or loss. The primary motive of co-operative societies is to provide service to their members. The aim is not to earn profits as is the case in all other forms of enterprises. The spirit of co-operation operates under the noble motto "Each for all and all for each". Service to others is expected to be given primary importance, while self-interest should be given only a secondary

priority. Even though profit is not at all agent of the cooperative society, still members it so like, they can take up any activities of their choice to generate surplus in order to meet their day to day expenses. The status of profit of all the PACS was not satisfactory, which were fluctuating over the years. The profit of Vadange societies drastically decreased over the years.

Conclusion

The trends of membership of selected PACSs shows increasing rate during the study period. Since co-operatives are generally formed by the weaker and poorer sections of the society, their capital collections are meager of share capital, the trends of it were showing increasing rate. Reserve funds are an essential part of the society but of the societies were observed very low. There were fluctuation trend of working capital of selected PACSs. It is found that the deposits of member were very low over the study period in the PACSs of Jaybhavani and Hanuman PACSs. These PACSs were collected below 8 lacks rupees in the year 2010-11. In case of loan distribution, the performance of all the PACS was better as compared to deposits collections. It is observed that the trends of overdue of the selected PACSs. Kedarling PACS perform well in terms of repayment of loans. The outstanding of this PACS were zero over the years. The status of profit of all the PACS was not satisfactory, which were fluctuating over the years. Minimize the unnecessary expenditure: Try to minimize the unnecessary expenditure that is expenditure on social obligators, festivals, marriages etc. To increase share capital hundred percent coverage of membership shall be insure by introducing doorstep banking. There is a urgent need to introduce value based education for directors and cooperative leaders at village level.

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