

## TREND OF AGRICULTURAL CREDIT IN KERALA: (STUDY ON PACS AND PCARDBS)

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**Abstract:** Agriculture is like a venture, because it includes a group of people working in the land to cultivate or to grow crops. It is a good activity to get employment opportunity to the society as a whole. For the effective utilization of this sector, finance is a necessity. In Kerala, financial assistance to agriculture is met by mainly Commercial Banks, Cooperatives and RRBs. Here the researcher focused more on Primary Agricultural Credit Societies (PACS) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) in Kerala. This study revealed that, agricultural credit by these two financial institutions showed an upward trend. PACS are those institutions which are working at the village level, it is included in the short-term credit structure and it caters the Short-term and Medium-term needs of farmers. PCARDBs are those institutions which are working at the bottom level for catering the long-term credit needs of farmers in the society. But the main thing is that, the Co-operatives have to look on the utilization of agricultural credit and to identify which is utilized for agriculture or not.

**Keywords:** Agricultural Credit - Primary Agricultural Credit Societies - Primary Co-operative Agriculture and Rural Development Banks.

**Introduction:** Agriculture is an occupation, it includes group of people working in the land to cultivate or to grow crops. Kerala is a small State with good scope for agriculture. It means Kerala has a good culture of agriculture. Kerala is a great state with green effect on anywhere. Short-term, Medium-term and Long-term loans are provided for agricultural sector. In agricultural credit multi-agency approach is in exist. The major portion of agricultural credit includes the contribution by Commercial Banks, Cooperative Banks, and Regional Rural Banks etc.

In the case of Co-operatives, two type of credit structure exist. Short-term Credit Structure includes State Cooperative Banks, District Cooperative Banks and Primary Agricultural Credit Societies. Long-term Credit Structure includes Primary Cooperative Agriculture and Rural Development Banks at the Taluk level with wide network of branches.

PACS are the Institutions, working at the village level to cater the short-term and medium-term needs of small and marginal farmers. Its credit-linked services like input supply, storage and marketing of agricultural produce etc. PACS directly cater the needs of farmers and farmers can easily approach them. It helps the farmers to release from the clutches of unscrupulous money lenders to a limited extend. Out of 1602 PACS, 1542 are working successfully working in the state of Kerala.

PCARDBs are the banks which are federated into KSCARDBs and they are, actively involved in financing of not only agriculture and allied activities, but also several non-farm activities and rural housing through their wide networks. in Kerala, out of 58 PCARDBs 45 are working successfully. These are the

institutions, which give direct long-term credit to the farmers. it's lending activity include minor Irrigation, farm mechanization, land development, cultivation of plantation/horticultural crops and diversified activities like daring, fish culture, poultry farming biogas, goat rearing etc.

### Review Of Literature:

1. NABARD's Annual Report (20012-2013), "Investments in agriculture – role of agriculture credit" (2012-2013), this report explained that, with the help of increase in agricultural credit target as per Union Budget year by year, we can easily identify the importance of agricultural credit. Commercial Banks are the holder of 75% share in agricultural credit. Cooperatives and RRBs shares are 15.9% and 10%. Cooperatives share are going down ward, but small and marginal farmers are very much interested for the existence of Cooperatives in the position of high share in agricultural credit.
2. Ashok Gulati and SeemaBathla (2002), "Institutional Credit to Indian Agriculture: Default and Policy Options" they revealed that, the major share of agricultural credit to Indian agriculture are captured by Commercial Banks. to the betterment of cooperatives, they suggested that, apply the "member driven" approach, greater autonomy in the decision making process, giving incentives to bank staff and borrowers for speedy recovery and timely repayment of the loans etc. The Cooperatives contribute to Indian agriculture only at 44%. They opined that, PACS shown a simple improvement for recovery of overdues.
3. Report of the task force to study the co-operative credit system and suggest measures for

- strengthening (2000), as per this study, they opined that, the overdues in agricultural credit are increasing year by year. This will affect the fitness and soundness of financial system. They also said that, PACS are affected more because; they are at the lower level and giving direct credit to agricultural sector.
4. Department of Co-operation, "Performance of Co-operative Sector Credit Structure" this study explained that, PACS are those institutions which can cater the needs of all sections of the society with modern banking facilities. PACS cater the short-term, Medium – term needs of farmers. In the case of CARDs they are included in the lending activity include minor Irrigation, farm mechanization, land development, cultivation of plantation/horticultural crops and diversified activities like daring, fish culture, poultry farming biogas, goat rearing etc. They cater the long – term credit needs of farmers.

#### Objectives Of The Study:

**The researcher focused more on the following two objectives**

1. To identify the trend of agricultural credit by PACS and PCARDBs in the state of Kerala
2. To find out the most likely agricultural advances by PACS and PCARDBs in the state of Kerala for a period of 7 years from 2009 to 2015.

**Scope And Significance Of The Study:** The population of this study is agricultural credit and the sample is agricultural credit by PACS and PCARDBs in the state of Kerala. These are the two institutions included in the short-term credit structure (PACS) and long-term credit structure (PCARDBs) of Co-operative credit structure. The researcher concentrated more on the institutions because; these are the two Institutions which gave direct credit to agriculture in the Co-operative credit family. These institutions are easily approachable to the farmers and act as a rescue from unscrupulous money lenders.

**Methodology:** This study is analytical in nature. Secondary Data for this study is available from related books, journals, websites etc. The study covered data for a period of 10 years from the year 1999 to 2008 (Hand Book 2008-2009 – Department of Co-operation, Govt. of Kerala), it is not up to date. But the published data relating to this aspect is available only up to the year 2008-2009. Tools like CAGR (for the trend identification) and Least Square Technique (identifying the most likely agricultural credit for a period of 7 years from the year 2009 to 2015) are applied in this study.

#### Limitations Of The Study

The main limitations of this study are:-

1. Study is based on secondary data.
2. Published data is available only up to the year 2008.

### DATA ANALYSIS AND DISCUSSION

Table 1 Agricultural credit by PACS and PCARDBs in the state of Kerala(Amount in Crores)			
Year	PACS	PCARDBs	Total agricultural credit
1999-00	1343.58	113.73	4774.47
2000-01	1604.68	97.81	5236.98
2001-02	1785.77	121.92	6210.70
2002-03	1966.84	146.02	7184.41
2003-04	2009.02	179.11	8190.94
2004-05	2846.74	146.50	10006.90
2005-06	2836.29	224.76	11697.31
2006-07	3563.63	263.19	13763.29
2007-08	3903.98	230.06	14841.96
2008-09	4946.76	237.85	12319.91

Source: Hand Book 2008-2009 – Department of Co-operation, Govt. of Kerala

YEAR	PACS			Total
	Short-term Agricultural	Medium - term Agricultural	Long -term Agricultural	
1999-00	1026.97	244.61	72.00	1343.58
2000-01	1257.70	282.34	64.64	1604.68
2001-02	1357.68	359.91	68.18	1785.77
2002-03	1457.65	437.47	71.72	1966.84
2003-04	1301.22	630.57	77.23	2009.02
2004-05	1898.15	850.44	98.15	2846.74
2005-06	1983.70	763.63	88.96	2836.29
2006-07	2427.85	1015.47	120.31	3563.63
2007-08	2622.20	1150.87	130.91	3903.98
2008-09	3501.03	1314.25	131.48	4946.76

Source: Hand Book 2008-2009 – Department of Co-operation, Govt. of Kerala

Table 3 Compound Annual Growth Rate of Agricultural Advances by PACS and PCARDBs in the state of Kerala		
Sl. NO.	Particulars	CAGR
1	Agricultural Credit by PACS in Kerala	13.8517847
2	(i) Short-term agricultural credit	12.35711471
3	(ii) Medium-term agricultural credit	19.46967073
4	(iii) Long-term agricultural credit	8.536362
5	Agricultural credit by PCARDBs Kerala	10.64725

The above table depicts the CAGR of agricultural credit. With this in respect, the agricultural credit by PACS and PCARDBs in Kerala showed an upward trend. But here, the CAGR of long – term agricultural

credit by PACS is also showed an upward trend, but it is in lower percentage. It is mainly because, PACS are included in the short-term credit structure and so it gave less importance to long-term agricultural credit.

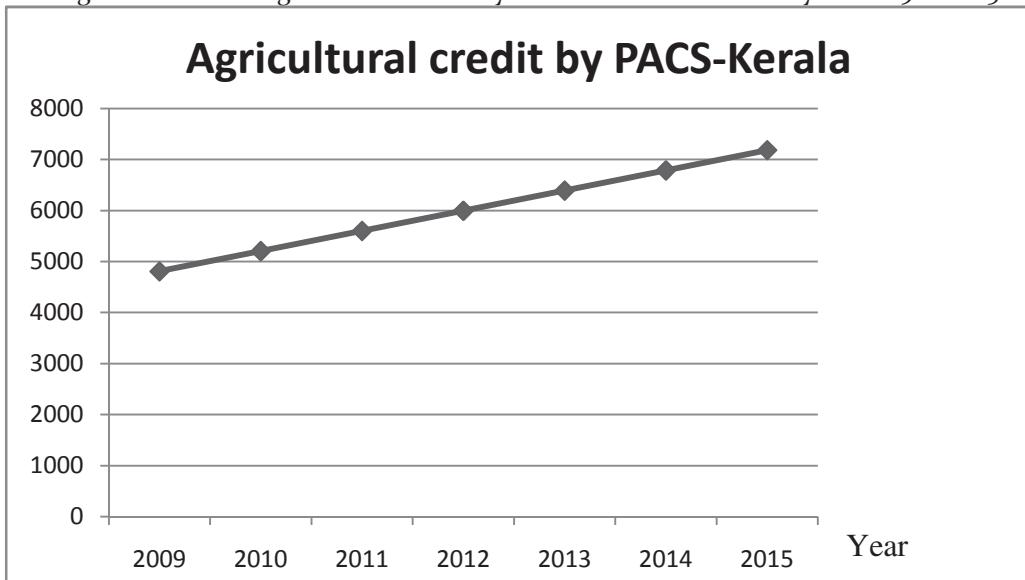
Table 4 Most likely agricultural advances by PACS and PCARDBs in Kerala from the period 2009 to 2015 (Amount in Crores)		
Year	Agricultural credit by PACS	Agricultural credit by PCARDBs
2009	4807.951111	280.0719444
2010	5203.681111	299.4814444
2011	5599.411111	318.8909444
2012	5995.141111	338.3004444
2013	6390.871111	357.7099444
2014	6786.601111	377.1194444
2015	7182.331111	396.5289444

The above table represents, the agricultural credit given by PACS and PCARDBs in the state of Kerala from the year 2009 to 2015. But it is only a prediction

based on the 9 years data from the year 2000 to 2008. This is the most likely agricultural advance by PACS and PCARDBs in Kerala which is calculated with the

help of least square technique.

Diagram 1 Trend of agricultural credit by PACS in Kerala from the year 2009 to 2015



The above diagram represents the most likely agricultural advance by Primary Agricultural Credit Societies for a period of 7 years from the year 2009 to 2015. It showed an upward trend. This data is

calculated on the basis of 9 years data from the year 2000 to the year 2008. A slight change will happen in this data.

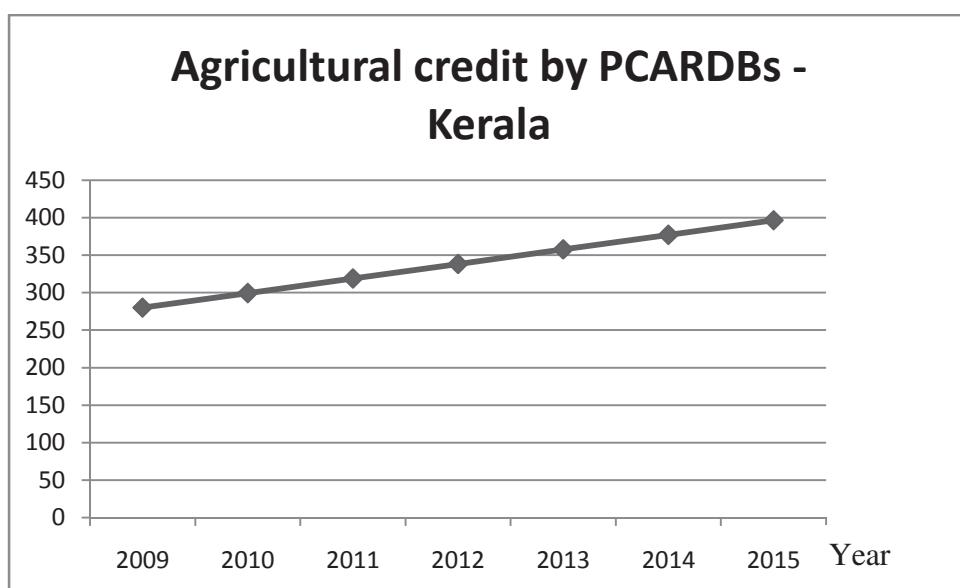


Diagram 2 Trend of agricultural credit by PCARDBs in Kerala from the year 2009 to 2015

The above diagram represents the most likely agricultural advance by Primary Co-operative Agricultural and Rural Development Bank for a period of 7 years from the year 2009 to 2015. It showed an upward trend. This data is calculated on the basis of 9 years data from the year 2000 to the year 2008. A slight change will happen in this data.

#### Findings Of The Study:

1. the agricultural credit by PACS and PCARDBs

2. showed an upward trend (as per CAGR)
3. The amount of agricultural credit by PACS is higher than PCARDBs, because the first one gave agricultural credit on different terms wise.
4. Short-term and medium-term agricultural credits are higher than long-term credit and it showed an upward trend.
5. the trend of long term agricultural credit by PACS is showed an upward trend, but only a little

increment than PCARDBs, it is mainly because, PACS are included in the short-term credit structure and so it gave less importance to long-term agricultural credit

5. The most likely agricultural credit by PACS and PCARDBs for a period of 7 years also showed an upward trend.

**Conclusion:** The researcher focused more on these two institutions (PACS and PCARDBs) from the co-operative credit structure. It's mainly because; these are the two institutions which gave direct agricultural credit to farmers. These two institutions together

help the farmers to fulfill the short-term, medium-term and long-term credit needs. If we make a comparison with agricultural credit by Commercial Banks and Co-operative Banks, it showed that, Commercial Bank is in the top. If we look into the trend of agricultural credit by Co-operatives, it showed an upward trend. With this in view, we can say that, the Co-operatives will capture its old position in agricultural credit. The co-operatives have to concentrate more on strict recovery procedures and follow-up in agricultural credit, these leads to a light in its near future.

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