

Role of primary agricultural credit societies to develop agriculture in Andhra Pradesh

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Abstract

Andhra Pradesh is basically an agrarian economy and by producing one-tenth of India's total output of food grains. Initially the agriculturists depend more on non-institutional sources for their credit requirements which used to squeeze the blood of the poor peasants by charging high rates of interest. Cooperatives are considered as the agencies for mobilization and development of rural resources in a planned and cost effective manner besides providing inputs, services and marketing facilities to the rural economy. The Cooperative Credit Societies Act 1904 permitted only to form PACS, which laid more emphasis on the promotion of agricultural credit. The Cooperative Credit Societies Act of 1912 removed the defects of 1904 Act and was made applicable to both credit and non-credit cooperative societies. In Andhra Pradesh, Credit Co-operatives are playing a significant role in serving the needy farmers by fulfilling their credit requirements. On this backdrop, an attempt is made to analyze its role in the agricultural development of the state. The distinction between rural and urban societies was abolished and provision was made for societies with limited or unlimited liability. In this way, the 1912 Act paved the way to widen the Cooperative Credit Structure. These are providing not only credit, but also non-credit services for all activities under primary, secondary and tertiary sectors of rural economy. Through cooperative credit the farmers benefitted to maximum extent by increasing their agricultural output which in turn increased their levels of employment and income. The main objective of this paper is to evaluate the role of primary agricultural credit society to develop agriculture in Andhra Pradesh.

Keywords: Agriculture Credit, Co-operative Banks and credit Societies

Introduction

Agriculture is the main important sector in Indian economy and can also largely stand for the prosperity of the Indian economy. According to Census 2011, about 68.8 percent people lives in rural area. Their livelihood depends on agriculture directly or indirectly. The share of agriculture and its allied sectors in the gross domestic product (GDP) has come down to 14 percent in 2011-12 (at 2004-05 prices). The sector has got potential to achieve higher growth rates, so that growth in other sectors and overall growth rate of the economy can be achieved. Agriculture is a dominant sector of our economy and credit plays an important role in increasing agriculture production. Availability and access to sufficient, timely and low cost credit from institutional sources is of importance especially to small and marginal farmers. Along with other inputs, credit is essential for establishing profitable farming systems. Most of the farmers are small producers busy in agricultural activities in areas of widely unstable potential. Experience has shown that easy access to financial services at affordable cost positively affects the productivity, asset formation, income and food security of the rural poor. The major interest of the Government is therefore to bring all the farmer households within the banking promote complete financial inclusion.

The co-operative movement in India has taken deep roots in various sectors. It has also been making a momentous contribution towards economic development of the people. "Cooperatives have mainly concerned with agricultural credit, marketing of agricultural produce and distribution of fertilizers and pesticides and other essential commodities. Cooperative Banking Structure has a exclusive position in the Rural Credit Delivery System of India." They have made significant strides

in the field of rural credit. Over the years, they have remained the prime institutional agency with their vast network, wide coverage, and outreach extending to the remote parts of the country. At present, "there are 5.49 lakhs cooperative societies functioning with the membership of 22.95 crores."

Cooperative banking system is an integrated one. The short-term Cooperative Banking Structure is a three tier structure, which consists of State Cooperative Banks (SCBs) at the State level, District Central Cooperative Banks (DCCBs) at the District level, and PACS at the village level. The All India Federation of SCBs, which is functioning at Mumbai, is an advisory body. The structure is not uniform across the country. Credit is an important input which ensures adequate working capital as well as infrastructural development. Adequate and timely credit provision significantly increases agricultural output which leads to an increase in the economic development of the cultivators and people attached to cultivation. Moreover, agricultural credit serves as an instrument for stimulating increase in output, income and employment.

Emergence of pacs

Based on the recommendations of a committee appointed by the Government under the chairmanship of Edward Law, the Cooperative Credit Societies Act took its birth on 25th March 1904 in response to eliminate the exploitation of moneylenders. "The laudable measure was hailed as a turning point in economic and social history. It holds the promise of helping to solve a host of problems in rural masses, raising moral as well as economic status and laying down the foundation to a new social order." The cooperatives solely

catered to the needs of the rural poor up to the adoption of Multi-Agency Approach during the year 1969.

Role of pacs in agricultural credit

The Cooperative Credit Societies Act 1904 permitted only to form PACS, which laid more emphasis on the promotion of agricultural credit. The Cooperative Credit Societies Act of 1912 removed the defects of 1904 Act and was made applicable to both credit and non-credit cooperative societies. The distinction between rural and urban societies was abolished and provision was made for societies with limited or unlimited liability. In this way, the 1912 Act paved the way to widen the Cooperative Credit Structure.

With the introduction of Reforms Act of 1919, the transfer of Cooperation to Provincial Governments was the primary step. Henceforth, the Provincial Governments were empowered to have their own Cooperative Societies Act to make the path of credit movement smooth and sound." As a result, some Provinces passed their own 'Cooperative Societies Acts. The Agricultural Finance sub-committee observed that "debt was incurred because of social expenditure, consumer needs and distress circumstances, while debt for capital expenditure was stated to be insignificant. Thus, the main causes for borrowing in the pre-independence period were associated with physical resources and socio-cultural environment. After independence, with the beginning of the planning era in 1950-51, the movement got a new phase of development. Under the Five Year plans, cooperatives were envisaged as "kingpin of development planning." The loans advanced by the PACS increased to Rs.550 crores during 1969-70 i.e., at the end of fourth five year plan as against Rs.22.9 crores during 1950-51, at the initial stage of five year plans.

Objectives

- a. To cater to the credit need, mostly, farm credit and income generation activities of farmers, artisans and other members.
- b. To extend selected banking services to members.
- c. To implement Kissan Credit Card Scheme for providing timely and adequate farm credit to members.
- d. To take up marketing of agricultural produce of member farmers.
- e. To cater to the consumer needs, mostly, essential commodities of members.
- f. To create awareness among farmers to adopt improved farming practices.
- g. To reach up to the unprivileged section of the community through SHGs, JLGs and TFGs.

Functions

- a. The Andhra Pradesh Co-operative Bank (APCOB) through the District Central Co-operative Banks and Primary Agricultural Co-operative Societies provides refinance support for agricultural production credit for seasonal agricultural operations (crop loans), investment credit for investment in agriculture for Minor Irrigation, Farm Mechanization, Land Development, Horticulture, Dairy and other diversified investments and allied activities.
- b. In times of natural calamities, the bank provides credit stabilization arrangements by way of conversion,

rephasing, postponement and rescheduling of agricultural loans.

- c. The bank extends its helping hand to ameliorate the sufferings of the weaker sections of the society and to bring them above the poverty line.
- d. The bank is advancing more than 60 percent of the total term loans to the small farmers.
- e. Loans to Employee Credit Societies are also extended to provide timely financial support to employees of various organizations through the District Central Co-operative Banks.
- f. The bank finances Industrial Co-operatives and Agro-processing industries.
- g. To promote rural development, it provides assistance for programmes under Swarna Jayanti Gram Swarajgar Yojana, non-farm sector finance for self-employment, micro credit through Self Help Groups (SHGs) etc.
- h. The APCOB is also implementing Intensive Credit Development Programme (ICDP) schemes in all districts with a view to achieve sustainable development of Co-operative institutions from grass root level.
- i. It offers all types of banking services like any other Nationalized Bank.

Agricultural credit policy

The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to all farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. The Policy lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region specific strategies and rationalization of lending Policies and Procedures. These policy measures have resulted in the increase in the share of institutional credit of the rural households.

Conclusion

PACS are considered as shield for the farming community. They have been not only functioning as purveyor of rural credit but also empower the farming community by providing them on farm and off farm services. After the number of measures adopted based on the suggestions of various committees and commissions, still the problem of over dues is too serious and mounting year by year. Cooperative Banks are playing essential role in the realization of the agriculture and in local development. They serve both rural and urban population and main bank in India supporting development of agriculture and rural areas. Much of the weakness of the upper tiers is because of poor financial health and deficiencies of PACS in the way they are organized and managed. So Government should have the primary responsibility to open new cooperative banks branches and to ensure that its citizens have easy access to co-operative credit.

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