International Journal of Physical Education and Sports Sciences
Vol. 14, Issue No. 01, January-2019, ISSN 2231-3745

An Assessment for Recovery Performance of Agriculture Credit Societies in Haryana

Prof. Santosh Nandal[1]* Mrs. Seema Devi[2]

[1] H.O.D. Department of Economics, M.D.U. Rohtak

[2] Research Scholar, Department of Economics, M.D.U. Rohtak

Abstract – Agricultural credit is one of the most crucial inputs in all agricultural development programmes. Access of rural credit has still remained scarce in Haryana. Primary Agriculture Credit Societies (PACS) run on a grassroots basis, provide close interaction with rural communities and satisfy their financial needs. In various regions of the world, the overdue issue of loans has a significant impact on the recycling of funds and on the lack of economic viability as a lending entity. The present study examines the recovery performance of rural credit given by PACS in two districts of Haryana namely Karnal and Jhajjar. The result suggests that the performance of credit recovery has been low in Karnal district and high in Jhajjar district. Credit retrieval is directly proportional to agricultural loans, qualified workers ratios and average representatives by corporation in non-farm loans, and is inversely correlated to the share of government equities in job resources and actual growth rates at constant prices. The Reserve Bank of India in partnership with state governments needs effective policies to render all the PACS viable and to ensure sufficient and timely credit circulation.

Keywords: Cooperative, Credit, Loan Overdue, Recovery, Policy

----------X----------

INTRODUCTION

Agriculture is the cornerstone of Indian economics and can also be a big trigger of the Indian economy's growth. According to the 2011 census, about 68.8% of the rural population resides and their livelihoods either directly or indirectly rely on agriculture. The share in gross domestic product (GDP) in agriculture and its affiliate sectors decreased to 14% in 2011-12 (at the 2004-05 prices). The industry should reach higher growth rates and therefore be a guiding factor for growth such that growth can be sustained in other industries and in the economy as a whole.

Farming is an occupation that is unorganized. To a large degree, its performance and loss depend on environment conditions. Moreover, the differentiation between efficient and improductive farmers' loans is not always practicable. Due to these reasons, banks have been reluctant for a long time to provide credit for farming and allies and farmers have been obliged to rely on moneylenders and mahayans. One of the most significant contributions to all farm projects is the agricultural loan. After independence a multi-agency, so-called systemic loan approach consisting of cooperatives, business banks and rural regional banks has been adopted to provide farmers with cheaper and more sufficient credit.

Agricultural Credit:

Credit plays a key role in carrying out any financial activity of benefit including agriculture. In lieu of the new agricultural strategy, the higher prices paid for fertilizers, increased labour wages and other cultivation requirements, lower return, and higher rate of rent, a large number of cultivators failed manage the required credits without recourse to borrowing. Sophisticated farm production technology and scientific crop planning have also created a heavy demand for credit. Finance is needed not only to meet the shortage arising in the production activity, but it is also needed to bolster up a chronically deficit agricultural economy, because farmers generally live at the brink of starvation.

Credit without strict regulations and observations is just a charity. Such kind of Charity, in the curtains of credit will destroy the poor, instead of help them. Iinstitutions must insure that the loans are paid back in full and with in specified schedule and time. If it does not happen that way, one should not be quick to blame the people for failure rather one should blame the designer of the credit institution that fails in its recovery schedule. Every poor must be

given a fair and equitable chance to improve his/her financial condition. Indian institutions of credit have emerged as a strong challenge to the usual and traditional banking talent and challenging endeavor to make financial infusion available to every needy farmer being irrespective of his cast creed and socio-economic position.

Primary Agricultural Credit Society (PACS):

It lies at the origin point of the short-term structure of the rural co-operative institutions and deals straight to individual borrowers, provid short-term and medium-term loans and also undertake distribution and marketing functions. In brief, the objectives of the PACS are:

1. To safegaurd and protect economic interest of its members in accordance with the co-operative principles.
2. To provide short and medium-term loans.
3. To develop savings habit among the members by various deposit schemes.
4. To supply agricultural inputs such as fertilizers, seeds, insecticides, implements, etc on whole sale rates.
5. To provide loans for the development of rural workers especially women and other weaker sections.

The PACSs are organised in a large village or by grouping a number of small villages or village hamlets. In Haryana, at least 12 members are needed to register a PACS. The members of PACS are the farm workers or tillers who take shares in the PACS to borrow money for agricultural purpose. Every share's worth is normally symbolic or nominal to even the poorest farmer. Member of the company is responsible for any loss of the organisation in the event of failure. Each member is entirely responsible. The management of the society is under an elected body consisting of President, Secretary and Treasurer.

The working capital of the PACS is obtained from its own resourses, deposits and borrowings. It accepts deposits from members and non-members both but lend only to the members. The deposits are received for the purpose of lending to the farmers and whole system is formed for strengthening the working capital. The types of deposit accepted are fixed deposit, savings deposit, recurring deposit, thrift deposit and staff security deposit.

Farmers need funds for short periods of less than 15 months for the purpose of cultivation or for meeting domestic expenses. They buy crops, fertilizers, livestock fodder and other agricultural inputs through this fund. You will need money in those years to help your families if the crops are not successful or suitable. Such short period loans are normally repaid after the harvest. The farmers need finances for the purpose of buying additional land, to make permanent improvement on land, to pay off old debt and to purchase costly agriculture machinery.

The issue of overdue loans is very critical, because it affects the recycling and expansive credit of the lender institutions, particularly cooperatives and regional rural banks, on the one hand, and the economic viability of these institutions. Credit and recovery from agriculture are to go hand in hand. Both dimensions are intertwined, contingent on one another and indivisible. The credit programme also requires loan progress and its early recovery. Quality of the credit recovery is known as an indicator of the financial institution's evaluation of the operating efficiency and organizational competence. Timely loan recovery strengthens Co-operatives' capital role.

Its leveraging capacity has now been accelerated from the finance institutions and society should send its members as many loans as necessary. Thus the degree of loyalty of citizens of community rises as well as the spiritual and conscience of the members. In comparison, poor recovery raises the amount of defaulters and over duties, thus reducing borrowing capacity. In the result, the turnover of loans dropped dramatically. If long PACS dues to funding organizations cross a particular share of the market, therefore they are not able to collect funds and therefore do not supply the members of the community with any fresh loans.

As a consequence, they are ready and eager to repay when they suspect they may obtain new loans. This exacerbates the status overdue. Recovery of loans in good time therefore has a significant influence on the sound work of PACS. The cooperative credit trend is disappearing due to unequal allocation between the various regions of cooperative benefits and significant drawbacks in the supply of credit. The biggest differential in recovery success in multiple areas was the shortcomings, which in turn are at the core of much of the shortfalls within the cooperative programme. The current research explores the magnitude of the geographical difference in rural credit recovery output by primary agricultural credit cooperatives in India.

LITERATURE REVIEW:

In 1904, the co-operative movement in India started with the formation of co-operative credit firms. These communities have been organized to alleviate rural debt and encourage flourishing. A number of research studies have been done and the rural credit system in India has been

documented by a committee / working party. Both pre-independence and post-independence committees have been established. Royal Commission on Agriculture (1928) has reaffirmed that from the point of view of structural appropriateness, there is no alternative to cooperatives at the village level for provision of rural credit.

Ramesh Golait and Narayan Chandera Pradhan (2005) in their paper "institutional credit to agriculture in India," the paper examines some important institutional aspects of agricultural credit post-liberalisation in 1991 with the aim of drawing some lessons and delineating prospects for the future. A comparative analysis of direct institutional credit to agricultural and allied activities in the eighties and nineties revealed that the growth of long term credit has slow, while the short term credit flow has stagnated. The farmers seems to borrow more short term credit in order to meet input needs to maintain continuity in agricultural operations without much worrying about long-term capital formation.

Y.C. Sale, V.G. Pokharkar and D.B. Yadav (2005) in their study attempt to estimate the critical requirement of the farmers and the availability of credit on western Maharashtra and examine the utilisation and repayment pattern of credit was and the measure constraints inhabiting the lenders and the borrows. The data on the list of villages obtained from the district Central Cooperative Bank and the officers of the cooperative societies. It is observed that per hectare requirement of lone went on increasing with increasing the size of holding. The average for family borrowers increased with the increase in the size of holdings. Misutilisation of crop loan was more that is 30% especially among the small and medium group of the farmers.

OBJECTIVES OF THE STUDY

1. To examine the trends of recovery in case of credit institutions.

2. To study the extent to which the farmers are able to repay their loans timely and adequately.

METHODOLOGY

For the present study is based on data from the secondary sources. The data on agricultural credit of PACS of different regions were collected from the following sources.

1. National Federation of State Cooperative Banks Ltd.

2. NABARD Committee of Experts study on the analysis of three stages of the short-term co-operative credit Structure.

The regional disparity and the determinants of regional disparity in the recovery performance of agricultural credit of PACS were analyzed across two district of Haryana State namely Jhajjar and Karnal. The analysis is carried out by taking the time period from 2009 to 2018. For the purpose of the study four village of each district were selected in the analysis irrespective of the time period. The list of the selected villages is presented below:

Karnal District: Jundla, Pundrak, Kurali, Dhakwala

Jhajjar District: Dublandhan, Dighal, Chhuchhakwas, Dawala

In the second stage, five factors were selected purposively which are having the mixed bag of impact in different regions in terms of recovery performance. These factors are (a) nonagricultural loan proportion to agricultural loan, (b) government capital proportion to working capital, (c) trained- untrained staff ratio, (d) real growth rates at constant prices and (e) average members per society. The study made an attempt to identify the factors which contribute to the region wise variation of recovery performance of the PACS. The rationales behind selecting these factors are as follows.

(a) **Non- agricultural loan proportion to agricultural loan:** The PACS grants loans not only for agricultural operations but also grant non-agricultural loan to help the farmers in meeting all their credit requirements. It is essential from farmers' point of view otherwise; PACS would not have received full loyalty of the farmers. In this study, we required to find out whether a high proportion of non-agricultural loan to agricultural loan is accountable for deterioration of the recovery performance between the regions.

(b) **Government capital proportion to working capital:** The power which vest in the government under the cooperative law and rules are all –pervasive. Over the years, the State has been almost entirely in charge of the cooperatives financially and administratively, thereby stifling its development. A poor structure was spread tremendously instead of reinforcing the foundation. The driving principle seemed to be: 'If people cannot or will not do it, the State can and will do it'. As a result, the cooperatives have virtually become 'government-directed, government-controlled and government-regulated enterprises' giving rise to red-tapism and administrative interference by the government in the day to day working of the cooperatives. More serious consequences of this 'politicization' of

cooperative societies are interference in recovery of cooperative dues or promise to write off dues if elected to power, and determination of interest rates on considerations other than financial returns. Such actions generate a general psychology of non-repayment, vitiating the recovery climate and jeopardizing the financial interest of credit agencies. Here, we wanted to know the significance of government's involvement across the both District.

(c) **Trained- untrained staff ratio:** Non-availability of competent and trained staff in different regions of PACS posed serious problems of credit repayment.

(d) **Real growth rates at constant prices:** Variation in the real growth rates at constant prices may have significant impact on recovery performance across the regions. Lack of growth reduces the volume of trade and subsequently the level of unemployment increases.

(e) **Average members per society:** Many PACS suffer from poor management and lack of enthusiasm and dedication among members resulting in a great deal of inefficiency and poor service to the members. In the study we sought to be answered the impacts of membership size and the mix of loan portfolio on the performance of the PACS across the regions.

An analysis of variance (ANOVA) is used to test the significant differences among sample means. It analyses different components of total variance of the sample to estimate the relative magnitude of within group variance due to uncontrolled random factors and between group variance which may have been influenced by the induction of independent variance.

RESEARCH HYPOTHESES:

1. There is a significant difference in terms of recovery performance of credit in different areas.

2. There is a significant difference in terms of recovery performance of credit in different financial year.

3. There is a significant difference between the areas in terms of proportion of non-agricultural loan to agricultural loan.

4. There is a significant difference between the regions in terms of average member per society.

DISCUSSION OF RESULTS:

Table 1: Descriptive Statistics on Recovery Performance of Credit in Different Years and Regions

Summary	Count	Sum	Average	Variance	S.D.	Coefficient of Variation
2009	2	353.06	58.84	85.94	9.27	15.75
2010	2	360.87	60.13	90.58	9.51	15.82
2011	2	371.62	61.94	107.25	10.36	16.72
2012	2	383.53	63.92	107.33	10.37	16.20
2013	2	390.41	65.07	120.50	10.97	16.87
2014	2	356.25	60.48	95.52	8.26	15.45
2015	2	362.85	60.47	75.46	8.68	14.36
2016	2	331.42	55.23	437.95	20.92	37.88
2017	2	322.61	53.78	631.70	25.13	46.74
2018	2	363.82	60.64	586.86	24.22	39.95
District wise descriptive Statistics						
Jhajjar	4	649.34	72.14	51.86	7.20	9.98
Karnal	4	661.69	7352	17.70	4.20	5.72

Source: Data collected by PACS and Compilation by the authors

In Table 1 it shows that the average recovery rate in Karnal District (73.52 %) is maximum compared to the Jhajjar District (72.14%). As recovery performance level is concerned, Karnal District shows high level of consistency (Coefficient of Variation = 5.27) and Jhajjar District shows level of consistency (Coefficient of Variation = 9.98). From the table, it is comprehensible that the Karnal District is showing steady upward progress in recovery performance (Average recovery rate is 72.15 %) and the performance of Jhajjar District was in steady state level but after that, there is a sharp fall in the two consecutive years 2016 and 2017.

Table 2: ANOVA on Recovery Performance of Credit in Different District and Year

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Sum of Squares	F (Calculated)	P-Value	F (Tabulated)
Between Years	650.13	8	81.26	1.01	0.43	2.18
Between Districts	8027.73	5	1605.54	20.13	0.00	2.44
Error	3190.33	40	79.75	------	------	------
Total	11868.20	53	------	------	-----	------

Source: Authors Research

In Table 2, variation in the performance of percentage recovery of demand in both districts has been reflected through ANOVA. With calculated values of F, given in the table, we can derive inferences as follows:

(i) Since the calculated value of F (20.13) is greater than 2.45, the tabulated value of F at 5% level of significance and 5, 40 degrees of freedom (*d.f.*), it is concluded that there is a significant difference in terms of recovery performance of credit in different district. This proves our hypothesis.

(ii) Since the calculated value of F (1.02) is less than 2.18, the tabulated value of F at 5% level of significance and 8, 40 d.f.,

it is concluded that there is no significant difference between financial years in terms of recovery performance of credit. Therefore, this hypothesis is rejected.

Table 3: ANOVA on Different Factors in Different Regions

Source of Variation	*Sum of Squares (SS)*	*Degrees of Freedom (df)*	*Mean Sum of Squares (MSS)*	*F (Calculated)*	*P-value*	*F (Tabulated)*
Between Regions (Proportion of non agricultural loan to agricultural loan)	25861.49	5	5172.29	21.06	2.9E-10	2.44
Between Regions (Proportion of government capital to working capital)	188.23	5	37.64	137.83	4.14E-24	2.44
Between Regions (Trained-untrained staff ratio)	22075.82	5	4415.16	4.28	0.003247	2.44
Between Regions (Real growth rates at constant prices)	22.00	5	4.40	0.94	0.465754	2.44
Between Regions (Average member per society)	47.31	5	9.46	159.54	2.61E-25	2.44

Source: Author's calculation

In Table 3, ANOVA on different factors in different regions has been projected. The proportion of non-agricultural loan to agricultural loan with calculated value of F (21.07) is greater than 2.45, the tabulated value of F at 5% level of significance and 5, 40 *d.f.*, it is concluded that there is a significant difference between the regions in terms of proportion of non-agricultural loan to agricultural loan. This proves our hypothesis.

The proportion of government capital to working capital with calculated value of F (137.84) is greater than 2.45, the tabulated value of F at 5% level of significance and 5, 40 *d.f.*, it is said that there is a significant difference between the regions in terms of government capital proportion to working capital. This proves hypothesis.

The calculated value of F (159.547) for average member per society is greater than the tabulated value of F (2.45) at 5% level of significance and 5, 40 *d.f.*, hence, we can draw the inferences that there is a significant difference between the regions in terms of average member per society. This proves the hypothesis.

Now, we explain whether above factors have any impact on recovery performance or not, for which we consider average of 10 years data of each factor. Part and partial correlation matrix is useful in understanding the relationship between the independent and dependent variables. The regression analysis is not valid if the independent and dependent variables are interrelated. This is known as multicollinearity. The above correlation matrix is useful in checking the inter relationships between the independent variables.

Table 4: Correlations Matrix

		Recovery Performance	Proportion of non-agricultural loan to agricultural loan	Proportion of government capital to working capital	Trained- Untrained staff ratio	Real growth rates at constant prices	Average member per society
Pearson Correlation	Recovery Performance	1.000	0.352	-0.733	0.764	-0.158	0.505
	Proportion of non-agricultural loan to agricultural loan	0.352	1.000	-0.307	0.741	0.076	0.887
	Proportion of government capital to working capital	-0.733	-0.307	1.000	-0.800	-0.546	-0.183
	Trained- Untrained staff ratio	0.764	0.741	-0.800	1.000	0.257	0.605
	Real growth rates at constant prices	-0.158	0.076	-0.546	0.257	1.000	-0.291
	Average member per society	0.505	0.887	-0.183	0.605	-0.291	1.000
Sig. (1-tailed)	Recovery Performance	.	0.247	0.049	0.018	0.382	0.154
	Proportion of non-agricultural loan to agricultural loan	0.247	.	0.277	0.046	0.443	0.009
	Proportion of government capital to working capital	0.049	0.277	.	0.028	0.131	0.364
	Trained- Untrained staff ratio	0.018	0.046	0.028	.	0.311	0.102
	Real growth rates at constant prices	0.382	0.443	0.131	0.311	.	0.288
	Average member per society	0.154	0.009	0.364	0.102	0.288	.

Source: Author's calculation

In Table 4, Pearson's correlation coefficient between these two variables is 0.352 > 0. The variable, proportion of non-agricultural loan to agricultural loan is insignificant because p > 0.05 (1-tailed test at 5% level of significance). The amount of average contribution of government capital proportion to working capital in north-east region (5.74) is highest whereas as per recover performance is concerned this region shows very poor performance. Therefore, it illustrates that there is a negative relationship between recovery performance and contribution of government capital proportion to working capital. The correlation matrix in Table 4 also shows the negative correlation coefficient (-0.733) between these two variables. This variable is significant because p < 0.05. Hence, we may draw the inferences that the trained untrained staff ratio is having the positive impact on recovery performance of credit. Correlation coefficient between these two variables is 0.764 and this variable is significant because p < 0.05.

Table 5: Average Value of Five Factors in Six Regions

District	Proportion of non-agricultural loan to agricultural loan	Proportion of govt. capital to working capital	Trained – untrained staff ratio	Real growth rates at constant prices	Average member per society
Karnal	7.51	0.79	73.53	7.93	1.08
Jhajjar	68.68	0.49	96.53	8.19	3.28

Source: Author calculation

In Table 5, the mean value of five factors in both districts has been reflected. The proportion of non-agricultural loan to agricultural loan in Jhajjar district (68.68) is highest, whereas in karnal district it is lowest amount (7.51). Jhajjar district shows steady upward recovery performance over the years. Hence, it can be stated that recovery

performance is not inversely related to proportion of non-agricultural loan to agricultural loan.

In case of real growth rates at constant prices, there is no such significant difference between the regions and also some regions (Northern and Southern) are showing good recovery performance even if the growth rate is lower than that of the other region (growth rate of Western region and Central region are 9.64 and 8.14 respectively). Table 4 also suggests that there is a negative correlation coefficient (-0.158) between recovery performance and real growth rates at constant price. The later one is insignificant because $p > 0.05$. Average member per society is maximum in southern region (3.28) and minimum in western region (0.51). The correlation coefficient between average member per society and recovery performance of credit is positive (0.505), but the former one is insignificant at 5% level of significance.

SUMMARY AND POLICY IMPLICATION

The present study evaluates the agricultural credit recovery performance of PACS in two district of Haryana state. The paper delineates some important results on which appropriate agricultural lending policy can be designed by the policy planners. The performance of credit recovery has been low in north-eastern states and high in northern and southern states. From 2009 till 2018 southern region has shown steady and upward progress in recovery performance, whereas, north east region was having steady performance till 2014, but after that there is a sharp fall in the next three years. The standard deviation and coefficient of variation is also higher than other regional states. So, the degree of variability or inconsistency level in terms of recovery performance is also very high.

The State has over the years been financially and administratively almost exclusively responsible for the cooperatives, thus stifling the growth of them. Instead of improving the base, a weak framework has grown enormously. Government role on providing larger funds to weak societies to write off their losses, bad debts and overdue intensify the poor recovery performance.

The coordination must exist between the PACS and the branches of commercial banks in rural areas so that banks can assist such of those members of the PACS who are eligible for loans but are unable to get finance from PACS for lack of funds. They can also help the PACS with advice on proper maintenance of books of accounts, accounting procedures etc. Finally, it is said that although the PACS has continued to remain the weakest link in the entire cooperative structure yet it has a great importance for supplying the considerable amount of finances to the farmers at grass root level.

REFERENCES

Agarwal, K.P., Puhazhendhi, V., and Satyasai, K.J.S. (1997). "Gearing Rural Credit for the Twenty-First Century," *Economic and Political Weekly*, October 18-24, pp. 2723.

Dandekar, V. M. and Wadia, F. K. (1989). "Development of Institutional Finance for Agriculture.

in India," *Journal of Indian School of Political Economy*, Volume 1, No. 2, July- December, pp. 201.

Dongre, Y.Narayana Swamy, N. V. (1999). "Performance Evaluation Model for Primary Agricultural Credit Societies" *Vikalpa*, Volume 24, Number 1, January – March, pp. 45-53.

Government of India, Office of the Registrar General and Census Commissioner, India, http://www.censusindia.gov.in/vital_statistics/SRS_Reports.html, accessed on June 1, 2013.

Memane, A. S (2012). "Performance of Primary Agriculture Co-operative Societies during 2000- 01 to 2009-10 in India." *Online International Interdisciplinary Research Journal*, Volume 2, Issue 2, March-April, pp. 253-261.

Mishra, B.S. (2009). "Research on Performance of Credit Cooperatives." *Research World*, Volume 6, Article S6.5

Reserve Bank of India (2002). Trend and Progress of Banking in India, 2002, Table III. 10 and III. 11, para 3.39 and 3.40.

Satyasai, K.J.S., and Badatya, K. C. (2000). "Restructuring Rural Credit Cooperative Institutions", *Economic and Political Weekly,* January 29-February 4, pp. 321.

Thirupathi, T. (2013). "An Analysis of Financial Performance of Select Primary Agricultural Cooperative Credit Societies In Mettur Taluk, Salem District." *Research Front*, Volume 1, Number. 1, March, pp. 19-24.

Velayudham, T. K., and Sankarnarayanan, V. (1990). "Regional Rural Banks and Rural Credit: Some Issues," *Economic and Political Weekly*, September 22, pp. 2159.

Corresponding Author

Prof. Santosh Nandal*

H.O.D. Department of Economics, M.D.U. Rohtak