

Status of Microfinance and Financial Performance of PACCS in Promoting Rural Development: A Case Study of Selected PACCS in West Bengal

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Abstract—Microfinance sector has traversed a long journey from micro savings to microcredit and then to microenterprises and now entered the field of micro insurance, micro pension. Financial institutions in the country continue to play a leading role in the microfinance program for nearly two decades now. They have joined hands proactively with informal delivery channels to give microfinance sector the necessary momentum. In order to increase the tempo of economic development through financial stability of the cooperatives in general and cooperative credit societies in particular, steps had been taken to promote the development of various types of economic activities in the sphere of cooperation both in rural and urban areas. PACCS (Primary Agriculture Credit Co-Operative Society), being financial intermediaries, render financial services with the objectives of growth, profit and services. However, the financial stability of these societies has a direct bearing to the extent of mobilization of deposits and the collection of loans before they become overdue. If the overdue are not kept under control, they will have a crippling effect of curtailing the ability of the societies to recycle the funds and expand their business. In this backdrop the present study is going to analyse a critical assessment of selected two in terms of financial as well as examine the role of PACCS in promoting the agri-business of the farmers and SHG (Self Help Group) in order to improve the agriculture production marketing strategies.

Keywords: Agri-business, Agricultural produce, Marketing, PACCS

1. INTRODUCTION

The Indian cooperative movement, like its counterparts in other countries of the world has been essentially a child of distress. Based on the recommendations of Sir Frederick Nicholson (1899) and Sir Edward Law (1901), the Cooperative Credit Societies Act was passed in 1904, paving the way for the establishment of cooperative credit societies in rural and urban areas on the patterns of Raiffeisen and Schulze Delitzsch respectively. The Cooperative Societies Act of 1912 recognized the formation of non-credit societies and the central cooperative organizations/federations. The state patronage to the cooperative movement continued even after

1947, the year in which India attained freedom. The independent India accepted the concept of planned economy and cooperative organizations were assigned an important role. The policy of the Government towards the cooperative movement was guided by the recommendations of the Saraiya Committee, which stated that the cooperative society has an important role to play as the most suitable medium for the democratization of economic planning. Various expert committees, which examined the problem of rural credit subsequently, have come to the same conclusion, without exception, that in the Indian context, there is no alternative from the point of view of structural appropriateness, to cooperatives at the village level. The Rural Credit Survey Committee (1954), the first comprehensive enquiry into problems of rural credit, after a detailed examination of the entire gamut of issues including the social ethos of rural society, summed up its findings in the celebrated dictum that .cooperation has failed, but cooperation must succeed.

Since 1950s, the cooperatives in India have made remarkable progress in the various segments of Indian economy. During the last century, the cooperative movement has entered several sectors like credit, banking, production, processing, distribution/marketing, housing, warehousing, irrigation, transport, textiles and even industries. In fact, dairy and sugar cooperatives have made India a major nation in the world with regard to milk and sugar production. Today, India can claim to have the largest network of cooperatives in the world numbering more than half a million, with a membership of more than 200 million.

2. COOPERATIVES AND MICROFINANCE: A REVIEW OF EMPIRICAL LITERATURE

This section makes an attempt to capture through a review available literature the experience of the cooperatives in adopting the microfinance methods and the major outcomes

observed thereof. The review covers here both the conventional cooperatives as well as those based on thrift and self-reliant approach. 11 Several studies have tried to look at the overall performance of cooperatives under SBLP and the some of the constraints faced by them.

Sundar and Asokan (2004) in their study on the performance of cooperatives in financing SHGs found that there are wide variations in the performance of cooperatives under SBLP. The southern states have covered bulk of the SHGs both in terms of number and disbursement, though certain states in other regions have shown relatively better performance. Given the potential of SHGs, the authors argued that cooperative banks and their officials have to take proactive steps in identifying and linking SHGs. Sen (2006) assessing the governance of cooperatives as microfinance institutions argued that cooperatives have generally played a significant role in providing financial services to the poor. The cooperative however have lagged behind commercial banks under SBLP. The author found that the poor performance as such is not due to the weakness of organizational network as cooperatives have a good rural network. The author identified inadequacies in financial and governance areas as the major causes of the poor performance. The author suggested that for cooperative to succeed as microfinancial institutions they should strengthen their governance through professional management, higher transparency, and autonomy.

Pramod (2006) in his assessment of SBLP experience argued that while cooperatives may be encouraged to participate in SBLP, however the financial and human resource strengths of the cooperative need to be carefully assessed. Any blanket expansion of SBLP by cooperatives may not be desirable. Prasad (2006) exploring the changes required for internalization of microfinance by cooperatives argued that there is a need for awareness creation among cooperatives. The SHGs need to be given a separate entity status by cooperative through amendment to the extent of cooperative laws. The bye-laws of cooperatively have to be amended to clearly specify the status, rights and responsibilities of SHGs.

3. OBJECTIVES

Objectives of the Study:

Each and every study should be well defined objectives on which the basis of the study is go through, thus the study encompasses the following objective:

1. Primarily the study includes the assessment of general financial performances of selected PACS taken from two different district (Burdwan and Hooghly). Along with the study also focuses the following secondary objectives;
2. To study the functional coverage as well as the relationship with SHGs with the respective PACSs,
3. To suggest some corrective measures on the basis of SWOT analysis.

4. RESULT AND DISCUSSION

The study emphasized some of the common recent issues of the village. The major study aims to know about the present scenario of the village and the basic problems faced due to Climate Change and its adverse effects.

4.1 Major Findings

- a) The year wise PACS members of the two society's .It is evident from the above table that there is a trend of increase in the members in both the societies. There is an increase of 570 members in Sija Kamalpur SKUS Ltd. from 2780 members to 3350 members from 2009-10 to 2013-14. In Samudragarh Service Co-operative Society Ltd the number of PACS members increased from 1910 to 2168 people from 2009-10 to 2013-14. So, we can conclude that the number of beneficiaries has incread over the years and many more people got the benefit from these societies.No Risk Management system present in the village which can mitigate the disaster.
- b) The yearwise SHG loan holders in the two societies. The two societies show a totally opposite trend over the years. In Sija Kamalpur SKUS Ltd, there were only 25 SHGs in2009-10 which increased to 36 SHGs in 2013-14.But in Samudragarh Service Co-operative Society Ltd the number of SHGS has shown a declining trend over the years. Where there were 38 SHGs in 2009-10 which now has decreased to only 18 SHGS in 2013-14.The functional coverage of the two PACS.In Sija Kamalpur SKUS Ltd,the various functions include KCC , SHG, Farmers Club Formation ,Business of LPG gas. Their Trades include fertilizer item (urea/DPA/NPK/MOP/Organi),MDTW (for irrigation). Their total Land Cover is 200 Acres.Total No. of Farmers is 616, Rent/Year: Rs.3000/acres (paddy), Rs. 3600/Onion, Demand of Rent is 6.51 lakh and the Collection of Rent: 5.67 lakh and Expenses for MDTW is 4.14 lakh. In Samudragarh Service Co-operative Society Ltd, The various functions include KCC, SHG, and Farmers' Club Formation. Their Trades include fertilizer, Pesticide and provides the Ambulance Service facilities. Majority of the villagers are aware about the present scenario of climate change and its effect.
- c) the average credit amount to the member (year wise) (Rs. In lakhs) in the two societies. In Sija Kamalpur SKUS Ltd, the credit amount to the member was only 1.39 lakhs in 2009-10 which increased to 2.01 lakhs in 2013-14. Whereas, in Samudragarh Service Co-operative Society Ltd, the average credit amount has decreased over the years. It was 1.10 lakhs in 2009-10 which became extremely low with only 0.11lakh in 2012-13. But in 2013-14 it has slightly increased to 0.29 lakhs.
- d) the year wise repayment percentage of the two societies. The performance of Sija Kamalpur SKUS Ltd. is quiet impressive as there is 100% repayment rate of the

members throughout the years. The record of Samudragarh Service Co-operative Society Ltd is also quiet good except in 2009-10. It had only 99.54% repayment rate in 2009-10.

- e) the year wise investment of PACS (Rs. In lakh). Both the societies have an increasing trend over the years. In case of Sija Kamalpur SKUS Ltd. there was an investment of Rs332.70 lakh in 2009-10 which increased to 410.54 lakh in 2013-14. In Samudragarh Service Co-operative Society Ltd, investment was of Rs.316.96 in 2009-10 which increased to 444.85 in 2013-14.

4.2 Recommendations

PACCS should deploy funds in various investment avenues such as shares and securities, Government securities, bonds and deposit in various institutions offering high rate of interest. Need based and timely loans should be given after conducting in-depth survey in the area of operations of the society. Adequate recovery mechanism should be operated at the DCCB level to monitor the performance of concerned societies in their supervision. DCCBs should set up independent recovery and legal cell at their Head Office manned by well-qualified and competent Law. Officers with adequate supporting staff for effective monitoring of recovery of accounts Jewel loan, Self Help Loan (SHG), micro credit loan and loan to monthly salaried people will make the societies prosper and fish-culture.

5. CONCLUSION

Cooperatives play an important role in the socio-economic development of rural masses. A small beginning was made with the enactment of first Cooperative Credit Societies Act in 1904 and now the cooperative movement has completed a century. PACS functioning at grass-root level have direct contact with the rural people and meet the financial requirements of 10,983 core members. PACS provide short-term loans for the cultivation of crops and for consumption purposes as well as medium-term loans for allied agricultural activities. With the increasing demand for rural credit, agricultural credit societies were transformed from single purpose to multi-purpose societies.

PACS rely heavily on external support and have not yet been able to become self-reliant with respect to resources through deposit mobilization and internal accruals, affecting their growth and expansion of business activities.

After an in-depth study of these two institutions and its beneficiaries, such as SHG, KCC members over an extended period of time, repeated visits and after analysing the collected data, the following conclusions have been reached.

The general power, function, and financial activities of the both PACS are maintained as per the cooperative rules and made a well-structured audit report in last five years. The managing committee members of the both PACS are engaged in different sector for employment. It was seen that the SHG-PACS linkage has increased over the year, but the basis for this relationship is only credit and other financial transaction. In both cases, PACS' initiative for providing training to SHG become highly productive due to significance keenness of SHGs members.

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