

Role of Cooperative Banks in the Development of Agriculture Sector in Punjab

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Abstract: Agriculture scenario in Punjab has witnessed fast transformation since the middle of 1960's. In this process, farmers have become more capital intensive. Thus their dependence on credit has increased for meeting their agricultural requirements. In Punjab, Cooperative banks play a significant role in the development of agriculture sector. Punjab state is having a federal structure of Cooperative Banks having State Cooperative Agricultural Development Bank (SCBs) as an apex institution with district central Co-operative banks (DCCBs) at district level and Primary agriculture credit societies (PACs). In this study, an attempt has been made to examine the role of Cooperative banks in agriculture credit from 2007-2008 to 2012-13 in India and particularly in Punjab. Thus, this study examined the organisation, trend and pattern of agriculture credit and challenges faced by Cooperative banking institution in Punjab. . It can be concluded that the performance of Cooperative Banks with regard to agriculture credit in Punjab has deteriorated. There is urgent need to open new cooperative bank branches in rural area and provide all financial facilities at low cost. So Government should have the primary responsibility to open new cooperative banks branches and to ensure that its citizens have easy access to cooperative credit.

Keywords: Agriculture Credit, Cooperative Banks and KCC etc.

1. INTRODUCTION

Agriculture is backbone of Indian economy. It is an important source of GDP and main stay of Indian population. About two third of total population directly earns its livelihood from agriculture. Agriculture sector is most important sector of the Indian economy from the perspective of poverty alleviation and employment generation. But at present agriculture sector is facing lots of problems such as credit, irrigation, HYVs, marketing of crops and other capital equipments etc. Agriculture credit plays a significant role in ushering of this fertiliser-irrigation-mechanisation based breakthrough in India particularly in Punjab. Credit helps in making investment in irrigation, land developments, purchasing machinery, good quality of seeds, fertilisers and pesticides, infrastructure facilities and for meeting the working capital needs of farmers that has paid rich harvests to the farmers. Generally agriculture credit has two sources: a) non- institutional and b) institutional sources. Institutional sources of credit in India comprised of Cooperatives Banks, Regional Rural Banks and Commercial Banks. The role of credit in agricultural economy is crucial and it helps in enhancing productivity and promoting standard of living of the farmers. In India, the co-operative banking sector plays an important role in providing credit to agriculture sector. In this study, an attempt has been made to examine the role of Cooperative banks in agriculture credit from 2007-2008 to 2012-13 in India and particularly in Punjab. Thus, this study examined the organisation, trend and pattern of agriculture credit and challenges faced by Cooperative banking institution in Punjab.

Agriculture scenario in Punjab has witnessed fast transformation since the middle of 1960's. In this process, farmers have become more capital intensive. Thus their dependence on credit has increased for meeting their agricultural requirements. In Punjab, Cooperative banks play a significant role in the development of agriculture sector. Punjab state is having a federal structure of Cooperative Banks having State Cooperative Agricultural Development Bank (SCBs) as an apex institution with district central Co-operative banks (DCCBs) at district level and Primary agriculture credit societies (PACs). The basic objective of the bank was to eliminate exploitations of the farmers by the money-lenders, by providing

the farmers loans at cheaper rates of interest, repayable at easy instalments. After the Green Revolution, Cooperative Banks have further played its role for the diversification of agriculture loan by providing loans to the farmers for the various allied agricultural activities like Daily, Poultry and Fishery etc. Cooperative Banks have played a very important role in ushering in White and Blue Revolutions in the state.

2. OBJECTIVES OF THE STUDY

1. To study the growth and performance of Cooperative Banks in respect to agriculture credit in India and with particular reference to Punjab.
2. To study the KCC Issued and Loan sanctioned on KCC by the Cooperative Banks in India and Punjab.

3. RESEARCH METHODOLOGY

The present study is based on secondary data. The necessary data has been collected from annual reports of NAFSCOB, Statistical Abstract of Punjab and covered the period of 2007-08 to 2012-13.

4. RESULTS AND DISCUSSIONS

Primary Cooperative Agricultural Credit Societies (PACs):

A Cooperative agricultural credit society can be started with 10 or more persons normally belonging to a village or a group of villages. The members have unlimited liability, so each member is fully responsible for the entire loss of the society in the event of failure. Loans are given for short period, normally for the harvest season, for carrying on agricultural operation, and the rate of interest is fixed. The primary agricultural credit society was expected to attract deposits from among the members and non-members of the village and thus promote saving and self-help. It provides loans and advances to needy members mainly out of these deposits. At the end of year 2013, there are 91833 primary agricultural credit societies in the country with a membership of over 139376 thousand.

Table 1 No of offices and membership with PACs

Year	No. of PACS		Membership In Thousand	
	Punjab	India	Punjab	India
2007-08	3979 (11.38)	34950 (100)	2219 (1.69)	131530 (100)
2008-09	3990 (4.17)	95633 (100)	2264 (1.71)	132349.90 (100)
2009-10	3390 (3.58)	94647 (100)	2264 (1.79)	126419.14 (100)
2010-11	3390 (3.63)	93413 (100)	2264 (1.87)	121224.88 (100)
2011-12	1609 (1.74)	92432 (100)	719.46 (0.63)	113595.62 (100)
2012-13	1609 (1.75)	91833 (100)	719.46 (0.52)	139376.03 (100)

Source NAFSCOB figure in () represents the % share of Punjab PACS over India

Table 1 reveals the no. of offices and membership with Primary Cooperative Agriculture Credit Societies (PACs) in Punjab and India from 2007-08 to 2012-13. In the case of India, no. of all PACs offices in India increased from 34950 in 2007-08 to 91833 in 2012-13 and the membership with all PACs in India has increased from 131530 thousand in 2007-08 to 139376.03 thousand in 2012-13.

Table further shows that no. of PACs were recorded 3979 in 2007-08 which declined to 1609 in 2012-13 in state of Punjab. Membership with PACs also declined from 2219 thousand in 2007-08 to 719.46 thousand in 2012-13 in the state of Punjab. Data further showed that percentage share of PACs in Punjab over total PACs in India has declined from 11.38 per cent in 2007-08 to only 1.75 per cent in 2012-13 and membership share has also declined from 1.69 per cent to 0.52 per cent during the same study period. Hence representing a downfall in formation of PACs in Punjab.

Table 2 Loan issued to agriculture sector by PACS

Year	Punjab Rs. In Lakhs	India Rs. In Lakhs
2007-08	19369.63 (0.60)	3247754.72 (100)
2008-09	20590.81 (0.67)	3091532.73 (100)
2009-10	20590.81 (0.55)	3762479.82 (100)
2010-11	20590.81 (0.44)	4646981.35 (100)
2011-12	166495.22 (3.39)	4912721.26 (100)
2012-13	166495.22 (1.60)	10419168.41 (100)

Source NAFSCOB

Table 2 shows the loan issued to agriculture sector by PACs in the state of Punjab and India during the study period. Data depicted that loan issued by PACs to agriculture sector in Punjab and India through PACs has grown during the study period. Data shows that total agriculture loan issued by all PACs in India have grown from Rs. 3247754.72 lakhs in 2007-08 to Rs. 10419168.41 lakhs in 2012-13. In the state of Punjab loan issued by PACs to agriculture sector was recorded Rs. 19369.63 lakhs in 2007-08 which increased to Rs. 166495.22 lakhs in 2012-13. Data further showed that loan issued by PACs in the state of Punjab recorded very meagre share over the loan issued by all PACs in India which was recorded just 1.60 per cent share in 2012-13.

Central Cooperative Banks (CCBS):

The Central Cooperative Banks located at the district headquarters or some prominent town of the district. Their main function is to lend to primary credit society apart from that, Central Cooperative Banks have been undertaking normal commercial banking business also, such as attracting deposits from the general public and lending to the needy against proper securities.

Table 3 Number of offices and membership of district central cooperative banks

Year	No. of office with H.O.		Membership	
	Punjab	India	Punjab	India
2008-09	770 (5.82)	13233 (100)	246920 (7.00)	3528802 (100)
2009-10	769 (5.83)	13181 (100)	295305 (7.42)	3975660 (100)
2010-11	769 (5.77)	13327 (100)	299253 (9.51)	3146070 (100)
2011-12	770 (5.70)	13495 (100)	286426 (7.82)	3659385 (100)
2012-13	812 (5.95)	13656 (100)	322770 (8.16)	3915657 (100)

Source NAFSCOB

Table 3 shows the number of offices and membership of District Central Cooperative Banks in Punjab and India during 2008-09 to 2012-13. Data shows that the number of offices and members has grown in state of Punjab and India during the study period. Data depicted that the number of offices were increased from 13233 in 2008-09 to 13656 in 2012-13 in India and from 770 to 812 in the state of Punjab representing only 5.95 per cent of the total banks in India over the same study period. Whereas at All India level the membership 3915657 and in Punjab the membership 322770 in 2012-13.

Table 4 Loan issued to agriculture sector by DCCBs

Year	Short term		Medium term	
	Punjab	India	Punjab	India
2008-09	530617 (13.35)	3974546 (100)	10006 (3.91)	255891 (100)
2009-10	662644 (12.82)	5168183 (100)	15127 (5.00)	302545 (100)
2010-11	729375 (11.9)	6460688 (100)	16591 (4.50)	368434 (100)
2011-12	786438 (10.30)	7631374 (100)	14392 (3.97)	362917 (100)
2012-13	1016174 (10.12)	10141581 (100)	21097 (5.75)	366994 (100)

Source NAFSCOB

Table 4 presents the short term and medium term loan issued to agriculture sector by District Central Cooperative Banks in Punjab and India. In the state of Punjab both short term and medium term loans have grown during the study period. Data showed that the short term loans issued by DCCBs increased from Rs. 530617 lakhs in 2008-09 to Rs. 1016174 lakhs in 2012-13 but during this period Punjab state share over total short term agriculture sector loans issued in India declined from 13.35 per cent to 10.12 per cent. Medium term loans also increased from Rs.10006 lakhs in 2008-09 to Rs. 21097 lakhs in 2012-13 and share in medium term loans issued by Punjab's DCCBs over total medium term loans issued by all DCCBs in India improved from 3.91 per cent to 5.75 per cent during the study period.

State Cooperative Banks (SCBS):

The State Cooperative Banks, they finance, co-ordinate and control the working of the Central Cooperative Banks in each state. They serve as the link between the Reserve bank and the general money market on the one side and the Central Cooperative and Primary Societies on the other. They obtain their funds mainly from the general public by way of deposits, loans and advances from the Reserve Bank and they are own share capital and reserves.

Table 5 No. of offices and Membership by State Cooperative banks

Year	No. of Offices inclusive H.O		Membership	
	Punjab	India	Punjab	India
2007-08	24 (2.41)	994 (100)	52 (0.035)	150917 (100)
2008-09	24 (2.42)	992 (100)	52 (0.026)	200772 (100)
2009-10	24 (2.36)	1015 (100)	53 (0.016)	330808 (100)
2010-11	22 (2.14)	1028 (100)	53 (0.023)	234827 (100)
2011-12	22 (2.10)	1036 (100)	53 (0.021)	254358 (100)
2012-13	21 (1.94)	1081 (100)	53 (0.016)	339896 (100)

Source: NAFSCOB

Table 5 shows data relating to number of offices and membership with state of Punjab and all over India. Data reveals that the number of all offices inclusive all Head Offices and membership with all State Cooperatives Banks was increased during the same time period. In 2007-08 numbers of offices and members with all State Cooperative Banks recorded 994 and 150917 which increased to 1081 and 339896 respectively in 2012-13

Data further shows that number of offices inclusive Head Offices with SCBs were 24 in 2007-08 and recorded 21 in 2012-13 in the state of Punjab. During the study period percentage share of SCBs in Punjab over total SCBs in India declined from 2.41 per cent in 2007.08 to 1.94 per cent in 2012.13. Data further shows that total 52 members of SCBs were recorded in 2007-08 which increased to 53 in 2012-13 in the state of Punjab. Data further depicted that members in SCBs in Punjab were very less that was recorded at just 0.016 per cent over total members of SCBs in India.

Table 6 Agriculture loans issued by State Cooperative Banks

Year	Short term		Medium term	
	Punjab	India	Punjab	India
2007-08	243174 (10.78)	2255415 (100)	-	91014 (100)
2008-09	738246 (27.88)	2647386 (100)		85182 (100)
2009-10	315515 (12.70)	2485266 (100)	-	65574 (100)
2010-11	769147 (20.64)	3727114 (100)	-	165055 (100)
2011-12	1005164 (20.99)	4789779 (100)	7573 (6.80)	111436 (100)
2012-13	410039 (7.58)	5407632 (100)	21398 (14.02)	152639 (100)

Source NAFSCOB figure in () shows the share of total loan issued by the SCBs

Table 6 reveals the short term and medium term agriculture loan issued by the State Cooperative Banks in Punjab and all over India during 2007-08 to 2011-12. It is clear from the table that short term and medium term loans issued by Punjab State Cooperative Banks and All State Cooperative Banks in India has grown throughout the study period. Data further showed that the short term and medium term loans issued by State Cooperative Banks at all India level throughout the country have grown during the time period of study. It has been recorded that short term loan issued amounted to Rs. 2255415 lakhs in 2007-08 which increased to Rs. 5407632 lakhs in 2012-13. Medium term loan issued by the State Cooperative Banks at all India level was recorded Rs. 91014 lakhs in 2007-08 which increased to Rs. 152639 lakhs in 2011-12.

Punjab State Cooperative Banks have issued short term loan of Rs. 243174 lakhs in 2007-08 which increased to Rs. 410039 lakhs in 2012-13, having a share of 7.58 per cent of total short loan issued by SCBs in India. In the case of medium term loans, Punjab state cooperative banks have issued loan of Rs. 21398 lakhs in 2012-13 having a share of 14.02 per cent of total medium term loan issued by SCBs in India.

Table 7 Details of KCC issued by SCBs

Year	Punjab		India	
	No. of KCC	Loan sanction/disburse on KCC Rs. In lakhs	No. of KCC	Loan sanction/disburse on KCC Rs. In lakhs
2005-06	810060 (11.26)	412856 (8.60)	7194192 (100)	4800923.84 (100)
2006-07	843997 (11.56)	480163 (15.89)	7301013 (100)	3021044.99 (100)
2007-08	870334 (11.54)	582858 (14.99)	7539065 (100)	3888964.79 (100)
2008-09	893878	606977.83	8122629	3622529.21

	(11.00)	(16.79)	(100)	(100)
2009-10	910094 (9.75)	753633.72 (19.12)	9333387 (100)	3940755.85 (100)
2010-11	943306 (12.28)	849715.06 (25.14)	7682478 (100)	3379444.36 (100)
2011-12	967522 (11.56)	945975.25 (22.73)	8371016 (100)	4162023.32 (100)

Source NAFSCOB

Table 7 presented the data related to number of Kissan Credit Cards issued and loan sanctioned on KCC by SCBs in the state of Punjab and India. Table shows that Number of KCC issued by the SCBs was 810060 in 2005-06 which increased to 967522 in 2011-12. Table further depicted that the loan sanctioned on KCC has grown during the study period. Loan was sanctioned of Rs. 412856 lakhs in 2005-06 which increased to 945975.25 lakhs in 2011-12.

5. FINDINGS OF THE STUDY

- It was observed from the study that though the number of PACs in India has shown tremendous rise but the situation has deteriorated in Punjab as number of PACs has shown downfall and Punjab state has very meagre share over the total number of PACs in India. Members of PACS were also declined in Punjab during the study period.
- The Study further highlighted that loan issued by the PACs in Punjab was increased but having a meagre share over the loan issued by all PACs in India.
- Number of offices with H.O and Members of DCCBs has grown in state of Punjab vis-a-vis India. There are 812 DCCBs in Punjab representing only 5.95 per cent of the total DCCBs in India It was further concluded that Short term and medium term loans issued to agriculture sector by DCCBs have grown but DCCBs in Punjab focussed more on providing short term loans as compare to medium term loans during the study period.
- Data further highlighted that number of offices inclusive H.O. of SCBs declined in Punjab but all India basis, it has increased during the study period.
- It is clear from the data that short term and medium term loans issued by the SCBs in Punjab have increased during the study period but SCBs in Punjab focussed more on providing short term loans as compared to medium term loans.
- Number of KCC and Loan issued on KCC has increased in the state of Punjab as well as India during the study period.

6. CONCLUSION

Cooperative Banks are playing essential role in the realisation 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. As we know that Punjab state has an important role in the food basket of India and converting country from food deficit to food surplus. According to census 2011, Punjab state has 12581 villages and as compare to villages, numbers of Cooperatives Banks are very less. The study found that though the number of PACS has shown a tremendous rise but the situation has deteriorated in Punjab as number of PACS has shown a tremendous downfall. Loans issued by PACS in the state of Punjab recorded very meagre share over the loan issued by all PACS in India. There are only 812 CCBs operating (representing 5.95 per cent of the total CCBs in India) in the state of Punjab at the end of the year 2013. The study concluded that CCBs in Punjab focussed more on providing short term loan as compared to medium term loan. Loan issued through KCC in the state of Punjab has been increased throughout the year. There were 967522 KCC holders (representing 11 per cent of total KCC holders in India) and loan issued Rs. 945975.25 lakhs (having share 22.73 per cent of total loan issued through KCC in India) in the state of Punjab at the end of year 2013. It can be concluded that the performance of Cooperative Banks with regard to agriculture credit in Punjab has deteriorated .There is urgent need to open new cooperative bank branches in rural area and provide all financial facilities at low cost. So Government should have the primary responsibility to open new cooperative banks branches and to ensure that its citizens have easy access to cooperative credit.

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