

## ANALYSIS OF RECOVERY AND OVERDUE POSITION OF PACS IN WESTERN REGION IN INDIA

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### **ABSTRACT**

*The progress of agriculture cooperative credit sector depends on loan repayment within time from the farmers. The study emphasized on recovery and arrears of loan issued by Primary Agriculture Cooperative Credit Societies (PACS) in the western region of India. The study analyzed growth in loan issued and loan outstanding from the year 2012 to 2016. The region wise diversities were observed in average loans outstanding, loans issued, Demand, Recovery and overdue. Percentage of recovery and percentage of overdue to demand has been calculated. The present study found uneven growth in loans issued in three states of western region. This study found inequality of progress in PACS of western region states of India. It concluded that Number of PACS and number borrowers were increased every year, but PACS are still facing the problem of low recovery.*

**Keywords:** *agricultural loan, outstanding loan, overdue and recovery*

### **1. Introduction:**

Agricultural credit is most important factor in agricultural development programme in the different region of India. The diversity in farm production and modernization are observed in Goa, Gujarat and Maharashtra states. The states of western region are leading for agricultural production as well as industrialization. In 2015, the total number of PACS in India are 92789 and out of it 29883 (32.21percent) are in western region. (NAFSCOB 2014-15) The financial position of PACS mostly depends on its recovery performance and the serious issues observed in debt arrears, because it is adversely affecting the PACS and credit dispensation, so it is necessary to maintain proper balance in loan advance and loan recovery.

### **2. Review of Literature:**

**Marigoudar (2011)** analyzed the growth of primary agricultural cooperative credit societies in Dharwad district of Karnataka. He suggested that to give loan sanctioning authorities to PACS, to avoid factors which have delay in sanctioning loans.

**Rajni and Dhaliwal (2013)** studied overall growth of loans and advances and recovery performance of 'State Agricultural Development Banks' in Punjab. They analyzed correlation between recovery and disbursed loans and loans outstanding. They found that, overall growth of issued loan was good but fluctuated and due to regular review of recovery and regular meetings; the recovery position of bank was satisfactory.

**Mazumder, Chakravarty, Bhandari(2014)** analyzed recovery Performance of Primary Agriculture Credit Societies in six region of India. From the analysis they found that recovery performance in southern region was high and on other side in the north-Eastern region was very low.

**K. Sudhakar Rao (2016)** analyzed Performance of Primary Agricultural Credit Societies in India and Andhra Pradesh with the help of selected indicators like Number of PACS, membership, working capital, loans and advances. He found gap in between demand of loan and collection of overdue of PACS in India and Andhrapradesh.

**Gogulamud V. S. Ramakrishna (2016)** studied the role of primary agricultural credit societies to develop agriculture in Andhra Pradesh. They concluded that poor financial health and deficiencies of PACS affected the weakness of the upper tiers.

### 3. Objectives:

1. To study the loan issued by PACS in western region (Goa, Gujarat and Maharashtra).
2. To analyze the proportion of recovery and overdue of loans to the demand.

### 4. Research Methodology:

The annual growth of loan issued and loan outstanding calculated from 2012 to 2016. The average growth, Percentage of recovery and overdue to demand has been calculated. The average loan issued and average loan outstanding analyzed by average.

### 5. Statement of the Problem:

PACS are the most convenient and basic source of loan for the rural farmers, and it help to connect farmers' with bank so, there is need of the stability in financial growth and viability of the PACS. The viability and stability is depends upon recovery and overdue position. So, there is need to study on working performance, financial progress and evaluate the recovery performance. Reducing recovery is serious problem in lower structure of cooperative credit institutions. This study focused on the inequalities in growth and recovery of PACS in states of western region of India.

### 6. Limitation:

1. The study is based on five years data (recent previous years).
2. The study is limited for western region of India and other regions are ignored, Western region contains Goa, Gujarat and Maharashtra.
4. The study is focused on only lending and recovery performance of PACS.

### 7. Analysis and Interpretation:

#### GROWTH OF NUMBER OF PACS AND NUMBER OF BORROWERS:

Table Number 1

Number of PACS and Number of Borrowers in Western Region

Year	Goa		Maharashtra		Gujarat		Total	
	No. of PACS	No. of Borrower (In	No. of PACS	No. of Borrower (In	No. of PACS	No of Borrower (In	Total No. of PACS	Total No. of Borrower (In
2012	77	4	21402	3735	8154	1181	29633	4920
2013	100	5	21394	3611	8810	1235	30304	4851
2014	79	54	21268	3612	8313	1292	29660	4958
2015	79	45	21199	481	8605	1225	29883	1751
2016	79	2	21094	431	8804	1237	29977	1670

Source: National Federation of State Cooperative Banks Ltd From the year 2011-12 to 2015-16

The above table no.1 consist total numbers of PACS and total numbers of borrowers during the year 2012 to 2016. In the Goa state, Number of PACS decreased from the year 2014 because they were not working effectively but number of borrowers increased till 2014, but it suddenly decreased in the year 2016. In Maharashtra state Number of borrowers decreased with Number of PACS. In Gujarat state Number of PACS fluctuated but number of borrowers increased during the year 2012 to 2016. Maharashtra state is leading in numbers of PACS and borrowers; it may due to large no. of farmers, the favorable climate and higher yield of land and politics at village level.

#### ISSUE OF LOAN AND OUTSTANDING OF LOAN:

**Table Number 2**

#### State wise Loan Issued and Outstanding loan in Western Region

Amount in Rs Lakh

States	Goa		Maharashtra		Gujarat	
	Loan Issued	Loan Outstanding	Loan Issued	Loan Outstanding	Loan Issued	Loan Outstanding
2012	1907.91	4498.61	805762	1089116	580250	487935
2013	1653.71 (-13.32)	2549.99 (-43.31)	1140812 (41.58)	1369610 (25.75)	713457 (22.95)	590726 (21.06)
2014	2046.09 (23.72)	2962.53 (16.17)	839096 (-26.44)	1013146 (-26.02)	904728 (26.8)	633870 (7.3)
2015	3840 (87.68)	4080 (37.72)	1261256 (50.31)	1300344 (28.35)	1125855.52 (24.44)	937567.51 (47.91)
2016	3035 (-20.96)	3662 (-10.25)	1354425 (7.39)	1161017 (-10.71)	1082099.82 (-3.89)	913832.9 (-2.53)
Average	2496.54	3550.62	1080270	1186647	881278.1	712786.3

Source: National Federation of State Cooperative Banks Ltd From the year 2011-12 to 2015-16

In bracket figures are consists annual growth in percentage

The table No. 2 revealed the total loan issued and loan outstanding. In Goa state, the loan issue through PACS was decreased in 2013 and 2016 by -13.31 percent and -20.96 percent respectively. In Goa state the highest growth on loan issue was observed in 2015 with 87.68 percent. In Maharashtra, Issue of loan was highly increased by 50.31 percent in 2015, and the amount of loan issued and loan outstanding is decreased by -26.44 and -26.02 percent in 2014. In Gujarat state, the amount of loan issued and loan outstanding increased positively up to 2015 but it was fluctuated. In Maharashtra the highest average loan was issued of

Rs 1011732 lakhs and in Goa state the lowest average loan was issued of Rs 2361.92 lakhs. The all three states shows increased loan issued in the year 2015.

**DEMAND, RECOVERY AND OVERDUE PERFORMANCE:**

**Table Number 3**

**State wise Recovery and Overdue Position of PACS in Western Region**

Amount in Rs lakh

Year	Goa				
	Demand	Recovery	Overdue	Overdue Percentage with Demand	Recovery Percentage with Demand
2012	2281.46	1299.71	981.75	43.03	56.96
2013	2281.46	1299.71	981.75	43.03	56.96
2014	2194.13	1779.32	414.81	18.9	81.09
2015	2363	1915	448	18.96	81.04
2016	1952	1654	298	15.27	84.73
Average	2214.41	1589.55	624.86	27.838	72.15
Maharashtra					
2012	1386472	863697	522775	37.7	62.29
2013	1255899	927500	328399	26.14	73.85
2014	1285038	920862	364176	28.33	71.66
2015	1803971	1075621	728350	40.37	59.63
2016	2021125	1213955	807170	39.94	60.06
Average	1550501	1000327	550174	34.49	65.49
Gujarat					
2012	591248.82	425486	165763	28.03	71.96
2013	667310.04	481586	185724	27.83	72.16
2014	855252.31	631051	224201	26.21	73.78
2015	1015989.45	758356.99	257632.46	25.36	74.64
2016	1138910.41	790667.63	348242.78	30.58	69.42
Average	853742	617430	236313	27.60	72.39

Source: National Federation of State Cooperative Banks Ltd From the year 2011-12 to 2015-16

The table 3 consist recovery and overdue position of PACS in three states namely Goa, Maharashtra and Gujarat. The average recovery of Goa state was 72.15 percent, Maharashtra state 65.49 percent and Gujarat state 72.39 percent. The average overdue of Goa state was 27.83 percent, Maharashtra state 34.49 percent and Gujarat state 27.60 percent. In Goa state the recovery amount and percentage of overdue slightly

improving. In Maharashtra state, the amount of overdue was increased after 2014. In Gujarat state, the amount of demand and amount of recovery was increased.

#### **Findings:**

It found that, the recovery performance of PACS in three states in western region was unstable.

1. In western region states, in 2015, the No. of PACS and No. borrowers were reduced because of weak organization of PACS, increasing dormant PACS and lower profit making PACS.
2. In Goa state, large no. of new PACS were established in the year 2013, but these PACS were closed or amalgamated due to increasing dormant PACS in 2014. The no. of PACS and the no. of borrowers were also decreased.
3. In 2014, Goa state Government formulated the revised common scheme and provided capital assistance of Rs 50000 for per eligible PACS, for business development planning program and Rs 50000 for basic infrastructure creation. (Government of Goa, 2014) Therefore, the loan issued by PACS in the State was increased by 87.67 percent than previous year, in the year 2015.
4. In Maharashtra state, due to increasing dormant and loss making PACS, large No. of PACS was closed down. Thus no. of borrowers was also decreased, with decreasing no. of PACS. During this period attractive loan facilities of commercial banks were increased and farmers were attracted towards commercial banks.
5. In Gujarat state the amount of demand and amount of recovery was increased. The average percentage of recovery to demand was 72.39, it shows better performance.
6. In Gujarat Co-operative Act, the full freedom was given to cooperatives, to take decisions on financial, internal organizational work and loan policies, hence the proportion of debt recovery in Gujarat has remained constant and satisfactorily compared to other states.
7. The PACS of Gujarat has maintained a viable business perspective due to keeping its business oriented approach.
8. In the Maharashtra state the recovery was observed often fluctuated due to overdue amount. The government of Maharashtra has not taken any appropriate action to make strong and viable PACS.
9. It noticed that, the Number of PACS and Number of borrowers were more in Maharashtra compare to other states, and percentage of overdue was also increased than other state.
10. The amount of recovery was increased with issued loan in Gujarat state, but it was not found similarly in other two states.

#### **Suggestions:**

1. The PACS should provide special schemes and rewards to the farmers repaying the loan within time, to overcome the problem of increasing overdue.
2. PACS should focus on commercialization.
3. The qualitative approach should be focused as well as quantitative growth should also be considered.
4. Due to increasing demand for agricultural loans from PACS in Maharashtra than other states, the state government should try to strengthening the PACS of Maharashtra.

#### **Conclusion:**

PACS are basic rural financial institution, which governed by cooperative principles, but now it becomes weaker due to poor recovery and increasing amount of overdue. It was observed, increasing number of PACS and borrowers was increased but the amount of issuing loan and growth was not increased

proportionally. Disparity in recovery was noticed in the performance of recovery in different states of western region. There is need to give special attentions by PACS and District Central Cooperative Banks towards increase recovery. In 2008, the Government announced the release of Agricultural Debt Lending (ADWDRS) and Debt Relief Scheme (ADWDRS), in 2010-11 interest rate subventions, in 2017, the government of Maharashtra state announced of debt waiver crop loans about Rs. 34000 crore. But debt relief is the last option, government should focus on making appropriate and permanent policies to take effective recovery.

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