

*International Journal of Scientific Research and Reviews*

**Performance of Primary Agricultural Credit Societies (PACS) in  
Meghalaya from 2004-05 to 2014-15**

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**ABSTRACT**

A Primary Agricultural Credit Society (PACS) is a basic unit and smallest co-operative credit institutions in India. They are the grass root level institutions of the short-term co-operative credit structure. PACS deal directly with the rural (agricultural) borrowers, grant short and medium term loans, undertake marketing and distribution functions and also collects of repayments of loans given. In Meghalaya, at present (2014-15) there are 179 Primary credit Societies at the grass root level. They are called as Service Cooperative Societies after their re-organisation in the year 1978 and they have been entrusted to perform multipurpose services in their respective areas. This paper aimed at analyzing the performance of PACS in Meghalaya for the period from 2004-05 to 2014-15 with the help of select indicators like number of PACS, membership, paid up capital, working capital, deposits, loan disbursed and loan outstanding have been considered in this study. The purpose of this study is to provide some feasible suggestions based on the findings, which may prove valuable for the future development of Primary Agricultural Credit Society (PACS) in Meghalaya.

**KEY WORDS:** Primary Agricultural Credit Society (PACS), Meghalaya, Performance etc.

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## **INTRODUCTION**

Primary Agricultural Credit Societies (PACS) are the foundation of the co-operative credit structure and form the largest number of co-operative institutions in India. They are the basic unit and smallest co-operative credit institutions in India. Most of these societies have been organized mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members.

In Meghalaya prior to its creation on 2<sup>nd</sup> April 1970 as an autonomous State and thereafter full fledged State on 21<sup>st</sup> January 1972, there were about 472 Primary Agricultural Cooperative Societies (PACS) organised during the Assam administration in the areas which formed Meghalaya and majority of those societies were unviable, defunct and non-functional. Therefore, the first task of Government of Meghalaya was to re-organise the base level cooperative societies and to restore confidence of the common people particularly the farmers and village community in the Cooperative System. The Assam Cooperative Apex Bank which had looked after the areas of Meghalaya until its creation was bifurcated in the year 1971 and Meghalaya Cooperative Apex Bank (MCAB) was set up on 16th February 1971. The MCAB commenced banking business from 1 July 1971 after obtaining the required license from RBI. A Master Plan was formulated by RBI in consultation with the Cooperation Department, and the MCAB in the year 1974 and the implementation of the Master plan had resulted in emergence of 180 viable and potentially viable PACs in the State. Under the Master Plan, the nomenclature of the PACs was changed to Service Cooperative Societies (SCS) in the year 1978 to function as multipurpose Cooperative Societies and provide multifarious services to the rural masses as per requirements in the service areas.

Performance of PACS in Meghalaya for the period from 2004-05 to 2014-15 has been analyzed with the help of some select indicators like number of PACS, membership, paid up capital, working capital, deposits, loan disbursed and loan outstanding. The number of PACS remained constant at 179 over the years from 2004-2005 to 2014-15. Memberships have decreased from 91.3 thousand in 2004-05 to 83.2 thousand in 2014-15. Paid up capital has increased from 325.17 Lakhs in 2004-05 to 892.01 Lakhs in 2014-15. Deposit has increased from 99.16 Lakhs in 2004-05 to 738.82 Lakhs in 2014-15. Working capital has increased from 156.61 Lakhs in 2004-05 to 3632.08 Lakhs in 2014-15. Short term loan disbursed has increased from 179.73 Lakhs in 2004-05 to 786.5 Lakhs in 2014-15. Medium term loan disbursed has decreased from 134.70 Lakhs in 2004-05 to 55.5 Lakhs in 2014-15 and Loan outstanding has increased from 922.10 Lakhs in 2004-05 to 2047.05 Lakhs in 2014-15.

## **COOPERATIVE CREDIT STRUCTURE IN MEGHALAYA**

Meghalaya has two tiers Cooperative Credit Structure, with Meghalaya Cooperative Apex Bank at the State level and Service Cooperative Societies (SCS) at the grass root level. As stated earlier, originally, there were 472 PACS in the geographical area which formed Meghalaya State and these Societies were mostly non-functional. As a result of implementation of the Master Plan in 1978, the number of PACS came down to 180 from the original number of 472 PACS with the amalgamation, merger and liquidation of non-functional and un-viable Primary Credit Societies. At present, the number of Service Cooperatives Societies is 179 in the entire State. The State does not have a separate Long term Cooperative Credit Structure and the MCAB through a separate full fledged Land Development Banking Department in the Bank has been catering to the long term credit needs of the farmers in the State. This has been done consciously keeping in view the small size of the State, number of households, its population, viability of the credit structure and above all the interest of the beneficiaries who require multifarious services through a single window system as presently followed by many States including the cooperatively developed States. Thus, MCAB has been functioning, as an integrated State level Cooperative Bank with the progressing outlook of catering both short term and long-term credit needs of the farmers since 1978.

## **OBJECTIVES OF THE STUDY**

1. To study the performance of Primary Agricultural Credit Society (PACS) in Meghalaya from 2004-05 to 2014-15.
2. To identify the problems and to make suggestions for further improvement in the functioning of Primary Agricultural Credit Society (PACS) in Meghalaya.

## **RESEARCH METHODOLOGY**

A research design is a plan according to which observations are made and data is assembled. In view of the specific objectives, methodology followed in carrying out the present study involved mainly the use of data from secondary sources collected from various organisations like Cooperation Department, Government of Meghalaya; Various Statistical Abstracts and Statistical Handbooks of Meghalaya published by the Directorate of Economics and Statistics, Government of Meghalaya. In addition to this, data have also been collected from other reliable sources like articles, journals and newspapers.

The data collected has been classified and arranged in table in one or more forms, according to the requirement of analysis. For analysis the result, The Growth Percentage change over the

previous year can give the clear idea of the performance of the PACS in the state. It can be calculated by:

$$\frac{(B - A)}{A} \times 100,$$

Where, A = Amount in the previous year and,

B = Amount in the present year.

## **PERFORMANCE OF PACS IN MEGHALAYA**

This study devoted to present the performance of PACS in Meghalaya for the period from 2004-05 to 2014-15. It deals with the data pertaining to the Number of PACS, Memberships, Paid up share capital, Working capital, Deposits, Loan disbursed and Loan outstanding. The followings are the study of these indicators.

### ***i. Number of PACS:***

Meghalaya inherited 472 Primary Agricultural Cooperative Societies organized during the Assam Administration in the areas which formed Meghalaya and majority of those societies were practically non-existent. As a result of implementation of the Master Plan in 1978, the number of PACS came down to 180 from the original number of 472 PACS with the amalgamation, merger and liquidation of non-functional and un-viable Primary Credit Societies. The description of the Growth in the Number of Primary Agricultural Cooperative Societies (PACS) in Meghalaya from 2004-05 to 2014-15 has been shown in table 1.

**Table 1: Number of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total No. of Coop. Inst.	179	179	179	179	179	179	179	179	179	179	179

Source: Meghalaya Statistical Handbook, 2017

It is evident from the Table 1 that Number of Primary Agriculture Co-operative Society in Meghalaya remained constant throughout the study period and the total number stands at 179.

### ***ii. Memberships:***

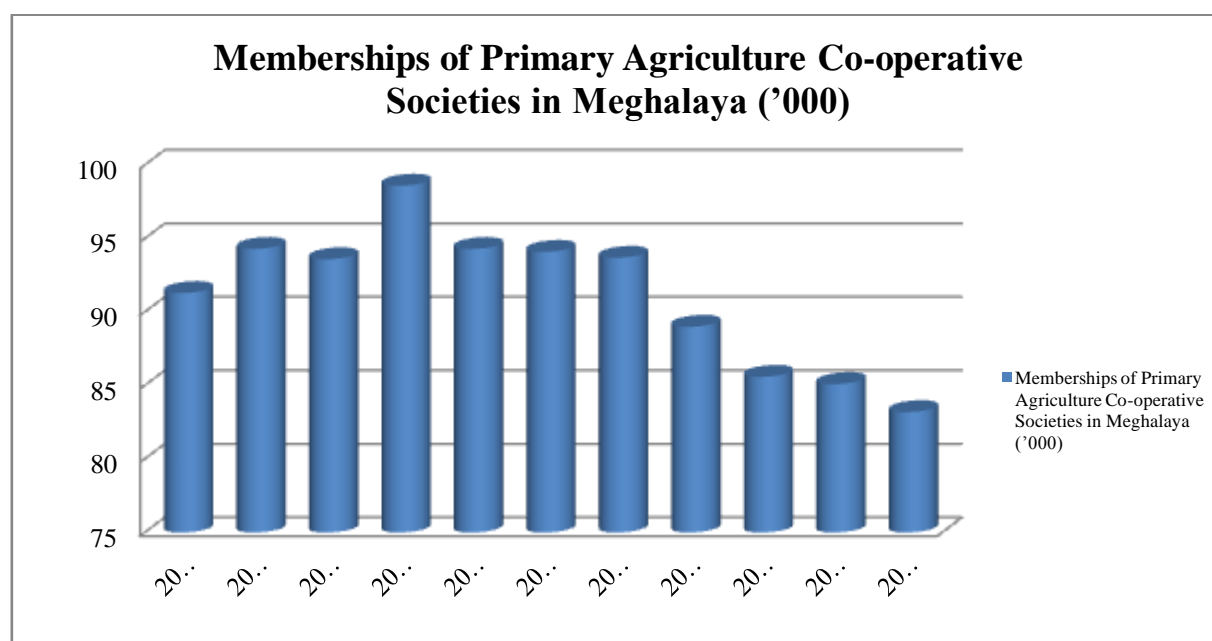
Membership of a Primary Agriculture Co-operative Society is open to all persons residing within its area of operation, irrespective of race, creed, colour or sex. The principle of universal

membership has since been enshrined in the cooperative societies Acts of all the states. The description of the Growth in Membership of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 2.

**Table 2 Memberships of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15 (Values in Thousands)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Membership('000)	91.3	94.3	93.6	98.6	94.3	94.1	93.7	89.0	85.6	85.1	83.2
Growth Percentage	-	3.29	-0.74	5.34	-4.36	-0.21	-0.42	-5.01	-3.82	-0.58	-2.23

Source: Meghalaya Statistical Handbook, 2017



**Figure 1-Memberships of Primary Agriculture Co-operative Societies**

It is evident from the Table 2 that memberships of Primary Agriculture Co-operative Society in Meghalaya has increased from 91.3 thousand in 2004-05 to 94.3 thousand in 2005-06, then it decreased to 93.6 thousand in 2006-07, It again increased to 98.6 thousand in 2007-08. From 2007-08 onwards, memberships of Primary Agriculture Co-operative Society has shown a decreasing trend. As stated in the table, it was 98.6 thousand in 2007-08, this number has decreased over the years to 83.2 thousand in 2014-15. The growth percentage of Memberships of PACS over the years

has shown a negative trend except in the year 2005-06 and 2007-08 which were 3.29 and 5.34 respectively.

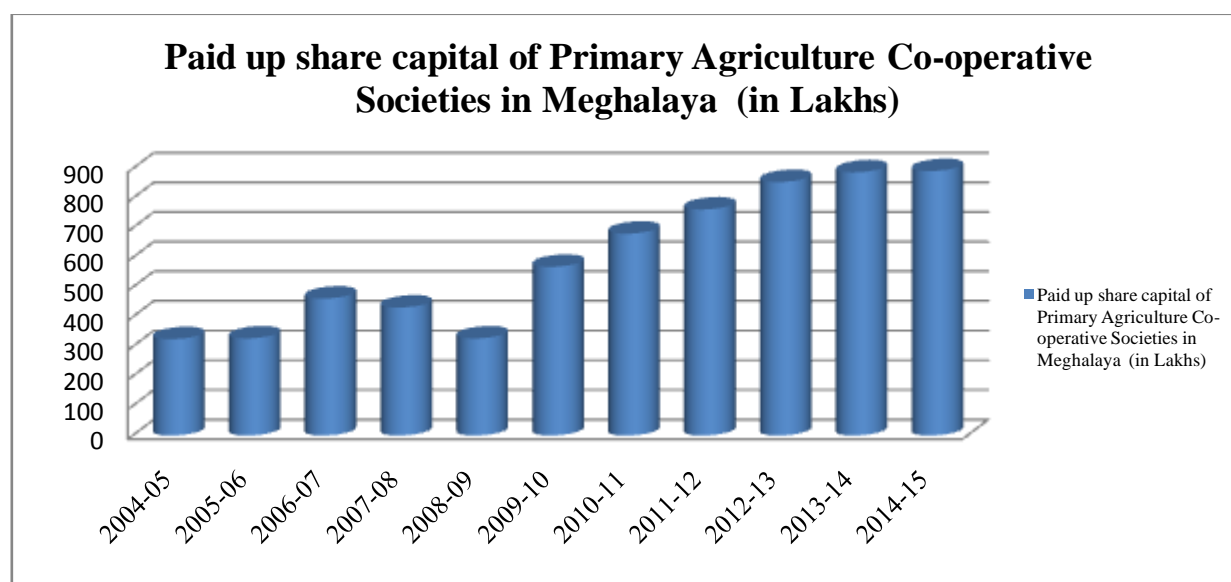
**iii. Paid up share capital:**

Paid up share capital is the amount of money a Primary Agriculture Co-operative Society has received from shareholders (Members) in exchange for shares of stock. Paid up capital is created when a society sells its shares on the primary market, directly to investors who are its members. The description of the Growth in Paid up share capital of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 3.

**Table 3 Paid up share capital of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15 (Values in Lakhs)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Paid up share capital (in Lakh)	325.17	327.60	462.12	431.74	327.59	569.15	681.04	762.63	855.12	887.84	892.01
Growth Percentage	-	0.75	41.06	-6.57	-24.12	73.74	19.66	11.98	12.13	3.83	0.47

Source: Meghalaya Statistical Handbook, 2017



**Figure 2 - Paid up share capital of Primary Agriculture Co-operative Societies**

It is evident from the Table 3 that Paid up share capital of Primary Agriculture Co-operative Societies in Meghalaya has increased from 325.17 lakhs in 2004-05 to 327.60 lakhs in 2005-06,

462.12 lakhs in 2006-07. Then it decreased to 431.74 lakhs in 2007-08 and 327.59 Lakhs in 2008-09, from here it again increased to 569.15 Lakhs in 2009-10, 681.04 Lakhs in 2010-11, 762.63 Lakhs in 2011-12, 855.12 Lakhs in 2012-13, 887.84 Lakhs in 2013-14 and 892.01 Lakhs in 2014-15. The growth percentage of Paid up share capital of PACS over the years has shown a positive trend except in the year 2007-08 and 2008-09, which were -6.57 and -24.12 respectively.

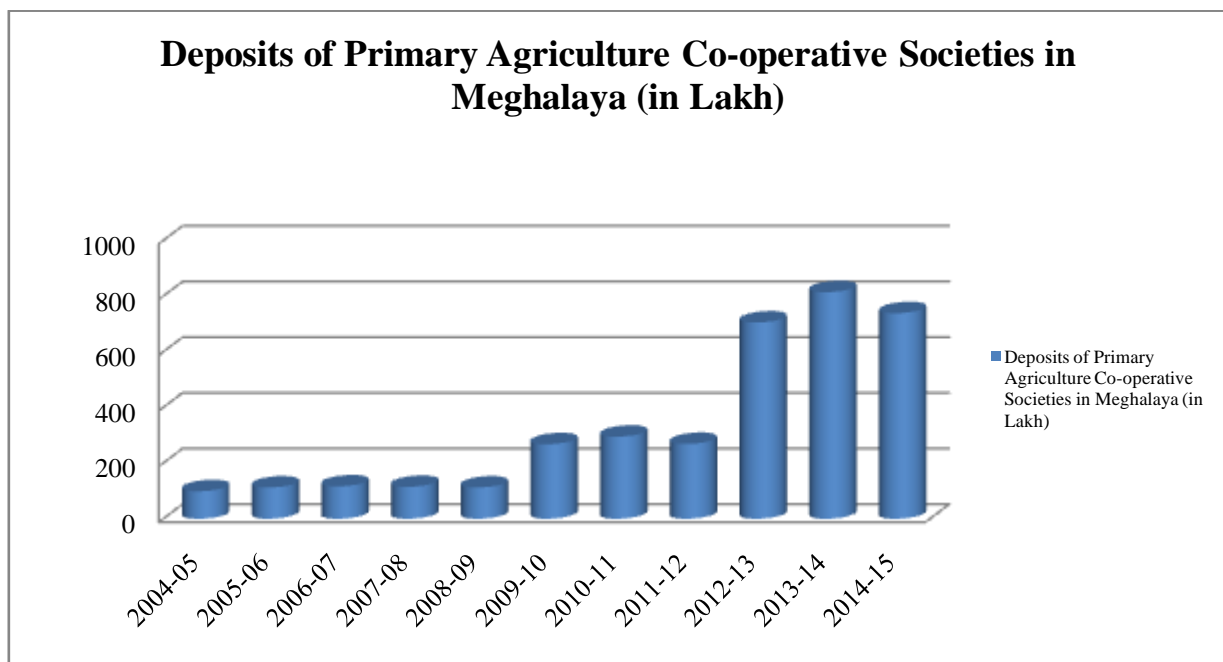
**iv. Deposits:**

Deposit is the amount of money a Primary Agriculture Co-operative Society has received from its Members. The description of the Growth in Deposits of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 4.

**Table 4 Deposits of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15 (Values in Lakhs)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Deposits (in Lakh)	99.16	112.47	116.47	114.68	112.47	268.06	294.99	269.08	705.37	814.15	738.82
Growth Percentage		13.42	3.56	-1.54	-1.93	138.34	10.05	-8.78	162.14	15.42	-9.25

Source: Meghalaya Statistical Handbook, 2017



**Figure 3 - Deposits of Primary Agriculture Co-operative Societies**

The table 4 depicts the Deposits of Primary Agriculture Cooperative Societies in Meghalaya from 2004-2005 to 2014-2015. There were Rs. 99.16 Lakhs Deposits of PACS during the year 2004-05 and it was Rs. 738.82 Lakhs during the year 2014-15. There were lots of ups downs of Deposits in PACS. The growth rate percentage clearly indicates both positive and negative growth of Deposits of PACS. The highest growth rate was in the year 2012-2013 with 162.14 and the lowest growth rate was in the year 2014-15 with (-) 9.25.

**v. Working Capital:**

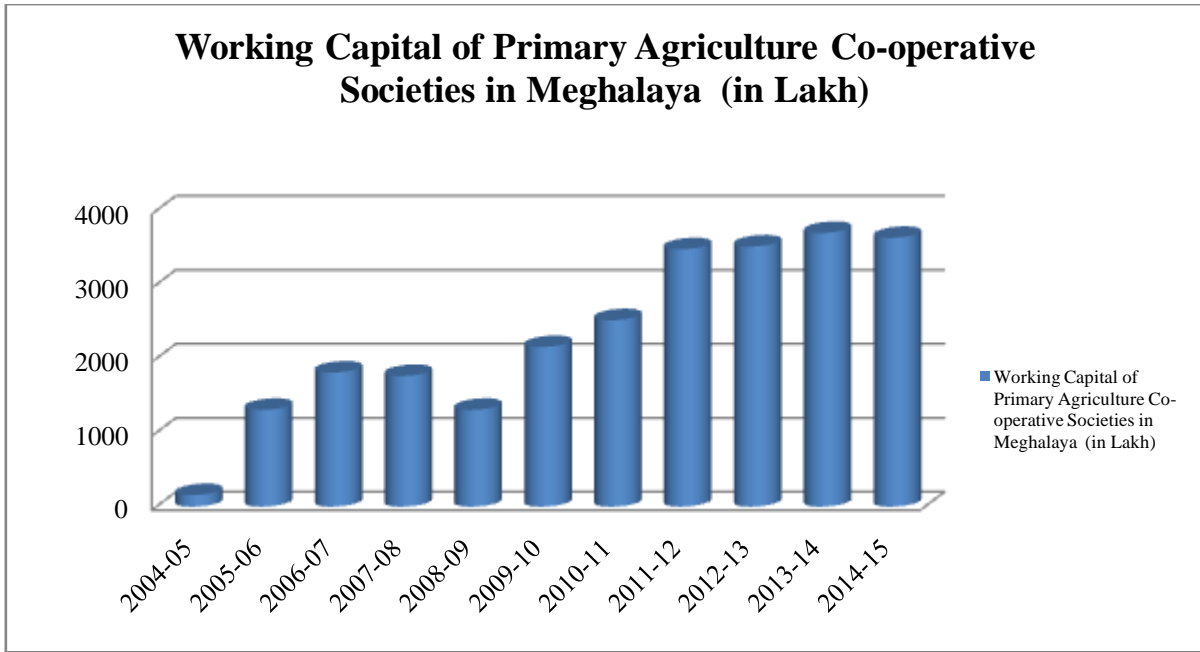
The working capital gears up the concern for achieving the objectives. In other words, it refers to the readily available funds for business. The concept of working capital is defined as the funds consisting of owned funds, deposits and borrowings during the year. The description of the Growth in Working Capital of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 5.

**Table 5 Working Capital of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15 (Values in Lakhs)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Working Capital (in Lakh)	156.61	1308.26	1812.79	1766.79	1308.35	2157.64	2520.17	3478.86	3516.44	3698.39	3632.08
Growth Percentage		735.4	38.6	-2.5	-25.9	64.9	16.8	38.0	1.1	5.2	-1.8

Source: Meghalaya Statistical Handbook, 2017





**Figure 4 - Working Capital of Primary Agriculture Co-operative Societies**

The table 5 depicts the Working Capital of Primary Agriculture Cooperative Societies in Meghalaya from 2004-2005 to 2014-2015. There were Rs. 156.61 Lakhs Working Capital of PACS during the year 2004-05 and it was Rs. 3632.08 Lakhs during the year 2014-15. There were lots of ups and downs of Working Capital in PACS. The growth rate percentage clearly indicates both positive and negative growth of Working Capital of PACS. The highest growth rate was in the year 2005-2006 with 735.4 and the lowest growth rate was in the year 2008-09 with (-) 25.9.

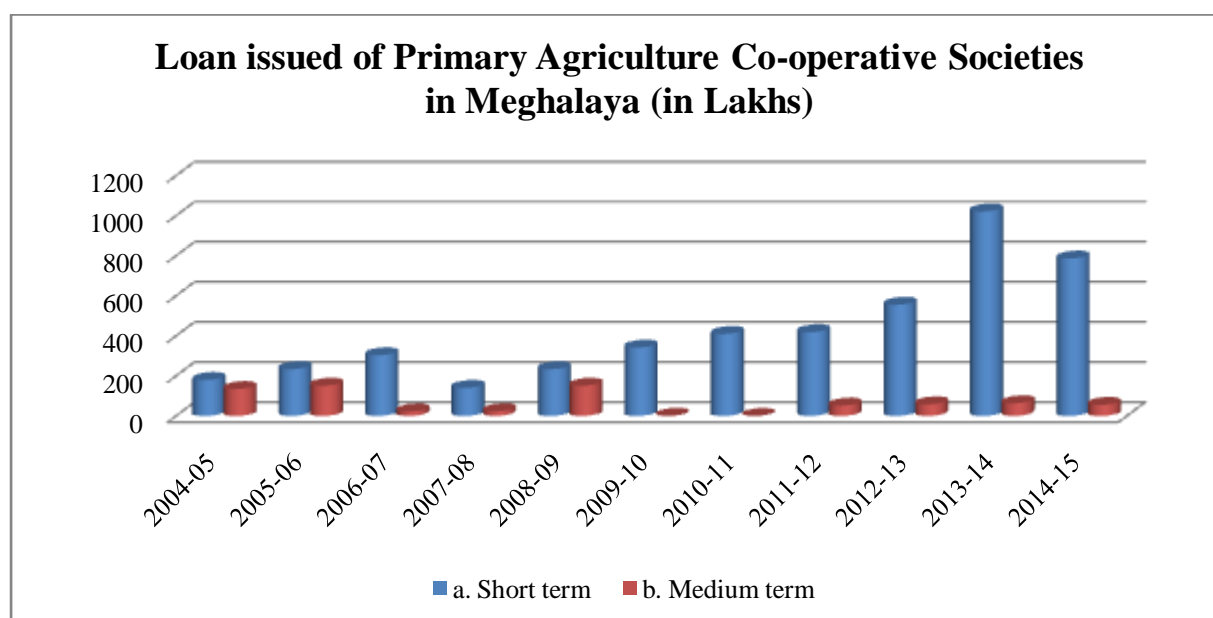
**vi. Loan issued:**

Normally the PACS provide short-term and medium-term. The short-term loan is advanced for a period of 12 months for seasonal agricultural operations, such as purchase of seeds, fertilizers, pesticides, payment of wages to agricultural labourers, etc. The medium-term loan is advanced under ordinary circumstances for a period of 3 to 5 years. This loan is issued for the purchase of animals, goat rearing, purchase of cattle, repairing of wells, improvement of lands and for other agricultural purposes. The description of the Growth in Loan issued of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 6.

**Table 6 Loan issued of Primary Agriculture Co-operative Societies in Meghalaya for the period from 2004-05 to 2014-15 (Values in Lakhs)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Loan issued (in Lakh)											
a. Short term	179.73	233.95	303.04	140.23	233.95	341.45	409.83	418.55	555.33	1021.66	786.55
b. Medium term	134.70	151.13	22.58	23.46	151.12	1.20	0.42	52	58.15	63.45	55.5

Source: Meghalaya Statistical Handbook, 2017



**Figure 5 - Loan issued of Primary Agriculture Co-operative Societies**

The table 6 depicts the Loan issued of Primary Agriculture Cooperative Societies in Meghalaya from 2004-2005 to 2014-2015. Short term Loan of Primary Agriculture Cooperative Societies was Rs. 179.73 Lakhs in the year 2004-05 and it was Rs. 786.5 Lakhs during the year 2014-15. While Medium term Loan of Primary Agriculture Cooperative Societies was Rs. 134.70 Lakhs in the year 2004-05 and it was Rs. 55.5 Lakhs during the year 2014-15. There were lots of ups and downs of Loan issued in PACS. During the period of study Short term Loan issued was the highest during the year 2013-14 with Rs 1021.6 Lakhs and the lowest was during the year 2007-08 with 140.23 Lakhs. While Medium term Loan issued was the highest during the year 2005-06 with Rs 151.13 Lakhs and the lowest was during the year 2010-11 with 0.42 Lakhs

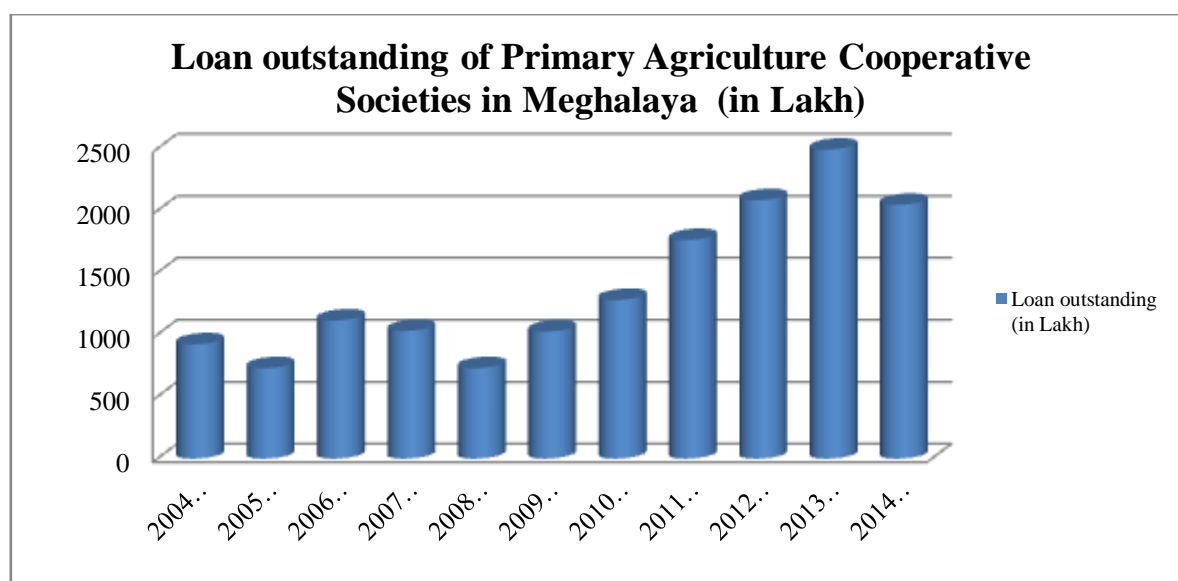
**vii. Loan outstanding:**

Loan outstanding is the original amount of the loan that still needs to be repaid. The term outstanding loan can refer to the outstanding principal, unpaid interest or the total value of both. The description of the Growth in Loan outstanding of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 has been shown in table 7.

**Table 7 Loan outstanding of Primary Agriculture Co-operative Societies in Meghalaya from 2004-05 to 2014-15 (Values in Lakhs)**

Description	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Loan outstanding (in Lakh)	922.10	730.06	1114.96	1029.92	730.05	1025.63	1280.65	1764.09	2084.86	2492.92	2047.05
Growth Percentage		-20.8	52.7	-7.6	-29.1	40.5	24.9	37.7	18.2	19.6	-17.9

Source: Meghalaya Statistical Handbook, 2017



**Figure 6 – Loan Outstanding of Primary Agriculture Cooperative Societies**

The table 7 depicts the Loan outstanding of Primary Agriculture Cooperative Societies in Meghalaya from 2004-2005 to 2014-2015. There were Rs. 922.10 Lakhs Loan outstanding of PACS during the year 2004-05 and it was Rs. 2047.05 Lakhs during the year 2014-15. There were lots of ups and downs of Loan outstanding in PACS. The growth rate percentage clearly indicates both positive and negative growth of Loan outstanding of PACS. The highest growth rate was in the year 2006-2007 with 52.7 and the lowest growth rate was in the year 2008-09 with (-) 29.1.

## **FINDINGS**

1. The number of Primary Agriculture Cooperative Societies (PACS) in Meghalaya remained constant throughout the study period.
2. Total Memberships of Primary Agriculture Cooperative Societies (PACS) in Meghalaya showed a decreasing trend which is an unhealthy development.
3. Paid up share capital of Primary Agriculture Co-operative Societies in Meghalaya is increasing over the year except in the year 2007-08 and 2008-09 which is a positive development.
4. Working capital on the whole is increasing over the year except in the year 2007-08, 2008-09 and 2014-15 which shows a healthy trend.
5. The amount of loan issued was increasing over the year especially Short term loans; this shows that the PACS is providing finance to its Members.
6. Loan outstanding was increasing over the year which means that members do not pay regularly the loans.

Apart from the above findings, PACS in Meghalaya may also faced various other problems such as absence of thrifts, inadequate monitoring and supervision system, Negligence to small farmers, Low skilled staff, Lack of professionalism, Lack of diversification in business, Inconvenient repayment schedule etc.

## **SUGGESTIONS**

Based on the findings and problems as discussed above, there is a strong need to revive PACS for enhancement of rural credit facilities in Meghalaya. Re-organisation of SCS is the need of an hour for the development of Cooperatives societies so as to correct many weaknesses, constraints and limitation particularly in respect of area operation, Village allocation, area demarcation & membership coverage etc. This can be done by adopting the following suggestions:

1. The membership coverage of PACS has to be increased and for this purpose, a suitable Action Plan may be drawn up to ensure attracting willing people to the cooperative fold.
2. Equal treatment for big and small farmers should be maintained by PACS. This will be helpful to attract membership and increase their deposits in PACS.
3. Financial assistance should be made available by the government for wiping out accumulated losses, increase capital to minimum level and technical assistance etc.
4. The members are to be motivated to repay loans in time.

5. Serious and sustained efforts should be made to reduce loan outstanding and credit monitoring system should be improved for better loan recovery.
6. The members of the PACS should be made serious efforts to remove political interference in the management and decision making in PACS.
7. PACS should appoint trained manager or secretary to enhance professional management and remove lacunas in management.
8. PACS should adopt easy loan process, so that this can increase efficiency in loan disbursement and provide quick loans to the members.

## **CONCLUSION**

The PACS in Meghalaya has made tremendous progress since its inception. The data depicts that although there are ups and downs in its performance but overall there is significant progress achieved in respect of Paid up capital, Working capital, Deposits, Loan disbursed and Loan outstanding. Effort has to be made by the state to increase the number of viable PACS and also encouragement has to be made to increase the memberships.

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