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**Pathargama Primary Agriculture Credit Co-operative Society, A Case for Intense Study with Respect Transformations Brought by Vaidyanathan Committee Recommendations in PACSs**

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**ABSTRACT**

*The present study is related with the impact analysis of Pathargama PACS in Godda district of Jharkhand. The PACS under study has 1812 members out of which 12 persons are in the Board of Directors of the society include 5 women and 1 ST members. Vaidyanathan study team provides financial as well as non-financial assistance to only eligible Societies. Eligibility criteria comprise improvement in management and record keeping, efforts taken to improve recovery performance and aiming at enhance overall efficiency. The concerned committee fulfils the criteria. Hence it was provided assistance of Rs 232000 from the DCCBs Godda which was given fund by NABARD through the Government of Jharkhand. The fund obtained was utilized by the society for legislative reforms brought about in the Bye-Laws by the state government. It provided reduction in government intervention such as voting right to members, limiting supervisory power of the Government and increase in composition of its functions. The Society adhered to the programme of providing and attending training courses organized by the BIRD, DLTs and CAS. Vaidyanathan committee also effected technological reforms and attempted to provide Internet facility to the society. In this attempt the society has not been successful till date. Attempts have been taken to improve recovery performance regularly in holding meetings, according larger membership to weaker sections of the society and enlargement of financial capacity and its functioning in addition to credit activities.*

**Keywords:** *Transparency, Criteria, Agriculture, Mechanism.*

**1.0 Introduction**

Pathargama primary Agriculture Credit co – operative Society, located at Pathargama block in Godda district was established in the year 1984. Presently, it is headed by its current Chairman Mr. Sanjay Kumar Bhagat, B.Com from TMBU Bhagalpur. There are 1812 members in the society, out of which 12 members are part of Board of Directors, including 5 woman director and 1 ST director. This PACS has been rated as Category B society by auditors.

This paper is an impact study focusing on the benefits of the Vaidyanathan Committee Recommendations on the functioning and profitability of the society.

Government of India, through NABARD had provided the Revival package of approximately Rs 15,000 Crore to all the eligible PACS across the country. This fund was actually taken on loan by the

Government of India from World Bank. Hence, all the Vaidyanathan Committee Recommendations were implemented by the Government for offering the Revival package. Hence, it was mandatory for the PACSs to be eligible as per Vaidyanathan Committee norms for receiving the revival package.

The funds were distributed through the 3-tier system of credit cooperatives in order to have higher transparency and easier monitoring of funds

In order to eligible for the revival package Pathargama PACS took following steps :-

- Improved its management and record keeping
- Tried to increase its business recovery
- Concentrated on overall improvement in efficiency

By implementing this systematic approach Pathargama PACS was eligible for the revival package and it received Rs. 232000 in 2013. Larger amount of revival package was not required as the

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financial position of the society was already very sound. Today, the total capitalization of the society is Rs. 84,00,000 which is a very lofty level for a PACS in Jharkhand. Only top 5% PACS have capital value more than Rs.50,00,000. Share of the Government in the total equity of society has also declined over the years.

## **1.1 Reforms brought to the society by Vaidyanathan Committee recommendations**

### **1.1.1 Legislative reforms**

Jharkhand State brought amendments to its State Credit Cooperative Societies Act. Hence, the society also brought changes in its Bye-Laws. Legislative Reforms enabled the society attain full functional autonomy.

- The society gave full voting membership rights to all the users of financial services.
- It also diminished the state intervention in financial and internal administrative matters.
- Limited the power of state government to supersede the Board.
- Created the required platform for timely elections.

## **2.0 Corporate Governance Reforms**

Fit & proper criteria for the top position implemented but only to a limited extent. The Secretary of the society is 12 pass (therefore, failing the Fit & proper criteria). But the Chairman and few other board members are graduates and well educated. (Hence, complying the Fit & proper criteria).

This criteria could not implemented effectively, because the board members are elected the society members only. So, the voting results only decide the board members. Hence, all the board members do not fulfill the Fit & proper criteria.

## **3.0 Training Reforms**

Vaidyanathan committee took following steps at Godda in Jharkhand for improving the performances of PACS through training reforms:-

- 4 master trainers, trained by BIRD (Banking Institute of Rural Development) were appointed

for training programs designed for PACS secretaries and elected board members.

- 12 District Level trainers (DLTs) also imparted training to 202 PACS functionaries and 1498 elected members.
- Training on CAS (Common Accounting Systems) was also imparted to 1276 functionaries.

The secretary at Pathargama PACS attended only 1 training under each of the above mentioned programs. Board members also attended only a few training sessions. This did not give a good impression about the capability of society functionaries of using computers and MIS. As a result, the society got a computer but they cannot operate for its official operations under the revival package.

Hence, the society still uses hardcopies to maintain accounts. Under CAS norms, 14 registers are to be maintained by the society.

## **4.0 Technology Reforms**

These reforms were not at all brought to the society, as the society is quite unorganized. Also, the society got Computer under the revival package but it is not operated by the society member. Hence there is no scope for (MIS) Management Information System too. MIS is best mean for quick information flow and is good for decision -making and recovery.

Internet Facility is also not there in the society.

Although the Functionaries of the society attende once the orientation training for Technology advancements in their operations.

## **4.1 Other tools which helped in improving the operations**

### **4.1.1 Financial restructuring**

The society received adequate funds under the revival package which helped it in recovering the losses incurred from NPAs (Non performing Assets). Also, this society received the entire package in 1 go and not in installments, as was the case with underperforming PACSs. Share of Government holding in equity has also been diluted over time. Now no State government nominee is on the Board of society.

CRAR (Capital to risk Weighted Asset Ratio) is at 14% of this society. This has to be at least 7% or above.

#### 4.2 CAS

The society implemented the CAS in 2012. It was implemented quite late because the functionaries were poorly trained within the stipulated time period. Hence CAS implementation came late for the society.

But still due to absence of computers, the society is not having software-based accounting platform.

#### 4.3 Transparency in communication

The Secretary of the society informs the loanee and members about any update through messages. There are personal relations among the members, as the society is based at village level only. But, there is no call center for providing extension services.

#### 4.4 Recovery

The society has 100% recovery record. Although the Debt Relief Schemes harmed the recovery rates earlier, as the farmers started expecting the announcement of such schemes further in future, hence this had developed the tendency to avoid repayment among loanee farmers.

Then the society regained its 100% recovery level by filing cases against the willful defaulters. The society also adopted the direct approach to recover money. Recovery camps were organized and well coordinated.

#### 4.5 Board meetings

Timely Board meetings have helped the society in achieving the goals and building the business development plan. Also, there is active participation by all the members. Board member attendance is 100%. Members get the Notifications about the meeting 2 weeks before. Board meetings are held once in every month.

##### 4.5.1 Non-credit activities of the society

- Agri Service Centre
- Agri Marketing
- Banking.
- BDP
- Common Service Centre
- Crop insurance
- Godown

- Irrigation
- Kisan Credit Cards

##### 4.5.2 Lending activities by the society, to promote credit

- Distribute Loans
- Create Awareness
- Target completion
- Meeting borrowers
- Advertisements
- Credit limits
- Legal notices

##### 4.5.3 Due to all these services, the society has managed to improve its

- Capital Base
- Lending Rate
- Deposit Rate
- Income generation for Small and Marginal farmers, as they are appropriately benefitted
- Subvention schemes have motivated the borrowers to make payments before time.

Credit Deposit Ratio of the society is also sound. The society also offers Loan rescheduling services to the farmers.

##### 4.6 Limitations in the PACS system

- Very casual attitude among all the secretaries and Board members towards the training programmes held by NABARD or state level or district level cooperative banks.
- Average age of Chairman is 50 years, which is why the functioning is very slow paced.
- Handling 14 registers of a single society under CAS is very time consuming in the absence of computer with the society.
- MIS is not implemented in entire Godda District.
- Most of the PACSs have their own offices. But they are not work in their office. They run office from own house because mostly PACS have not connect with electricity. If Office infrastructure is provided, then it can make the functioning more effective and efficient.
- Secretaries mostly do not satisfy the fit s proper criteria. Nor the board members.
- There is need of frequent training programmes for the secretaries and Directors to impart positive attitude among them and to improve their business skills.

- The Board of Directors should be empowered to make decisions pertaining to loan distribution and collection of deposits.

## 5.0 Conclusions

### 5.1 Bye-laws

There may be a monitoring mechanism, monitored by NABARD and the State Government, which will ensure the implementation of all provisions of the bye-laws within stipulated time frame in the future.

### 5.2 Elections

There is need of a separate “Election Authority” to conduct elections on time. Currently, Elections are interfered by government and the results are often influenced by these interventions.

### 5.3 Fits proper criteria

A minimum educational standard needs to be set for appointment of secretaries/ managers of PACS. They must have knowledge of computer with at least a certificate course and CAS.

### 5.4 CRAR

There should be a monitoring mechanism to assess the position of CRAR, NPAs and other financial responsibilities at regular intervals. Corrective measures should be taken up immediately as per the standard guidelines set by RBI/NABARD and Government, if necessary.

### 5.5 Accounting and reporting system

This needs to be very transparent so that the flow of information is quick across the entire 3-tier structure.

## 6.0 Business Development Plans

They are crucial for the growth of PACS. Only 50% PACSs prepare them. They need to be encouraged.

## 7.0 HR and Capacity Building

- Management trainings to upgrade management skills.

- Capacity Building training to enhance efficiency of staff of PACS.
- Exclusive training for preparation of BDPs, effective implementation and timely review.

## 8.0 Credit Uptake

PACS should be given logistic support and refinance facility to begin initial credit and non-credit business.

## 9.0 Door Step Services

PACS should officially collect document from concerned offices to minimize the difficulties faced by farmers due to illiteracy or help them get it done earliest. Loan services should also be provided at door steps, as provided to farmers in Israel.

## 10.0 Computerization, CAS and MIS

- The basic data regarding balance sheets/financial statements etc and BDP should be made available to the other PACS through internet so that they too may adopt the best practices.
- There should be uniformity in accounting practices, as expected by the CAS
- The Staff should be trained for Computer and MIS. Technical Guidance should be provided within stipulated time from for those who ask for at a regular interval from a positive impact on the PACS.

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