ORIGINAL RESEARCH PAPER

Economics

PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT COOPERATIVES IN KARNATAKA

KEY WORDS: PACS, CAGR, Rural Credit, Karnataka, Financial, Performance, Institutional Growth

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ABSTRACT

This study analyses the performance of Primary Agricultural Credit Cooperative Societies (PACS) in Karnataka from 2002–03 to 2022–23. The number of PACS increased at a CAGR of 2.56%, reflecting moderate institutional expansion, while total loans disbursed grew at a robust CAGR of 17.19%, highlighting the significant role of PACS in rural credit delivery. Despite steady financial strengthening in terms of share capital, reserves, deposits, working capital, and borrowings, membership trends, especially among SC and ST groups, showed fluctuations. The findings indicate that while PACS have strengthened their operational and financial base, sustained efforts in inclusive outreach, governance reforms, and recovery management are essential to ensure long-term sustainability and effective support to the agricultural sector.

INTRODUCTION:

The cooperative sector has played an important role in the State's socio-economic development. In Karnataka, cooperative societies encompass nearly all areas of social and economic activity. Consequently the State has different types of cooperative societies. The first cooperative society in India was registered in 1905 in the Kanaginahal village of the Gadag district of Karnataka. Sri Siddanagowda Sannaramana Gowda Patil is recognized as a pioneer of the cooperative movement, serving as the founding president of the country's first cooperative society. The Mysore Co-operative Societies Act of 1959 was the initial legislation in the state concerning cooperative societies and coming into effect on May 25, 1960.

Primary agricultural credit cooperative societies (PACS) directly interface with individual farmers, provide short-term and medium-term credit, supply agricultural inputs, distribute consumer articles and arrange for marketing of produce of its members through a co-operative marketing society. Primary agricultural cooperative credit societies (PACS) are the main source of institutional finance for small and marginal farmers in India. The main objective of PACS is to promote economic interests of members in accordance with the principles of cooperation. In compliance with this objective, PACS provide credit to cultivators, supply of agricultural inputs & also undertake marketing of agricultural produce. PACS have been playing an important role in the channelization of bank credit to the rural sectors. They provide short term and medium term loan to rural people to meet their financial requirements. Primary agricultural cooperative credit societies (PACS) are the main source of institutional finance for small and marginal farmers in India. PACS are the banks which are situated in rural area and play a very important role in rural credit system by performing their activities on co-operative principles.

Review Of Literature

Shailaja, N. R and Hebbar, C. K., (2018) analyze the progress and performance of Primary agricultural cooperative credit societies in Karnataka reveals that there is a positive growth in the performance of members, deposits and reserve funds. But the total outstanding loans increased during the study period (2012-17). **Manjuprasad, C and S. Mahendrakumar (2019),** study reveals that number of primary agriculture credit co - operative societies, memberships, Share Capital, Reserves, Deposits, Borrowing, Working capital, Loans Issued, Loans outstanding, Loan demand, and Loan Collection of primary agriculture cooperative societies in Karnataka has increased significantly during the period from 2005-06 to 2016-17. Overall the performance of primary agriculture credit co-operative societies in Karnataka has shown good performance in the scene of progress and development. **H. K. Dyavanaika and S. Mokshapathy (2019),** Co-operative Societies selected especially PACS, SHGs and KCCS which are mainly provide short and medium term credit to farmers for crop production. funds involved in supply of institutional credit to agriculture sector in Karnataka such as NABARD occupy of 32.63%, APEX Bank 28.56%, DCC Banks 36.43%, PACS own funds 0.51% and Commercial Banks 1.87%. The performance of short term, medium term and long term credit structure achieved has been decreased as 100.19% to 96.46% and 86.06% respectively. the recovery of loan during the year from 2015 to 2018 has decrease in trends of 98.38%,94.12% and 91.06% respectively in short term loan, to decreasing in nature of recovery of loan due to may be crop failure, environmental calamities, not good price in market for their produce and expected waive off of loan, in medium term also has similar kind of trends and in long term credit increasing trends but the percentage of loan recovery is very less when it compared to short term and medium term loan, the reason it could be returns on loan term investment was delayed. **Ghanashyam P. (2022),** study demonstrates that financial analytics serves as a critical enabler for improving operational efficiency and financial sustainability of PACS in Karnataka. By adopting analytics-driven tools for credit scoring, portfolio monitoring, and performance tracking, PACS can enhance profitability, reduce NPAs, and strengthen governance.

Objective And Methodology Of The Study

The present study was carried out with broad objective as to examine the Performance of Primary Agricultural Credit Cooperatives in Karnataka, the study has made use of secondary data; the secondary data were collected from website, published articles, and books, department of cooperation, government reports and websites of NAFSCOB. The data analysis is carried out by the compound growth model and the various findings from secondary data have been summarized as under:

Performance of Primary Agricultural Credit Co-operative Societies in Karnataka

The role of Primary Agricultural Credit Co-operative Societies assumes significance as they are the appropriate agencies to meet the credit needs of the agriculturists. Hence Co-operative credit in Karnataka has a wide network of PACS to meet the credit needs of the farmers. The discussion in this part relates to various aspects of the performance of PACS in Karnataka in terms of number of societies, membership, financial resources of PACS. Deposits and borrowing etc., have been examined in details during 2002-03 to 2022-23. The performance during the scheme period has been examined in details in below tables:

Table - 1: Number Of PACS And Memberships In Karnataka From 2002-03 To 2022-23 (In 000)

Year	Total No. Of PACS	Total Membership	SC	ST
2002-03	4094.00	5406.83	1101.47	510.29
2003-04	3863.00	5223.16	657.03	349.32
2004-05	4051.00	4487.41	594.73	393.47
2005-06	4911.00	4715.10	559.06	364.66
2006-07	4205.00	4657.10	570.79	424.74
2007-08	4620.00	4857.73	567.86	376.32
2008-09	4806.00	5417.69	597.79	387.94
2009-10	4694.00	7479.24	845.97	466.30
CAGR	2.76	3.24	-2.86	-0.10
2010-11	4811.00	8992.00	672.00	464.00
2011-12	4739.00	5458.72	663.39	320.83
2012-13	4789.00	6128.36	673.61	330.42
2013-14	4915.00	5930.95	671.08	341.81
2014-15	5625.00	5191.68	741.52	401.87
2015-16	5337.00	8846.00	755.00	613.00
2016-17	5679.00	6696..68	658.24	455.13
2017-18	5679.00	6696.68	658.24	455.13
2018-19	5679.00	6696.68	658.24	455.13
2019-20	5481.00	2675.13	400.91	222.11
CAGR	2.25	-4.81	-2.90	-0.79
2020-21	6248.00	2865.03	430.00	260.02
2021-22	6964.00	6817.82	783.54	526.17
2022-23	7240.00	4412.65	572.24	278.05
CAGR	7.65	24.10	15.36	3.41
Total CAGR	2.56	-0.40	-1.04	-0.85

Source: *Annual Reports of NAFSCOB*

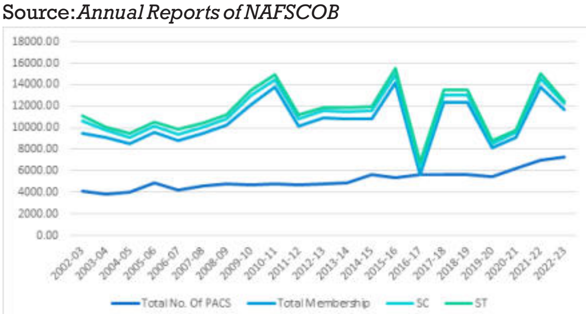

Figure - 1: Number of PACS and Memberships in Karnataka from 2002-03 to 2022-23 (In 000)

Table-1 clearly reveals that the number of PACS and membership over the study period reveal moderate institutional expansion but fluctuating membership trends. During the first phase (2002-03 to 2009-10), the total number of PACS increased at a CAGR of 2.76 per cent, indicating gradual strengthening of the cooperative network. Total membership also grew at 3.24 per cent annually, with a notable rise in 2009-10. However, membership among Scheduled Castes (SC) and Scheduled Tribes (ST) declined slightly, with negative CAGRs of –2.86 per cent and –0.10 per cent respectively, suggesting that early expansion did not proportionately benefit marginalized communities.

In the second phase (2010-11 to 2019-20), the number of PACS continued to grow moderately (CAGR 2.25 per cent), reflecting institutional stability. However, total membership declined at –4.81 per cent CAGR, indicating either consolidation of societies, inactive memberships, or data fluctuations in certain years. SC and ST memberships also recorded negative growth (–2.90 per cent and –0.79 per cent respectively), pointing to concerns regarding inclusiveness and sustained participation of weaker sections. The sharp fall in total membership in 2019-20 particularly influenced the overall negative growth trend during this period.

The third phase (2020-21 to 2022-23) shows a strong revival in institutional and membership growth. The number of PACS increased significantly at a CAGR of 7.65 per cent, while total membership grew sharply at 24.10 per cent. SC and ST memberships also registered positive growth rates of 15.36 per cent and 3.41 per cent respectively, indicating improved outreach and possibly targeted inclusion initiatives. Despite this recent improvement, the overall Total CAGR for the entire period shows only modest institutional growth (2.56 per cent) and marginal decline in membership (–0.40 per cent), suggesting that long-term progress in expanding and sustaining inclusive membership remains uneven and policy-dependent.

Table - 2: Capital Performance Of Primary Agricultural Credit Cooperatives In Karnataka From 2002-03 to 2022-23 **(Rs. In Lakhs)**

Year	Share Capital	Govt. Share	Reserves	Deposits	Working Capital	Borrowing	Borrowers
2002-03	26348	3901	19255	108213	355645	156493	922
2003-04	28406	4119	12986.1	77475	303863	161064	1086
2004-05	28649	4242	14034	77187	317783	17394	1203
2005-06	32369	4709	18035	102685	470393	196363	1107
2006-07	34923	4384	19024	112170	508361	200404	1342
2007-08	36322	3918	18589	114407	521066	219111	1297
2008-09	56500	4656	27064	146523	549416	314524	1767
2009-10	59242	3622	37808	161761	605819	370800	1672
CAGR	12.51	-0.26	11.7	9.04	10.32	22.44	8.71
2010-11	86682	5292	92820	323723	1017254	442932	2257
2011-12	57410	3407	36049	228230	791874	456157	1978
2012-13	68528.62	3388.55	43368.86	258639.3	855959.2	502176.7	2124.88
2013-14	75866.68	3382.94	48211.93	285641	924480.8	516278.6	2148.4
2014-15	132924	8178	85220	602449	1767803	852100	2283.51
2015-16	145545	6191	89600	585990	1803773	1063059	2536
2016-17	173751	4881	102870	749701	2316084	1128455	5130.71
2017-18	173751	4881	102870	749701	2316084	1128455	5130.71
2018-19	173751	4881	102870	749701	2316084	1128455	5130.71
2019-20	248331	7215	182580	1290269	2934583	1582935	1088.5
CAGR	15.97	4.94	12.94	19.18	16.22	15.95	4.48
2020-21	342844.9	11500.76	182204.1	153364.8	3625724	1813321	1170.11
2021-22	331507.6	14941.13	205846.7	1565874	4343964	2121600	4379.27
2022-23	292250.3	27328.47	267430.4	1784113	4911666	2430677	2349.15
CAGR	-7.67	54.15	21.15	241.07	16.39	15.78	41.69
Total CAGR	14.77	6.22	16.05	15.5	15.26	18.5	5.62

Source: *Annual Reports of NAFSCOB*

(Rs. In Lakhs)

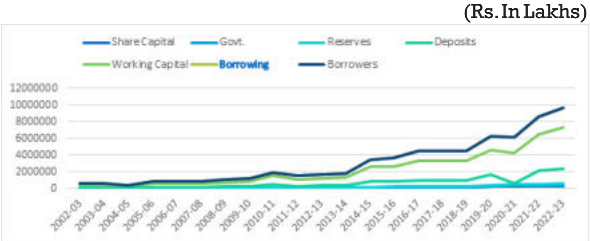

Figure - 2: Capital Performance Of Primary Agricultural Credit Cooperatives In Karnataka From 2002-03 to 2022-23

Table 2 highlights the capital performance of Primary Agricultural Credit Cooperatives (PACS) in Karnataka over the period 2002–03 to 2022–23, revealing steady long-term financial strengthening with periodic fluctuations. During the first phase (2002–03 to 2009–10), PACS demonstrated moderate and stable growth. Share capital increased at a CAGR of 12.51 per cent, while reserves grew at 11.70 per cent, reflecting improved internal capital formation. Deposits and working capital also expanded at 9.04 per cent and 10.32 per cent respectively, indicating rising member confidence and operational capacity. Borrowings recorded a high growth rate of 22.44 per cent, suggesting increased dependence on external funding to support credit expansion. The number of borrowers grew at 8.71 per cent, showing gradual expansion in outreach. However, government contribution remained almost stagnant (–0.26 per cent), indicating limited direct fiscal support during this period.

The second phase (2010–11 to 2019–20) marked a period of accelerated expansion and consolidation. Most capital indicators registered strong double-digit growth. Share capital grew at 15.97 per cent, reserves at 12.94 per cent, deposits at 19.18 per cent, and working capital at 16.22 per cent, highlighting substantial financial deepening. Borrowings continued to increase significantly (15.95 per cent), supporting expanded credit operations. Government share capital improved modestly (4.94 per cent), reflecting some policy intervention. Although the borrower base increased at 4.48 per cent, the growth rate was relatively lower compared to financial indicators, suggesting that capital expansion outpaced outreach growth. Overall, this phase reflects structural strengthening and scaling up of cooperative financial operations in the state.

Table - 3: Loan Performance Of Primary Agricultural Credit Cooperatives In Karnataka From 2002-03 to 2022-23

(Rs. In Lakhs)

Year	Total Demand	Total Loan Issued	Total Loan Outstanding	Total Collection	Total Over Dues
2002-03	224836.24	194887.01	234092.52	120209.80	105008.30
2003-04	195301.74	155026.88	204610.02	106549.49	88752.27
2004-05	221024.97	160893.01	220725.30	125848.67	95176.30
2005-06	262031.97	230849.97	270878.29	164738.46	89650.01
2006-07	277704.17	245192.59	309200.64	156114.32	121589.85
2007-08	302018.94	289549.51	313723.69	156114.32	6567.99
2008-09	309721.29	412807.68	399636.32	240319.20	69415.22
2009-10	334609.24	326742.90	407155.70	249994.52	84614.72
CAGR	7.51	13.10	10.53	12.35	-11.70
2010-11	803017.00	695496.00	695496.00	695230.00	107787.00
2011-12	489838.50	575682.52	55252.69	391459.13	98379.37
2012-13	490915.27	611719.11	576030.70	416605.58	74322.69
2013-14	551882.49	684826.18	638385.14	479483.99	72411.50
2014-15	994610.00	1688457.00	1369851.00	977797.00	16813.00
2015-16	1062033.00	1327230.00	1329493.00	1041349.00	20684.00
2016-17	1409195.44	1661704.00	1602069.21	1325945.02	83250.42
2017-18	1409195.44	1661704.00	1602069.21	1325945.02	83250.42
2018-19	1409195.44	1661704.00	1602069.21	1325945.02	83250.42
2019-20	1686369.00	2079150.00	1205706.00	1523530.00	162839.00
CAGR	14.42	16.14	24.66	16.01	2.29
2020-21	1883213.17	2352568.62	2491487.67	1791613.90	91599.27
2021-22	2115564.63	2678011.46	2858697.03	2003533.46	112031.17
2022-23	2465753.16	3108580.54	3236727.63	2333638.81	132114.35
CAGR	14.43	14.95	13.98	14.13	20.10
Total CAGR	14.32	17.19	15.47	18.15	1.46

Source: *Annual Reports of NAFSCOB*

The third phase (2020–21 to 2022–23) shows both volatility and renewed expansion. While share capital declined at a CAGR of –7.67 per cent, reserves grew strongly at 21.15 per cent, indicating improved internal accumulation and retained earnings. Government contribution increased sharply (54.15 per cent), reflecting intensified state support and reform initiatives. Deposits recorded exceptionally high growth, and both working capital (16.39 per cent) and borrowings (15.78 per cent) continued to rise significantly, enhancing financial capacity. Borrowers also increased sharply at 41.69 per cent, indicating renewed outreach efforts, although fluctuations suggest instability in borrower participation. Over the entire study period, the overall CAGR demonstrates consistent long-term growth across major indicators—share capital (14.77 per cent), reserves (16.05 per cent), deposits (15.50 per cent), working capital (15.26 per cent), and borrowings (18.50 per cent). This confirms substantial financial strengthening of PACS in Karnataka, though periodic fluctuations in borrower numbers and share capital highlight the need for sustained institutional stability and inclusive credit expansion.

(Rs. In Lakhs)

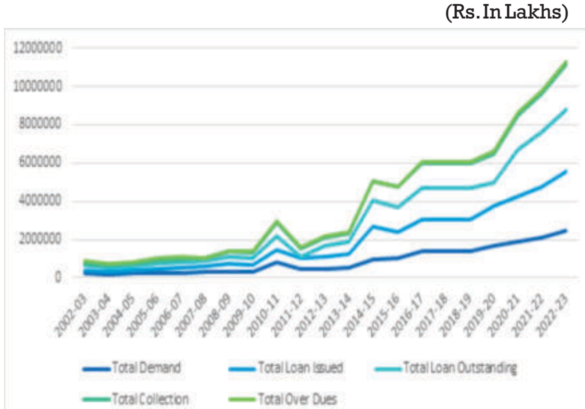

Figure - 3: Loan Performance Of Primary Agricultural Credit Cooperatives In Karnataka From 2002-03 to 2022-23

Table 3 presents the loan performance of Primary Agricultural Credit Cooperatives (PACS) in Karnataka from 2002–03 to 2022–23, revealing a consistent expansion of credit operations over the study period. During the first phase (2002–03 to 2009–10), PACS recorded moderate growth in lending activities. Total demand increased at a CAGR of 7.51 per cent, while total loan issued and loan outstanding grew at 13.10 per cent and 10.53 per cent respectively. Total collection also rose steadily at 12.35 per cent, reflecting satisfactory recovery performance. Importantly, total over dues declined at a negative CAGR of –11.70 per cent, indicating improvement in repayment discipline and better credit management during this phase.

The second phase (2010–11 to 2019–20) witnessed substantial expansion and structural strengthening of loan operations. Total demand grew at 14.42 per cent, and loan disbursement increased at 16.14 per cent, indicating intensified credit support to the agricultural sector. Loan outstanding recorded a sharp growth of 24.66 per cent, reflecting expansion in the credit portfolio. Collections also improved significantly at 16.01 per cent, demonstrating enhanced recovery efforts. However, over dues registered a positive CAGR of 2.29 per cent, suggesting emerging repayment pressures as the scale of lending increased. The notable rise in lending during 2014–15 and subsequent years highlights a phase of aggressive credit expansion.

The third phase (2020–21 to 2022–23) shows continued strong growth in loan performance despite economic uncertainties. Total demand, loan issued, loan outstanding, and total collection grew at 14.43 per cent, 14.95 per cent, 13.98 per cent, and 14.13 per cent respectively, indicating sustained credit outreach and operational resilience. However, over dues increased sharply at 20.10 per cent CAGR during this short period, pointing to growing repayment stress. Over the entire study period, the overall CAGR reflects robust growth in total demand (14.32 per cent), loan issued (17.19 per cent), loan outstanding (15.47 per cent), and total collection (18.15 per cent), while over dues grew marginally at 1.46 per cent. This overall trend suggests that PACS in Karnataka have significantly expanded their lending and recovery capacity over time, though maintaining asset quality and controlling over dues remain important challenges for long-term financial sustainability.

CONCLUSION:

The study concludes that Primary Agricultural Credit Cooperative Societies (PACS) in Karnataka have demonstrated significant financial and operational expansion during the period 2002–03 to 2022–23. While the number of societies has grown moderately, membership trends have fluctuated, particularly among SC and ST members, indicating the need for stronger inclusive strategies. The capital performance of PACS shows substantial long-term growth in share capital, reserves, deposits, working capital, and borrowings, reflecting improved financial strength and enhanced resource mobilization. Loan performance analysis further reveals consistent expansion in credit demand, disbursement, outstanding loans, and collections, confirming the vital role of PACS in rural credit delivery. However, periodic increases in over dues highlight concerns regarding asset quality and repayment discipline. Overall, PACS in Karnataka have strengthened their institutional and financial base, but sustained efforts in governance reforms, recovery management, digital integration, and inclusive outreach are essential to ensure long-term sustainability and effective support to the agricultural sector.

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