

A Study on Short-Term Loan Issues in Primary Agricultural Cooperative Credit Societies in India

G. Vigneshwaran¹, Dr K. Ravichandran²

¹PhD Research Scholar, Department of Cooperation, Gandhigram Rural Institute (Deemed to be University), Gandhigram – 624302, Dindigul District, Tamil Nadu

²Senior Professor, Department of Cooperation, Gandhigram Rural Institute (Deemed to be University), Gandhigram – 624302, Dindigul District, Tamil Nadu

Abstract: *Short-term Agricultural Credit plays a vital role in supporting seasonal farming operations in India. Primary Agricultural Cooperative Credit Societies (PACCS) serve as grassroots institutions that provide crop loans and other short-term credit facilities to farmers. This study examines the state-wise pattern of short-term loan disbursements through PACCS in India during 2014-2023. The research is based on Secondary data and adopts a descriptive analytical approach to classify states into four categories: high, medium, low, and nil/irregular loan-performing states. The results show apparent regional differences. States such as Tamil Nadu, Karnataka, Maharashtra, Gujarat, and Andhra Pradesh record consistently high loan disbursement, while several North-Eastern and Urban-dominated regions show low or irregular performance.*

Keywords: Primary Agricultural Cooperative Credit Societies, short-term loan issues, state-wise performances in India

1. Introduction

Short-term credit plays a vital role in supporting Agricultural activities in rural India. Primary Agricultural Cooperative Credit Societies (PACCS) are the leading institutions that provide short-term loans to farmers to meet their seasonal production needs. These loans are usually granted for 6 to 18 months and used to purchase seeds, Fertilisers, insecticides and for meeting labour expenses. Such loans are also known as crop loans, seasonal credit, or production credit. PACCS function at the village level and serve as an accessible source of institutional finance, especially for small and marginal farmers. By offering short-term loans at reasonable interest rates, these societies help farmers avoid reliance on private moneylenders. Crop loans and jewel loans provided by PACCS support Agricultural production and ensure continuity in farming activities. However, in recent years, several issues have been observed in the functioning of short-term Credit through PACCS. Problems such as delays in loan sanction, inadequate loan amounts, recovery difficulties, and regional imbalances affect the effectiveness of these institutions. Hence, a detailed study of short-term loan issues in Primary Agricultural Cooperative Credit Societies is necessary to understand the nature of these problems and to suggest suitable measures for improving rural credit delivery in India.

2. Objectives

- To Analyse the trend of short-term loan disbursement by Primary Agricultural Cooperative Credit Societies in India.
- To identify the high-performing states in terms of short-term loan issuance through PACCS.
- To compare state-wise performance of short-term loans and examine regional variations across India.

3. Statement of the Problem

Short-term credit provided by Primary Agricultural Cooperative Societies (PACCS) plays a crucial role in meeting farmers' seasonal financial needs in India. These loans support Agricultural operations and help farmers continue cultivation without depending on informal sources of credit. Although PACCS have been functioning as key institutions for rural Credit delivery, their performance in short-term loan disbursement varies widely across states. In many regions, farmers face delays in loan sanctioning, inadequate loan amounts, procedural difficulties, and uneven access to credit. While some states show high levels of short-term loan issuance, others remain low-performing despite having a significant agricultural population. This imbalance raises concerns about the effectiveness and consistency of PACCS in providing timely, adequate short-term credit. Hence, there is a need to examine the state-wise performance of short-term loans issued by PACCS in India, identify high-performing states, and understand the disparities in loan distribution. Addressing these issues is essential for strengthening Cooperative credit institutions and ensuring equitable access to short-term Agricultural finance across the country.

4. Methodology

A descriptive research design is used to describe the existing situation without influencing or controlling any variables. In the study, the descriptive method is adopted to explain the pattern and distribution of short-term loans issued by Primary Agricultural Cooperative Credit Societies (PACCS) in India. The study does not attempt to test cause-and-effect relationships; instead, it focuses on presenting factual information. This study is based entirely on secondary data. State-wise data on short-term loans issued by Primary Agricultural Cooperative Credit Societies (PACCS) in India were collected for the period 2014-2023.

5. Review of Literature

- 1) **Vigneshwaran, G. (2025).** Vigneshwaran examined the role of Primary Agricultural Cooperative Credit Societies in supporting rural livelihoods through short-term credit. The study highlighted that PACCS play a crucial role in providing crop loans and jewel loans to small and marginal farmers. It also noted that the timely availability of short-term credit improves agricultural continuity, while delays and regional imbalances reduce its effectiveness.
- 2) **NABARD (2016)** NABARD reported that PACCS are the leading institutional agencies for short-term agricultural credit in India. The report observed wide inter-state variations in loan disbursement and recovery performance, indicating uneven development of cooperative credit institutions across regions.
- 3) **Reddy and Malik (2018)** Reddy and Malik analysed the functioning of PACCS and found that procedural delays and administrative inefficiencies affect the usefulness of short-term loans. The study emphasised the need for improving operational efficiency to strengthen cooperative credit delivery.
- 4) **Singh (2019)** Singh studied state-wise cooperative credit flow and revealed that southern and western states perform better in short-term loan issuance compared to northern and north-eastern states. The study attributed this difference to stronger cooperative infrastructure and better institutional support.
- 5) **Kumar and Gupta (2020)** Kumar and Gupta identified key issues in short-term loan delivery through PACCS,

such as inadequate loan amounts, rising overdues, and recovery problems. The study suggested strengthening governance and financial management at the PACCS level.

6. Discussion

Benefits and Uses of Short-Term Loans

Short-term loans play an essential role in supporting Agricultural activities, especially for small and marginal farmers. These loans are mainly used to meet seasonal farming needs, such as purchasing seeds, fertilisers, and pesticides, and to cover labour expenses during the cropping period. Since Agriculture depends heavily on timely operations, short-term credit helps farmers carry out cultivation without interruption. One of the significant benefits of short-term loans is the timely availability of funds at affordable interest rates through Cooperative institutions. This reduces farmers' dependence on private moneylenders, who often charge high interest rates. Short-term loans also help maintain continuous Agricultural production and improve crop yields. In addition, short-term loans for jewellery contribute to farm sustainability, income stability, and rural economic activity.

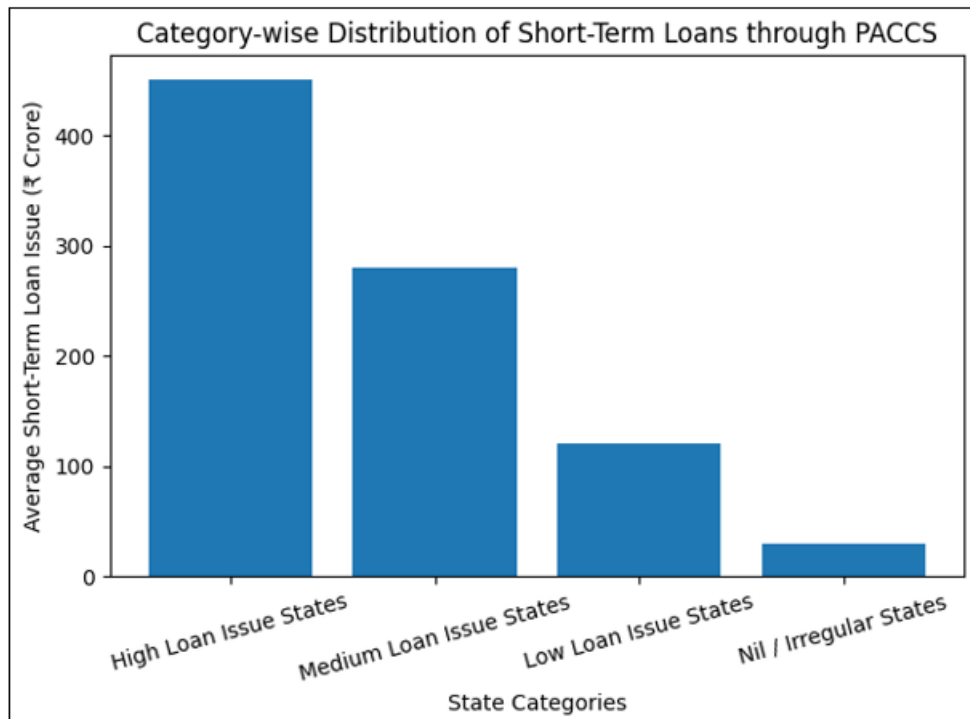
The State-wise distribution of Short-term loans reflects vast regional differences in Agricultural credit demand and the varying strength of Primary Agricultural Cooperative Credit Societies across India.

Short-term loan issue	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Andaman and Nicobar	350.35	550.63	703.36	617.89	721.1	687.99	676.86	768.38	478.73	439.91
Andhra Pradesh	348704	348704	489687.75	747262.6	914142.1	1044701	1044701	1317261	14453395.6	1572988
Arunachal Pradesh	0	0	0	0	0	0	0	0	0	0
Assam	713	713	713	713	713	713	713	713	713	713
Bihar	42189.21	42189.21	42189.21	42189.21	42189.21	42189.21	42189.21	42189.21	42189.21	42189.21
Chandigarh	35.94	35.72	0.78	0.76	0.68	0.5	0.4	0	0	0
Chhattisgarh	188515.5	259337.12	288494.1	320783.4	345853.4	390488.4	390488.4	390488.4	551263.38	62182.21
Delhi	0	0	0	0	0	0	0	0	0	0
Goa	399.19	1043	1184	1196	525.62	429.4	738.05	1019.68	1097.32	455.87
Gujarat	822581.79	1032066.51	1002755.8	1067047	1100617	1160315	1282474	1337880	1592039.84	1682114
Haryana	743302.45	805803.27	886650.97	886651	924825.7	920485.3	1030591	1002997	1283811.23	1208067
Himachal Pradesh	2095.71	2095.71	2095.71	2366.97	2479.53	2286.38	2157.92	2850.67	2850.67	2163.39
Jammu and Kashmir	982	982	1607.6	1607.33	1608.57	1608.57	1608.57	1608.57	1608.57	48.27
Karnataka	644584.81	1415746	1191621	1495658	1495658	1495658	1784264	2039804	2210696.85	2565906
Kerala	7135410.15	4167914.68	4601743.5	4325194	4325194	4478317	5149079	5149079	456314	456314
Madhya Pradesh	465534	465534	465534	465534	465534	465534	465534	465534	465534	465534
Maharashtra	693420	1098810.99	1145846	1216727	1291264	1331703	1087978	1087978	1087978	2279229
Manipur	7.14	7.14	7.14	7.14	60.4	58.7	58.7	58.7	58.7	109.2
Meghalaya	555.33	1021.6	1078.16	495.22	495.22	571.97	571.97	1336.07	1187.23	1128.5
Mizoram	34.17	206.12	206.12	182.96	135.52	300.24	370.69	670.24	430.15	1390.66
Nagaland	156.86	156.86	156.86	156.86	156.86	156.86	156.86	1705.52	1705.52	1705.52
Orissa (Odisha)	298810.99	298810.99	548508.87	572546.6	596837.5	614705.6	614705.6	644588.9	644588.87	906144.8
Pondicherry (Puducherry)	7851.52	3213.49	2526.27	1390.3	2351.2	3547.08	18763.05	23452.79	22729.46	23282.05
Punjab	165569.13	165569.13	165569.13	1106836	1106836	1106836	823790.8	965348.8	965348.82	965348.8
Rajasthan	704721.03	704721.03	1520878.3	1365805	1403776	1403776	958110.3	958110.3	0	1954821
Sikkim	879.63	729.87	1499.16	613.4	290.09	358.68	257.24	320.73	473.29	732.29
Tamil Nadu	1651798.2	1722143.43	1728843.4	1365805	1557775	1715743	1682376	2148129	1607230.79	2472172
Tripura	542.71	521.15	850.67	382	485.26	403.85	1143.57	308.28	209	340.36
Uttar Pradesh	78580	78580	78580	78580	78580	78580	78580	78580	78580	78580
Uttarakhand	67396.53	100541	100541	100541	98679.27	98679.27	121159.8	115569.2	129882.08	127070.5
West Bengal	106449.8	138648.89	138648.89	153708.2	157327.9	157327.9	157327.9	160197.3	160197.34	162281.4

Source: National Federation of State Cooperative Banks Ltd

Note: Figures in the above table are for the Financial Year 2013 to 2023

S.no	Loan Performances	No. of States
1	High	7
2	Medium	6
3	Low	10
4	Nil/Irregular	5



7 Category 1: High Loan Issue States

(Tamil Nadu, Karnataka, Maharashtra, Gujarat, Andhra Pradesh, Punjab, Rajasthan)

States under this category show consistently high levels of short-term loan disbursement throughout the study period. The strong PACCS network, high dependence on agriculture, and effective linkage with Cooperative banks contribute to higher credit flow in these states.

Reason for being strong:

- A large number of PACCS and more exhaustive coverage
- High dependence on Agricultural and crop-based activities
- Strong linkage with District Cooperative Banks
- Effective implementation of crop loan and low-interest subsidy schemes

The strong performance of certain states in short-term loan disbursement through PACCS can be attributed to multiple structural and institutional factors. One of the primary reasons is the large number of Primary Agricultural Cooperative Societies (PACCS) and their broader geographical coverage. These societies operate at the village level and ensure farmers have easy access to credit. A higher density of PACCS increases membership participation and enables timely loan disbursement, thereby raising the overall volume of short-term credit.

Another critical factor is the high dependence on agriculture and crop-based activities in these states. A significant

proportion of the rural population relies on farming as their primary source of livelihood. Seasonal agricultural operations, such as sowing, cultivation, and harvesting, require regular financial support, thereby increasing demand for crop loans. This consistent demand contributes to sustained short-term loan issuance. The strong linkage between PACCS and District Central Cooperative Banks (DCCBs) also plays a crucial role. Adequate financial and administrative coordination ensures a smooth flow of funds from higher-tier cooperative institutions to PACCS. This linkage enhances liquidity, improves loan recovery mechanisms, and strengthens confidence among member farmers, thereby supporting higher credit distribution. Further, the effective implementation of crop loans and low-interest subsidy schemes significantly boosts short-term loan performance. Government initiatives, such as interest subsidies and timely loan renewals, reduce the cost of borrowing for farmers. These schemes encourage greater participation in cooperative credit programmes and improve repayment behaviour, enabling PACCS to expand its lending capacity.

8 Category 2: Medium Loan Issue States

(Haryana, Madhya Pradesh, West Bengal, Odisha, Chhattisgarh, Uttarakhand)

These states exhibit moderate, relatively stable short-term issuance growth. Although PACCS are functioning satisfactorily, limited coverage and scale restrict them from reaching the high-performing category.

Reason for being strong:

- PACCS are operational but with limited scale
- Moderate Agricultural Intensity
- Slow Expansion of Cooperative Credit Outreach

In medium-performing states, Primary Agricultural Cooperative Credit Societies (PACCS) are operational but function at a limited scale. Although these societies offer regular credit services, their geographic coverage and membership base remain limited. As a result, the overall volume of short-term loan disbursement is moderate and does not reach the level observed in high-performing states. Another contributing factor is moderate agricultural intensity. In these states, agriculture remains an essential economic activity; however, it does not dominate the rural economy to the same extent as in high-performing regions. The demand for seasonal crop loans exists but remains balanced, resulting in steady yet moderate short-term credit flows.

Further, the expansion of cooperative credit outreach has been relatively slow in these regions. Limited institutional strengthening, gradual adoption of new credit initiatives, and uneven PACCS penetration across villages have constrained rapid growth. Consequently, while loan disbursement remains stable, the pace of expansion is insufficient to move these states into the high-performing category.

9 Category 3: Low loan Issue States

(Assam, Bihar, Himachal Pradesh, Goa, Sikkim, Tripura, Meghalaya, Mizoram, Nagaland, Manipur)

States in this category record low but continuous short-term loan disbursement. Smaller Agricultural Scale, Limited PACCS outreach, and lower membership contribution to reduced loan volume.

Reason for being strong:

- Small-Scale Agricultural
- Limited PACCS outreach and low membership
- Geographical and structural constraints

Small-scale agricultural activities broadly characterise states classified as low performers. Farming in these regions is mainly subsistence-oriented, with limited cropped area and lower input requirements. As a result, overall demand for short-term crop loans remains low, reflected in reduced loan disbursements. Another primary reason is the limited outreach of PACCS and low membership levels. Many villages have fewer functional cooperative societies, and farmer participation in cooperative credit institutions is relatively weak. The small member base limits both loan demand and lending capacity, resulting in consistently low short-term credit issuance.

Additionally, geographical and structural constraints significantly limit loan performance. Rugged terrain, scattered settlements, and inadequate institutional infrastructure reduce the effectiveness of PACCS operations. These constraints hinder regular credit delivery and expansion, resulting in low but continuous short-term loan distribution across the study period.

10 Category 4: Nil/ Irregular Loan Issue States

(Arunachal Pradesh, Delhi, Chandigarh, Jammu & Kashmir, Andaman & Nicobar)

These regions show zero or irregular loan issuance during the study period due to urban dominance, weak PACCS presence, administrative changes, or data limitations.

Reason for being strong:

- Urban dominance or non-agricultural Economy
- Weak or Absent PACCS structure
- Administrative restructuring or data gaps

States placed under the nil or irregular loan issue category are primarily characterised by urban dominance or a predominantly non-agricultural economic structure. In these regions, agriculture does not form the core economic activity, resulting in minimal demand for seasonal crop loans. Consequently, short-term agricultural credit through PACCS remains either negligible or absent. Another key factor is the weak or absent PACCS structure in these areas. The limited presence of functional cooperative credit societies restricts institutional mechanisms for loan disbursement. In the absence of an effective grassroots cooperative network, the flow of short-term credit becomes irregular or completely discontinued.

Further, administrative restructuring and data gaps contribute to inconsistencies in reported loan figures. Changes in institutional arrangements, merger or reorganisation of cooperative societies, and incomplete reporting affect data continuity. These factors lead to irregular trends and zero values in certain years, making sustained loan performance statistically insignificant.

7. Conclusion

The Study Analysed the state-wise pattern of short-term loan disbursement through Primary Agricultural Cooperative Credit Societies (PACCS) in India using secondary data for the period 2024-2023. The descriptive analysis reveals an apparent regional variation in the distribution of short-term Agricultural Credit across states. A small group of states consistently dominates loan disbursements, while several others remain moderate or irregular performers. States classified as high performers exhibit sustained, higher volumes of short-term loans, indicating strong institutional capacity and steady credit demand. Medium-performing states show stable but limited growth, reflecting moderate credit outreach. In contrast, low-performing states record continuous, but minimal, loan disbursements, highlighting structural and scale-related constraints. Certain regions exhibit nil or irregular loan patterns, indicating weak Cooperative Presence and non-agricultural economic dominance.

Overall, the findings underline the uneven development of Cooperative Credit across Indian states. Strengthening PACCS outreach, improving institutional linkages, and ensuring consistent implementation of credit schemes are essential to reducing regional disparities and enhancing PACCS's role in supporting short-term Agricultural finance.

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