

Inter-State Comparative Analysis of Medium-Term Credit Performance in Primary Agricultural Cooperative Credit Societies in India

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Abstract: This study examines the inter-state performance of medium-term loans issued by Primary Agricultural Cooperative Credit Societies (PACCS) in India during the period 2014-2023. Medium-term credit plays a vital role in supporting Agricultural investment activities such as land development, purchase of machinery, irrigation facilities, and allied activities. The analysis is based on secondary data obtained from the National Federation of State Cooperative Bank Ltd. The states are classified into high, medium, low and nil/irregular performance categories based on the level and consistency of loan disbursement. The findings reveal significant regional disparities in credit performance, primarily influenced by institutional strength, recovery performance, the financial capacity of Cooperative banks, state government support, and the level of Agricultural Commercialisation. Temporary disruptions such as administrative restructuring and the COVID-19 pandemic also affected credit patterns in certain states. The study highlights the need to strengthen Cooperative Credit institutions and improve operational efficiency to ensure balanced Agricultural Credit development across India.

Keywords: PACCS, Agricultural Finance, Inter-State Analysis, Rural Development India.

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I. INTRODUCTION

Agriculture continues to play a central role in the Indian economy, particularly in rural areas, where a large section of the population depends on farming for their livelihood. Access to institutional credit is essential for improving Agricultural productivity, adopting modern technology and strengthening farm income. Among the different sources of rural credit, Primary Agricultural Cooperative Credit Societies (PACCS) occupy a significant position at the grassroots level. These societies act as the first point of contact for farmers seeking short-term and medium-term financial assistance. While short-term loans are mainly used for seasonal crop production, medium-term credit serves a different and more structural purpose. Medium-term loans, generally granted for 3 to 5 years, are used for asset creation and capital improvements. Farmers utilise these loans for land development, purchase of Agricultural implements and machinery, minor irrigation works, and livestock acquisition. Therefore, medium-term credit contributes not only to immediate Agricultural needs but also to long-term productivity and income stability. Over the year, PACCS's

performance in disbursing medium-term credit has shown significant variation across Indian states. Some states have demonstrated consistent growth and high levels of credit distinction, while others show low, stagnant or irregular patterns. These interstate differences may reflect variations in Cooperative Governance financial capacity, state policy support, and the overall strength of the Cooperative credit structure. Despite the importance of medium-term Agricultural Credit, most existing studies focus primarily on short-term crop loans or overall Cooperative Credit performance. Limited attention has been given to a systematic interstate comparison of medium-term loan performance across strong and weak regions, to assess regional imbalances, and to suggest policy measures to improve Cooperative Credit delivery.

II. OBJECTIVES

- To analyse the trend of medium-term credit disbursement by PACCS across Indian states
- To compare the performance of states in medium-term loan distribution

- To identify interstate disparities in medium-term credit performance.

III. STATEMENT OF THE PROBLEM

Medium-term Agricultural Credit Plays a crucial role in promoting asset creation and long-term Productivity in the farming sector. Primary Agricultural Cooperative Credit Societies (PACCS) are expected to provide such credit effectively at the grassroots level. However, the performance of medium-term loan disbursement differs widely across Indian states. While some states show consistent growth and high credit distribution, others exhibit low or irregular patterns of credit distribution. These variations raise concerns regarding regional imbalances and the effectiveness of Cooperative Credit delivery. Therefore, it becomes necessary to examine and compare the inter-state performance of medium-term credit provided by PACCS in India.

IV. METHODOLOGY

The Present study is based entirely on secondary data. The required data on medium-term loan disbursement of Primary Agricultural Cooperative Credit Societies were collected from the National Federation of State Cooperative Bank Ltd. The Study covers a period of ten financial years from 2013-14 to 2022-23. The research adopts a descriptive-comparative research design. State-wise data were analysed using simple statistical tools, such as averages, growth rates, and percentage analysis, to examine inter-state variations in medium-term credit performance.

V. REVIEW OF LITERATURE

- *Bedi (1969):*

Although community-based lending groups typically charge lower interest rates than private lenders, many farmers still struggle to access credit. While some households succeed in avoiding high-cost borrowing through group participation, these initiatives often suffer from declining oversight over time, leading to recurring repayment problems. This casts doubt on the long-term effectiveness of such programs. Strengthening supervision and establishing more straightforward operational guidelines could help maintain progress.

- *Hazell and Ramasamy (1991):*

Hazell and Ramasamy studied the relationship between crop yields and government credit availability across various agricultural regions in India. Their findings showed a clear connection between improved access to credit and increased agricultural productivity. Because financial support was provided consistently over multiple growing seasons rather than as one-time assistance, farmers were able to make long-

term investments—such as purchasing equipment or rehabilitating degraded land.

- *Singh and Singh (2008):*

According to Singh and Singh, the growth of lending programs depended not only on government backing but also, significantly, on borrowers' repayment patterns, with results differing across regions. In areas where repayments were timely, lenders became more willing to offer new loans, fostering a positive cycle of credit expansion. Elsewhere, access to credit remained essentially unchanged.

- *Kumar (2014):*

Access to credit at the village level has progressed unevenly across regions, though some patterns are apparent. In southern and western India, where cooperative lending models were established, credit availability improved markedly. As agriculture shifted toward market-oriented production, demand for loans grew steadily. However, banking infrastructure remained inconsistent—absent in some areas and inadequate in others. Communities with strong local institutions generally saw higher lending activity, while national agencies continued to operate from afar.

- *Sharma (2021):*

Examined the operations of Primary Agricultural Cooperative Credit Societies in India, focusing specifically on medium-term agricultural credit. The study analysed trends in loan disbursement, repayment behaviour, and the financial sustainability of these institutions. It concluded that the success of medium-term lending initiatives is strongly influenced by institutional efficiency, economic stability, and effective monitoring mechanisms. The research also highlighted the role of such credit in promoting greater investment in agriculture and building capital assets.

VI. DISCUSSION

Medium-term loans play an essential role in strengthening farmers' long-term productive capacity. These loans are generally granted for 3 to 5 years and are mainly used for asset creation and capital investment in Agriculture. Farmers utilise medium-term credit for purposes such as land improvement, the purchase of Agricultural implements and machinery, the installation of irrigation facilities, the construction of farm structures, and the purchase of livestock. Unlike short-term loans, which meet seasonal expenses, medium-term loans support structural improvement in farming. One significant benefit of medium-term credit is that it enhances farm productivity and income over time. Enabling investment in durable assets promotes capital formation in agriculture. It also reduces dependence on informal credit sources and strengthens the financial stability of rural households.

Table 1 Medium-Term Loans are Provided Through Primary Agricultural Cooperative Credit Societies.
(Amount in Lakhs)

Medium-term loan issue	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Andaman and Nicobar	383.84	584.12	720.41	628.49	779.12	722.73	707.85	993.08	597.71	795.94
Andhra Pradesh	400350.1	403500.1	533929.11	877528.01	1058026.13	1186501.71	1186501.71	1559668.57	1902053.52	1701260.49
Arunachal Pradesh	0	0	0	0	0	0	0	0	0	0
Assam	794.25	794.25	794.25	794.25	794.25	794.25	794.25	794.25	794.25	794.25
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	1.47	1.5	1.35	0.94	0.69	0.23	0	0
Chhattisgarh	202431.85	264673.41	321662.26	328188.94	353781.19	392856.11	392856.11	392856.11	554604.36	628938.43
Delhi	0	0	0	0	0	0	0	0	0	0
Goa	2046.09	3840	3035	3518	1517.7	1973.55	3199.7	3197.58	3242.91	2978.63
Gujarat	904728.1	1125855.45	1082099.82	1132203.81	1182824.1	1275567.58	1409067.15	1490625.85	1714910.67	1801150.4
Haryana	748345.76	807592.45	889056.71	889056.71	927782.64	921382.42	1035431.12	1004679.63	1284976.21	1209009.01
Himachal Pradesh	46279.25	46279.25	46279.25	75673.91	79526.78	81800.66	75845.73	65733.38	65733.38	73734.82
Jammu and Kashmir	1288.41	1288.41	1615.76	1630.52	1622.83	1622.83	1622.83	1622.83	1622.83	48.27
Karnataka	684826.18	1688457	1327230	1661704	1661704	1661704	2079150	2352568.62	2678011.46	3108580.54
Kerala	9312564.59	6249425.93	6941833.4	7694114.27	7694114.27	7003062	8070175	8070175	693801	693801
Madhya Pradesh	473766.04	473766.04	473766.04	473766.04	473766.04	473766.04	473766.04	473766.04	473766.04	473766.04
Maharashtra	839096	1261256	1354425	1437458	1498173	1539445	1289269	1289269	1289269	2456143.01
Manipur	7.14	7.14	7.14	7.14	101	115.5	115.5	115.5	115.5	109.2
Meghalaya	613.48	1085.05	1133.66	546.97	546.97	626.97	626.97	1378.68	8540.09	1171.11
Mizoram	34.17	246.7	246.7	182.96	230.18	450.32	561.04	780.45	930.64	2950.84
Nagaland	204.73	204.73	204.73	204.73	204.73	204.73	204.73	11226.15	11226.15	11226.15
Orissa (Odisha)	321589.33	321589.33	569687.5	602563.57	618342.82	636070.5	636070.5	660471	660471	932874.15
Pondicherry (Puducherry)	8066.29	3392.96	2665.55	1558.53	2646.69	3728.81	21377.78	25836.11	24662.58	27640.13
Punjab	167553.75	167553.75	167553.75	1124631	1124631	1124631	861817.24	1008717.27	1008717.27	1008717.27
Rajasthan	728428.89	728442.89	1520878.34	1365804.58	1403776.38	1403776.38	958110.27	958110.27	0	1973373.03
Sikkim	883.23	740.82	1712.84	860.89	378.72	431.31	414.11	323.73	495.04	732.29
Tamil Nadu	1934762.86	1961818.71	1913338.78	1503573.82	1742005.38	1922849.77	1949771.45	2462210.29	1723944.86	2724468.69
Telangana	-	-	532604	479768	487058.4	541638.33	560846.21	662942.74	751769.62	751769.62
Tripura	576.83	744.5	850.67	608.32	4485.26	403.85	1143.57	386.54	280.33	352.76

Uttar Pradesh	79747	79747	79747	79747	79747	79747	79747	79747	79747	79747
Uttarakhand	72205.38	104925	104935	104925	103794.43	103794.43	136308.47	132612.15	145875.8	147851.5
West Bengal	168157.15	168157.15	168157.15	184400.95	187626.28	187626.28	187626.28	191343.98	191343.98	192917.06

Source: National Federation of State Cooperative Bank Ltd

Note: Figures in the above table are for the financial year 2013 to 2023

Table 2 Load Performances

S.No	Loan Performances	No. of States
1	High	9
2	Medium	9
3	Low	9
4	Nil/Irregular	5

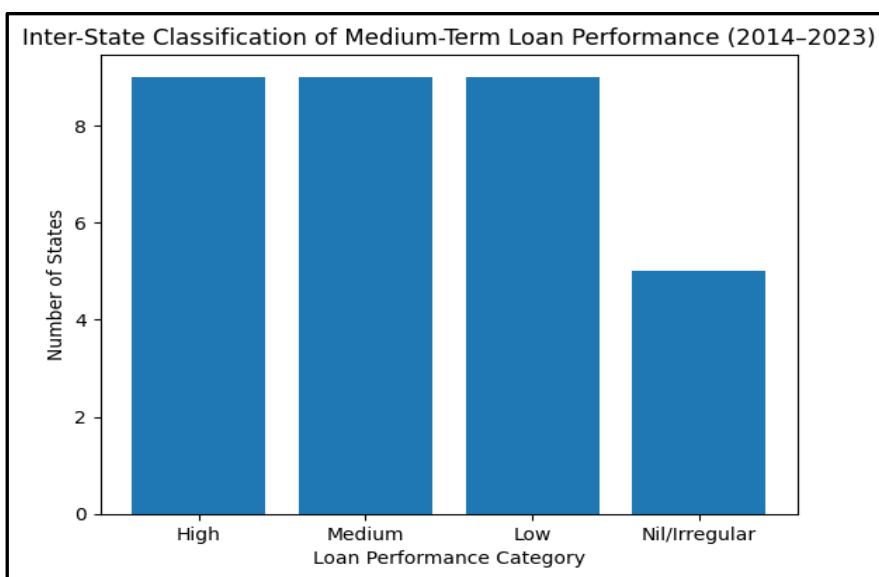


Fig 1 Inter-State Classification of Medium-Term Loan Performance (2014-2023).

VII. DISCUSSION ON HIGH-LOAN PERFORMING STATES

The analysis of medium-term credit disbursement reveals that certain states, such as Tamil Nadu, Karnataka, Gujarat, Andhra Pradesh, Maharashtra, Rajasthan, Kerala, Haryana, and Odisha, consistently exhibit higher loan performance during the study period. The strong performance of these states may be attributed to multiple structural and institutional factors.

- Strong Cooperative structure
- Better recovery performance
- State Government Support
- Higher Agricultural Commercialisation
- Financial Strength of Cooperative Banks
- Awareness & Institutional Credit Preference

High-performing states in medium-term credit demonstrate stronger institutional and structural foundations. A well-developed Co-operative network ensures broad outreach and efficient loan distribution. Better recovery performance strengthens the financial stability of Cooperative

institutions and supports continuous credit flow. Active state government support through policy measures and financial assistance further enhances lending capacity. Higher levels of agricultural commercialisation create sustained demand for investment-oriented loans. A financially sound state and a District Cooperative Bank enhance the refinancing capacity of Primary Agricultural Cooperative Credit Societies. Effective coordination within the Cooperative Credit structure ensures timely disbursement and monitoring. Greater farmer awareness regarding institutional credit reduces dependence on informal sources. Improved repayment discipline promotes credit sustainability. Overall, institutional strength and supportive policy environment contribute significantly to superior medium-term loan performance in these states.

VIII. MEDIUM LOAN-PERFORMING STATES

Medium-performing states such as Madhya Pradesh, West Bengal, Bihar, Telangana, Chhattisgarh, Uttar Pradesh, Punjab, Assam and Jharkhand show moderate levels of medium-term Credit performance. In these states, the Cooperative Credit structure exists but is not equally strong

across all districts. Loan recovery performance remains average, hindering continuous fund recycling. The financial capacity of Cooperative banks is moderate, limiting the expansion of medium-term lending. Agricultural commercialisation is developing but not advancing uniformly. State government support is present, though its impact varies regionally. Farmer awareness about institutional Credit is gradually increasing. However, some reliance on informal lending sources continues. Administrative and operational inefficiencies also influence overall credit performance.

- Cooperative credit structure is functional but not fully efficient across all regions.
- Loan recovery performance remains moderate, affecting credit recycling
- The limited financial strength of Cooperative banks restricts lending capacity.
- Agricultural Commercialisation is uneven across districts.
- State government support exists but may not be consistently strong.
- Farmer awareness regarding institutional credit is gradually improving
- Partial dependence on informal credit sources continues in rural areas.
- Administrative and operational inefficiencies influence overall medium-term loan performance.

Medium-performing states show a functional Cooperative Credit structure, but its efficiency varies across regions. Loan recovery rates remain moderate, which affects the recycling of funds for further lending. The financial strength of Cooperative banks is limited, restricting their capacity to expand medium-term credit. Agricultural commercialisation is not uniformly developed, leading to uneven credit demand across districts. Although state government support is available, its effectiveness differs from state to state. Farmer awareness of institutional credit is available; its efficacy, however, differs from state to state. Farmer awareness about institutional credit is gradually improving, but it is not yet universal. Many rural borrowers still partially depend on informal sources of finance. Administrative and operational inefficiencies within Cooperative Societies further influence the overall performance of medium-term loan disbursement.

IX. LOW-LOAN-PERFORMING STATES

Low-performing states such as Andaman & Nicobar Islands, Goa, Meghalaya, Mizoram, Sikkim, Tripura, Manipur and Jammu & Kashmir exhibit weak term credit performance during the study period. In these states, the Cooperative credit structure is relatively small-scale and limited in outreach. Loan recovery performance remains weak, affecting fund recycling and fresh disbursement. The financial base of Cooperative banks is comparatively low, restricting lending capacity. Agricultural Commercialisation is limited, resulting in lower demand for medium-term investment Credit. State government support and policy implementation may also be inadequate. Farmer awareness about institutional credit remains comparatively low.

Dependence on informal credit sources is higher in rural areas. Administrative and operational constraints further reduce credit efficiency. Overall, these states require stronger institutional development to improve medium-term loan performance.

- Cooperative Credit structure is limited in outreach and institutional strength.
- Loan recovery performance is weak, reducing credit recycling capacity.
- The financial resources of the Cooperative Bank are inadequate for expansion
- Agricultural commercialisation remains low, limiting demand for medium-term credit
- State government support and policy implementation are insufficient
- Farmer awareness regarding institutional credit facilities is comparatively low.
- Higher dependence on informal credit sources persists in rural areas.
- Administrative inefficiencies and lack of modernisation weaken overall loan performance.

Low-performing states have a limited and weak Cooperative Credit structure, which reduces the outreach of medium-term loans. Loan recovery performance in these states is poor, affecting the recycling of funds for further lending. Cooperative banks face financial constraints, limiting their lending capacity. Agricultural commercialisation remains low, resulting in reduced demand for investment-oriented credit. State Government support and policy implementation are often inadequate. Farmer awareness of institutional credit facilities is comparatively low, which restricts participation. Many rural borrowers continue to depend on informal sources of finance. Administrative inefficiencies and a lack of modernisation further weaken the overall performance of medium-term loan disbursement.

X. NIL/IRREGULAR LOAN PERFORMING STATES

Nil or irregular performance is observed in states such as Arunachal Pradesh, Delhi, and Chandigarh, where medium-term loan disbursement remained either zero or negligible for most of the study period. In Rajasthan, the 2022 zero value may be attributed to disruptions during the COVID-19 period rather than to a structural weakness. Similarly, Telangana did not report data for the initial two years as it was formed after its separation from Andhra Pradesh in 2014, which explains the absence of early data. Therefore, the nil or irregular classification in some states reflects temporary disruptions, administrative restructuring, or reporting gaps rather than continuous institutional failure. Overall, structural limitations, weak cooperative activity, and external shocks contributed to irregular medium-term credit performance in these regions.

- Absence or weak functioning of Cooperative Credit institutions in certain states.
- Zero or negligible medium-term loan disbursement during most of the study period.
- Temporary disruptions, such as the state bifurcation, led to missing or irregular data (e.g., Telangana).
- Limited farmer participation and low demand for institutional investment credit.
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- Weak financial capacity and poor operational efficiency of Cooperative banks.

XI. CONCLUSION

The study reveals significant interstate variation in the performance of medium-term credit issued by Primary Agricultural Cooperative Credit Societies in India during 2014-2023. Certain States demonstrate strong and consistent credit expansion due to better institutional structure, higher recovery performance, and strong government support. Medium-performing states show moderate growth but face operational and financial constraints. Low-performing and nil/irregular states reflect structural weaknesses, limited outreach, and temporary disruptions such as administrative changes and the COVID-19 pandemic. The findings indicate that strengthening Cooperative institutions, improving recovery mechanisms, enhancing financial capacity, and increasing farmer awareness are essential for balanced credit development across states. Overall, medium-term credit plays a crucial role in promoting Agricultural investment and rural economic stability in India.

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