



IMPACT OF CO-OPERATIVE SOCIETIES ON THE GROWTH OF PRIMARY SECTOR IN JAMMU & KASHMIR

Sunita Kumari¹

¹PhD Scholar, University of Jammu

ABSTRACT

The fundamental work of primary sector is to convert natural resources into primary goods. This sector also provides raw material for industries. It is seen from the last few decades that despite the engagement of most of the population in primary sector the share of primary sector in SGDP of Jammu and Kashmir has been declining consistently. On the other hand cooperative societies have played a significant role in providing credit facilities to the farmers for improvement in agriculture. This paper examines the impact of working capital of central Co-operative banks, the Cooperative credit societies, Marketing societies and all other societies on the growth of Primary sector in Jammu and Kashmir. Over the years the state has witnessed immense growth in the cooperative sector. Empirical analysis results show that the increase in the level of agricultural loans granted by the cooperative banks and Agriculture Credit Societies has positive influence on share of SGDP of primary sector in Jammu and Kashmir. On the other hand, increase in working capital of marketing societies has negative impact on the share of SGDP of primary sector in Jammu and Kashmir.

KEY WORDS: co-operative, agriculture, primary sector, credit societies, co-operative banks

INTRODUCTION

Indian economy is classified into three sectors viz. primary sector, secondary sector and tertiary sector. The primary sector includes agriculture, fishing, forestry, dairy etc. It is also called agriculture and allied sector. We know that dependence on agriculture sector is more but its share in GDP is less. Most of the rural areas still depend on agriculture sector in India. In India, the rural co-operative credit system is mandated with the primary function of ensuring the flow of credit to the agriculture sector. Short-term and long-term co-operative credit structures are the components of rural co-operative credit system in India. The short-term co-operative credit structure operates with a three-tier system. At the village level there are Primary Agricultural Credit Societies (PACS). At the district level there are Central Cooperative Banks (CCBs) and at the state level there are State Cooperative Banks (StCBs). The similar structure of cooperative credit societies is adopted in Jammu and Kashmir as well. "PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India. StCBs/DCCBs are registered under the provisions of State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank. Powers have been delegated to National Bank for Agricultural and Rural Development (NABARD) under Sec 35 (6) of the Banking Regulation Act (As Applicable to Cooperative Societies) to conduct inspection of State and Central Cooperative Banks." (RBI)

Co-operative banks, Agriculture Cooperative credit societies and Marketing Societies, by providing credit facilities

to the farmers have played an important role in ensuring that the farmers use better agriculture inputs for improvement in agriculture production. "The co-operatives play an important role in influencing the people towards social and economic changes and offer unlimited possibility of participation in economic insurgence. In terms of its size, operations and diversification, the achievements in cooperative sector since, 1950-51 have been quite significant. Co-operative movement in the state is responsible for inducing people to adopt new techniques in agriculture and allied fields. The efforts of the co-operators have persuaded the farmers to use chemical fertilizers to increase their production levels thereby improve their living standards who were initially reluctant to change from traditional farming practices to improved ones." (Directorate of Economics & Statistics Finance Department Government of Jammu & Kashmir, Digest of Statistics 2017-18). A Primary Agricultural Credit Society (PACS) is the basic unit and smallest co-operative credit institutions in Jammu & Kashmir. It works at the grassroots level.

This paper attempts to explain how co-operative credit societies in Jammu and Kashmir influence the growth of primary sector.

REVIEW OF LITERATURE

Mazumder (2014) evaluates the performance of agricultural credit recovery by PACS in six regions in India and concludes that PACS have continued to remain the weakest link in the entire cooperative structure. Yet it has a great importance



for supplying the considerable amount of finances to the farmers at grass root level.

Pramendra et. al (2017) examines the loan disbursement pattern of the Hisar District Central Co-operative Bank in Agriculture sector. The study was conducted in Hisar district. The study shows that total loan advanced by overall average of selected branches of District Central Co-operative Bank Hisar was increased from Rs.13.26 crores during 2000-01 to Rs.19.19 crores during 2012-13. This can help for the growth of agriculture sector in District.

Goswami et. al (2021) aims to assess the Awareness of Farmers about the Primary Agricultural Credit Societies with Special Reference to Uttar Pradesh and Uttarakhand. The results show that 58% of farmers know about primary agriculture credit societies and 12% farmers have membership between 5-10 years. It is concluded from the study that Primary Agriculture Credit Society needs to aware farmers about their society. For this, PACS should do campaign for the awareness of farmers. So that farmers can get benefit from societies and do their farming well.

OBJECTIVES

1. To study the trend of SGDP growth sector wise in Jammu and Kashmir
2. To study the impact of Central cooperative banking in respect of agricultural credit on growth of Primary sector in Jammu and Kashmir.
3. To study the impact of working capital of Primary Agriculture Co-operative Societies on the growth of primary sector in Jammu and Kashmir.
4. To study the impact of working capital of all other Societies on primary sector growth in Jammu and Kashmir.
5. To study the impact of working capital of marketing societies on the growth of primary sector in Jammu and Kashmir.

RESULTS AND DISCUSSION

Table 1 State Gross Domestic Product Share sector wise in J&K (in %)

Years	Primary Sector	Secondary Sector	Tertiary Sector
1980-81	47.39781	12.90138	39.70081
1985-86	44.84161	15.00033	40.15807
1986-87	41.67857	17.19109	41.13034
1987-88	36.6086	19.04779	44.34361
1988-89	41.16202	14.95861	43.87938
1989-90	38.17559	16.34107	45.48333
1990-91	38.49429	16.80945	44.69626
1991-92	37.65462	16.51804	45.82734
1992-93	36.60132	16.11821	47.28046
1993-94	37.52191	17.593	44.8851
1994-95	40.4697	16.1781	43.35221

HYPOTHESES

1. Central Co-operative banks have no impact on the growth of primary sector in Jammu and Kashmir.
2. Primary Agriculture co-operative credit societies have no impact on growth of Primary sector in Jammu and Kashmir.
3. Marketing societies have no impact on growth of Primary sector in Jammu and Kashmir.
4. All other Societies have no impact on growth of Primary sector in Jammu and Kashmir.

METHODOLOGY

The objective of the study is to highlight the impact of cooperative societies on primary sector of Jammu and Kashmir. The study is based on secondary data. Data is collected from RBI and Jammu and Kashmir State Digest 2017-18. Further data is analysed with the help of statistical tools. Graphical representation is used to compare sector wise share in SGDP and regression is used to find out the impact of working capital of Marketing Societies, Primary Agriculture credit societies, Central Co-operative banks and all other societies on the growth of Primary sector in Jammu and Kashmir. To measure the growth of primary sector, share of primary sector in SGDP is taken into account.

To analyse the impact of Central Co-operative banks, Primary Agriculture Credit Societies, Marketing Societies and all other societies on the share of primary sector in SGDP among all three sectors, statistical tool regression has been used. This study will help the Economic commentators, Research scholars and others who may be interested in policy framing in the area of Cooperative societies in Jammu and Kashmir.



1995-96	39.57702	15.05849	45.36449
1996-97	40.30519	13.351	46.34381
1997-98	35.2337	14.68829	48.57477
1998-99	36.51677	14.88995	48.59329
1999-00	33.85118	19.92519	46.22363
2000-01	32.58061	20.23096	47.18843
2001-02	33.85854	20.42256	45.7189
2002-03	32.92586	19.4145	47.65965
2003-04	33.59761	19.39837	47.00402
2004-05	30.05567	27.60021	42.34411
2005-06	28.68464	27.7919	43.52345
2006-07	27.42906	28.21435	44.35655
2007-08	26.0995	27.70133	46.19921
2008-09	25.09361	26.51241	48.39398
2009-10	23.79784	26.13912	50.06304
2010-11	24.06587	24.14164	51.79249
2011-12	18.05436	26.30773	55.63791
2012-13	17.05655	27.52088	55.42256
2013-14	16.9041	27.84873	55.24716
2014-15	15.20327	25.12036	59.67637
2015-16	17.28603	27.79858	54.91539
2016-17	16.88816	28.81717	54.29468
2017-18	16.37411	29.80158	53.8243

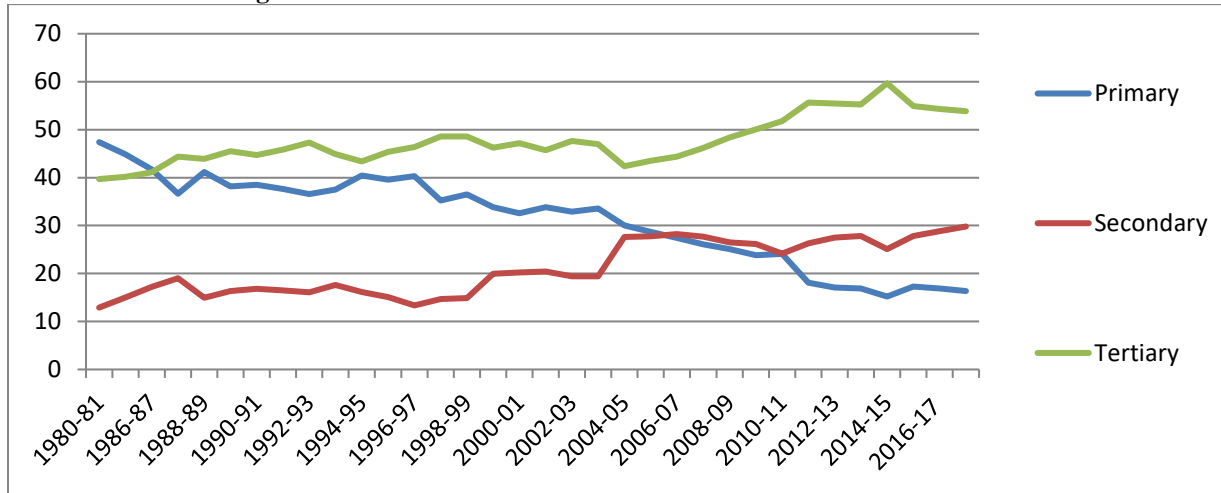
Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Table 1 shows the sector wise contribution of primary, secondary and tertiary sector in SGDP of Jammu and Kashmir from the year 1980-81 to 2017-18. It is seen in the Table 1 that the share of primary sector in overall SGDP of Jammu and Kashmir has declined over the years. In 1980-81, the primary sector had the highest share in overall SGDP at 47.39781% but in 2017-18 it had declined to 16.37411%, which was the lowest share among the three sectors.

On the other hand, the contribution of secondary sector in the overall SGDP of Jammu and Kashmir has increased over the years. The share of secondary sector in SGDP in the year 1980-81 was 12.90318% which was the lowest among the three sectors. It has increased to 29.80158% in the year 2017-18.

Further, the contribution of Tertiary sector in the SGDP of J&K has increased over the years. It was 39.70081% in 1980-81 and has increased to 53.8243% in 2017-18, which is the highest among the three sectors.

Figure 1. Trend in SGDP share sector wise in Jammu and Kashmir



Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Figure 1 shows the trend of contribution in SGDP of all the three sectors from the year 1980-81 to 2016-17 in Jammu and Kashmir. It is evident from the figure that the SGDP share of primary sector has shown a consistent decline over the years while the secondary and tertiary sectors have shown an increase in share in SGDP over the years.

To find out the impact of working capital of Agriculture Credit Society, Central Credit Bank, Marketing society and all other Societies on the growth of Primary sector in Jammu and Kashmir, statistical tool regression is used.

Table 2 Regression Analysis of Working Capital of Agriculture Societies and Share of Primary Sector in SGDP of J&K

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. tsset year
      time variable: years, 1981 to 2018, but with gaps
      delta: 1 unit

. regress primary wcinacs

      Source |           SS          df           MS          Number of obs =
-----+-----+-----+-----+-----+-----
      Model | 67040587.7          1      67040587.7          F( 1, 21) =
      Residual | 271881279          21     12946727.5          Prob > F =
      Total | 338921866          22     15405539.4          R-squared =
                                          Adj R-squared =
                                          Root MSE =

      primary |
-----+-----+-----+-----+-----+-----
      wcinacs |      215.6591      94.77174      2.28      0.033      18.57046      412.7477
      _cons   |     -433.2409     3344.96      -0.13     0.898     -7389.467     6522.985

. vif

      Variable |           VIF          1/VIF
-----+-----+-----+-----
      wcinacs |           1.00          1.000000
      Mean VIF |           1.00
    
```

Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Table 2 summarizes the regression analysis showing the impact of working capital of agriculture credit societies on the share of primary sector in Jammu and Kashmir SGDP, where in the Table 2, primary means share of State Gross Domestic Product

from primary sector and wcinacs means working capital in agriculture credit societies.

Regression Equation
 Predictedprimary = -433.2409 + 215.6591wcinacs



The above equation shows that the increase in working capital of agriculture credit societies is having a positive impact on the share of SGDP of Primary sector in Jammu and Kashmir SGDP. One unit increase in working capital of agriculture credit

societies increases 215.6591 units of SGDP of primary sector in Jammu and Kashmir.

Table 3 Regression Analysis of Working Capital of All other Societies and Share of Primary Sector in SGDP of J&K

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. regress primary wcas

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Source	SS	df	MS			
Model	23641436.6	1	23641436.6	Number of obs =	23	
Residual	315280430	21	15013353.8	F(1, 21) =	1.57	
Total	338921866	22	15405539.4	Prob > F =	0.2233	
				R-squared =	0.0698	
				Adj R-squared =	0.0255	
				Root MSE =	3874.7	

primary	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
wcas	15.05645	11.99843	1.25	0.223	-9.895657	40.00856
_cons	5211.77	1627.39	3.20	0.004	1827.426	8596.113


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. vif

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Variable	VIF	1/VIF
wcas	1.00	1.0000000
Mean VIF	1.00	

Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Table 3 summaries the regression analysis showing impact of working capital of all societies on the share of primary sector in Jammu and Kashmir SGDP, where in Table 3, primary means share of State Gross Domestic Product from primary sector and wcas means working capital of all societies.

The above equation shows that the increase in working capital of all societies is having a positive impact on the growth of Primary sector in Jammu and Kashmir. One unit increase in working capital of all credit societies increases 15.05645 units of SGDP of primary sector in Jammu and Kashmir.

Regression Equation

$$\text{PredictedPrimary} = 5211.77 + 15.05645\text{wcas}$$



Table 4 Regression Analysis of Working Capital Central Credit Societies and Share of Primary Sector in SGDP of J&K

. regress primary ccb

Source	SS	df	MS	Number of obs =	23
Model	2089000077	1	2089000077	F(1, 21) =	33.74
Residual	130021789	21	6191513.75	Prob > F =	0.0000
Total	338921866	22	15405539.4	R-squared =	0.6164
				Adj R-squared =	0.5981
				Root MSE =	2488.3

primary	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
ccb	2.852736	.4911236	5.81	0.000	1.831389 3.874084
_cons	2582.51	918.4314	2.81	0.010	672.5273 4492.492

. vif

Variable	VIF	1/VIF
ccb	1.00	1.000000
Mean VIF	1.00	

Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Table 4 summaries the regression analysis showing the impact of Central credit banks on the share of SGDP of primary sector in Jammu and Kashmir, where in Table 4 primary means State Gross Domestic Product from primary sector and ccb means Central Credit Banks.

Regression Equation

$$\text{PredictedPrimary} = 2582.51 + 2.852736\text{ccb}$$

The above equation shows that the increase in working capital of Central Credit Banks is having a positive impact on the growth of Primary sector in Jammu and Kashmir. One unit increase in Central Credit Banks increases 2.852736 units of SGDP of primary sector.



Table 5 Regression Analysis of Working Capital of Marketing Societies and Share of Primary Sector in SGDP of J&K

. regress primary wcms

Source	SS	df	MS	Number of obs =	23
Model	10555447.3	1	10555447.3	F(1, 21) =	0.68
Residual	328366419	21	15636496.1	Prob > F =	0.4205
Total	338921866	22	15405539.4	R-squared =	0.0311
				Adj R-squared =	-0.0150
				Root MSE =	3954.3

primary	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
wcms	-120.939	147.1966	-0.82	0.421	-427.051 185.173
_cons	9353.981	2999.497	3.12	0.005	3116.185 15591.78

. vif

Variable	VIF	1/VIF
wcms	1.00	1.000000
Mean VIF	1.00	

Source: Compiled by Author on the basis of data from Digest of Statistics Report 2017-18

Table 5 summaries the regression analysis showing impact of working capital of Marketing Societies on the share of primary sector in Jammu and Kashmir SGDP. In the Table 5 primary means State Gross Domestic Product from primary sector and wcms means working capital of Marketing Societies.

Regression Equation

PredictedPrimary = 9353.981 – 120.939 wcms

The above equation shows that the increase in working capital of marketing societies is having a negative impact on the growth of Primary sector in Jammu and Kashmir. One unit increase in the working capital of marketing societies decreases 120.939 units of SGDP from primary sector.

CONCLUSION

It is concluded from the above analysis that the cooperative movement has contributed significantly in the growth of primary sector in Jammu and Kashmir. Agricultural Credit Societies, Central Credit Banks and all other Credit Societies are primarily mandated to ensure flow of credit to the agriculture sector in rural areas of Jammu and Kashmir which is positively impacting the output from primary sector of Jammu and Kashmir. On the other hand it is concluded from the analysis that the marketing societies have negative impact on the growth of Primary sector in Jammu and Kashmir. It may be because of organizational weakness, loans due and overdue, inadequate resources etc. Hence the hypotheses that Agriculture credit societies, Marketing societies, Central Co-operative

banks and all other societies have no impact on the growth of primary sector in Jammu and Kashmir is rejected. All these cooperative societies positively impact the growth of primary sector in Jammu and Kashmir except marketing societies.

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