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### RESEARCH ARTICLE

#### LENDING DYNAMICS OF PACS IN KERALA: A COMPREHENSIVE STUDY OF AGRICULTURAL AND NON-AGRICULTURAL LOANS

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#### Abstract

Primary Agricultural Credit Societies (PACS) play a pivotal role in providing financial support to the agricultural sector and rural communities. This study analyses the lending activities of PACS in Kerala from 2007-08 to 2021-22, focusing on the shift from agricultural to non-agricultural lending. Utilising secondary data from the Department of Cooperation and the Kerala State Planning Board, the research examined the trends and patterns in short-term, medium-term, and long-term loans for both agricultural and non-agricultural purposes. The findings reveal a significant increase in non-agricultural lending, reflecting a strategic shift in PACS' priorities. The study discusses the implications of these changes for rural development and provides recommendations for policy interventions to ensure balanced support for both sectors.

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#### Introduction:-

Primary Agricultural Credit Societies (PACS) serve as the cornerstone of the cooperative credit structure in India, particularly in rural areas. Established with the primary objective of providing agricultural financing and meeting the essential financial requirements of rural populations, PACS play a crucial role in supporting agricultural activities and promoting rural development. By offering various types of loans, including short-term, medium-term, and long-term loans, PACS aim to address the diverse financial needs of farmers and other rural inhabitants. However, recent data indicates a significant shift in the lending behaviour of PACS in Kerala, with a noticeable deviation from agricultural lending towards non-agricultural lending activities. This trend raises important questions about the evolving role of PACS and their alignment with their foundational objectives. Understanding these shifts is essential for policymakers, stakeholders, and researchers aiming to ensure that PACS continue to fulfil their intended purpose effectively.

The present study is an attempt to analyse the lending activities of PACS in Kerala over a fifteen-year period, from 2007-08 to 2021-22. By examining the lending data, this study seeks to assess the trends and patterns in the lending behaviour of PACS, with a particular focus on the balance between agricultural and non-agricultural lending. All types of loans, including short-term, medium-term, and long-term loans, are considered in this analysis to provide a comprehensive understanding of the lending practices of PACS in Kerala. Through this analysis, the study aims to shed light on the extent to which PACS have adhered to their primary mission of supporting agricultural activities

and to identify any shifts in their lending priorities. The findings of this study will provide valuable insights for stakeholders and policymakers, facilitating informed decisions to enhance the effectiveness of PACS in promoting agricultural and rural development in Kerala.

### **Review of Literature:-**

The functioning and performance of Primary Agricultural Credit Societies (PACS) have been widely studied to understand their impact on rural credit systems and agricultural development. This review of literature explores various aspects of PACS' lending behaviours, the shift from agricultural to non-agricultural lending, and the implications of these changes. PACS were initially established to provide credit to farmers and support agricultural development. Studies have shown that PACS play a crucial role in meeting the short-term, medium-term, and long-term credit needs of the agricultural sector (Bhuyan & Pathak, 2002). However, there has been a notable shift in the lending patterns of PACS in recent years.

Several studies have documented the shift from agricultural to non-agricultural lending by PACS. Bhatia and Verma (2012) analysed the changing priorities of PACS and found that the proportion of non-agricultural loans had increased significantly over the past decade. This shift is attributed to the higher profitability and lower risk associated with non-agricultural lending. The diversification of rural economies has been a significant factor influencing the lending patterns of PACS. Reddy (2015) highlighted that the growth of non-agricultural activities in rural areas has led to increased demand for non-agricultural credit. PACS have responded to this demand by reallocating their resources to support a broader range of economic activities.

The declining focus on agricultural lending by PACS has raised concerns among policymakers and researchers. According to Singh and Singh (2018), there is a need for policies that encourage PACS to maintain a balanced approach to lending, ensuring that the financial needs of the agricultural sector are not neglected. The authors emphasize the importance of supportive policies to stabilize and enhance agricultural lending. The impact of PACS' lending behaviours on rural development has been extensively studied. Sharma (2019) examined the role of PACS in rural financial inclusion and found that while the shift towards non-agricultural lending has contributed to overall rural development, it has also led to disparities in credit access for farmers. The study suggests that a balanced lending strategy is essential for inclusive rural development.

Future research should focus on the long-term implications of the shift in lending patterns by PACS. Joshi and Mohanty (2020) recommend exploring innovative financial products and services that can cater to the evolving needs of rural economies. Additionally, they highlight the need for robust monitoring and evaluation mechanisms to ensure that PACS continue to fulfill their mandate of supporting agricultural and rural development. The literature indicates that while PACS have successfully diversified their lending portfolios to support a wider range of rural economic activities, this shift has also led to challenges in maintaining balanced agricultural lending. Addressing these challenges through supportive policies and innovative financial solutions will be crucial for the sustainable development of rural areas in Kerala.

### **Methodology:-**

#### **Data Collection**

The study relies on secondary data published by the Department of Cooperation and the Kerala State Planning Board. Data were collected for the period from 2007-08 to 2021-22, focusing on the lending activities of Primary Agricultural Credit Societies (PACS) in Kerala. The data set includes:

1. Total loans disbursed by PACS
2. Loans allocated for agricultural purposes
3. Loans allocated for non-agricultural purposes
4. Short-term, medium-term, and long-term loans

#### **Data Organization**

The collected data were organized into a structured format using spreadsheet software, categorizing the information by year, type of loan, and purpose of the loan. This organization facilitated the subsequent statistical analyses.

### Dat Analysis

Percentage analysis was conducted to determine the proportion of loans allocated to agricultural and non-agricultural purposes each year. This involved calculating the percentage of total loans for each category, and various term loans under agricultural and non-agricultural purpose.

Ratio analysis was employed to provide further insights into the lending behaviour of PACS.

Trend analysis was conducted using simple linear regression to identify trends in the total lending amounts and the proportions of agricultural and non-agricultural loans over time. Line charts were created to visually represent these trends.

Comparative analysis was performed to assess the shift in lending priorities by comparing the proportions of agricultural and non-agricultural loans across different years. Bar charts and pie charts were used to illustrate these comparative proportions.

### Interpretation and Discussion

The results from the statistical analyses were interpreted to draw conclusions about the lending behaviour of PACS. These interpretations provided insights into the extent to which PACS have adhered to their primary mission of supporting agricultural activities and highlighted any shifts in their lending priorities. Based on the findings, recommendations were made for policymakers and stakeholders to enhance the effectiveness of PACS in supporting agricultural activities and rural development in Kerala. Byutilising these methodologies, the study provides a comprehensive analysis of the lending activities of PACS in Kerala, offering valuable insights into their lending behaviour and its implications for rural development.

### Result and Analysis: -

**Table 1:** - Growth of Agricultural Lending during study period (Compiled from Handbook of cooperatives, Department of Cooperation, Govt of Kerala).

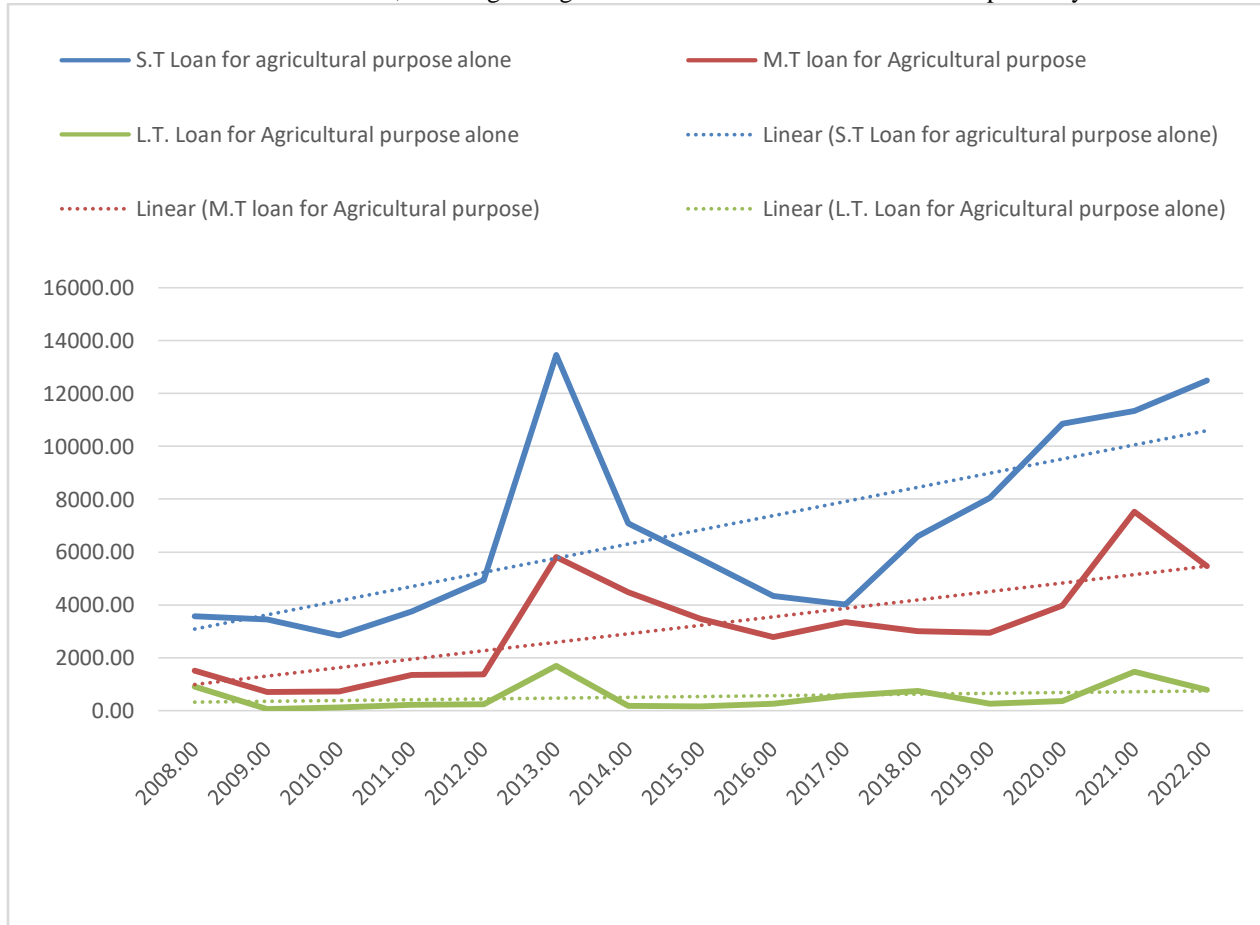
Year/ Indicator s	S.T Loan for agricultura l purpose alone	Annual Growt h Rate of ST Agri Loan	M.T loan for Agricultura l purpose	Annual Growt h Rate of MT Agri Loan	L.T. Loan for Agricultura l purpose alone	Annual Growt h Rate of LT Agri Loan	Total Agricultur e Loan	Annual Growt h Rate of Agri Loan
Unit	Rs in crore	%	Rs in crore	%	Rs in crore	%	Rs inCrore	%
<b>2008.00</b>	3572.77		1513.65		900.66		5987.08	
<b>2009.00</b>	3446.88	-3.52	698.21	-53.87	55.36	-93.85	4200.45	-29.84
<b>2010.00</b>	2849.29	-17.34	721.54	3.34	109.33	97.49	3680.16	-12.39
<b>2011.00</b>	3765.78	32.17	1343.97	86.26	223.07	104.03	5332.82	44.91
<b>2012.00</b>	4945.45	31.33	1359.54	1.16	233.25	4.56	6538.24	22.60
<b>2013.00</b>	13465.33	172.28	5804.63	326.96	1700.19	628.91	20970.15	220.73
<b>2014.00</b>	7095.37	-47.31	4472.81	-22.94	170.38	-89.98	11738.56	-44.02
<b>2015.00</b>	5742.99	-19.06	3458.18	-22.68	153.54	-9.88	9354.71	-20.31
<b>2016.00</b>	4341.14	-24.41	2779.84	-19.62	256.81	67.26	7377.79	-21.13
<b>2017.00</b>	4018.79	-7.43	3341.41	20.20	559.83	117.99	7920.03	7.35
<b>2018.00</b>	6602.08	64.28	3006.40	-10.03	739.15	32.03	10347.63	30.65
<b>2019.00</b>	8057.35	22.04	2947.13	-1.97	255.03	-65.50	11259.51	8.81
<b>2020.00</b>	10857.00	34.75	3975.00	34.88	358.00	40.38	15190.00	34.91
<b>2021.00</b>	11354.23	4.58	7527.94	89.38	1485.12	314.84	20367.29	34.08
<b>2022.00</b>	12492.87	10.03	5475.32	-27.27	793.26	-46.59	18761.45	-7.88

**Evaluation of Data**

The table 1 and figure 1 present data on agricultural lending by Primary Agricultural Credit Societies (PACS) in Kerala from 2007-08 to 2021-22. The data is categorised into short-term (ST), medium-term (MT), and long-term (LT) loans for agricultural purposes, along with their annual growth rates. Additionally, the total agricultural loan amount and its annual growth rate are provided.

**Short-Term Loans for Agricultural Purpose:**

Initial Trends (2008-2010): There was a decline in short-term loans for agricultural purposes from Rs. 3572.77 crore in 2008 to Rs. 2849.29 crore in 2010, with negative growth rates of -3.52% and -17.34% respectively.



**Figure 1:** - Growth of Agricultural Lending during study period.

**Recovery and Growth (2011-2013):**

A significant recovery was observed with growth rates of 32.17% in 2011 and 31.33% in 2012, peaking dramatically to 172.28% in 2013, reaching Rs. 13465.33 crore.

**Fluctuations and Stabilization (2014-2022):**

Post-2013, the ST loans experienced a drastic reduction of -47.31% in 2014. Despite some negative growth years, there was a notable increase in 2018 (64.28%) and consistent growth up to 2022, ending at Rs. 12492.87 crore.

**Medium-Term Loans for Agricultural Purpose**

**Volatility in Early Years (2008-2010):**

MT loans saw an initial decrease, with a substantial drop in 2009 (-53.87%) but a slight positive growth of 3.34% in 2010.

**Sharp Increase and Subsequent Decline (2011-2014):**

There was a significant rise in 2011 (86.26%) and a peak in 2013 (326.96%), reaching Rs. 5804.63 crore. This was followed by a consistent decline in 2014 and 2015.

**Mixed Growth (2016-2022):**

After hitting a low, MT loans fluctuated, with notable growth in 2017 (20.20%) and 2020 (34.88%), but ended with a decrease in 2022 (-27.27%).

**Long-Term Loans for Agricultural Purpose**

**Initial Decline and Growth (2008-2013):**

LT loans started at Rs. 900.66 crore in 2008, saw a sharp decline in 2009 (-93.85%) but recovered with substantial growth in 2011 and 2012, peaking at 628.91% in 2013.

**Fluctuations and Stability (2014-2022):**

LT loans experienced high volatility, particularly in 2014 (-89.98%) and subsequent recovery years. The recent years show a mix of positive and negative growth rates, ending at Rs. 793.26 crore in 2022.

**Total Agricultural Loans**

**Early Decline and Recovery (2008-2013):**

The total agricultural loan amount decreased initially, notably in 2009 (-29.84%) and 2010 (-12.39%), but saw a major recovery in 2011 (44.91%) and an exceptional growth in 2013 (220.73%).

**Fluctuations and Recent Trends (2014-2022):**

Post-2013, the total loans fluctuated, with significant drops in 2014 (-44.02%) and steady growth in the following years. Notable increases were observed in 2020 (34.91%) and 2021 (34.08%). However, 2022 saw a decline of -7.88%.

**Interpretation**

**Short-Term Loans:**

The significant increase in short-term loans in 2013 suggests a period of enhanced agricultural activity or policy-driven boost. The fluctuations in subsequent years indicate varying levels of short-term credit demand or supply.

**Medium-Term Loans:**

The sharp increase in 2013 followed by fluctuations suggests periods of changing medium-term financial needs in agriculture. The large growth rate in 2021 (89.38%) reflects a possible resurgence in medium-term agricultural investments.

**Long-Term Loans:**

The highly volatile nature of long-term loans reflects changing long-term investment needs or policies affecting long-term credit availability. The large growth rates in certain years indicate specific factors driving long-term borrowing.

**Total Agricultural Loans:**

The overall trends show significant variability, with major growth peaks and declines, reflecting a dynamic agricultural credit landscape influenced by various economic, policy, and environmental factors.

**Comments**

**Policy Implications:**

The fluctuating trends in all loan categories suggest the need for more stable and supportive agricultural credit policies to ensure consistent access to finance for farmers.

**Credit Accessibility:**

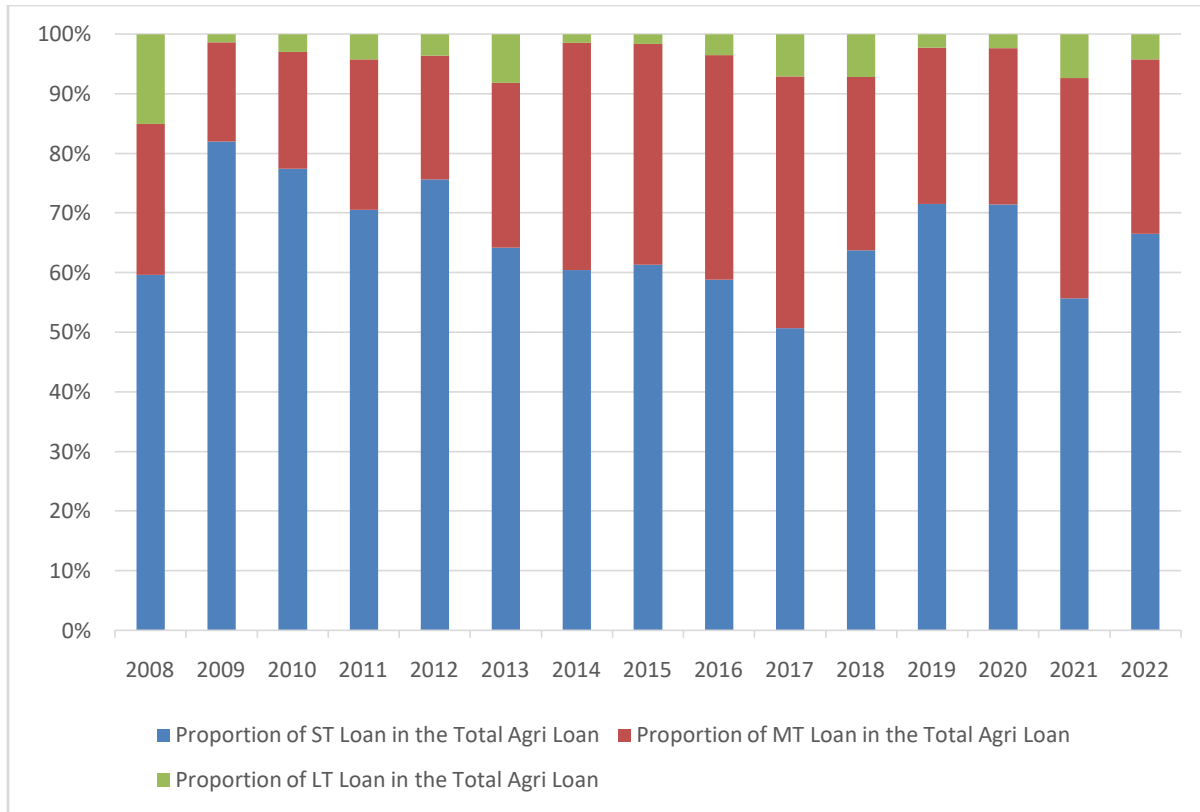
The significant growth in certain years indicates periods of improved credit accessibility, possibly driven by favourable policies or economic conditions. However, the declines highlight vulnerabilities in the agricultural credit system.

**Future Directions:**

Continuous monitoring and adaptive policies are crucial to stabilize agricultural lending, address the needs of farmers, and enhance the sustainability of agricultural finance. By addressing these areas, PACS can better fulfil their role in supporting agricultural development and ensuring financial inclusion for rural communities.

**Table 2:-** Proportion of ST, MT and LT loans in the Total Agricultural Loans(Compiled from Handbook of cooperatives, Department of Cooperation, Govt of Kerala)

<b>Year/ Indicators</b>	<b>Proportion of ST Loan in the Total Agri Loan</b>	<b>Proportion of MT Loan in the Total Agri Loan</b>	<b>Proportion of LT Loan in the Total Agri Loan</b>
Unit	%	%	
<b>2008.00</b>	59.67	25.28	15.04
<b>2009.00</b>	82.06	16.62	1.32
<b>2010.00</b>	77.42	19.61	2.97
<b>2011.00</b>	70.62	25.20	4.18
<b>2012.00</b>	75.64	20.79	3.57
<b>2013.00</b>	64.21	27.68	8.11
<b>2014.00</b>	60.44	38.10	1.45
<b>2015.00</b>	61.39	36.97	1.64
<b>2016.00</b>	58.84	37.68	3.48
<b>2017.00</b>	50.74	42.19	7.07
<b>2018.00</b>	63.80	29.05	7.14
<b>2019.00</b>	71.56	26.17	2.27
<b>2020.00</b>	71.47	26.17	2.36
<b>2021.00</b>	55.75	36.96	7.29
<b>2022.00</b>	66.59	29.18	4.23



**Table 2:** - Proportion of ST, MT and LT loans in the Total Agricultural Loans.

**Overview**

The table presents the proportion of short-term (ST), medium-term (MT), and long-term (LT) loans in the total agricultural loans disbursed by Primary Agricultural Credit Societies (PACS) in Kerala from 2008 to 2022. The proportions are expressed as percentages of the total agricultural loans for each year.

**Short-Term Loans (ST):**

**High Initial Proportion and Subsequent Fluctuations:** In 2008, short-term loans constituted 59.67% of the total agricultural loans. The proportion peaked at 82.06% in 2009, indicating a strong preference for short-term lending during this year. There was a general decline in the proportion of short-term loans after 2009, with notable fluctuations. The lowest proportion was observed in 2017 at 50.74%, showing a relative shift away from short-term lending. In recent years, the proportion stabilized around 66.59% in 2022.

**Medium-Term Loans (MT):**

**Steady Growth and High Proportions:** Medium-term loans started at 25.28% in 2008. The proportion dropped significantly in 2009 to 16.62% but showed a steady increase afterward. The highest proportion was seen in 2017 at 42.19%, indicating an increased reliance on medium-term financing. In recent years, the proportion of medium-term loans has stabilized, with 29.18% in 2022.

**Long-Term Loans (LT):**

**Initial Decline and Later Stability:** Long-term loans constituted 15.04% of total agricultural loans in 2008. The proportion saw a dramatic decline to 1.32% in 2009, indicating a sharp reduction in long-term lending. Over the years, the proportion of long-term loans fluctuated, reaching a higher proportion of 8.11% in 2013 and maintaining similar levels in subsequent years. The recent proportion of long-term loans was 4.23% in 2022.

**Interpretation****Short-Term Loans:****Dominant Role:**

Short-term loans have consistently formed a significant portion of total agricultural loans, reflecting the immediate and short-term credit needs of the agricultural sector.

**Fluctuations:**

The fluctuations in short-term loan proportions suggest variability in short-term credit demand or policy shifts affecting short-term lending.

**Medium-Term Loans:****Growing Importance:**

The increasing trend in medium-term loans, especially the peak in 2017, indicates a growing importance of medium-term financing in agriculture, possibly for investment in equipment, livestock, or crop improvement projects.

**Stability:**

The relative stability in recent years suggests a balanced approach towards medium-term lending.

**Long-Term Loans:****Volatility:**

The initial decline and subsequent fluctuations in the proportion of long-term loans suggest instability in long-term credit policies or demand.

**Recent Trends:**

The recent stabilization of long-term loan proportions indicates a cautious approach towards long-term agricultural investments.

**Comments****Policy Implications:**

The dominance of short-term loans indicates a focus on meeting immediate financial needs, but the growing proportion of medium-term loans highlights a shift towards supporting medium-term agricultural projects. The fluctuating nature of long-term loans suggests the need for more stable and supportive policies for long-term agricultural investments.

**Credit Accessibility:**

The data shows that PACS have been responsive to the varying credit needs of the agricultural sector, but there is room for improving the balance between short-term, medium-term, and long-term loans to ensure comprehensive financial support for all agricultural activities.

**Future Directions:**

Strengthening long-term lending policies and providing more consistent support for long-term agricultural projects could enhance the sustainability and growth of the agricultural sector in Kerala. Ensuring that all types of loans are accessible and tailored to the specific needs of farmers will be crucial for the overall development of the rural economy.

**Table 3:** - Comparative Growth of Agricultural and Non-Agricultural Loans(Compiled from Handbook of cooperatives, Department of Cooperation, Govt of Kerala)

Year/ Indicators	Total Agricultural Loan	Total Non- Agricultural Loan	% of Agri Loan to Total Loan	% of Non-Agri Loan to Total Loan
Unit	Rs in crore	Rs in crore	%	%
2008	5987.08	11096.8	35.05	64.95
2009	4200.45	18409.4	18.58	81.42
2010	3680.16	22627.2	13.99	86.01



2011	5332.82	31489.5	14.48	85.52
2012	6538.24	40151.4	14.00	86.00
2013	20970.15	61440.5	25.45	74.55
2014	11738.56	82783.3	12.42	87.58
2015	9354.71	73953.3	11.23	88.77
2016	7377.79	65157.3	10.17	89.83
2017	7920.03	63749.5	11.05	88.95
2018	10347.63	66295.9	13.50	86.50
2019	11259.51	77893.5	12.63	87.37
2020	15190.00	93624.0	13.96	86.04
2021	20367.29	87965.8	18.80	81.20
2022	18761.45	96670.7	16.25	83.75

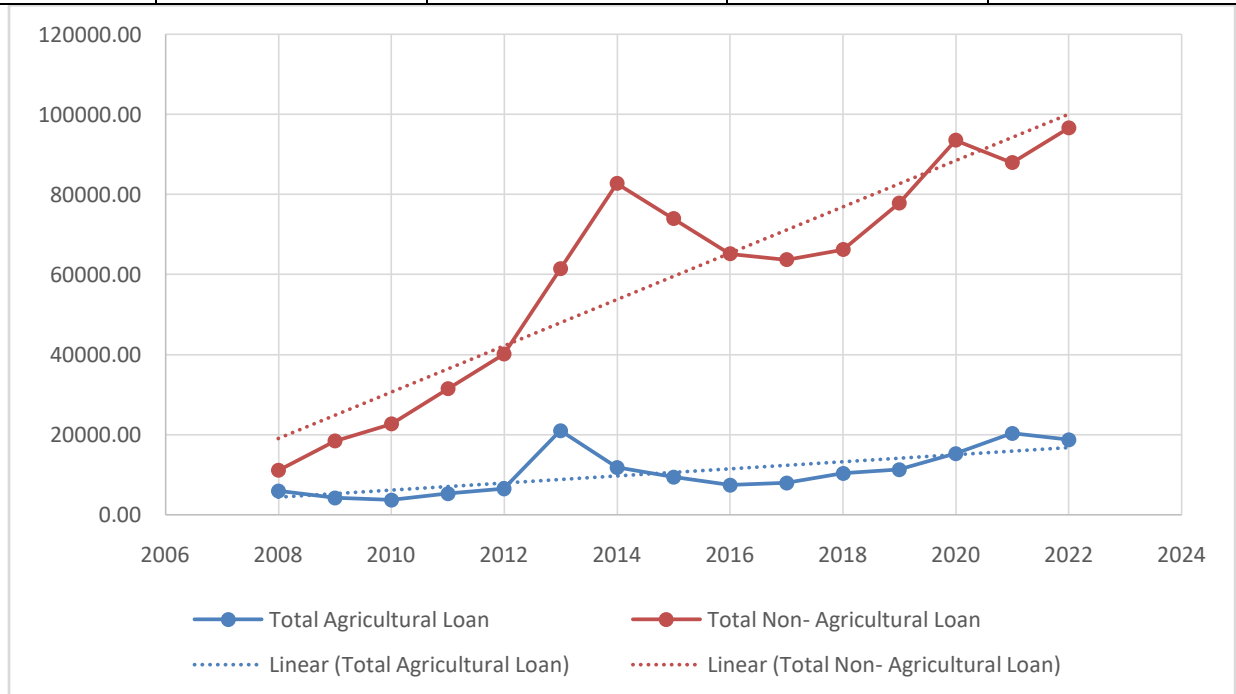


Figure 3: - Comparative Growth of Agricultural and Non-Agricultural Loans.

**Overview**

The table presents the total agricultural and non-agricultural loans disbursed by Primary Agricultural Credit Societies (PACS) in Kerala from 2007-08 to 2021-22. It also provides the percentage of agricultural loans and non-agricultural loans relative to the total loans for each year.

**Total Agricultural Loan**

**Initial Decline and Volatility (2008-2013):**

The total agricultural loans decreased from Rs. 5987.08 crore in 2008 to Rs. 3680.16 crore in 2010. A significant increase was observed in 2013, reaching Rs. 20970.15 crore.

**Subsequent Fluctuations (2014-2022):**

Post-2013, there was a notable decline in 2014 to Rs. 11738.56 crore. The loan amount fluctuated over the years, with significant growth in 2020 (Rs. 15190 crore) and 2021 (Rs. 20367.29 crore) before slightly dropping to Rs. 18761.45 crore in 2022.

**Total Non-Agricultural Loan**

**Consistent Increase (2008-2022):**

Non-agricultural loans consistently increased over the study period, starting at Rs. 11096.8 crore in 2008 and peaking at Rs. 96670.7 crore in 2022. This trend indicates a strong and growing focus on non-agricultural lending by PACS.

**Percentage of Agricultural Loan to Total Loan**

**Declining Trend (2008-2016):**

The percentage of agricultural loans to total loans declined from 35.05% in 2008 to a low of 10.17% in 2016. This decline reflects a decreasing emphasis on agricultural lending relative to total lending.

**Recent Recovery (2017-2022):**

The percentage showed some recovery, increasing to 18.80% in 2021 before declining again to 16.25% in 2022.

**Percentage of Non-Agricultural Loan to Total Loan**

**Increasing Trend (2008-2016):**

The percentage of non-agricultural loans to total loans increased from 64.95% in 2008 to a high of 89.83% in 2016, indicating a growing focus on non-agricultural activities.

**Stabilization and Slight Decline (2017-2022):**

The percentage stabilized around 87-88% from 2017 to 2019, with a slight decline to 81.20% in 2021 and 83.75% in 2022.

**Interpretation**

**Agricultural Loans:**

**Initial Decline and Recovery:**

The initial decline in agricultural loans suggests a reduced emphasis on agricultural financing in the early years of the study period. The significant increase in 2013 could be due to policy changes or increased demand for agricultural credit.

**Fluctuations and Recent Trends:**

The fluctuations in subsequent years indicate varying focus and demand for agricultural credit. The recent increase in 2020 and 2021 reflects a renewed emphasis on agricultural lending, possibly due to the impact of the COVID-19 pandemic on rural economies.

**Non-Agricultural Loans:**

**Consistent Growth:**

The consistent increase in non-agricultural loans indicates a strong and growing preference for non-agricultural financing. This trend suggests diversification of PACS' lending portfolios and support for non-agricultural economic activities.

**Dominance in Total Loans:**

The high and increasing proportion of non-agricultural loans highlights a shift in PACS' focus from their traditional role of agricultural financing to broader rural financial services.

**Proportional Analysis:**

**Declining Agricultural Loan Share:**

The declining percentage of agricultural loans relative to total loans reflects a decreasing emphasis on agriculture in PACS' lending activities. This trend might be due to higher profitability or lower risks associated with non-agricultural loans.

**High Non-Agricultural Loan Share:**

The high and increasing share of non-agricultural loans suggests a strategic shift by PACS to support a wider range of rural economic activities, possibly driven by diversification strategies and changing rural economic dynamics.

**Comments****Strategic Shifts:**

The data indicates a strategic shift in PACS' lending practices, with a significant move towards non-agricultural lending. This shift could be driven by the need to diversify portfolios, reduce risks, or respond to changing rural economic conditions.

**Policy Implications:**

The declining focus on agricultural loans calls for policy interventions to ensure that the primary objective of supporting agriculture is not compromised. Policymakers may need to create incentives for PACS to maintain a balanced approach to lending.

**Future Directions:**

To support sustainable rural development, PACS should aim for a balanced lending approach that addresses both agricultural and non-agricultural needs. Strengthening agricultural lending through targeted policies and programs could help achieve this balance.

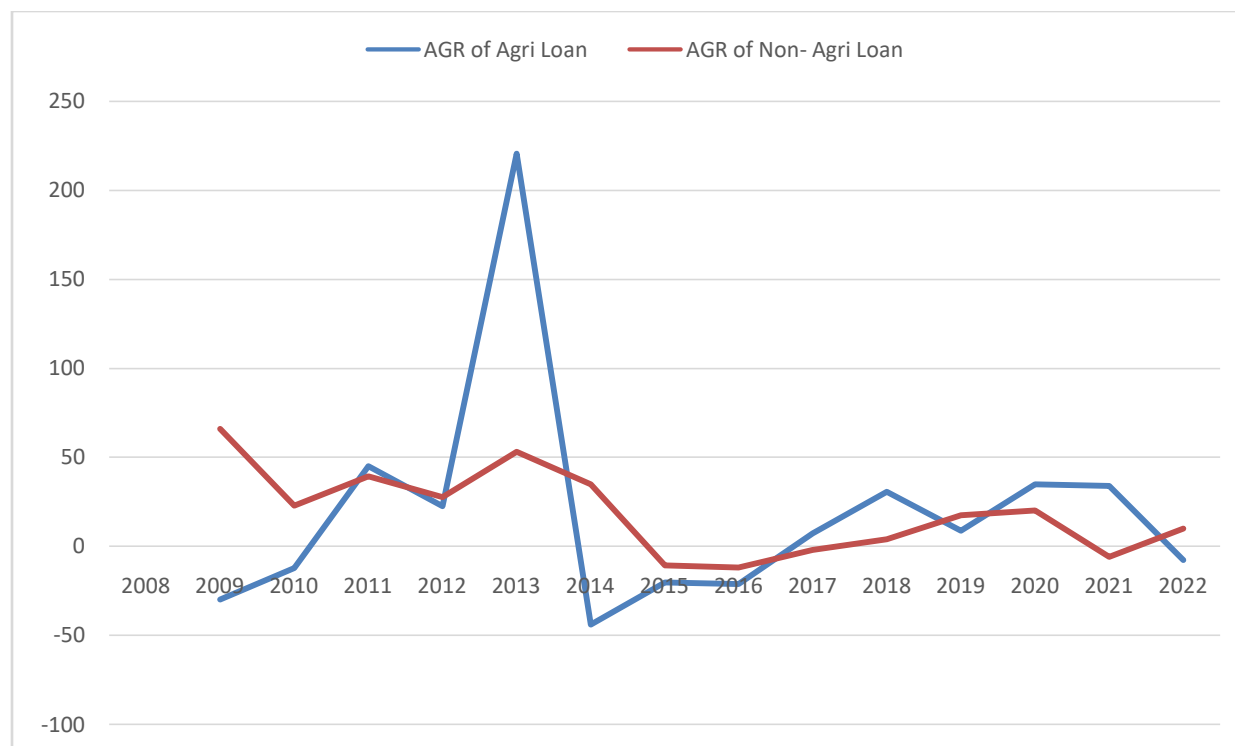
**Economic Impact:**

The growth in non-agricultural lending highlights the evolving rural economy in Kerala, where non-agricultural activities are becoming increasingly significant. Supporting these activities through adequate credit can contribute to overall rural development and economic resilience.

By addressing these aspects, PACS can continue to play a crucial role in supporting both agricultural and non-agricultural sectors, fostering comprehensive rural development in Kerala.

**Table 4:** - Annual Growth of Agricultural and Non-agricultural Loan during study period(Compiled from Handbook of cooperatives, Department of Cooperation, Govt of Kerala)

<b>Year/ Indicators</b>	<b>AGR of Agri Loan</b>	<b>AGR of Non- Agri Loan</b>
Unit	%	%
<b>2008</b>		
<b>2009</b>	-29.84	65.90
<b>2010</b>	-12.39	22.91
<b>2011</b>	44.91	39.17
<b>2012</b>	22.60	27.51
<b>2013</b>	220.73	53.02
<b>2014</b>	-44.02	34.74
<b>2015</b>	-20.31	-10.67
<b>2016</b>	-21.13	-11.89
<b>2017</b>	7.35	-2.16
<b>2018</b>	30.65	3.99
<b>2019</b>	8.81	17.49
<b>2020</b>	34.91	20.19
<b>2021</b>	34.08	-6.04
<b>2022</b>	-7.88	9.90



**Figure 3:- Annual Growth of Agricultural and Non-agricultural Loans.**

### Overview

The data and figure provide the annual growth rates (AGR) for agricultural and non-agricultural loans disbursed by Primary Agricultural Credit Societies (PACS) in Kerala from 2009 to 2022. These growth rates indicate the percentage change in loan amounts from one year to the next.

### Annual Growth Rate of Agricultural Loans

#### Initial Decline (2009-2010):

In 2009, agricultural loans experienced a significant decline of -29.84%. This negative trend continued in 2010, with a decline of -12.39%.

#### Recovery and Fluctuations (2011-2013):

A strong recovery occurred in 2011 with a growth rate of 44.91%. This positive trend continued in 2012 (22.60%), peaking dramatically in 2013 with an AGR of 220.73%.

#### Subsequent Decline (2014-2016):

The AGR saw a steep decline in 2014 (-44.02%) and continued to decrease in 2015 (-20.31%) and 2016 (-21.13%).

#### Stabilization and Growth (2017-2021):

There was moderate growth in 2017 (7.35%) and significant growth in 2018 (30.65%). The positive trend continued in 2019 (8.81%), with substantial growth in 2020 (34.91%) and 2021 (34.08%).

#### Recent Decline (2022):

In 2022, agricultural loans saw a decline with an AGR of -7.88%.

### Annual Growth Rate of Non-Agricultural Loans

#### Strong Initial Growth (2009-2011):

Non-agricultural loans saw significant growth in 2009 (65.90%) and continued to grow strongly in 2010 (22.91%) and 2011 (39.17%).

**Consistent Growth (2012-2014):**

The positive trend persisted in 2012 (27.51%) and 2013 (53.02%). Growth continued in 2014 with an AGR of 34.74%.

**Fluctuations and Negative Growth (2015-2017):**

There was a decline in 2015 (-10.67%) and 2016 (-11.89%). A slight negative growth was observed in 2017 (-2.16%).

**Recovery and Growth (2018-2020):**

The growth rate turned positive again in 2018 (3.99%) and showed a significant increase in 2019 (17.49%) and 2020 (20.19%).

**Recent Trends (2021-2022):**

In 2021, non-agricultural loans experienced a negative growth rate of -6.04%. The AGR turned positive again in 2022 with a growth rate of 9.90%.

**Interpretation**

**Agricultural Loans:**

**Initial Decline:**

The sharp declines in 2009 and 2010 indicate significant challenges in agricultural lending during these years, possibly due to external factors such as economic downturns or poor agricultural performance.

**Recovery Period:**

The strong recovery from 2011 to 2013 suggests successful interventions or favourable conditions that boosted agricultural lending. The extraordinary growth in 2013 could be due to a major policy shift or significant increase in demand for agricultural credit.

**Subsequent Decline:**

The negative growth rates from 2014 to 2016 indicate a period of instability or reduced focus on agricultural loans.

**Stabilization and Growth:**

The positive growth rates from 2017 to 2021 reflect a period of recovery and renewed emphasis on agricultural lending. This period likely benefited from favorable policies or increased agricultural activities.

**Recent Decline:**

The decline in 2022 suggests emerging challenges or a shift in focus away from agricultural lending.

**Non-Agricultural Loans:**

**Strong Growth:**

The consistent and strong growth rates from 2009 to 2014 indicate a strategic focus on expanding non-agricultural lending. This trend reflects PACS' efforts to diversify their portfolios and support a broader range of rural economic activities.

**Fluctuations and Negative Growth:**

The negative growth rates in 2015 and 2016 suggest a temporary setback, possibly due to external economic conditions or a strategic reassessment.

**Recovery and Continued Growth:**

The return to positive growth from 2018 to 2020 indicates a recovery and continued emphasis on non-agricultural lending. The negative growth in 2021 could be an anomaly or a result of specific economic conditions, while the positive growth in 2022 indicates a return to the growth trajectory.

**Comments**

**Strategic Shifts:**

The data highlights a strategic shift by PACS towards non-agricultural lending, as evidenced by the consistently higher growth rates in this category compared to agricultural loans. This shift could be driven by higher returns or lower risks associated with non-agricultural loans.

**Policy Implications:**

The fluctuations in the growth rates of agricultural loans suggest the need for more stable and supportive policies to ensure consistent support for agricultural activities. Policymakers should focus on creating a conducive environment for agricultural lending to maintain balanced rural development.

**Economic Resilience:**

The strong growth in non-agricultural loans reflects the resilience and diversification of the rural economy in Kerala. Supporting non-agricultural activities through adequate credit can enhance economic stability and growth.

**Future Directions:**

PACS should aim for a balanced approach that supports both agricultural and non-agricultural sectors. Strengthening agricultural lending through targeted policies and addressing the challenges leading to negative growth rates will be crucial for sustainable rural development.

By addressing these areas, PACS can better align their lending practices with the evolving needs of the rural economy, ensuring comprehensive financial support for both agricultural and non-agricultural activities.

**Discussion:-**

**Shifts in Lending Focus:**

The data clearly shows a strategic shift by PACS in Kerala from primarily agricultural lending towards a more diversified portfolio that includes a significant proportion of non-agricultural loans. This shift could be driven by the need for risk diversification, higher returns from non-agricultural sectors, or changes in the rural economy where non-agricultural activities are becoming more prominent.

**Impact on Agricultural Lending:**

The declining proportion of agricultural loans, particularly from 2014 to 2016, suggests that agricultural lending was deprioritised during these years. However, the recovery and growth in recent years indicate renewed attention, possibly due to policy interventions or increased demand for agricultural credit.

**Policy Implications:**

The fluctuations in agricultural loan growth rates and the overall decline in their proportion of total loans highlight the need for stable and supportive agricultural credit policies. Ensuring consistent access to agricultural credit is crucial for the sustainability of the agricultural sector and for addressing the financial needs of farmers.

**Economic Resilience and Diversification:**

The consistent growth in non-agricultural loans reflects the resilience and diversification of the rural economy in Kerala. This trend suggests that PACS are effectively supporting a broader range of rural economic activities, contributing to overall rural development and economic stability.

**Future Directions:**

To support sustainable rural development, PACS should aim for a balanced approach that addresses both agricultural and non-agricultural needs. Strengthening long-term lending policies and providing more consistent support for agricultural projects will be crucial. Policymakers should focus on creating a conducive environment for agricultural lending while also supporting non-agricultural activities through adequate credit facilities.

**Conclusion:-**

The analysis of PACS lending activities in Kerala from 2007-08 to 2021-22 reveals significant shifts in lending focus, with a growing emphasis on non-agricultural loans. While this trend reflects the diversification and resilience of the rural economy, it also underscores the need for balanced and supportive policies to ensure that the financial

needs of the agricultural sector are adequately met. By addressing these challenges and opportunities, PACS can continue to play a vital role in promoting comprehensive rural development in Kerala.

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