



# A Comparative Study on the Performance Analysis of Primary Agricultural Cooperative Credit Societies in Salem District, Tamil Nadu

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## Abstract

The present research paper attempts to explore the relationship between society's productivity and its determinants. Since there are a lot of factors affecting productivity a model giving the most dangerous variables ratios has been developed by using several discriminated analyses.

This present study is undertaken "A Comparative Analyses on the Performance Primary Agricultural Cooperative Credit Societies in Salem District, Tamil Nadu". The importance is based on the objectives of working performance.

**Keywords:** Financial Performance of PACCS, Agricultural loans, Agricultural development in Tamil Nadu.\

## Introduction

The Cooperative movement in India which is the leading socio-economic movement in the world has it has contributed considerably to the alleviation of poverty, creation of employment as well as improvement of social and economic development in the country. The cooperative sector is primarily concerned with Agricultural credit, marketing of Agricultural produce, distribution of fertilizers, pesticides, and other necessary commodities. The cooperative movement in India started in the year 1904, now it has spread all parts of our country. In 1914 the Meclagan Committee suggested that cooperative society should be in three-tier system organization i.e., Primary Agricultural Cooperative Credit Societies at the village level, Central Cooperative Banks at the District level, and the State Cooperative Bank in the state level as a Apex body, Cooperative Banks provide short-term and medium term Credit and long term credit at reasonable rates of interest and now the Cooperative crossed a century.

PACCS functioning at grass root level have direct contact with the rural agriculturalist and meet their financial requirements by offering short-term loans for the cultivation of agricultural produces. They also extend medium-term loans for allied agricultural activities. With the increasing demand for rural credit, the agricultural credit societies were transformed from single-purpose to multi-purpose societies.

## Significance of the Study

The significance of the study is evaluating the performance of PACCSs in Omalur Taluk and Mettur Taluk, Salem District, in Tamil Nadu. It has been widely accepted that the business performance is closely connected with the profit and service of PACCSs. The profit can be accessed with the balance sheet of PACCSs. However, the financial stability of these societies has a direct bearing on the extent the mobilization of deposits, and the collection of loans before may come to overdue. If the overdue is not kept under control the will have a crippling effect of curtailing the ability of the societies to reclaim the funds and develop their business.

## Review of literature

**K.K Tripathy Manisha Paliwal Nishita Nistala (2021)**, he made an attempted competitiveness at the sector level is often considered the outcome of the strategies and series of actions of firms that operate in that sector. This study assessed the effectiveness of good governance in cooperative management and working performance of PACCS in Kerala state by drawing up inferences from filed and desk research. This research indicates that the membership was positive and significant in the selected PACCS, in the presence of other factor such as development intensity, marketing intensity business strategy ect.

**Murray EV (2020)**, studied PACCS have played pivot roles in India's rural and agri-economic growth, the formidable grassroots' presence of these units calls for government's intervention for their natural growth. Agriculture has undergone structural challenges, such as differentiating from investor-owned companies.

**Dr.Sharwari S Kulkarni, M. Raut (2019)**, studied Primary Agricultural Credit Cooperative Societies is basic rural financial institution, which governed by the cooperative principles, but now it becomes weaker due to poor recovery and increasing amount of overdue. It was observed, increasing number of PACCS and borrowers was increased but amount of issuing loan and growth was not increased proportionally. Disparity was noticed in the performance of recovery in different states of western Zone. There is need to give special attentions by PACCS and Central Cooperative Banks towards increase recovery.

## Statement of the Problem

In the short-term credit structure, comprises of Institutions at three Levels namely the PACCS is the base level units dealing with primary borrowers in the village level formers. The central institutions at middle levels intend to support loan to the funding of the PACCS. It is consequently vital that, in any policy of cooperative development, major emphasis is on the increase of the PACCS. The superstructure would decide the health of the whole cooperative credit movement, which rests on the foundation of the PACCS. Improvement in productivity and income of the farmers and promotion of other subsidiary and non-farm activities largely depend on the capability of the credit delivery system of the PACCS. They are expected to encourage the interests of farmers by providing inputs for rising agricultural production and arranging services like processing, grading, marketing, warehousing, etc.

The present study seeks to find answers to the following questions, what is the present status of the PACCS in terms of business? What are the trends in their financing activities? What is their Economic Profile? What is the pattern of their borrowing? What contributes to the better and weaker functioning of PACCS? These are all a few questions that need to be answered.

### **Objectives of the Study**

- I. To study the present status of selected PACCS in Salem district in Tamil Nadu.
- II. To make the comparative analysis on the performance of selected PACCSs.
- III. To give suggestions as appropriate measures to improve their performance.

### **Methodology and Sampling Design**

The study is based on secondary data which is obtained from the annual report, audit report, balance sheet, and financial statements of sample societies. A period of ten years starting from 2009-10 to 2018-2019 has been covered.

As on 31.03.2021, there were 4521 PACCS in Tamil Nadu, out of which 265 PACCS were working in Salem District. There was 25 PACCS in Omalur Taluk and Mettur Taluk had 22 PACCS. In the Second stage, one PACCS each has been randomly selected from the two Taluks.

### **The profile of the Selected Cases**

The Mecheri Primary Agricultural Cooperative Credit Society (MPACCS) was registered under the Cooperative Act on 27.04.1962 and commenced its business on 05.12.1962. It has completed about 59 years of service. Generally, the MPACCS grants credit both for agricultural and allied agricultural purposes to its members and the Area of operation is consisting of Mecheri panchayat.

The Kadaiyampatti Primary Agricultural Cooperative Credit Society (KPACCS) was registered under the Cooperative Act on 20.03.1963 and commenced its business on 10.06.1963. It has completed about 60 years of service. The KPACCS extends financial support to the agricultural and allied agricultural purposes to its members in the Kadaiyampatti Village.

The liability of the members of these PACCSs is limited share capital contributed by them, as per the Tamil Nadu Cooperative Societies Act and Rules.

### **Membership**

The membership of the selected cases consists of 'A' class and 'B' class members. 'A' class members are farmers who are residing within their area of operation, and they have the rights to vote and participate in management. 'B' Class members do not have such rights and they only reside within the area of operation of the societies, who normally borrowed jewel loans and stand as guarantee.

Table-1

**Membership Position: A Comparative Picture***(Members in '000')*

Year	Membership					
	MPACCS	GR	Trend	PACCS	GR	Trend
2009-10	1029	0	796	504	0	438
2010-11	989	-4	934	504	0	483
2011-12	909	-8	1072	495	-2	527
2012-13	901	-1	1211	488	-1	571
2013-14	902	0.1	1280	487	-0.2	594
2014-15	1725	91	1418	712	46	638
2015-16	1722	-0	1487	709	-0.4	660
2016-17	1707	-1	1625	704	-1	704
2017-18	1800	5	1763	755	7	749
2018-19	1803	0.2	1901	799	5.8	793
<b>AVG</b>	1349	8		616	5	
<b>SD</b>	427	29		130	15	
<b>CV</b>	0.32	4		0.21	2.7	

*Source: Audit reports of the societies*

From Table 1 it is clearly found that the Membership position of the MPACCS and KPACCS has grown increasingly for the past ten years, whereas MPACCS has the highest membership position compared to KPACCS. The Growth Rate of the MPACCS and KPACCS was a negative one from 2010-11 to 2016-17, while in 2017-18 and 2018-19, MPACCS and KPACCS have a positive decreasing growth rate. The trend for NPACCS and KPACCS was showing increasing trend. The average, SD and CV of MPACCS were higher when compared to KPACCS.

**Sources of Finance**

The funds are raised by PACCSs through share capital, reserve funds and other reserves, deposits and borrowings. These sources are categorized as owned and borrowed funds.

Owned funds are permanent funds because these funds are not repayable except in case of closing down of the business. These funds include share capital and reserves. Borrowed funds include deposits and borrowings from District Central Cooperative Bank.

Table-2

## Sources of Funds for PACCSs: A Compression

(Rs.In.lakhs)

Year	Owned Fund				Borrowed Fund				Working Capital			
	MPACCS	GR	KPACCS	GR	MPACCS	GR	KPACCS	GR	MPACCS	GR	KPACCS	GR
2009-10	45	0	10	0	285	0	138	0	330	0	148	0
2010-11	58	31	10	2	530	86	183	33	588	78	194	31
2011-12	24	-58	11	8	607	15	217	18	1541	162	228	18
2012-13	25	4	12	4	857	41	259	19	882	-43	271	19
2013-14	54	111	11	-6	1063	24	371	43	1116	27	382	41
2014-15	71	31	13	20	1368	29	501	35	3164	183	514	34
2015-16	78	11	15	11	1833	34	543	8	1911	-40	557	8.4
2016-17	83	5.4	15	-0	2222	21	573	6	2305	21	588	5.5
2017-18	96	16	17	17	2722	22	544	-5	4618	100	561	-5
2018-19	102	6.6	18	8	2371	-13	477	-12	4276	-7.4	495	-12
<b>AVG</b>	64	16	13	6	1386	26	381	15	2073	48	394	14
<b>SD</b>	27	42	2.9	8	856	26	168	18	1508	80	170	18
<b>CV</b>	0.4	2.6	0.2	1	0.62	1	0.44	1	0.73	1.7	0.4	1.3

Source: Audit reports of the societies

Table 2 describes the Sources of Finance of MPACCS and KPACCS. There is an increase in the sources of finance for the past ten years. Owned fund, borrowed funds and working capital have increased to the highest level for MPACCS than KPACCS. Growth Rate of Owned fund, Borrowed Fund and Working Capital have shown decreasing rate. The average, SD and CV for own funds, borrowing funds and working capital are found to be higher in MPACCS in case of when compared to KPACCS

### Loan Operations

The PACCS usually provide loans to their members for short-term and medium-term purposes. “Bulk of the short-term loans is lent to the members for agricultural production, agricultural implements, marketing of crops, processing of agricultural produce and other agricultural purposes.

The medium-term loans are provided for agricultural and non-agricultural purposes. The medium-term loans for agricultural purposes are given for repairing of wells, purchase of machinery, purchase of cattle, animal husbandry activities, minor improvements to lands and other agricultural purposes. Short-term loans are given for the period of six month to one year while medium-term loans are given for one year to five years. The members are entitled to draw funds under the limits sanctioned from time to time according to its requirements.

Table-3

## Loan Operation: A Comparative Picture

(Rs.In.lakhs)

Year	Loan Issued				Loan Recovery				Loan Outstanding			
	MPACCS	GR	KPACCS	GR	MPACCS	GR	KPACCS	GR	MPACCS	GR	KPACCS	GR
2009-10	340	0	199	0	214	0	146	0	268	0	136	0
2010-11	576	69	259	30	381	78	211	44	463	73	184	35
2011-12	788	37	328	27	682	79	275	30	569	23	238	29
2012-13	955	21	411	25	829	22	367	34	694	22	281	19
2013-14	1220	28	555	35	1050	27	461	26	864	24	376	34
2014-15	1640	34	743	34	1311	25	619	34	1193	38	500	33
2015-16	1622	-1	662	-11	1421	8.4	624	0.8	1393	17	537	7
2016-17	2342	44	675	2	1886	33	676	8.4	1849	33	536	-0
2017-18	2455	4.8	696	3	2217	18	706	4.3	2087	13	526	-2
2018-19	1192	-51	559	-20	1867	-16	633	-10	1412	-32	452	-14
<b>AVG</b>	1313	19	509	13	1186	27	472	17	1079	21	377	14
<b>SD</b>	706	33	196	20	673	30	209	19	608	27	156	18
<b>CV</b>	0.54	1.8	0.39	2	0.57	1.1	0.44	1.1	0.56	1.3	0.41	1

Source: Audit reports of the societies

Table 3 shows the Loan Operations of NPACCS and KPACCS. There is an increase in the loan operations for the past ten years. Loan Issued, Loan Recovery and Loan Outstanding have increased at higher level for MPACCS than KPACCS from 2009-10 to 2017-18, whereas in 2018-19 all loan operation have decreased for both NPACCS and KPACCS. The average for loan issued, are found to be highest in MPACCS when compared to KPACCS. The average for loan Recovery, are found to be highest in MPACCS when compared to KPACCS. The average for loan outstanding, are found to be highest in MPACCS when compared to KPACCS.

### Non-Performing Assets

Banking institutions are intermediaries between depositors and borrowers. They are dealing with others money and they have greater moral responsibility to keep their integrity and honesty. It will create overall problems to the banker when the money lent as loans has become non-recoverable. Their liquidity and profitability will be affected. Further loans cannot be issued in time. When the capital is locked idle, it will lead to erosion of financial resources. Such Non-Performing Assets (NPA) has assumed greater attention among commercial and cooperative banks.

The first foundation of NPAs was constituted in England by the recommendation of the Bazlay committee. The implementation of prudential norms in Indian banking system based on the recommendations of the Narismham committee in 1991, the RBI has developed significant steps towards the introduction of transparency in accounting practices and bringing the norms to internationally accepted standards.

Table-4

## Non-Performing Assets: A Compression

(Rs.In.lakhs)

Year	Non-Performing Assets					
	MPACCS	GR	Trend	KPACCS	GR	Trend
2009-10	3		3	0	0	0
2010-11	3	0	2	0	0	0
2011-12	3	-8	2	0	0	0
2012-13	2	-32	2	0	0	0
2013-14	1	-16	2	0	0	0
2014-15	1	-12	2	0	0	0
2015-16	1	-4	1	0	0	0
2016-17	1	0	1	0	0	0
2017-18	1	-4	1	0	0	0
2018-19	1	-13	1	0	0	0
<b>AVG</b>	2	-9		0	0	0
<b>SD</b>	1	10		0	0	0
<b>CV</b>	0	-1		0	0	0

Source: Audit report of the societies (various issues)

Table 4 shows the Non-Performing Assets of MPACCS and KPACCS. There is a decrease in the NPA of MPACCS for the past ten years, whereas there is no NPA for KPACCS. Growth Rate of NPA is negative for MPACCS. The average, SD and CV for NPA is found to be higher in MPACCS compared to KPACCS.

**Business Results**

Though profit making is not a primary objective of the societies, profits cannot be ignored because an institution suffering losses cannot serve for a long period. Depositors and lending institutions hesitate to invest in such cooperatives. So for the survival purpose profit is necessary

Table-5

## Business Results: A Comparative Picture

(Rs.In.lakhs)

Year	Business Results					
	MPACCS	GR	Trend	KPACCS	GR	Trend
2009-10	4		6	0.1		4
2010-11	4	-5	8	2	2444	4
2011-12	12	243	10	8	238	5
2012-13	12	2.6	11	9	12	5
2013-14	13	46	12	6	-30	6
2014-15	19	-13	14	9	55	6
2015-16	16	14	15	7	-26	6
2016-17	19	-11	17	6	-10	7
2017-18	17	9	19	6	-4	7
2018-19	18	9	21	5	-12	8
<b>AVG</b>	13	30		6	12	
<b>SD</b>	6	81		3	-50	
<b>CV</b>	0.4	2.7		0.5	-83.3	

Source: Audit report of the societies (various issues)



Table 5 shows the Business Results of MPACCS and KPACCS. There is a fluctuation of business results for the past ten years in both MPACCS and KPACCS. Growth Rate of business result has a fluctuating trend. The average, SD and CV for business results, are found to be higher in MPACCS than the KPACCS.

### Audit Classification

Based on the various norms by the Registrar of Cooperative Societies the PACCSs are classified as A B C and D based on the overall performance of the concerned society by allocating marks. The audit classification of the selected Cooperative Societies over the years is presented below.

**Table-6**  
**Audit Classification: A Compression**

Year	Audit Classification	
	MPACCS	KPACCS
2009-10	B	C
2010-11	B	B
2011-12	A	C
2012-13	A	A
2013-14	A	A
2014-15	A	A
2015-16	A	A
2016-17	B	C
2017-18	B	B
2018-19	A	B

*Source: Audit report of the societies (various issues)*

The audit classification is made on the basis of various norms prescribed. It is clear from the above table the performance of MPACCS got a better position than the KPACCS based on performance.

### Findings of the Study

- ❖ Membership position of the MPACCS and KPACCS has grown increasingly for the past ten years, whereas MPACCS has the highest membership position compared to KPACCS.
- ❖ The average, SD and CV for own funds, borrowing funds and working capital are found to be higher in MPACCS in case of when compared to KPACCS.
- ❖ The average for loan issued, are found to be highest in MPACCS when compared to KPACCS.
- ❖ The average for loan Recovery, are found to be highest in MPACCS when compared to KPACCS.
- ❖ The average for loan outstanding, are found to be highest in MPACCS when compared to KPACCS.
- ❖ The average, SD and CV for NPA is found to be higher in MPACCS compared to KPACCS.
- ❖ The average, SD and CV for business results, are found to be higher in MPACCS than the KPACCS.

### Conclusion

The results indicate that their membership size has grown over the years in case of the PACCS but there is a need to relook into the issue of optimal member size of the cooperatives in the interest of their viability. This is a neglected aspect in the present-day literature on cooperatives, but merits attention of all the stakeholders. In conformity with popular perception, government's contribution to the share capital is found to be detrimental for the recovery performance of the PACCS. Government's contribution to share capital not only gives it a hand to



support the affairs of the PACCS. The study concludes that the MPACCS have got better position when compare KPACCS.

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