



A Comparative Study on Financial Performance of the Primary Agricultural Co-Operative Credit Societies for Pre-Waiver and Post Waiver Period On 31.03.2006 in Mettur Taluk, Salem District, Tamilnadu State

KEYWORDS

PACS Performance – Waiver as on 31.03.2006, An analysis of financial performance pre-waiver and Post waiver period – Multi Discriminant Model.

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ABSTRACT For finding financial performance of the PACCS to review the present status of PACCS of Mettur Taluk, Salem District in Tamilnadu find out the performance of PACCS for pre-waiver and post-waiver period as on 31.03.2006 as per the available audit accounts the suggestion appropriate measures to improve the profit and service of PACCS based on the findings of the present study. The present paper attempts to explore the relationship between society profitability and its determinants. Since there are many variables affecting profitability a model giving the most critical variables ratios has been developed by using multiple discriminant analysis.

1. INTRODUCTIONS:

The Co-operative movement which is the largest Socio-economic movement in the world, has contributed significantly to the alleviation of poverty, creation of productive employment as well as the enhancement of social integration in the country. The Co-operative movement in India particularly in Tamilnadu has taken deep roots in various sectors and is making a significant contribution towards economic development and Social Progress of the people. The co-operative sector is mainly concerned with Agricultural credit marketing of Agricultural produce and distribution of fertilizers and pesticides and other essential commodities. A small beginning was made with the enactment of first Co-operative credit Societies Act in 1904. In 1914 the Maclagen Committee Suggested. A three tier structure for co-operative societies i.e., Primary Agricultural Credit Societies at the grass root level, Central Co-operative Banks at the District level and State Co-operative Bank in the state of Apex level Co-operative Banks were expected to serve as substitutes for moved levels and provide both short-term and long term Institutional Credit at Reasonable rates of Interest and now the Co-operative movement has completed a century.

PACCS Functioning at grass-root level have Direct contact with the rural people and meet the financial requirements of 10983 crore members PACCS provide short-term loans for the cultivation of Co-operatives and for consumption purpose. As well as medium term loans for allied agricultural activities with the increasing demand for rural credit agricultural credit societies were transformed from single purpose to multi purpose societies.

The waiver of agricultural loans by the government in the year as on 31.03.2006 has provided the much-needed relief to the farmers whose debt burden was becoming Increasingly difficult to discharge the co-operative institutions require visionary leadership professional management and Innovative institutional arrangements for greater freedom of action and wide participation by the members to restore faith in these institutions and more than a vehicle for rural transformation. The present study presents the financial performance of the PACCS in Mettur Taluk,

2. IMPORTANCE OF THE STUDY:

The Importance of the study is evaluating the financial performance of PACCS loan waiver as on 31.03.2006 analysis of real possession of the societies during the pre-waiver and post-waiver period, and is Restricted to Mettur Taluk, Salem District in Tamil Nadu. It has been winding accepted that the business performance is closely Associated with the profit and service of PACCS. Performance is a vast area constitut-

ing of a member of dimensions. This study is concerned the two factory taken are profit and service. The profit can be accessed with the balance sheet of PACCS and service will be judged by the opinion of the members. However, the financial stability of these societies has a direct bearing to the extent of mobilization of depositions and the collection of loans before may be come overdues. If the overdues are not kept under control the will have a crippling effect of curtailing the ability of the societies to recycle the funds and expand their business.

3. REVIEW OF LITERATURE:

The report of the taskforce on revival of co-operative Credit Institutions (2004) pointed out that the low recovery of loans obviously affected the profitability of the institutions and poor loan recovery had resulted in a peculiar phenomenon often referred to as imbalances. It also viewed that PACCS were money conducting their business through borrowed funds Mishra I.P. and Maurya S.K(2005) Expressed that Agricultural Credit Disbursed by Co-operatives in Gola Block of Gorakhpur District has increased production productivity income and employment of borrowing in expand milk production. Shacheendran.V. (2007) Indicated that co-operatives showed a better performance in issuing Kisan Credit Cards than RRBS and CBS. Deepak shah (2007) made on attempt to measure the viability of PACCS during pre economic reform period and the post economic reform period. T.Thirupathi (2013) stated that PACCS functioning at grass-root level have direct contact with the rural people and meet the financial requirements of 10,983 crore members. This study explored the sources of funds of PACCS and the mobilization and deployment of funds.

4. STATEMENT OF THE PROBLEM:

The Government considering the inability of the farmers to repay their loans to the Co-operative due to successive crop loss on account of natural calamities waived all Agricultural and Allied Agri Loans with interest outstanding as on 31.03.2006 with the Co-operative Societies. However to ensure the continued service of the co-operative societies in providing loans to the formed, the Government has decided to reimburse the entire waived amount to the co-operatives in 5 annual instalment with interest 8% per annum. The Government has also taken over the Liabilities of Tamil Nadu State Apex Co-operative Bank and Tamil Nadu Co-operative tate Agricultural and Rural Development Bank to Nabard. As on 31.03.2007 the Government has released a sum of Rs.1044.63 Crore to the Co-operative banks towards the waived amount and also released a sum of Rs.613.59 crore to the co-operative towards repayment to NABARD an amount of Rs.1110.00 Crore is proposed for this scheme.

5. OBJECTIVES OF THE STUDY:

The objectives of the study are as follows:

- 1) To review the present status of PACCS of Mettur Taluk in Tamil Nadu.
- 2) To find out the performance of PACCS in Mettur Taluk from pre-waiver period and Post-waiver period. As per the available audited accounts.
- 3) To study the perception of the members towards the service of the select PACCS in Mettur Taluk, in Tamilnadu.
- 4) To suggest appropriate measures to improve the profit and service of PACCS based on the findings of the present study.

6. TESTING OF HYPOTHESIS:

The study is based on the formulation of the hypothesis for the service the validity of some of them will be tested through appropriate analysis. The variables such as Rural Urban and Class of PACCS will be considered for this study comparison will be made in the some class of PACCS and the comparison will be done from 2001-2006 (Pre-waiver) and 2006-2011 (Post – waiver).

7. SAMPLING DESIGN:

As on 31.03.2011 there are 4534 PACCS in Tamil Nadu, out of which 374 PACCS are in Salem District, Mettur Taluk has 26 PACCS under Mettur Area Office Control (SDCCB). There are 4 circles in Mettur Taluk viz. Kolathur, Mecheri, Nangavalli, Tharamangalam. In the Second Stage 20 percent of the PACCS have been Randomly selected from each stratum. Sample size Constitutes of 5 PACCS Selected out of 26 PACCS functioning in the Taluk.

**Table-1. 26 PACCS in Mettur Taluk:
Pre-waiver (2006) Post-waiver (2006)**

Sl. No.	Year	Int. earned	Total Income	Ratio (%)	Year	Int. earned	Total Income	Ratio (%)
1.	2001-02	623.74	626.10	99.50	2006-07	629.98	652.08	96.61
2.	2002-03	616.20	639.61	96.30	2007-08	601.38	631.80	95.18
3.	2003-04	659.10	685.46	96.13	2008-09	632.32	638.56	99.02
4.	2004-05	667.94	694.65	96.15	2009-10	618.92	645.32	95.90
5.	2005-06	693.16	720.88	96.15	2010-11	624.26	658.84	94.75

Source : Annual Reports of the PACCS From 2001-02 to 2010-11.

Table-2.

**Ratio of Interest paid to total income of the society during the pre-waiver and post-waiver period.
Pre-waiver (2006) Post-waiver (2006)**

Sl.No.	Year	Int. paid	Total Income	Ratio (%)	Year	Int. paid	Total Income	Ratio (%)
1.	2001-02	462.54	626.10	73.87	2006-07	474.06	652.08	72.69
2.	2002-03	473.72	639.61	74.06	2007-08	546.60	631.80	86.51
3.	2003-04	499.82	655.46	76.25	2008-09	542.08	638.56	84.89
4.	2004-05	496.08	664.65	74.63	2009-10	574.26	645.32	88.98
5.	2005-06	514.28	690.88	74.43	2010-11	564.62	658.84	85.69

Source : Annual Reports of the PACCS From 2001-02 to 2010-11.

Table-3.

**Ratio of Total Income to working capital of the societies during the pre-waiver and post-waiver period.
Pre-waiver (2006) Post-waiver (2006)**

Sl. No.	Year	Total Income	Working Capital	Ratio (%)	Year	Total Income	Working Capital	Ratio (%)
1.	2001-02	626.10	12488.10	5.01	2006-07	652.08	13247.08	4.92
2.	2002-03	639.61	13736.91	4.65	2007-08	631.80	13909.43	4.54
3.	2003-04	655.46	14960.00	4.38	2008-09	638.56	14326.71	4.45
4.	2004-05	664.65	16456.10	4.03	2009-10	645.52	14756.51	4.37
5.	2005-06	690.88	18924.40	3.65	2010-11	658.84	15199.21	4.33

Source : Annual Reports of the PACCS From 2001-02 to 2010-11.

8. TOOLS FOR DATA COLLECTION:

This study is empirical in nature based on Balance Sheets and survey method. The first hand information (Balance sheet) for this study will be collected from the PACCS Concerned. As an essential part of the study for finding out service quality the primary data will be collected from members of that PACCS. The Secondary data were collected mainly from Journals reports, books and records of the PACCS.

9. PERFORMANCE ANALYSIS OF PACCS IN METTUR TALUK:

Among the 26 PACCS in Mettur Taluk, M.N.Patty, Manathal and Mallikundam PACCS are century old Societies in Mettur Taluk. There are three sample PACCS functioning in Mettur Taluk with more than 104 years of operations. All other societies are more than 46 years old. Vanavasi, Nangavalli, Pot-taneri, Navapatty, Kolathur, Mecheri, M.Kalipatty, Kuttapatty PACCS have a potential and facilitating environment to bring out the best among Co-operatives in the District.

9.1. FINDINGS OF THE STUDY:**9.2. INTEREST EARNED TO TOTAL INCOME RATIO:**

Interest is a major source of income for a society and it is earned out of advances and investments. This ratio express the share of Interest income in the total earnings of the societies. Table-1 to Table-4 – Ratio of Interest earned to Total Income, Ratio of Interest paid to Total Income, Ratio of Total Income to Working Capital, Ratio of Total Expenditure to Total Income of the societies during the pre-waiver and post-waiver periods.

Table-4.

Ratio of Total Expenditure to total income of the societies during the pre-waiver and post-waiver period.

Pre-waiver (2006)

Post-waiver (2006)

Sl. No.	Year	Total Expenditure	Total Income	Ratio (%)	Year	Total Expenditure	Total Income	Ratio (%)
1.	2001-02	409.31	626.10	65.37	2006-07	592.04	652.08	90.79
2.	2002-03	491.17	639.61	76.79	2007-08	597.20	631.80	94.52
3.	2003-04	564.84	685.46	82.40	2008-09	602.10	638.56	94.29
4.	2004-05	649.57	694.65	93.51	2009-10	607.40	645.32	94.12
5.	2005-06	692.12	720.88	96.01	2010-11	612.20	658.84	92.92

Source : Annual Reports of the PACCS From 2001-02 to 2010-11.

Table-1 to 4. Shows the Ratio of Interest earned to total income, Ratio of Interest paid to total income, Ratio of total income to working capital, Ratio of total expenditure to total income of the societies during the periods of the pre-waiver and post-waiver in the pre-waiver period the share of interest in the total income of the PACCS was less. In the case of the post-waiver period. The total share of the interest amount waived between 94.75 percent in 2010-11 and 99.02 percent in 2008-09. It shows that the share of the Income from interest income total income of the Society is more stable from this analysis it is clear that loan waiver has not any major impact on the share of the income from interest earned out of the total income of the societies. Comparative of loan pre-waiver period (2006) and Post waiver period analysis especially interest income not increased in that post waiver period.

10. SUGGESTIONS:

Based on the analysis of financial performance of PACCS in Mettur Taluk the following suggestions are made.

- To increased the own funds.
- To Admitted new members (As per by law)
- To mobilization of low cost deposits.

Borrowing from Financing Bank (SDCCB)

- To Timely finance shall be assistance by SDCCB.
- To lending of margin atleast 3% percent between SDCCB to PACCS.
- To restricted of interest calculation method between SDCCB to PACCS interest calculation should be both in same method.
- Example:
- Cash credit sanctioned by SDCCB various rate of Interest with Compounding but PACCS Int. collected from members in simple interest with calculated on principle, hence mostly PACCS Possibilities will be going on loss.
- To (SDCCB) Financing Bank Avoid to collected the interest quarterly once.

10.1 Credit Business:

PACCS must provide agri loan and allied agri loan sanction to the farmers should be increase the income earning capacity of PACCS.

10.2 Non-credit business:

The PACCS must provide to the non-credit Business to the farmers.

- Inputs, pesticides and seeds soles to farmers rationing.
- Consumer goods sales to members for fair-prize including open market goods.
- To be open Agro-Service Center.
- To be open Agro-Clinic Center.
- To provide constructed for rural godown facilities.
- To provide produce pledge loan to the farmers.

11. CONCLUSION:

The outcome of this study will help the members PACCS and the government to find out where they stand this will help than to re-orient themselves to improve their performance by adopting a strategy which will strengthen. The Co-operative Sector as a whole the present study analysed the Financial Performance as on 31.03.2006 pre-waiver and post-waiver period of PACCS in the Mettur Taluk the Financial performance in PACCS has been measured by studying their relationship with the ratios in the present study.

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