



## A STUDY ON FINANCIAL PERFORMANCE AND ANALYSIS OF PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES IN SALEM DISTRICT, TAMILNADU.

### KEYWORDS

PACCS – Financial Performance and Analysis.

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### ABSTRACT

*For Finding Financial Performance and analysis of PACCS to Review the present status of PACCS of Salem District in Tamilnadu State, Find out the Financial Performance and Analysis of PACCS for the period of 10 years from 2005-06 to 2014-15 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 PACCS selected study for Financial performance and analysis. The PACCS are placed under three categories viz. viable, potentially viable, and unviable.*

### 1.1 Introduction

The Co-operative Movement which is the largest Socio-Economic Movement in the world, has contributed significantly to the alteration of poverty creation of productive employment of well of 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 tire 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 Banks in the State Apex Level Co-operative Banks were Expected to serve as substitutes for moved Levels and Provide both Short-term and Long Term Institutional Credit of Reasonable Rates of Interest and now the Co-operative Movement has completed a century.

#### The Main provisions of this Act were as follows:

1. Ten persons living in the same village town or belonging to the same caste or class may apply for registration of a co-operative society for the Encouragement of thrift, self help and Co-operation among the members.
2. The main business of the Society was to raise funds by deposits and borrowings and for giving loans to its members.
3. The Societies were placed in charge of official Registrars with very wide powers of control and supervision.
4. The accounts of every society won to be Audited by the Registrar or by a member of his staff, free of charge annually.
5. The societies were classified as rural and urban. The liability of the members of a Rural Primary Co-operative Society was to be unlimited.
6. No dividends were to be paid to the members of the Rural Co-operative Credit Societies but were to be transferred to a reserve fund out of which bonus might be distributed to the members under certain circumstances.

### 1.2 Basic Concepts

Primary Agricultural Co-operative Credit Society (PACCS)

It lies at the grass root level of the short-term structure of the rural co-operative credit institutions and deals directly with individual borrowers, grant short-term and medium-term loans and also undertake distribution and marketing functions. In brief, the objectives of the PACCS are:

1. To promote economic interest of its members in accordance with the co-operative principles.
2. To provide short-term and medium-term loans.
3. To promote savings habit among the members by accepting various deposits.
4. To supply agricultural inputs such as fertilizers, seeds, insecticides, implements, etc.
5. To supply domestic requirements such as rice, sugar, kerosene and Special PDS Commodities etc.
6. To provide marketing facilities for the sale of agricultural produce.
7. To provide loans for the development of rural Self Help Groups women and other weaker sections of society.

The PACCSs are formed in big villages or by grouping a number of hamlets. In Tamil Nadu, at least 25 members are required to register a PACCS. The members of PACCS are the farmers who take shares in the PACCS to borrow money for agricultural purpose. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. The members have unlimited liability, that is, each member is fully responsible for the entire loss of the society in the event of failure. The management of the society is under an elected body consisting of President, Secretary and Treasurer.

### 1.3 Scope of the Study

The scope of the study is evaluating the performance of PACCS to Salem District in Tamil Nadu. It has been widely accepted that the business performance is closely associated with the profit and service of PACCS performance is a vast area consisting of a number of dimensions. This study is concerned the two factors 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. A structured questionnaire in regional language will be issued and collected from the members. This result will pave way to the Government to take policy decisions in future.

### 1.4 Statement of the Problem

The Primary Agricultural Co-operative Credit Societies has been playing a pivotal role in providing rural credit. The PACCS should be strong and efficient to face the challenges in competitive environment. Many administrative and financial problems are cropping up in the process of quantitative and qualitative development of co-operative system. Due to lack of necessary funds, primary

agricultural co-operative credit societies are unable to provide adequate and timely finance to the members. For development of agricultural sector and allied activities, adequate and timely finance are essential. But co-operative institutions delay the sanctioning of loan. Effective supervision and verification of actual utilization of loan become the major difficulties faced by the societies. The farmers have limited source of income and hence divert the credit for their domestic needs. Moreover, unnecessary political interference in societies operation creates many problems for society officials. Now-a-days, overdues are the serious problems in co-operative credit societies. The unsatisfactory recovery performance of co-operative credit societies results in high NPAs. The smooth working of co-operative credit societies in affected due to lack of adequate and trained staff. The co-operative credit societies in general and PACCS in particular do not change by themselves in the changing environment.

### 1.5 Objectives of the study:

The following are the main objectives of the present study.

- i. To examine the role of co-operative credit societies in the rural credit.
- ii. To study the financial performance of primary agricultural co-operative credit societies.
- iii. To analyze the lending and recovery performance and service effectiveness of primary agricultural co-operative credit societies.
- iv. To study the over dues position in the primary agricultural co-operative credit societies.
- v. To study the perception of the members towards the service of the PACCS in Salem District.
- vi. To offer suggestions to improve the performance of primary agricultural co-operative credit societies.

### 1.6 Research Methodology

The study is empirical in nature and based on survey method. Both the primary and secondary data are used for this study. The primary data have been collected from the respondents with the help of pre-tested interview schedule [Vide appendix-2]. The respondents have been contacted in person over a period of twelve months to elicit effective primary data.

The secondary data have been collected from the official records of co-operatives and from the publications of the Government, Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD), Journals, Magazines, etc. Data which are required for analyzing financial performance, lending and recovery performance and over dues have been collected from the audit reports of the sample PACCS for the period of 10 years that is from 2005-06 to 2014-15.

#### 1.6.1 Selection of PACCS

It is evident from the study that the sample Respondents have for this study financial performance and analysis of PACCS in Salem District have been taken in to account. The Chosen for the study is 154 PACCS.

#### 1.6.2 Identification of PACCS

Financial performance and Analysis for the above mentioned 154 PACCS have been selected from the entire Salem District. The composition of 6 Taluks 154 PACCS selected from each zones in Salem District.

#### 1.6.3 Selection of Sample PACCS

From the selected PACCS of 154 for this study financial performance and analysis thus the ultimate sample frame comprises of 154 PACCS of selected for study in Financial Performance and Analysis in 6 Taluk's of Salem District.

The Sample Respondents were asked to return the filled-up questionnaires to the PACCS from whom they bought the Financial Performance and Analysis of PACCS of questionnaire given below:

**Table 1.1**

Financial Performance and Analysis of PACCS in selected Zones from Salem District (Viable, Potential Viable, Unviable)

S.No.	Name of the Zones	Total No.of PACCS	Of which sample PACCS selected
1.	Mettur	26	20
2.	Omalur	35	25
3.	Sankari	36	25
4.	Salem	45	30
5.	Valapady	27	20
6.	Attur	42	34
	Total	211	154

#### 1.6.4 Sources of Data

The sources of data are Primary as well as secondary. The data collected from the PACCS members and staffs survey constitute primary and the facts and figures information gathered from books, journals, magazines, reports dailies are secondary, the data collected from both these sources were scrutinized edited and tabulated.

#### 1.6.5 Pilot Study

A Pilot Study was analyzed to ascertain the feasibility of conducting an inquiry about PACCS members (Deposit holders and Borrowers) decision with reference to selected PACCS in Salem District. In this connection the Research contacted 154 PACCS selected study for Financial Performance and Analysis of PACCS. To select PACCS for the study, the stratified random sampling method has been applied. The stratification has been done on the basis of viability position of the PACCS as shown in the Comparative Statement prepared by Salem Central Co-operative Bank as on 2014-2015. As per this statement the PACCS are placed under three categories viz. viable potentially viable and unviable.

#### 1.6.6 Period of Data Collection

The inquiry was conducted with related to the PACCS Financial Performance and Analysis of period 2005-06 to 2014-15 Items from May-2015 to December 2015.

#### 1.6.7 Tools of Analysis

The data collected from analyzed Both primary and secondary sources are processed systematically. Simple Percentage average ratio and growth rate are used to present a comparative picture of data between different categories of PACCS. Statistical tools such as correlation and ANOVA (Two-way) have been used to analyse the quantitative data. The Chi-Square Test is also used to analyse the qualitative data collected in relation to service effectiveness of the PACCS.

#### 1.7 Sampling Design

As on 31.03.2015 there are 4,534 PACCS in Tamil Nadu, out of which 211 PACCS are in Salem District, which selected (Employees and Members) 154 Sample PACCS employees working in these organizations are only considered total population and they are about 81475 (Members and Employees) as on 31.03.2015. By adopting the stratified random sampling technique, 16295 respondents i.e. 20% of the population from each stratum will be selected.

#### 1.8 Limitation of the Study

It is a micro Level study based on the data collected from Societies Records and members. Hence the findings of the study may not be generalized at the national level normally the members may not keep any record. They may give opinion from their memory, therefore, there is change for recall bias. To minimize recall bias cross checks have been made. The percentages in the tables have been rounded to the nearest whole members to limit the size of the tables.

#### 1.9 Results and Discussion

The Financial Performance and Analysis of Primary Agricultural Co-operative Credit Societies in Salem District have analyzed in this

study, Regarding the financial performance of the Sample PACCS. It can be concluded that all the three categories of PACCS viz viable potentially viable and unviable had not performed satisfactorily. Hence they have to take some concrete steps to improve the Financial Performance so as to survive and tender services to the farmers community. In the lending and recovery performance. The viable PACCS had shown a satisfactory performance than the Potentially Viable and Unviable PACCS with regard to the credit and non credit services rendered by the sample PACCS, the viable PACCS performed in a good manner than other two categories of PACCS. In this respect the unviable PACCS showed a poor performance.

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