Physical and Financial Performance of Karampudipadu Primary Agricultural Cooperative Society (PACS) in Guntur District of Andhra Pradesh

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ABSTRACT

In India, there is an immense need for proper agricultural credit as Indian farmers are very poor. The establishment of large sized primary cooperative credit societies by the recommendation of All India Rural Credit Survey Committee (1951-54), strengthened the financial and technical support to farmers. This paper highlights the performance of Karampudipadu PACS (Primary Agricultural Cooperative Society) and attempts to study the growth of physical and financial indicators using compound annual growth rate and to analyze the financial ratios of Karampudipadu PACS from 2009-10 to 2018-19. The data was collected from society audit reports. The results indicated that overdues showed decreasing growth rate. PACS is not having sufficient liquidity to meet the current obligations. PACS is disbursing loan amount more to the agriculture purpose than non agricultural loans, whereas to large farmers loan disbursed was more for non agricultural loans. The results concluded that the growth trends of the PACS are satisfactory for the present study period and is performing better. There is a necessary action needed to meet its short term obligations.

Keywords: *Compound Growth Rate, Financial Ratios and Karampudipadu PACS.*

Agriculture credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India, there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning the prime source of agriculture credit was money lenders. After independence, the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc., to provide adequate credit to farmers, at a cheaper rate of interest. The All India Rural Credit Survey Committee (1951-54), reviewed credit situation in the country and recommended new initiation and financial support for cooperatives from Government of India. The establishment of large sized primary cooperative credit societies, financial and technical strengthening of cooperative credit structure in the rural areas were some of the efforts of the government. The basic task of these societies is to develop agriculture sector, which is the main occupation of the majority of people in our country and a major contributor to national income. Hence, managing the PACSs more efficiently, so as to serve at best, the farming community needs a comprehensive study on these societies to identify strengths and weakness in their working. An effective research every now and then in the evaluation of performance of PACS's can alone provide an answer in this regard. With a view of these, study was focused to study growth in physical and financial indicators, loan disbursement, recovery, overdues, non-performing assets and constraints of farmers of about the performance Karampudipadu PACS.

MATERIAL AND METHODS

In Guntur district there are 169 PACSs. All the PACSs having turnover between ₹ 5 crore to ₹ 10 crore, Karmpudipadu PACS with highest turnover was selected for study. Secondary data related to physical and financial indicators was collected from the audit reports for the period of 10 years from 2009-10 to 2018-19. Primary data was collected from pre-tested and well-structured schedule to study the constraints of farmers of about the performance. Fifteen loanee farmers from the PACS were randomly selected. To study the physical and financial indicators the following tools were employed.

Compound Growth Rate (CGR)

For analysing the growth of physical and financial indicators, category wise and purpose wise loan disbursement, loan recovery, overdues and non-performing assets of the society CGR was employed as given in literature.

Ratio Analysis

Ratios are important tools to analyze the performance of any business organization. Relevant financial ratios were worked out for the PACS, viz., liquidity, solvency, tests of strength, profitability and efficiency as given in economic literature.

Likert Scale Technique

The constraints faced by the farmers about the performance of PACSs were enlisted and analyzed using five point Likert scale. For every constraint, the farmers were asked to select the scales/extent of severity constraints. The original version of the scale included five response categories and each response category was assigned a value. The most negative response was given a numerical value of 1 and the most positive response was given a numerical value of 5 (1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree and 5 = strongly agree). The response given by each farmer was added to every individual constraint, which would yield the intensity/severity for the concerned constraints and mean was found out to rank the constraints. Ranking of the constraints was done based on the order of score obtained for every constraint.

RESULTS AND DISCUSSION

Physical Indicators and Financial Indicators

The Table 1 revealed that the compound growth rates of membership, number of and employees were positive and significant with 2.03 and 2.24 respectively whereas, no. of loan accounts showed negative and significant value of -1.03. The compound growth rates of share capital, borrowings, deposits, cash in hand and at bank, advances and recovery was positive and significant with 13.45, 26.95, 31.27, 33.52, 23.26 and 24.59 respectively. Compound growth rates of reserves and overdues were negative and significant growth with -5.45 and -5.33 respectively. Compound growth rate cannot be calculated for the net profit since in some years negative values are present. Net profit of the society showed losses from 2009-10 to 2016-17 because in the year 2006, low efficient PACS had merged into Karampudipadu PACS and the losses of merged PACSs had accumulated. In the yearly profit of the society around 6 per cent of the profit is kept as reserves of the societies and thus reserves also showed negative growth rate since the PACS is running in losses. The results indicate that the number of farmers taking loan from the PACS are decreased even though members are increased. As overdues showed decreasing growth rate which indicates that the PACS is performing better.

Financial Ratios

Financial ratios were categorized into liquidity ratios, solvency ratios, tests of strength, profitability ratios and efficiency ratios. The results are presented in the Table 2.

Liquidity Ratios

Liquidity ratios were worked out to study the financial soundness of the society. The concept of liquidity has more relevance for a financial institution, which indicates the ability of the PACS to cover their short-term obligation out of their own short-term resources. Three liquidity ratios computed were which are as follows.
a. Current Ratio
b. Liquid assets to total assets ratio
c. Acid-test Ratio

a) Current Ratio

The table 2 shows that the current ratio of Karampudipadu PACS was 1.20 which is less than the ideal current ratio of 2:1. This indicates that the PACS had not maintained reasonable level of liquidity position.

b) Liquid assets to Total assets ratio

The table 2 indicates that the liquid assets to total assets ratio of the PACS was 0.01 which is less than unity. This indicates that the PACS had not maintained high level of liquid assets in the form of cash reserves and has not been efficiently managing the liquid assets.

c) Acid-test ratio

The Table 2 shows that the acid test ratio of all the groups was 0.01 which is less than unity. This indicates that the PACS had not maintained sufficient current assets to meet current liabilities.

Solvency Ratios

Two types of ratios were computed to ascertain the solvency position of the society in order to measure the share of each society against the funds provided by its creditors and the ratios were as follows
a. Debt-equity Ratio
b. Indebtedness ratio

a) Debt-equity Ratio

Table 2 revealed that the debt-equity ratio of PACS was slightly higher with ratio of 3.49. This indicates that the PACS is slightly depending over external funds to meet their liabilities and thus borrowings were increasing over the years.

b) Indebtedness Ratio

Table 2 shows that the indebtedness ratio of PACS was 5.24. This indicates that the PACS is depending more on external and borrowings are increasing.

Test of Strength

Net worth and Net capital ratio were used to assess the real strength of PACS and were as follows
a. Net worth
b. Net capital ratio

a) Net worth

The table 2 revealed that all the PACS showed positive net worth. This indicates the favorable situation of the PACS.

b) Net capital Ratio

The table 2 shows that the net capital ratio of the PACS was 1.29. This indicates that the PACS is having sound liquidity position for long-term sustainability.

Table 1. Compound Growth Rates of Physical and Financial Indicators of Karampudipadu PACS during 2009-10 to 2018-19   (Rs. in lakh)

Year	Membership (in number)	No. of Employees (in number)	No. of Loan accounts (in number)	Share capital	Borrowings	Deposits	Cash in hand and at bank	Reserves	Net Profit	Advances	Overdues	Recovery
2009-10	7192	2	742	30.94	141.90	0.44	27.32	2.25	-109.06	183.17	40.26	248.36
2010-11	7180	3	752	33.71	182.49	0.42	0.03	0.45	-99.59	251.27	22.75	275.55
2011-12	7182	3	753	45.05	258.46	0.55	0.31	0.16	-90.89	347.19	13.53	552.45
2012-13	7494	3	762	57.22	406.83	0.79	0.58	0.42	-80.51	481.58	10.78	1081.00
2013-14	7722	3	805	74.74	606.11	0.81	2.14	0.45	-75.33	658.76	7.66	910.48
2014-15	7782	3	795	73.84	633.72	58.72	2.27	0.59	-64.35	706.64	5.24	910.66
2015-16	7832	3	811	77.30	698.62	62.74	4.91	0.45	-31.17	787.51	22.64	1319.30
2016-17	7845	3	811	81.33	770.95	0.45	8.51	0.45	13.87	849.30	13.18	1425.90
2017-18	8011	3	811	88.32	1044.81	5.45	7.48	0.45	8.07	1112.54	17.18	1503.17
2018-19	8942	3	545	96.53	1313.70	1.41	5.40	0.43	10.46	1363.75	15.18	2064.70
CGR(%)	2.03***	2.24***	-1.03***	13.45***	26.95***	31.27***	33.52***	-5.45***	NA	23.26***	-5.33***	24.59***

Profitability Ratios

These ratios are used to assess the financial health of the PACS. The ratios are as follows

a. Net profit to total asset Ratio

b. Net profit to net worth Ratio

c. Net profit to fixed asset Ratio

a) Net profit to Total Asset Ratio

Table 2 revealed that the net profit to total asset ratio was -0.002 which indicates that the PACS is running in losses.

b) Net profit to net worth ratio

Table 2 revealed that the net profit to net worth ratio was -0.02 which indicates that the PACS is running in losses.

c) Net profit to fixed asset ratio

Table 2 revealed that the net profit to fixed asset ratio was -0.67 which indicates that the PACS is running in losses.

Efficiency Ratios

Gross and operating ratios were computed to know the extent of utilization of gross income of the PACS and were as follows

a. Gross Ratio

b. Operating Ratio

a) Gross Ratio

Gross ratio measures the expenses for every ₹ 100 income of the business. The table 2 revealed that

Table 2. Financial Ratios of Karampudipadu PACS during 2009-10 to 2018-19

S. No	PARICULARS	
I	Liquidity ratios	
1	Current ratio	1.2
2	Liquid assets to total assets ratio	0.01
3	Acid test ratio	0.01
II	Solvency ratios	
4	Debt equity ratio	3.49
5	Indebtedness	5.24
III	Tests of strength	
6	Net worth (in lakh)	180.38
7	Net capital ratio	1.29
IV	Profitability ratios	
8	Net profit to total assets ratio	-0.002
9	Net profit to net worth ratio	-0.02
10	Net profit to fixed assets ratio	-0.67
V	Efficiency ratios	
11	Gross ratio	128.24
12	Operating ratio	9.48

the gross ratio was 128.24. This indicates that the society incurred loss of ₹ 28.24 for ₹ 100 of gross income.

b) Operating Ratio

The Table 2 revealed that the operating ratio was 9.48. This indicates that operating expenses are less in the PACS due to less number of staff. These results were same with the results of Raveesha (2004) reported that the operating ratio in PCARDBs of Tumkur district of Karnataka ranged from 6.89 to 24.58 per cent.

It is clear from the above discussion that the liquidity ratios shows that PACS is not having sufficient liquidity to meet the current obligations and thus depend on external funds and the same is portrayed in solvency ratios. Tests of strength shows that PACS is having positive equity and the PACS can sustain liabilities in long run. Profitability ratios shows that the PACS is running losses. Efficiency ratios shows that total expenses are more than the gross income and operating expenses are less in the society since number of employees are less in PACS.

Loan disbursement, Loan recovery, Overdues and Non-performing assets of Karampudipadu PACS

From the Table 3 it is observed that the agricultural and non agricultural loans disbursed to small and medium farmers were 86.50, 13.50, 76.37 and 23.63 79.43, 20.57, 75.31 and 24.69 per cent respectively. Agricultural and Non-agricultural loans disbursed to large farmers was 20.20 per cent and 79.80 per cent respectively.

Table 4 showed that the agricultural and non agricultural loans recovered from small and medium farmers were 86.77, 13.23, 77.58 and 22.42 per cent respectively. Agricultural and Non-agricultural loans recovered from large farmers was 22.14 per cent and 77.86 per cent respectively.

Table 3. Purpose-wise and Category-wise loan disbursement of Karampudipadu PACS during 2009-10 to 2018-19 (Rs. in lakh)

Year	SMALL FARMERS			MEDIUM FARMERS			LARGE FARMERS			GRAND TOTAL
	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	
2009-10	199.59	29.82	229.41	39.75	11.87	51.62	1.43	4.30	5.74	286.76
2010-11	132.10	71.13	203.22	106.09	14.47	120.56	4.13	16.53	20.67	344.45
2011-12	452.35	67.59	519.94	75.07	22.42	97.49	6.50	26.00	32.50	649.93
2012-13	846.07	126.42	972.49	140.40	41.94	182.34	12.16	48.62	60.78	1215.61
2013-14	755.23	112.85	868.08	125.33	37.44	162.76	13.02	41.23	54.25	1085.09
2014-15	672.96	100.56	773.52	85.57	59.46	145.03	9.67	38.68	48.34	966.90
2015-16	957.77	143.12	1100.89	158.94	47.48	206.42	13.76	55.04	68.81	1376.11
2016-17	1040.45	155.47	1195.92	172.66	51.57	224.23	17.94	56.81	74.74	1494.90
2017-18	1030.95	154.05	1185.00	381.32	113.90	495.22	24.76	63.67	88.43	1768.65
2018-19	1611.88	240.86	1852.73	267.49	79.90	347.39	23.16	92.64	115.80	2315.92
MEAN	769.94	120.19	890.12	155.26	48.05	203.31	12.65	44.35	57.01	769.94
	-86.50	-13.50	-100.00	-76.37	-23.63	-100.00	-20.20	-79.80	-100.00	
CGR(%)	25.60***	18.95***	24.05***	20.14***	24.84***	21.01***	29.55***	28.43***	28.71***	23.39***

***Significance at 1 per cent levels

Figures in parentheses indicate per cent to total

Table 4. Purpose-wise and Category-wise loan recovery of Karampudipadu PACS during 2009-10 to 2018-19 (Rs. in lakh)

Year	SMALL FARMERS			MEDIUM FARMERS			LARGE FARMERS			GRAND TOTAL
	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	
2009-10	172.86	25.83	198.69	34.42	10.28	44.70	1.24	3.73	4.97	172.86
2010-11	140.60	21.98	162.58	84.87	11.57	96.44	3.31	13.23	16.53	140.60
2011-12	384.50	57.45	441.96	63.81	19.06	82.87	5.52	22.10	27.62	384.50
2012-13	735.08	129.72	864.80	124.86	37.29	162.15	10.81	43.24	54.05	735.08
2013-14	633.70	94.69	728.39	105.16	31.41	136.57	10.93	34.60	45.52	633.70
2014-15	633.82	94.71	728.53	104.98	31.62	136.60	9.11	36.43	45.53	633.82
2015-16	918.23	137.21	1055.44	152.38	45.52	197.90	13.19	52.77	65.97	918.23
2016-17	992.43	148.29	1140.72	164.69	49.19	213.88	17.11	54.18	71.29	992.43
2017-18	876.20	130.93	1007.12	324.08	96.80	420.89	21.04	54.11	75.16	876.20
2018-19	1437.03	214.73	1651.76	238.47	71.23	309.71	20.65	82.59	103.24	1437.03
MEAN	692.44	105.55	798.00	139.77	40.40	180.17	11.29	39.70	50.99	692.44
	-86.77	-13.23	-100.00	-77.58	-22.42	-100.00	-22.14	-77.86	-100.00	
CGR(%)	26.88***	19.80***	25.26***	21.31***	26.05***	22.19***	30.82***	29.68***	29.97***	24.59***

***Significance at 1 per cent levels

Figures in parentheses indicate per cent to total

Table 5. Purpose-wise and Category-wise overdues of Karampudipadu PACS during 2009-10 to 2018-19   (Rs. in Lakhs)

Year	SMALL FARMERS			MEDIUM FARMERS			LARGE FARMERS			GRAND TOTAL
	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	
2009-10	24.16	8.05	32.21	5.58	1.67	7.25	0.16	0.64	0.81	40.26
2010-11	10.58	3.53	14.11	5.61	0.76	6.37	0.80	1.48	2.28	22.75
2011-12	9.41	1.41	10.82	1.56	0.47	2.03	0.12	0.55	0.68	13.53
2012-13	6.47	2.16	8.63	1.25	0.37	1.62	0.11	0.43	0.54	10.78
2013-14	4.60	1.53	6.13	0.88	0.26	1.15	0.08	0.31	0.38	7.66
2014-15	2.89	1.30	4.19	0.51	0.28	0.79	0.05	0.21	0.26	5.24
2015-16	15.75	2.35	18.11	2.34	1.05	3.40	0.23	0.91	1.13	22.64
2016-17	6.86	3.69	10.55	1.52	0.45	1.98	0.13	0.53	0.66	13.18
2017-18	10.02	1.50	11.51	3.13	1.68	4.81	0.39	0.47	0.86	17.18
2018-19	10.56	1.58	12.14	1.75	0.52	2.28	0.15	0.61	0.76	15.18
MEAN	10.13	2.71	12.84	2.41	0.75	3.17	0.22	0.61	0.84	10.13
	-78.89	-21.11	-100.00	-76.17	-23.71	-100.00	-26.56	-73.44	-100.00	
CGR(%)	-4.27***	-9.10***	-5.01***	-7.74***	-1.12***	-6.26***	-2.01***	-4.11***	-3.36***	-5.33***

***Significance at 1 per cent levels

Figures in parentheses indicate per cent to total

Table 6. Purpose-wise and Category-wise non-performing assets of Karampudipadu PACS during 2009-10 to 2018-19   (Rs. in lakh)

Year	SMALL FARMERS			MEDIUM FARMERS			LARGE FARMERS			GRAND TOTAL
	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	Agricultural Loans	Non-agricultural Loans	Total Loans	
2009-10	1.37	0.21	1.58	0.27	0.08	0.36	0.01	0.03	0.04	1.97
2010-11	1.12	0.61	1.73	0.90	0.12	1.03	0.04	0.14	0.18	2.93
2011-12	1.64	0.25	1.89	0.27	0.08	0.35	0.02	0.09	0.12	2.36
2012-13	1.79	0.27	2.06	0.30	0.09	0.39	0.03	0.10	0.13	2.57
2013-14	2.38	0.36	2.74	0.40	0.12	0.51	0.04	0.13	0.17	3.43
2014-15	5.82	0.87	6.69	0.74	0.51	1.25	0.08	0.33	0.42	8.36
2015-16	2.26	0.34	2.59	0.37	0.11	0.49	0.03	0.13	0.16	3.24
2016-17	2.08	0.31	2.39	0.34	0.10	0.45	0.04	0.11	0.15	2.99
2017-18	1.89	0.28	2.17	0.70	0.21	0.91	0.05	0.12	0.16	3.24
2018-19	14.14	2.11	16.25	2.35	0.70	3.05	0.20	0.81	1.02	20.31
MEAN	3.45	0.56	4.01	0.66	0.21	0.88	0.05	0.21	0.56	
	-86.03	-13.97	-100.00	-75.54	-24.46	-100.00	-21.18	-78.82	-100.00	
CGR(%)	18.04***	11.79***	16.59***	12.91***	17.33***	13.73***	21.76***	20.70***	20.97***	15.96***

***Significance at 1 per cent levels

Figures in parentheses indicate per cent to total

Table 7. Constraints of farmers about the performance of PACS

S. No.	INDICATORS	CONSTRAINT SCORE	PER CENT	RANK
1	Difficulty in accessibility to PACS	41	9.98	VI
2	Loan advance procedure is cumbersome	46	11.19	IV
3	Loan amount is inadequate	50	12.17	III
4	Time Taken for loan procedure is high	36	8.76	VII
5	High rate of interest	25	6.08	X
6	Rigid Security norms for advancement of loans	53	12.9	II
7	No Technical guidance is provided	57	13.87	I
8	Repayment terms are difficult	43	10.46	V
9	Loan Supervision is rare	32	7.79	VIII
10	No proper Staff treatment	28	6.81	IX
	TOTAL	411	100	

The Table 5 revealed that the agricultural and non agricultural overdues of small and medium farmers were 78.89, 21.11, 76.17 and 23.71 per cent respectively. Agricultural and Non-agricultural loans overdues of large farmers was 26.56 per cent and 73.44 per cent respectively.

The Table 6 indicated that the agricultural and non agricultural loans non-performing of small and medium farmers were 86.03, 13.97, 75.54 and 24.46 per cent respectively. Agricultural and Non-agricultural loans non-performing of large farmers was 21.18 per cent and 78.82 per cent respectively.

It is clear from the above discussion that the PACS is disbursing loan amount more to the agriculture purpose than non agricultural loans, whereas to large farmers loan disbursed was more for non agricultural loans because the main function of PACS is to provide agricultural loans to farmers and next to other agricultural and allied sector activities. As recovery increase, borrowings increase, advances increase and thus NPA increase. The results indicated that the PACS is performing well. As the size of farmers increase from small to large loan disbursed, loan recovered, overdues and non-performing assets showed decreasing trend. The opinion survey of the farmers was carried out and the analysed results are presented in Table 7. The table revealed that the major constraints of famers are no technical guidance provided, rigid security norms for loan advancement, inadequate loan amount, cumbersome loan advance procedure, repayment terms are difficult, difficulty in accessibility to PACSs, time taken for loan procedure is high, loan supervision is rare, no proper staff treatment and high rate of interest.

No technical guidance provided

It is the first major constraint with constraint score of 444 because PACSs is not providing banking services like ATM for the KCC loans and is not providing guidance about the proper utilization of the loan amount to agricultural uses.

Rigid security norms for advancement of loans:

It is the second major constraint with constraint score of 432 because PACSs scrutinizes all the documents and sureties pertaining to borrower farmer are to be thoroughly monitored.

Loan amount is inadequate

It is the third major constraint with constraint score of 419 because most of the borrower farmers are small farmers and the amount disbursed is not sufficient to meet the requirements.

Loan advance procedure was cumbersome

It is the fourth major constraint with constraint score of 418 because careful scrutinization of documents of borrower farmers is needed which consumes more time.

These results are in accordance with Marigoudar (2011) reported that the borrowers of small farmers category experienced difficulty in availing the loans in terms of accessibility of officials, cumbersome procedure, inadequacy of loans, rigid norms in providing the security and poor loan supervision.

CONCLUSION

Number of farmers taking loan from the PACS are decreased over the years though members increased. As overdues showed decreasing growth rate which indicates that the PACS is performing better. PACS is not having sufficient liquidity to meet the current obligations and thus depend on external funds and the same is portrayed in solvency ratios. PACS is disbursing loan amount more to the agriculture purpose than non agricultural loans, whereas to large farmers loan disbursed was more for non agricultural loans because the main function of PACS is to provide agricultural loans to farmers and next to other agricultural and allied sector activities. As recovery increase, borrowings increase, advances increase and thus NPA increase. The results indicated that the PACS is performing well.

POLICY IMPLICATION

As the PACS is depending more on the external funds, state should increase the internal funds through means of mobilizing more deposits from the members and also, by planning for increasing the membership contribution to PACS without posing much burden on the members.

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