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## A STUDY ON FINANCIAL PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETY LTD AT VELLIANGADU

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### ABSTRACT

**P**rimarily agricultural co-operative credit societies were assigned the financial role of providing agricultural credit to farmers, distributing critical agricultural inputs like seeds, fertilizers, pesticides, agricultural implements and machinery, providing facilities for marketing of agricultural produce and inculcating the habit of thrift and savings. Present study make an attempt to evaluate the Liquidity, Solvency, Profitability ratios and working capital ratios over the period of five years (2011-2012 to 2015-2016).

**KEYWORDS:** Agricultural , Marketing, Financial, Farmers.

### INTRODUCTION :

India is a land of village communities since time immemorial. Where as many of the rural people still live in the odd



villages. Agriculture forms the backbone and life blood of Indian economy. The rural agriculture sector of the Indian economy is labour abundant, land poor and capital scarce. It would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest.

It provides food and employment opportunities. It contributes the export earning which results in an increase of national income. In short, the prosperity and wellbeing of the Indian population depends upon the progress and prosperity of agriculture.

More and more people depend upon agriculture, resulting in too much pressure. Primary Agricultural Co-operative Credit Societies (PACCS) were assigned the monetary role of providing agricultural credit to farmers, distributing critical agricultural inputs like seeds, fertilizers, pesticides, agricultural implements and machinery. Providing facilities for marketing of agricultural produce and inculcating the habit of thrift and savings.

### 1.2 STATEMENT OF PROBLEM

Low resource base has been a major constraint in the effective

functioning of Primary Agricultural Co-operative Credit Society which necessitates augmenting the deposits and improving the performance of lending to reach smooth credit creation. Further, it paves the way to streamline the operations of PACCS and to right the mismatches in the growth of PACCS throughout the country. The present study aims to build a knowledge base on the financial performance of PACCS. So it is pertinent to explore.

1. What are the sources of funds?
2. How are the funds mobilized and deployed profitably?
3. How to make resource mobilization and deployment of funds effective?

These questions would be answered through studies, which would help the societies to improve their performance and achieve their objectives.

### 1.3 OBJECTIVE OF THE STUDY

1. To assess the profitability, liquidity and solvency position of the PACCS.

### 1.4 SCOPE OF THE STUDY

The study aims to analysis the financial performance of the Primary Agricultural Co-operative Credit Society. For this purpose it is planned to select the Velliangadu Primary Agricultural Co-operative Credit Society. The study covers the working and growth of financial performance of Primary Agricultural Co-operative Credit Society. It also evaluate the financial position. Further the study will be based on the financial performance during the last 5 years ranging from 2011-2012 to 2015-2016.

### 1.5 RESEARCH METHODOLOGY

#### 1.5.1 Period of the Study

The study was conducted in the year 2016. The secondary data were collected from the Velliangadu primary agricultural co-operative credit society during the period from June 2016 – August 2016. The data covered to the society balance sheet and trading account.

#### 1.5.2 Area of Study

Mettupalayam Taluk consist of 22 village Panchayats. The present study is designed to analysis the sources of financial performance of primary agricultural co-operative credit society particularly Velliangadu Panchayats, which consist of 16 villages.

#### 1.5.3 Pilot Study

A pilot study was conducted with an interview schedule and data were collected from the Velliangadu Primary Agricultural Co-operative Credit Society.

#### 1.5.4 Data Collection

The study based on both primary and secondary data.

##### A) Primary Data

Primary data collected through the interview method.

##### B) Secondary Data

This study is mainly based on secondary data. They were collected from the records of the Velliangadu Primary Agricultural Co-operative Credit Society. Data have been collected from the books, journals, newspaper and 5 years balance sheet and trading account for a period of 2011-2012 to 2015-2016.

### 1.6 LIMITATIONS OF THE STUDY

This study has the following limitations.

- 1.The study is mainly based on secondary data of 5 years balance sheet and profit and loss account only.
- 2.The study is mainly based on single society it covers limited villages.
- 3.The time period of the research was limited.

### 1.7 REVIEW OF LITERATURE

Review of literature is essential for every researcher to carry on investigation successfully. All efforts where made together relevant study and to gain the knowledge related to substantive findings as well as theoretical and methodological etc. some other relevant studies have been reviewed and this details has been summarized below.

Nagaraja R.C (Jan 2010)<sup>1</sup>, in his study “A Study of Financial Performance of Selected Co-operative Bank in Karnataka”, he observed that co-operative banks have been performing well in mobilizing small rural savings and using the same, besides the funds mobilized from other sources, to finance requirements of various growth sectors including agricultural sector. The farmers are in need of high amount of credit for the purpose of undertaking agricultural activities. In his objective was 1. To study the working and growth of Co-operative Banks in Karnataka. 2. To evaluate financial performance of selected Co-operative Banks in Karnataka. 3. To assess the capital Adequacy, Reserves, Borrowings, liabilities and levels of Non-performing Assets of Selected Co-operative

Banks in Karnataka. 4. To assess the Operating/Net Profit of the selected Co-operative Banks in Karnataka. This study is based on secondary data. Data were collected from banks and other sources. The required data will be collected from other sources such as annual reports, bulletins, magazines, articles, newspapers, e-sources, etc. and finally he conclude financial performance of co-operative society will be improving.

Jyotigupta and Suman Jain (Oct 2012)<sup>2</sup>, in their study "A Study on Co-operative Banks in India with Special reference to Lending Practices", they stated the performance of co-operative banks, at present there are several co-operative bank, which are performing multipurpose functions of financial, administrative, supervisory and development of co-operative credit system. In their objective was 1. To know the lending practices of co-operative banks in India. 2. To measure and compare the efficiency of co-operative banks of India. 3. To study the impact of size on the efficiency of the co-operative banks. 4. To know different type of loans preferred by different sets of customers. 5. To know the satisfaction level of the customers from bank's lending policies. In their study was based on both primary and secondary data, primary data based on a. interview method b. observation method. C. structured questionnaire and secondary data such as annual reports of the bank, manual of instructions on loans and advances, books, articles and Research Papers, internet and they used Descriptive research to identify the lending practices of bank and determining customer's level of satisfaction and their findings was 1. Majority (32% as per the study) of the respondent were having housing loan from this bank. 2. Most (64% as per the study) of the people prefer to take long term loan which is more than 3 years. 3. There is a very simple procedure followed by bank for loan. 4. Easy repayment and less formalities are the main factors determine customer's selection of loans. 5. Quality of services provided by the staff is satisfactory because bank is catering to a small segment only and the customers are properly dealt with customers are satisfied with the mode of repayment of instalments.

Dr.P.Amarjothi (April 2014)<sup>3</sup>, in his study "A Study on Financial Performance of Primary Agricultural Co-operative Bank in Kottagudi at Madurai District", he observed that co-operative credit structure in India consists of two parts of which one is engaged in short term, medium term and other in long term credit, they mainly rely upon deposits from members and non-members and in case of need, they get finance from either the district central co-operative bank to which they are affiliated or from the apex co-operative bank if they work in big cities where the apex bank has its Head Office. The provide credit to small scale industrialists, salaried employees and other urban and semi-urban residents. In his objective was 1. To study on history and growth of the Primary Agricultural Co-operative Bank. 2. To study on Financial Performance of Agricultural Co-operative Banks in Kottagudi at Madurai. This study is mainly based on secondary data, they were collected from the records of the kottakudi primary agricultural co-operative bank. Data such as number of members, share capital loans, issued and outstanding interest, interest paid, income, expenditure, profit and loss. Have been collected for a period ten years from 1999-2009. Finally he conclude without help of co-operative banks millions of people in India would be lacking the much needed financial support.

## 1.8 RESEARCH GAP

The review of literature clearly reveals that no research was previously conducted on the financial performance analysis of co-operative credit society in Velliangadu, hence the research aim to fill the gap by analysing the financial performance of primary agricultural co-operative credit society in velliangadu of Mettupalayam Taluk, with some specified ratios are applied.

## 1.9 ANALYSIS AND INTERPRETATIONS

### Ratio Analysis

Ratio analysis is one of the techniques of financial analysis to evaluate the financial condition and performance of a business concern, simply, ratio means the comparison of one figure to other relevant figure or figures.

According to MYRES "ratio analysis of financial statement is study of relationship among various financial factors in business as disclosed by a single set of statement and a study of trend of these factors as shown in a series of statements"

### 1.9.1 Liquidity and Solvency Ratio

1. Current Ratio
2. Quick Ratio
3. Absolute liquid Ratio
4. Solvency Ratio or Ratio of Total liabilities to Total assets

#### Current Ratio

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio, also known as working capital ratio, is a measure of general liquidity and is most widely used to make the analysis of a short-term financial position or liquidity of a firm. It is calculated by dividing the total of current assets by total of the current liabilities.

#### Current Ratio = Current assets / Current liabilities.

Current assets include cash in hand, cash at bank, marketable securities, inventories, sundry debtors etc.

Current liabilities include outstanding expenses, sundry creditors, short term advances, income tax payable, dues payable, dividend payable, interest accrued but not due on loans and provisions.

**TABLE NO:1  
CURRENT RATIO**

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO	CHANGES IN C.R
2011-2012	13010096.10	2556157.50	5.09	
2012-2013	14639644.13	3135888.92	4.67	0.42
2013-2014	15748660.65	3360426.55	4.69	-0.02
2014-2015	16257220.70	3620713.35	4.49	0.2
2015-2016	17628395.83	3534193.79	4.99	-0.5

SOURCE: SECONDARY DATA

#### INTERPRETATION

Table No: 1 shows the current ratios of velliangadu primary agricultural co-operative credit society Ltd for the period of 2011-2012 to 2015-2016. The ratios are above the standard norms & ranges from 5.09 to 4.99 times. The highest ratio was 5.09 times during the year 2011-2012. The lowest ratio was 4.67 times during the year 2012-2013. Changes in the current ratio highest of 0.42 times was in the year 2012-2013. Hence the liquidity position is good and it reached highly satisfactory level.

#### Quick Ratio

Quick ratio is also known as acid test (or) liquid ratio. Quick ratio may be defined as the relationship between quick (or) Liquid assets and current (or) Liquid liabilities. The liquid assets are cash in hand, cash at bank, bills receivable, sundry debtors, marketable securities and short term or temporary investment. The standard norm is 1:1.

The quick ratio can be calculated by dividing the total of the quick assets by total current liabilities, thus

Quick Ratio = Quick (or) Liquid assets / Current liabilities.

**TABLE NO: 2  
QUICK RATIO**

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO	CHANGES IN Q.R
2011-2012	1099704.90	2556157.50	0.43	
2012-2013	2008278.39	3135888.92	0.64	-0.21
2013-2014	1728168.61	3360426.55	0.51	0.13
2014-2015	3136859.90	3620713.35	0.87	-0.36
2015-2016	4310333.34	3534193.79	1.22	-0.35

SOURCE: SECONDARY DATA

**INTERPRETATION**

Table No: 2 implies the quick ratios of velliangadu primary agricultural co-operative credit society Ltd for the period of 2011-2012 to 2015-2016. The ratios are below the standard norms & ranges from 0.43 to 1.22 times. The highest ratio was 1.22 times during the year 2015-2016 in this year only the quick ratio is reached satisfactory level compared to rest of the year and the liquidity position is good. The lowest ratio was 0.43 times during the year 2011-2012. Changes in the quick ratio highest of 0.13 times was in the year 2013-2014.

**Absolute Liquid Ratio**

Absolute liquid ratio defines the relationship between absolute liquid assets and current liabilities. Absolute liquid ratio otherwise called as cash position ratio. When liquidity is highly restricted in terms of cash & equivalents, this ratio should be calculated. The inventory and the debtors are excluded from current assets  
 Absolute liquid ratio = Absolute liquid assets / current liabilities.

Absolute liquid assets include only cash in hand, cash at bank and easily marketable securities or temporary investment. The standard norm is 0.5:1

**TABLE NO: 3  
ABSOLUTE LIQUID RATIO**

YEAR	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO	CHANGES IN A.L.R
2011-2012	756365.31	2556157.50	0.30	-
2012-2013	1668100.30	3135888.92	0.53	-0.23
2013-2014	823060.69	3360426.55	0.24	0.29
2014-2015	2407259.29	3620713.35	0.66	-0.42
2015-2016	3143893.63	3534193.79	0.89	-0.23

SOURCE: SECONDARY DATA

**INTERPRETATION**

Table No: 3 reveal the absolute liquate ratio of velliangadu primary agricultural co-operative credit society Ltd for the period of 2011-2012 to 2015-2016. The ratios are higher the standard norms during 2012-2013, 2014-2015 & 2015-2016 and their ranges from 0.53 to 0.89 times. The highest ratio is 0.89 times during the year 2015-2016. The lower ratio was 0.53 times during the year 2012-2013. In the year 2011-2012 & 2013-2014 the ratio are below the standard norms and ranges from 0.30 to 0.24. changes in the absolute liquid ratio highest of 0.29 times in the year 2013-2014. Hence the liquidity position is better and it reached satisfactory level

### Solvency Ratio or Ratio of Total Liabilities to Total Assets

This ratio is small variant of equity ratio and can be simply calculated as 100 equity ratio. The ratio indicates the relationship between the total liabilities to outsiders to total assets of a firm.

Solvency ratio = Total Liabilities to outsiders / Total assets.

**TABLE NO: 4  
SOLVENCY RATIO**

YEAR	TOTAL LIABILITIES TO OUTSIDERS	TOTAL ASSETS	SOLVENCY RATIO	CHANGES IN S.R
2011-2012	66848912.25	77707210.25	86.03	
2012-2013	78967505.28	90036518.28	87.71	-1.68
2013-2014	91021187.80	102143293.80	89.11	-1.40
2014-2015	99377213.90	110623779.90	89.83	-0.72
2015-2016	105134245.00	116351696.00	90.36	-0.53

SOURCE: SECONDARY DATA

### INTERPRETATION

The Solvency ratios of velliangadu primary agricultural co-operative credit society Ltd implies that (Table No: 4), for the period of 2011-2012 to 2015-2016. The ratios was gradually increased year by year. The highest ratio was 90.36 during the year 2015-2016. The lowest ratio was 86.03 during the year 2011-2012. Changes in the Solvency ratio highest of -1.68 during the year 2012-2013. Hence the solvency ratio is satisfactory.

### 1.9.2 PROFITABILITY RATIO

Profit earning is considered essential for the survival of the business. In the words of Lord Keynes. "Profit is the engine that drives the business enterprises".

1. Gross profit ratio
2. Net profit ratio
3. Cash profit ratio

### Gross Profit Ratio

Gross profit ratio measures the relationship of gross profit to net sales and is usually represented as a percentage. Thus, it is calculated by dividing the gross profit by sales:

Gross profit ratio = Gross profit / Net sales \* 100.

**TABLE NO: 5  
GROSS PROFIT RATIO**

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO	CHANGES IN G.P.R
2011-2012	110995.25	6589032.82	1.68	-
2012-2013	(177344.40)	5644862.54	-	-
2013-2014	350374.00	5301128.25	6.61	-
2014-2015	(232484.30)	5782481.54	-	-
2015-2016	(386401.15)	4211512.00	-	-

SOURCE: SECONDARY DATA

### INTERPRETATION

Table No: 5 reveals the Gross profit ratio of velliangadu primary agricultural co-operative credit society Ltd for the period of 2011-2012 to 2015-2016. The ratios was fluctuating & ranges from 1.68 to 6.61 times. The highest ratio was 6.61 times during the year 2013-2014. The lowest ratio was 1.68 times during the year 2011-2012. In the year 2012-2013, 2014-2015 & 2015-2016 the primary society having gross losses. A low gross profit ratio, generally indicates high cost of goods sold due to unfavourable purchasing policies, lesser sales, lower selling prices,

### Net Profit Ratio

Net profit ratio establishes a relationship between net profit and sales, and indicates the efficiency of the management in manufacturing, selling, administrative and other activities of the firm. This ratio is the overall measure of firm's profitability and is calculated as:

Net Profit Ratio = Net profit / Net sales \*100.

**TABLE NO: 6**  
**NET PROFIT RATIO**

YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO	CHANGES IN N.P.R
2011-2012	2744694.82	6589032.82	41.66	
2012-2013	2482948.20	5644862.54	43.99	-2.33
2013-2014	2587315.34	5301128.25	48.81	-4.82
2014-2015	4017384.94	5782481.54	69.48	-20.67
2015-2016	3424827.62	4211512.00	81.32	-11.84

SOURCE: SECONDARY DATA

### INTERPRETATION

The Net profit ratio of velliangadu primary agricultural co-operative credit society Ltd implies that (Table No: 6), for the period of 2011-2012 to 2015-2016. The ratios was gradually increased year by year & ranges from 41.66 to 81.32 times. The highest ratio was 81.32 times during the year 2015-2016. The lowest ratio was 41.66 times during the year 2011-2012. Changes in net profit ratio highest of -20.67 was in the year 2014-2015. Hence the net profit ratio is satisfactory.

### Cash Profit Ratio

The net profit of a firm are affected by the amount/method of depreciation charged. Further, depreciation being a non-cash expense, it is better to calculate cash profit ratio. This ratio measures the relationship between cash generated from operations and the net sales.

Cash Profit Ratio = Cash profit / Net sales \*100

Where, Cash profit = Net profit + Depreciation

**TABLE NO: 7**  
**CASH PROFIT RATIO**

YEAR	CASH PROFIT	NET SALES	CASH PROFIT RATIO	CHANGES IN C.P.R
2011-2012	2744694.82	6589032.82	41.66	
2012-2013	2482948.20	5644862.54	43.99	-2.33
2013-2014	2587315.34	5301128.25	48.81	-4.82
2014-2015	4017384.94	5782481.54	69.48	-20.67
2015-2016	3489349.44	4211512.00	82.85	-13.37

SOURCE: SECONDARY DATA

### INTERPRETATION

The cash profit ratio of velliangadu primary agricultural co-operative credit society Ltd reveals that (Table No: 7), for the period of 2011-2012 to 2015-2016. The ratios was gradually increased year by year & ranges from 41.66 to 82.85 times. The highest ratio was 82.85 times during the year 2015-2016. The lowest ratio was 41.66 times during the year 2011-2012. Changes in net profit ratio highest of -20.67 was in the year 2014-2015. Hence the cash profit ratio is satisfactory

### 1.9.3 WORKING CAPITAL TURNOVER RATIO

Working capital of a concern is directly related to sales. The current assets like debtors, bills receivables, cash, stock etc. changes with the increase or decrease in sale. The working capital is taken as

Working capital = Current assets – Current liabilities

If the figure of cost of sales is not given. Then the figure of sales can be used instead. On the other hand if opening working capital is not disclosed, then working capital at the end will be used. In that case the ratio will be:

Working Capital Turnover Ratio = Cost of sales or Sales / Net working capital

**TABLE NO: 8**  
**WORKING CAPITAL TURNOVER RATIO**

YEAR	SALES	NET WORKING CAPITAL	WORKING CAPITAL T.O RATIO	CHANGES IN W.C.T.O.R
2011-2012	6589032.82	10453938.60	0.63	
2012-2013	5644862.54	11503755.21	0.49	0.14
2013-2014	5301128.25	12388234.10	0.43	0.06
2014-2015	5782481.54	12636507.35	0.46	-0.03
2015-2016	4211512.00	14094202.04	0.30	0.16

SOURCE: SECONDARY DATA

### INTERPRETATION

Table No: 8 indicates the Working capital turnover ratio of velliangadu primary agricultural co-operative credit society Ltd for the period of 2011-2012 to 2015-2016. The ratios was fluctuating & ranges from 0.63 to 0.30 times. The highest ratio was 0.63 times during the year 2011-2012. The lowest ratio was 0.30 times during the year 2015-2016. Changes in working capital turnover ratio highest of 0.16 times was in the year 2015-2016.

## 1.10 FINDINGS

### Liquidity and Solvency Ratios

- + Liquidity position of current ratio was highly good and it reached highly satisfactory level.
- + Quick ratio are below the standard norms & ranges from 0.43 to 1.22 times. The highest ratio was 1.22 times during the year 2015-2016, in this year only the quick ratio is reached satisfactory level compared to rest of the year.
- + Absolute liquidity ratio are higher the standard norms during 2012-2013, 2014-2015 & 2015-2016 and their ranges from 0.53 to 0.89 times. Hence the liquidity position is better and it reached satisfactory level.
- + The solvency ratio was gradually increased year by year. The highest ratio was 90.36 times during the year 2015-2016. Hence the solvency ratio is reached satisfactory level.

### Profitability Ratio

- + Gross profit ratio was fluctuating & ranges from 1.68 to 6.61 times. The highest ratio was 6.61 times. The highest ratio was 6.61 times during the year 2013-2014. In the year 2012-2013, 2014-2015 & 2015-2016 the primary society having gross losses. A low gross profit ratio, generally indicates high cost of goods sold due to unfavourable purchasing policies, lesser sales, lower selling prices.
- + Net profit ratio was gradually increased year by year & ranges from 41.66 to 81.32 times. The highest ratio was 81.32 times during the year 2015-2016. Hence the net profit ratio is satisfactory.
- + Cash profit ratio was gradually increased year by year & ranges from 41.66 to 82.85 times. The highest ratio was 82.85 times during the year 2015-2016. Hence the cash profit ratio is satisfactory.

### Working Capital Turn Over Ratio

- + Working capital turnover ratio was fluctuating & ranges from 0.63 to 0.30 times. The highest ratio was 0.63 times during the year 2011-2012.

## 1.11 CONCLUSION

The present study was undertaken to analysis the financial performance of primary agricultural co-operative credit society Ltd at velliangadu and the financial performance in primary agricultural co-operative credit society Ltd has been measured by the ratios.

It is concluded from the study period, the financial position was quite satisfactory and achieve sufficient profit. The liquidity & solvency position is better and the profitability of the society was quite satisfactory, the net working capital of the society is minimum in the last four years and the result of the research may be useful for its future decision.

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3. [Oneupcredit.com](http://Oneupcredit.com)

#### REPORT

1. Balance sheet of velliangadu primary agricultural co-operative credit society Ltd
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