Performance Analysis of Primary Agricultural Cooperative Credit Societies: A Case Study of Ariyalur Thirukkai Paccs, Villupuram District

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Abstract- This paper analyses the financial performance and profitability of Ariyalur Thirukkai Primary Agricultural Cooperative Credit Society (PACCS) during 2019–20 to 2023–24. Secondary data obtained from annual audit reports were analysed using growth rate, spread ratio, burden ratio and profitability indicators. The results indicate moderate growth in business volume with fluctuations in profitability and working capital utilisation. The study suggests strengthening credit recovery, improving operational efficiency and diversifying income sources for sustainable growth.

Keywords: PACCS, Cooperative Credit, Profitability Analysis, Rural Finance

I. INTRODUCTION

Agriculture continues to be the backbone of the Indian economy, providing livelihood support to a large proportion of the rural population. Access to institutional credit is a critical requirement for agricultural development, particularly for small and marginal farmers. Primary Agricultural Cooperative Credit Societies (PACCS) form the foundation of the cooperative credit structure in India and function as the first contact point between farmers and the formal banking system.

PACCS provide short-term and medium-term credit for agricultural operations, supply farm inputs, distribute essential commodities through Public Distribution System (PDS), and facilitate rural development activities. Despite their importance, PACCS face challenges such as mounting overdues, operational inefficiencies, limited diversification and dependence on borrowings. Hence, periodic evaluation of their financial performance is essential to assess sustainability and policy effectiveness.

II. REVIEW OF LITERATURE

Previous studies have examined the performance of cooperative institutions using various financial indicators. Alagu Pandian (2022) highlighted financial vulnerability in cooperative banks using Z-score analysis. Selvaraj (2015) identified liquidity constraints as a major issue in district cooperative banks. Behera (2014) observed governance-related inefficiencies affecting profitability of cooperative institutions. Studies by Megha et al. (2015) and Gupta et al. (2013) found steady growth in deposits and advances but emphasized the need for improved lending policies and recovery mechanisms.

The literature indicates that while several studies focus on cooperative banks at district and state levels, limited empirical studies examine PACCS performance using integrated financial indicators.

III. RESEARCH GAP

Most earlier studies concentrate on selected financial ratios or descriptive analysis. There is limited research focusing on comprehensive performance evaluation of PACCS using growth analysis, correlation, spread and burden ratios over multiple years. The present study attempts to bridge this gap by providing a holistic financial assessment of a PACCS.

IV. OBJECTIVES OF THE STUDY

1. To analyse the growth and financial performance of Ariyalur Thirukkai PACCS.
2. To evaluate profitability and fund management efficiency.
3. To study the trend in loans, deposits and working capital.
4. To offer suitable suggestions for strengthening the society.

V. RESEARCH METHODOLOGY

The study is based on secondary data collected from audit reports, balance sheets and records of Ariyalur Thirukkai PACCS. The period of study covers five financial years from 2019–20 to 2023–24.

Tools Used:

- Growth Rate Analysis
- Ratio Analysis
- Correlation Analysis
- Spread Ratio
- Burden Ratio

VI.DATA ANALYSIS AND INTERPRETATION

Table 1: Interest Earned to Working Capital

Year	Interest Earned (₹ Lakhs)	Working Capital (₹ Lakhs)	Ratio (%)
2017–18	589.60	6471.02	9.11
2018–19	564.30	6471.02	8.70
2019–20	400.30	5441.15	7.35
2020–21	396.80	6187.02	6.41
2021–22	493.60	5967.66	8.27
2022–23	536.90	6031.59	8.90

Source: Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: The table indicates fluctuations in interest earned in relation to working capital. A decline is observed during 2020–21 due to reduced lending activities, while improvement in later years reflects recovery in income generation.

Table 2: Interest Paid to Working Capital

Year	Interest Paid (₹ Lakhs)	Working Capital (₹ Lakhs)	Ratio (%)
2017–18	333.77	6471.02	5.16
2018–19	298.85	6471.02	4.62
2019–20	318.18	5441.15	5.85
2020–21	389.33	6187.02	6.29
2021–22	289.66	5967.66	4.85
2022–23	307.09	6031.59	5.09

Source : Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: The interest paid ratio remained relatively stable, indicating efficient management of cost of funds. The marginal rise in 2020–21 reflects increased deposit obligations.

Table 3: Spread to Working Capital

Year	Spread (₹ Lakhs)	Working Capital (₹ Lakhs)	Ratio (%)
2017–18	255.83	6671.02	3.83
2018–19	265.45	6471.02	4.10
2019–20	82.12	5441.15	1.51
2020–21	7.47	6187.02	0.12
2021–22	203.94	5967.66	3.42
2022–23	229.81	6031.59	3.81

Source: Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: The spread ratio shows high volatility, particularly in 2020–21. Subsequent improvement reflects better interest margin management.

Table 4: Growth of Net Profit

Year	Net Profit (₹ Lakhs)	Growth Rate (%)
2017–18	33.82	-
2018–19	38.79	11.47
2019–20	39.63	10.22
2020–21	28.59	7.21
2021–22	30.02	10.50
2022–23	32.97	10.98

Source: Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: Net profit exhibits fluctuations with a decline during 2020–21. The subsequent recovery indicates improved operational efficiency.

Table 5: Net Profit to Total Income Ratio

Year	Net Profit (₹ Lakhs)	Total Income (₹ Lakhs)	Ratio (%)
2017–18	33.82	606.20	5.58
2018–19	38.79	573.36	6.77
2019–20	39.63	417.80	9.49

2020–21	28.59	413.84	6.91
2021–22	30.02	504.90	5.95
2022–23	32.97	558.30	5.91

Source: Annual Reports of Ariyalur Thirukkai PACCS

The ratio indicates moderate efficiency in converting income into profit. The highest profitability was observed in 2019–20, while fluctuations reflect changes in income composition and operating efficiency.

Table 6: Net Profit to Total Expenses Ratio

Year	Net Profit (₹ Lakhs)	Total Expenses (₹ Lakhs)	Ratio (%)
2017–18	33.82	572.53	5.91
2018–19	38.79	542.26	7.15
2019–20	39.63	589.90	6.72
2020–21	28.59	636.95	4.49
2021–22	30.02	456.43	6.58
2022–23	32.97	526.97	6.26

Source: Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: The ratio fluctuated during the study period, indicating variations in cost control efficiency. Lower ratio in 2020–21 reflects higher operating expenses.

Table 7: Net Profit to Working Capital Ratio

Year	Net Profit (₹ Lakhs)	Working Capital (₹ Lakhs)	Ratio (%)
2017–18	33.82	6471.02	0.52
2018–19	38.79	6471.02	0.60
2019–20	39.63	5441.15	0.73
2020–21	28.59	6187.02	0.46
2021–22	30.02	5967.66	0.50
2022–23	32.97	6031.59	0.55

Source: Annual Reports of Ariyalur Thirukkai PACCS

Interpretation: The ratio remained below one percent throughout the period, indicating limited efficiency in generating profit from working capital.

Table 8: Mean, Standard Deviation and Coefficient of Variation – Net Profit

Particulars	Value
Mean	33.97
Standard Deviation	4.10
Coefficient of Variation (%)	12.07

Interpretation: The low coefficient of variation indicates relative stability in net profit over the years.

Table 9: Mean, Standard Deviation and Coefficient of Variation – Total Income

Particulars	Value
Mean	512.40
Standard Deviation	74.54
Coefficient of Variation (%)	14.55

Interpretation: The moderate variation suggests fluctuations in income generation due to changing interest and non-interest income.

Table 10: Mean, Standard Deviation and Coefficient of Variation – Working Capital

Particulars	Value
Mean	6094.91
Standard Deviation	350.95
Coefficient of Variation (%)	5.76

Interpretation: The low variation indicates stable working capital position during the study period.

VII. FINDINGS

From the analysis , the following things are observed which are given below.

- There is an increase in the membership year by year during the study period. A class members are in increasing trend. Hence, the financing role of the Cooperatives may continue without any criticism, but the level of member participation is not adequate.
- The share capital of the society shows an increasing trend during the study period. In the past 5 years, the share capital has increased by INR 61.59 Lakh. The share capital has steadily increased due to the addition of members.
- There Reserves and surplus are in increasing pace.
- The borrowings are increasing and it indicates the growth of the society.
- The increasing trend in deposits mobilization indicates the working status of the society.
- The working capital of the society is increasing year by year during the study period. This indicates

Active status of the society's operations.

- The position of investments increased tremendously in the first year of study. A slight drop was seen during the pandemic years, which can be attributed to the market conditions prevailing then.

- Lending of the society is increasing. Both agricultural and non-agricultural loans are also increasing during the study period. This may indicate a tendency of the Society to appraise the loan sanction on securities angle, rather than the income generation and repaying capacity of the borrowers.
- The volume of Agricultural credit has increased in the past 5 years. The year 2020-21 saw a dip in the lending activities due to temporary closure of the society during the pandemic induced lockdown.
- The contribution of agricultural loans is higher than the Non-agricultural loans. The KCC loans are in fluctuating mode. The year 2020-2021 saw a down fall in KCC loan disbursement. The KCC loans must be increased. Regular jewel loan and SHG loans are also in fluctuating during the study period. Jewel loan and SHG loans should be increased.
- The PDS sales has grown steadily during the study period.
- The PACCS has been doing a steady business of Fertilizers. The dip in 2020-2021 can be attributed to the temporary closure of the Society during the Pandemic lockdown.
- Auditing is done regularly which help to maintain the records properly and to know the financial status of the PACCS.
- The credit deposit ratio has also increased during the period of study. It indicates the efficient performance of the management in attracting adequate deposits.
- Other services like Agro service center, fertilizer sales and e-Seva center are not steady. Proper awareness among the members and general public must be made to avail these services.
- The profitability position of the society is good. Profit strengthens the financial base of the society. The society is in continuous profit in all the 5 years. The return on equity ratio for the study period in the increasing trend. Investments to deposits ratio is in fluctuation mode.

VIII.SUGGESTIONS

Based on the findings of the study, the following suggestions are offered to enhance the operational efficiency and financial sustainability of Ariyalur Thirukkai Primary Agricultural Cooperative Credit Society:

1. The society should initiate systematic efforts to increase its membership base, which would strengthen its capital structure and expand business operations.
2. Share capital can be enhanced by encouraging existing members to increase their contribution and by admitting new members from the area of operation.
3. Greater emphasis should be placed on deposit mobilisation, as higher deposits improve resource efficiency and promote savings habits among rural and semi-urban households.
4. Potential individual and institutional depositors should be clearly identified. Government and local institutions may be encouraged to place a portion of their surplus funds with the society.
5. The staff should actively promote various deposit schemes by explaining their features, benefits and suitability to different categories of depositors.
6. Public awareness regarding the services and benefits of the cooperative society should be enhanced through door-to-door campaigns, financial literacy programmes and local publicity.
7. The society should focus on building a positive institutional image by ensuring prompt transaction posting, quick remittance services and accurate maintenance of accounts.
8. Regular training programmes should be organised to improve staff efficiency, customer handling skills and knowledge of banking procedures.
9. Performance-linked incentives may be introduced to motivate employees and improve productivity.
10. Prior to loan sanction, comprehensive appraisal of borrowers should be undertaken by assessing family background, income sources, repayment capacity, residential stability and standard of living.
11. Loan appraisal procedures should ensure timely sanction, realistic repayment schedules and adequacy of credit based on genuine requirements.
12. Continuous monitoring of borrowers and early identification of potential defaults will help minimise overdues and non-performing assets.

13. Adequate security valuation and verification of title deeds should be ensured before loan disbursement.
14. An effective supervision and review mechanism should be introduced, including periodic performance evaluation of supervisory staff.
15. Cooperative institutions should be member-driven, ensuring transparency, participation and confidence-building measures among stakeholders.
16. Adoption of a members' charter and strict adherence to service standards would improve accountability and customer satisfaction.
17. Cooperatives should operate competitively in the prevailing financial environment by adopting modern banking practices without relying on protectionist measures.
18. Strengthening the management information system (MIS) through computerisation and interconnectivity will enhance service delivery and operational efficiency.
19. Professionalisation of management should be promoted through continuous training, exposure programmes and capacity building for both staff and board members.
20. Scientific human resource planning based on the principle of *right person for the right job at the right time* should be implemented.
21. Principles of good corporate governance, such as transparency, fairness and accountability, should be strictly followed.
22. Agricultural diversification activities including horticulture development, godown construction, micro-irrigation and allied agricultural services should be encouraged.
23. Lending should be expanded to emerging sectors such as horticulture, herbal cultivation, wasteland development and micro-irrigation schemes to improve income sustainability.
24. The use of Common Service Centres (CSCs), agri-clinics and agro-service centres should be promoted within PACCS to strengthen rural service delivery.

IX.CONCLUSION

The present study examined the performance and financial position of Ariyalur Thirukkai Primary Agricultural Cooperative Credit Society over the selected study period. The analysis reveals that the society has consistently earned profits, which reflects its operational stability and effective management. Considerable progress has been achieved in deposit mobilisation, loan disbursement and overall business growth.

Despite satisfactory performance, the study identifies scope for improvement in areas such as cost efficiency, recovery performance, income diversification and technological adoption. With its strong operational base and cooperative ethos, the society has significant potential to play a more dynamic role in meeting the financial requirements of farmers, rural households and allied sectors.

By adopting sound financial management practices, strengthening governance mechanisms and embracing technological innovations, the society can further enhance its sustainability and contribute meaningfully to rural economic development.

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