

**A STUDY ON FINANCIAL PERFORMANCE OF PRIMARY AGRICULTURAL  
CO-OPERATIVE BANK IN KOTTAGUDI AT MADURAI DISTRICT**

**\*Dr. P. AMARJOTHI**

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**ABSTRACT**

*A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services. Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Co-operative banking is retail and commercial banking is organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the world. The real development of co-operative banks took place only after the recommendations of All India Rural Credit Survey Committee (AIRCSC), which were made with the view to fasten the growth of co-operative banks. 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.*

**Key words:** Primary Agricultural Cooperative Bank, All India Rural Credit Survey Committee

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**AUTHOR**

**\*Dr. P. AMARJOTHI, Assistant Professor, Department of Commerce, Madurai  
Kamaraj University, Madurai – 625 021, Tamil Nadu (State), India.**

## **A STUDY ON FINANCIAL PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE BANK IN KOTTAGUDI AT MADURAI**

### **Introduction**

Agriculture plays an important role in the economic development of India. Agriculture is the source of livelihood of more than 65 per cent of the population in India and contributes less than 20 per cent to gross domestic product, with a sizable share of exports. To meet the requirement of the growing population and rapid development economy, agriculture has to grow fast and modernized. This requires the use of high pay off inputs, adoption of high yielding varieties, fertilizers, plant protection chemicals, modernized equipment and machineries which need huge investment. The rural agriculture sector of the Indian economy is labor abundant, land poor and capital scarce. So it would be the Indian economy is labor abundant, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate credit to the farmers at reasonable interest. farmers' access to credit from commercial banks (public and private banks) to has been a mirage for them in the given socioeconomic and political conditions in the rural areas.

The small farmers are the most hapless victims of the private money

lenders they are free to recover their loans by high handling of the crops of the poor farmers as well as their personal belongings, land and living quarters. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agriculture sector however is limited at present. Institutional financing viewed from this angle as a principal resource of external finance is to support in a planned manner. Institutional credit enables the farmers to procure the necessary production and creates conducive climate for enhanced output. Since institutional credit exerts a "push effect and has a catalytic role in development process, provision of adequate, timely and liberal credit to the farmer has become an integral and part of the agricultural development policy in india. As a result, agricultural credit service in the country is provided through three main channels, viz., commercial banks including private sector banks in the recent years, regional rural banks and co-operatives.

### **Review of Literature**

A Study was done on agricultural development bank of Andrapradesh “Cooperative banking for agricultural Development” by Kumara (1989). This study discusses the growth of structural pattern, performance and evaluation of rural banking in India<sup>1</sup>.

Mr.Veluchamy in the year 1983 studied the impact of agricultural credit on output in revenue village. He deals with different sources of agricultural credit and their relative significance in advancing credit to the farmers. He studied the structure of credit, the purpose of the credit to cropping patterns cost components, average production and net profit of various groups farmers<sup>2</sup>.

B.B.beohar and R.K. Khare have analysed the repayment of loan by borrowers of the district central cooperative bank, branch in Jabalpur district of Madhya Pradesh, their over dues and repayment capacity based on data collected from 45 Farmers respondents and from nine village served by three societies

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<sup>1</sup> Kumar A.L.”Financing through farmers cooperative societies”. A study in Madurai district unpublished their Tamil Nadu Agricultural University, Madurai 1988.pp 75-78.

<sup>2</sup> veluchamy (1983) his article “ An appraisal of the working of scheduled cooperative banking in India, the cooperators, Vol 40 no.8,February 2003.pp346-349.

relating to the period 1999-2009.The study revaluated that the farmers who obtained credit for the purpose of fertilizer and digging of wells did not replay the loan in proper time. The farmers who adopted a large number of packages of production practices, irrespective of the purpose of credit, had higher repaying capacity per frame compared to another.<sup>3</sup>

### Scope of the Study

Melur taluks consist of 8 villages. Each one has a separate agricultural cooperative bank Primary Agricultural Cooperative Bank (PACB).This study is undertaken with reference to the following aspects.

- a) Loan and advances
- b) Working capital management
- c) Solvency analysis
- d) Efficiency analysis

The primary agriculture cooperative banks are covered in limited villages. They are Pathinattankudi, Panaakadi, Arasabanpatti, Nallukulam, Perungalakudi, Vellaapatti, Manikampatti and Kottakudi

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<sup>3</sup> Beohar B.B.and Khare R.k., “A study of the recovery and dues of Agricultural loans”, issued by Bish no Datt central cooperative bank, branch umaripan, Jabalpur District (M.P) Indian journal of Agricultural economics, vol.XIII No.3, 1988 July.

## **Objectives of the Study**

- ✓ To study on History and Growth of the Primary Agricultural Co-operative Bank
- ✓ To study on Financial Performance of Agricultural Co-operative Bank in Kottagudi at Madurai

## **Methodology**

This study is mainly based on secondary data. They were collected from the records of the kottakudi primary agricultural cooperative 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 of ten years from 1999-2009. Bank records and yearly audited report, i.e. profit and loss account and balance sheet are used. In addition to the records of the bank, data were collected from books journals and newspapers’.

## **History and Growth of the Primary Agricultural Co-operative Bank**

The Primary Agricultural Cooperative Society was registered in 9.9.1970. It starts and it is operation from 13-9-1970. This bank is affiliated to Madurai District. Central Cooperative Bank Limited Madurai. Finance is regarded as the life blood of business

enterprises. This is because in the modern money oriented economy, finance is one of the basic foundations of all kinds of activities. It is the master keys which provide access to all the sources for being employed in manufacturing and merchandising activities. It has rightly been said that business needs money, only when it is properly managed. Hence, efficient management of every business enterprises is closely linked with efficient management of its finance.

## **Reserve Bank of India Policies for Co-operative Banks**

The Reserve Bank of India appointed a high power committee in may 1999 under the chairmanship of shri.K.Madhava Rao, Ex-Chief Secretary, Government of Andhra Pradesh to review the performance of Urban Co-Operative Banks (UCBs) and to suggest necessary measures to strengthen this sector. With reference to the terms given to the committee identified five broad objectives:

- To preserve the co-operative character of urban cooperative Banks
- To protect the depositors ‘interest
- To reduce financial risk

- To put in place strong regulatory norms at the entry to sustain the operational efficiency of urban cooperative environment and evolve measures to strengthen the existing Urban cooperative Bank structure particularly in the context of ever increasing number of weak banks.
- To align urban banking sector with the other segments of banking sector in the context of application or prudential norms into and removing the irritants of dual control regime.
- Reserve Bank of India has extended the Off-Site Surveillance System (OSS) to all non-scheduled urban co-operative banks (UCBs) having deposit size of Rs.100 Crores and above.

### **Co-operative in Agricultural Development**

Progressive institutionalization of credit and other input is an integral part of the strategy of agricultural development in India. Cooperative is the only institutional agencies in which they provide the farmers with fertilizers and other input from a

single window. Cooperative is the pioneer in supplying fertilizers to the farmers, even in remote areas.

Agriculture is the main occupation of a majority of human race. The food and agricultural organization of the United States estimates that in the world as a whole, over 50 per cent of the world's populations is engaged in agriculture has been enjoying time in memorial a place of pride in India's economy. It accounts for approximately 3\4 of the labor force, 48 percent of the national income 40 per cent of the domestic capital information and 75 per cent of the exports. Agriculture is the primary supplier of necessary consumption goods. Food and fiber, according to Hammond, fail for one year, more people would die and starvation than would have yield for thus and years. Thus agriculture is the basic industry and forms social heritage and a way of life to the Indian farmers.

Simon Kuznets says, if agriculture itself grows, it makes a product contribution if it trades with others it renders a market contribution, if it transforms resource to other sectors this resource being productive it makes factor contribution.

There are small farmers, marginal farmers, small and marginal farmers in

India. They constitute a very significant proportion of farming community of the total householders in their country 52 percent of householders are small and marginal farmers who belong to very low level income and are really poor. As per World Bank’s data out of the estimated rural population of 510 millions about 374 millions are found to be living below the poverty line. Apart from this, 224 million people are marginal farmers and have per n capital and only 1\4 hectares are living in conditions of extreme poverty line. Green revolution has benefited only a negligible traction of small marginal farmers. It has widened the income disparities between the large and small farmers.

Small farmers have not been able to participate fully in the new agricultural technology, although they are invariably handicapped due to a number of socio economic factors. They have very merger financial resources. They have to take much risk and this purchasing power is also low. They have to increase their income through provisions of funds and services.

## Memberships

The membership of A=362 Primary Agricultural Cooperative Bank is open to the land owners who are residing with the area operation of the Bank and cultivating tenants doing agricultural operation and allied in the area of the operation of the Bank.

The members of the Bank consist of two types namely”A”class members and “B” class members.

“A” class members are eligible to attend the general body meeting and exercise vote at the meeting.

Since, a cooperative society should have business dealings only with the “B”class members admitted for the purpose of having transactions with them. But the “B”class members cannot attend the general body of meeting and exercise vote at the meeting.

The details of membership of A-362 Primary Agricultural Cooperative Bank Limited is given table-1

Table-1: Membership of Kottagudi Primary Agricultural Cooperative Bank Limited

Year	“A “Class Members	“B”Class Members	Total
1999-2000	6,39,540	225.00	6,39,765

2000-2001	6,69,484	225.00	6,96,709
2001-2002	7,30,931	225.00	7,31,156
2002-2003	7,82,382	225.00	7,82,607
2003-2004	7,87,232	225.00	7,87,457
2004-2005	7,63,632	225.00	7,63,857
2005-2006	7,86,482	225.00	7,87,707
2006-2007	10,33,332	225.00	1,033,557
2007-2008	1,04,732	225.00	1,047,457
2008-2009	1,133,582	225.00	1,142,507

Source: Annual Report in Kottangudi Primary Agricultural Cooperative Bank

From Table-1: It is clear that the number of membership of the Bank which stood at 6, 39,765 in 1999-2000. It has steadily increased to 7, 87,232 except during the year and 2007-2008.

The declining membership during the year 2003-2004 and 2007-2008 has been due to withdrawal of membership by “A” class members.

### Share Capital

Table-2: Share Capital of Kottaikudi Primary Agricultural Co-operative Bank

S. No	Year	Share Capital From Members (Rs. In laksh)	Government Share Capital (Rs. In laksh)	Total (Rs. In Laksh)
1	1990-2000	7,097,65.00	70000	7,79,765

2	2000-2001	7,667,09.00	70000	8,36,709
3	2001-2002	7331,56.00	70000	8,01,156
4	2002-2003	7,821,60.70	70000	8,52,607
5	2003-2004	7,874.57.00	70000	8,57,457
6	2004-2005	7,867,07.00	70000	8,56,707
7	2005-2006	7,638,57.00	70000	8,33,857
8	2006-2007	10,335,57.00	70000	11,03,557
9	2007-2008	10,474,57.00	70000	11,17,457
10	2008-2009	11,425,07.00	70000	12,12,507

Source: Annul Reports in Kottagudi Primary Agricultural Cooperative Bank

Table-2: Shows has revealed the share capital of the bank stood at Rs.7,79,765 laksh in 1999-2009 has steadily increased to Rs.12,12,507 except as against Rs.11,03,557 laksh due to the withdrawal of share capital”A”Members.

### Reserve Funds

Reserve fund is an important source of owned funds of the bank. It is the undistributed and accumulated profits of the previous years.

Table 2.3 shows the Reserve funds of the A-362 kottagudi primary Agricultural cooperative Bank Limited.

Table-3: Reserve Funds of a Kottakudi Primary Agricultural Co-operative Bank

S. No	Year	Reserve Fund
1	1999-2000	1572096.09
2	2000-2001	76000.00
3	2001-2002	3050.17
4	2002-2003	25702.00
5	2003-2004	23517.00
6	2004-2005	107149.00
7	2005-2006	16964.75
8	2006-2007	446434.00
9	2007-2008	7175040.00
10	2008-2009	20535.00

Source: Annual Report in Kottaigudi Primary Agricultural Cooperative Bank

It is inferred from table-3: shows that the reserve funds of the Bank stood at Rs.15, 72,096 lakhs in 1999-20000 has steadily increased to 7175040 lakhs in 2007-08 except during the year 2003-2004.

### **Borrowings**

Borrowing are as important source of fund for the A-362 Kottakudi primary agricultural cooperative bank limited. The Borrows from Bank. Table-4: Shows the borrowing of the A-362 kottakudi primary agricultural cooperative bank limited.

Table-4: Borrowings of Kottaikudi Primary Agricultural Co-operative Bank Limited

<b>S. No</b>	<b>Year</b>	<b>Borrowings</b>
1	1999-2000	7376577.65
2	2000-2001	8305186.15
3	2001-2002	12524249.00
4	2002-2003	10079166.00
5	2003-2004	7006230.75
6	2004-2005	17279791.25
7	2005-2006	9171532.05
8	2006-2007	8785371.00
9	2007-2008	5549144.50
10	2008-2009	8925844.60

Source: Annual Reports in Kottagudi primary Agricultural cooperative Bank

It is inferred from table-4: shows that the borrowing of the Bank which stood at Rs.7376577.65 lakhs in 1999-2000 has steadily increased to Rs.8925844.60 export during 2008-2009.

Table-5: Current Assets Current Liabilities of the Kottakudi Primary Agricultural Co-operative Bank Limited

<b>S. No</b>	<b>Year</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	<b>Current Ratio</b>
1	1999-2000	14401235.94	105339969.70	1.37

2	2000-2001	21722033.50	15519441.30	1.40
3	2001-2002	8277895.91	1465595.70	5.65
4	2002-2003	18567133.81	20418171.31	0.91
5	2003-2004	3666755.19	23918809.50	0.15
6	2004-2005	6440890.96	21518982.85	0.31
7	2005-2006	17964228.06	3510030.832	5,11
8	2006-2007	22226846.30	22135124.13	1,00
9	2008-2008	12853108.39	13259163.55	0.97
10	2008-2009	19765920.06	2216366.32	8,92

Source's completed from the Records of the A-362 Kottaikudi Primary Agricultural Cooperative Bank Limited.

Current ratio indicates the relationship between current assets and current liabilities. The standard current ratio is 2:1 table-5 shows that the current ratio of the bank is fluctuating between 0.15 and 8.92 indicating poor liquidity pertaining to certain years during the period under review.

## Conclusion

Now it is very much clear that cooperative banks have very much importance in National Development. Without help of co-operative banks millions of people in India would be lacking the much needed financial support. Co-operative banks take active part in local communities and local development banks take active part in local communities and local development with a stronger commitment and social responsibilities. These banks are best vehicles for taking banking to doorsteps of common men unbaked people in urban and rural areas. Their presence in the social economic and democratic structure of the

best justification for nurturing them and strengthening their base. These banks are sure to win in the race because they are people, by the people and of the people.

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