In the research work entitled “A Study on Performance and Service Effectiveness of Primary Agricultural Cooperative Banks in Thanjavur District”, the financial performance, lending and recovery performance, service effectiveness and overdues position of the sample PACBs functioning under Thanjavur Central Co-operative Bank have been analysed. Therefore, the summary of the findings, conclusion and suggestions has been given in this chapter.

FINDINGS

- The share of borrowed funds in the working capital was much higher than the owned funds in all the three categories of sample PACBs. It varied between 61.96 and 88.96 per cent during the study period.
- It is found that the owned funds and borrowed funds in all the categories of PACBs have a high positive correlation.
- The amount of average working capital per viable PACB and potentially viable PACB was more than that of per unviable PACB every year.
- It is found that there are significant differences among the different years and categories of PACBs in the average working capital.
With regard to the composition of working capital, the borrowings played a dominant role (52.64 to 83.81%) in all the three categories of PACBs. The sample PACBs were highly dependant upon the external financial sources mainly borrowings.

With regard to ownership of paid-up share capital, the individual’s share constituted a higher proportion (70.45 to 86.73%) and the government’s share constituted a smaller proportion (13.27 to 29.55%) in all the categories of PACBs.

Under the three categories, the average reserve per PACB showed an increasing trend. However, the rate of growth was showing a fluctuating trend. It was due to the sample PACBs creating more non-statutory reserves in a year and releasing them in another year.

With regard to average deposit mobilization per PACB, the viable and potentially viable PACBs mobilized more deposits than the unviable PACBs in terms of absolute amounts in all the years of the study.

The borrowings in the three categories of PACBs show an increasing trend. It is found that the average amount of borrowings per PACB in the unviable category was lower than that of the viable and potentially viable categories in all the years of the study. Hence, it can be said that the borrowing capacity of unviable PACBs was not sound.

On an average, the sample PACBs have a low percentage of cash to deposit (1.16 to 7.97%). They were holding little amount of cash which does not adequately meet the demand liabilities. Hence, it can be said that the sample PACBs were maintaining a low liquidity position regarding cash to deposit.
The sample PACBs on an average, were maintaining a lower investment-deposit ratio (8.34 to 38.63%). They were having low liquidity with regard to investment-deposit. The category-wise data showed that among the sample PACBs, the potentially viable PACBs recorded a higher percentage of investment to deposit than other PACBs.

The average credit to deposit ratio of the sample PACBs was very high (436.63 to 797.75%) because the PACBs borrow substantial amounts from DCCB and in turn lend it to farmer members.

It is found that the average ratio of owned funds to borrowed funds was smaller (19.93 to 40.74%) in the sample PACBs. From this, it can be said that the sample PACBs were mostly relying on the borrowed funds for their lending operations.

On an average, the debt-equity ratio in all the categories of sample PACBs was (2.3:1 to 4.11:1) more than the satisfactory level of 1:1. The higher the debt-equity ratio, the lesser will be the solvency. Hence, it can be said that the sample PACBs were not maintaining a satisfactory level of solvency with regard to debt-equity.

The average debt to total fund ratio in the sample PACBs showed a higher proportion of debt in the total funds of the PACBs which indicates high leverage. It ranged from 0.63 to 0.67 times.

With regard to capital gearing ratio, there was a high gearing in all the categories of the sample PACBs because the proportion of networth to fixed cost bearing funds was small. On an average, it ranged from 0.20 to 0.41 times.
Interest was a major source of income in the sample PACBs. On an average, about 74 to 90 per cent of the total income came by way of interest earned on the loans and investments.

On an average, the sample PACBs were paying about 82 to 85 per cent of their total income in the form of interest on borrowings and deposits. Therefore, it is found that the major portion of income of the sample PACBs was drained out in the form of interest commitment on borrowings.

It is found that the average total income to working capital ratio was lower (8.96 to 11.05%) in the sample PACBs. Therefore, it is found that the sample PACBs were not in the position of earning a higher income by using their working capital.

On an average, the total expenditure to working capital ratio (11.23 to 13.64%) of the sample PACBs exceeded the ratio of total income to working capital. Hence, it can be said that the sample PACBs were not efficiently allocating their working capital between income and expenditure.

On examination of total expenditure to total income ratio of the sample PACBs, it is observed that the ratio was more than 100 per cent in all the years of the study in the case of potentially viable and unviable PACBs and in most of the years in the case of viable PACBs. Hence, it is found that the sample PACBs were incurring losses which indicates the operational inefficiency.
The analysis further indicates that the sample PACBs, on an average had incurred establishment expenditure between 23.77 and 31.48 per cent in the total expenditure.

With regard to average per employee volume of business (Rs.2.16 to Rs.10.77 lakhs) in the sample PACBs, the analysis indicates a comparatively good performance of employees in the viable PACBs. However, the performance of employees of potentially viable PACBs was unsatisfactory. It was poor in the unviable PACBs.

The average per employee deposit of the sample PACBs was very low during the period of study (Rs.0.43 to Rs.2.15 lakhs). Comparatively, per employee deposit of viable PACBs was higher than the other two categories of PACBs. It was poor in the unviable PACBs.

It is found that the average per employee loan of the sample PACBs was high when compared with the per employee deposit. It ranged from Rs.1.73 to Rs.8.63 lakhs. It is also found that per employee loan of unviable PACBs was much lower than in other categories of PACBs. Further, the PACBs were able to lend more than their deposits because of the support given by the NABARD through DCCB.

Category-wise data shows that the average income per employee in the case of potentially viable PACBs was higher (Rs.1 lakh) than the other two categories of PACBs (Rs.0.87 lakh in the viable PACBs and Rs.0.52 lakh in unviable PACB). However, it improved in the last three years during the study period in the case of viable PACBs.

The average per employee expenditure was Rs.0.99 lakh in the viable PACBs. It was Rs.1.20 lakhs in the potentially viable PACBs and Rs.0.73
lakh in the unviable PACBs. Hence, it is found that the per employee expenditure in all the categories of PACBs was more than the per employee income which resulted in negative performance of the banks.

The analysis of profitability of the sample PACBs reveals that on an average the viable PACBs had incurred losses in the first seven years of the study period (1996-97 to 2002-03) and afterwards they have started to earn profit. The other two categories of PACBs had incurred losses in all the years of the study period. On the whole, it can be said that the profitability performance of every category of the sample PACBs was poor.

It is found that the proportion of borrower members (average: 25.71 to 32.39%) was lower than non-borrower members (67.61 to 74.29%) in all the three categories of PACBs. Hence it can be said that the non-borrower members had been admitted as members of PACBs for the purpose of election to the management.

The total loan issued by the viable PACBs has shown an increasing trend during the study period. With regard to the rate of growth, it shows positive change every year.

With regard to total loan issued by the potentially viable PACBs, the rate of growth over the previous year had recorded as a negative during the 7 years in the study period.

The total loan issued by the unviable PACBs had shown a decreasing trend during the study period. It is found that the rate of growth over the previous year showed an unsatisfactory trend which was negative during the 5 years in the study period.
It is found that the difference in the average total loan issued is insignificant among the years and significant among the categories of PACBs.

The analysis reveals that the short-term loan issued by the viable PACBs showed an increasing trend. It is found that the rate of growth recorded a positive trend during the study period.

In the case of potentially viable PACBs, the short-term loan issued was showing a fluctuating trend of ups and downs during the study period. The rate of growth showed a negative change for 7 years during the study period.

The short-term loan issued by unviable PACBs had registered a decreasing trend. It is found that the rate of growth showed a negative change for 5 years during the study period.

It is found that the difference in the average short-term loan issued is insignificant among the years and significant among the categories of PACBs.

The medium term loan issued by the viable PACBs had shown an increasing trend during the study period. With regard to the rate of growth, it is found that a positive change in all the years except 2002-03 and 2003-04.

With regard to the issue of medium-term loan by the potentially viable PACBs, it is found that a positive growth rate for 5 years and negative growth rate for 4 years during the study period.

The analysis reveals that the medium-term loan issued by the unviable PACBs had shown a decreasing trend. It is found that
a positive growth rate for 4 years and negative growth rate for 5 years during the study period.

- It is found that there are significant differences among the years and categories of PACBs in the average medium-term loan issued.

- The jewel loan issued by the viable PACBs had shown an increasing trend. It is found a positive growth rate every year except in 2002-03.

- In the case of potentially viable PACBs, the issue of jewel loans was showing a decreasing trend. The growth rate showed mostly a negative change. It was negative for 7 years during the study period.

- In the unviable PACBs, the issue of jewel loans was showing a decreasing trend. With regard to the growth rate, it is found a negative growth rate for 5 years during the study period.

- It is found that there is no significant difference among the years and a significant difference among the categories of PACBs in the average jewel loan issued.

- On the issue of three types of loan in the sample PACBs, jewel loans played a vital role. Their share in the total loans varied between 54.76 and 63.03 per cent. The share of short-term loan ranged from 35.63 to 42.42 per cent followed by medium-term loans, the least, which ranged from 2.01 to 3.81 per cent.

- On an average, the loan disbursed per borrower was Rs.18,912 in the viable PACBs. It was Rs.16,553 in the potentially viable PACBs and Rs.5,406 in the unviable PACBs. From this, it is evident that the borrowers in the viable and potentially viable PACBs were benefitted
more in terms of higher loan amount than the borrowers of unviable PACBs.

Regarding the total loan recovery of the sample PACBs, the viable PACBs showed a comparatively good performance (66.17 to 74.35%). It was satisfactory in the potentially viable PACBs (56.42 to 63.10%) and poor in unviable PACBs (32 to 48.59%).

The difference in total loan recovery percentage is insignificant among the years and highly significant among the categories of PACBs.

The viable PACBs were performed satisfactorily in the recovery of short-term loans than in other categories of PACBs. It is found that the three categories of PACBs had shown poor performance in the medium-term loan recovery. However, they had shown better performance in jewel loan recovery.

It is found that the differences in short-term and medium-term loan recovery percentage are insignificant among the years and highly significant among the categories of PACBs.

There are significant differences among the years and categories of PACBs in the jewel loan recovery percentage.

The average amount of jewel loan recovery constituted a higher share in total loan recovery in the sample PACBs in most of the years of study followed by short-term and medium-term loans.

On the analysis of the opinion of the respondents regarding credit services rendered by the sample PACBs, it is found out that the viable PACBs had been rendering satisfactory credit services to their members followed by the potentially viable PACBs. The unviable PACBs were showing poor
performance in this respect. The difference in the opinion of the respondents among the categories of the PACBs is highly significant.

Nearly 78 per cent of the respondents of the viable PACBs opined that the PACBs were sanctioning loans promptly followed by 54 per cent respondents of the potentially viable PACBs. However, about 78 per cent of the respondents of the unviable PACBs reported that the PACBs were not sanctioning loans in time. It is found that there is a significant difference in the opinion of the respondents among the categories of PACBs.

The study on the opinion of the respondents regarding adequacy of loans reveals that the viable PACBs were doing satisfactorily followed by the potentially viable PACBs. But the unviable PACBs were showing poor performance in this regard. It is found that the difference in the opinion of the respondents is significant among the categories of PACBs.

On analyzing the opinion of the respondents regarding the priority given by the sample PACBs on loan issues, it has come to light that all the three categories of PACBs were giving priority for issue of jewel loans than other types of loans. It is found that there is a significant variation in the opinion of the respondents among the categories of PACBs.

With regard to the awareness of members relating to various loan schemes and subsidiary services, the viable PACBs were able to educate the members about the available new schemes and services followed by the potentially viable PACBs. However, the unviable PACBs have failed in educating the members in a proper manner. It is found that the difference
in the opinion of the respondents is significant among the categories of PACBs.

🌟 It is found that a majority of the respondents were unaware of the kisan credit card scheme. Hence, it can be said that the PACBs had not taken much efforts in creating awareness among the farmers regarding KCC Scheme and issuing such loans to them. The significant difference has been found in the opinion of the respondents among the categories of PACBs.

🌟 The analysis of the opinion of respondents on non-credit services rendered by the sample PACBs reveals that the viable and potentially viable PACBs have been rendering satisfactory services to their members. But the unviable PACBs have shown a poor performance in this respect. The difference in the opinion of the respondents is found significant among the categories of PACBs.

🌟 It is known that the viable PACBs were rendering satisfactory service followed by potentially viable PACBs in supplying agricultural inputs to the farmers. But, it is found that the unviable PACBs had not actively engaged in the sale of agricultural inputs. It is also found that there is a significant variation in the opinion of the respondents on the supply of agricultural inputs among the three categories of PACBs.

🌟 A study on the opinion of the respondents regarding supply of consumer goods reveals that all the categories of PACBs were rendering valuable services with regard to the supply of consumer goods. It is found that there is no significant difference in the opinion of the respondents among the categories of PACBs.
The analysis of opinion of the respondents reveals that the three categories of PACBs were not effectively doing the service of providing marketing facilities to the produce of their members. It is also found that there is no significant difference in the opinion of the respondents among the categories of PACBs.

The volume of overdues was showing an increasing trend throughout the study period in the sample PACBs. It is found that the viable PACBs were having lesser proportion (25.65 to 33.83%) of overdues in the demand made than the potentially viable (36.90 to 43.58%) and unviable PACBs (51.41 to 68%). Hence, it can be said that the unviable PACBs were not in a position to bring down the proportion of overdues in the demand.

The analysis reveals that the short-term loan overdues have been registering an increasing trend in the sample PACBs. In the viable PACBs, the proportion of short-term loan overdues in the demand made was showing a declining trend. The same trend was also observed in the potentially viable PACBs. But the proportion of short-term loan overdues was much higher (74.72 to 79.97%) in the unviable PACBs. It ranged from 34.98 to 56.69 per cent in the viable PACBs and 45.02 to 55.62 per cent in the potentially viable PACBs.

The medium-term loan overdues were showing an increasing trend in the sample PACBs. In the viable and potentially viable PACBs, the proportion of medium-term loan overdues in the demand was showing a declining trend during the study period. It is also found that the proportion of medium-term loan overdues was much higher (77.97 to 81.73%) in the
unviable PACBs. It had ranged from 45.66 to 55.73 per cent in the viable PACBs and from 60.76 to 67.95 per cent in the potentially viable PACBs.

球星 It is found that the proportion of jewel loan overdues in the demand was smaller (4.53 to 20.75%) in all the three categories of PACBs.

球星 The differences in the average total overdues, short-term loan overdues, medium-term loan overdues and jewel loan overdues among the years as well as categories of PACBs are found significant.

球星 On analyzing the composition of overdues, it is found that the short-term loan overdues constituted higher share (77.99 to 83.82%) in the total amount of overdues followed by medium-term (10.80 to 16.01%) and jewel loan overdues (4.47 to 8.56%) in the sample PACBs.

球星 The total loan outstanding had registered an increasing trend in the sample PACBs. Hence, such a trend indicates the increasing overdues in the sample PACBs.

球星 It is found that the short-term loan outstanding constituted a higher share (78.21 to 82.32%) in the total outstanding loans of the sample PACBs followed by medium-term (11.35 to 13.92%) and jewel loan outstanding (5.61 to 7.87%).

球星 There are significant differences among the years and categories of PACBs in the average total loan outstanding, short-term loan outstanding and medium-term loan outstanding. The difference in the average jewel loan outstanding is insignificant among the years and significant among the categories of PACBs.

球星 A majority of the respondents became defaulters due to wilful causes which include mis-utilisation of loans and expectation of waiver. Out of
350 defaulters, 70.57 per cent (that is 247) were identified as wilful defaulters.

🌟 Among the wilful causes, expectation of waiver played a dominant role. Out of 350 defaulters, 183 had deliberately postponed the payment of dues with the expectation that the government one day or other would waive all the co-operative loans.

🌟 The major non-wilful causes were failure of crops, low market prices for produce, inadequate income and natural calamities. Among 350 defaulters, 103 were identified as non-wilful defaulters.

CONCLUSION

The Performance and Service Effectiveness of Primary Agricultural Cooperative Banks in Thanjavur District have been analysed in this study. Regarding the financial performance of the sample PACBs, it can be concluded that all the three categories of PACBs 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 render services to the farmers community. In the lending and recovery performance, the viable PACBs had shown a satisfactory performance than the potentially viable and unviable PACBs. With regard to the credit and non-credit services rendered by the sample PACBs, the viable PACBs performed in a good manner than other two categories of PACBs. In this respect, the unviable PACBs showed a poor performance.
Overdues are the vital problem which affect the very co-operative movement itself. In the sample PACBs also, the overdues have been increasing rapidly. On the whole, it can be concluded that to make co-operative credit more useful in developing the socio-economic condition of the farmers, it is necessary to see that the timely supply, proper supervision and timely recovery of loans to be made. If these necessities are fulfilled, the co-operative credit which is an instrument of the agricultural and economic development of the country will serve its desired purpose very successfully.

SUGGESTIONS

The following suggestions have been made to resolve the various problems of the Primary Agricultural Co-operative Banks and to improve their performance.

1. The PACBs should be encouraged to mobilize more deposits to become financially strong so that the working capital gets strengthened and thus reduces the financial dependence of the PACBs on government and NABARD.

2. The loaning policies should be restructured in favour of small and marginal farmers and other weaker sections of the rural community.

3. It is suggested that the membership fee must be enhanced in order to discourage the friends and relatives of contestants to the Board of Management from becoming members of the PACBs just before the bank’s election.

4. To ensure proper utilization of credit, strict vigilance and effective supervision is necessary.
Members should take active interest in the working of PACBs.

Proper training has to be given to the employees of PACBs and this will lead to improvement in the quality of service rendered by PACBs.

It is suggested that the PACBs should improve their liquidity and profitability performance and take effective steps for profitable deployment of funds.

The PACBs should take necessary steps to enhance their income base from non-credit activities like sale of agricultural inputs and consumer goods and marketing of agricultural produce, locker rent etc.

The PACBs should try to improve their operational efficiency.

The PACBs have to continue to lay emphasis on strengthening their financial resource base by way of increased members contribution and mobilization of deposits and rural savings.

Agricultural input business plan must be prepared by the PACBs to assess the various input requirements of the members and decide how much input will be handled by the PACBs in the next year. This also involves estimating business turnover, trade margin, cost of handling business and net surplus.

The rural people need variety of daily consumption goods for which they have to go either to urban markets or purchase from private traders in the villages and face exploitation in different forms. Hence, the PACBs must take up consumer goods business, which has good prospects, considering the needs of the people in the area. This service helps the people to get items of daily necessities at a competitive price, of good quality, at the right time with right weight and measurement and in close proximity.
The PACBs can organize proper processing and marketing facilities for different products and serve the economic interest of village people in a better way.

The PACBs should link credit with marketing of agricultural produce which will result in a better recovery of loans. It may be mentioned here that if crop loan is given, the personnel of PACBs should approach the loanee for procurement of the crop product so that crop loan advanced can be collected easily.

There is always an expectation from the farmers side that the loan and interest will be waived by the elected government sooner or later. The practice of waiving under abnormal situations like flood, drought, failure of monsoon, etc., is justifiable and hence it is suggested here that the government should be firm in not waiving the loan and interest in the normal circumstances.

The co-operative department may form a team of staff members for every block with proper training for collecting loan and interest from members of various PACBs of that block. They shall assist the employees of PACBs by paying a periodical visit immediately after the harvest of every season to the operational area of these banks and motivating the erring members in repaying their loans.

Meetings may be conducted for the members of the PACBs at least one day earlier to issuing loans by a team of staff members (formed by the department) along with the officials of the banks to educate the members about the importance of repaying the loan in time.
As the co-operative movement is a voluntary one, an elected body as per the bye-law and Co-operative Act is a must for proper functioning of the PACBs. The elections for the post of office-bearers should be conducted without political colour and interference.

When serious action is taken against erring members, the political interference may strictly be averted.

Restructuring the co-operative societies is the unavoidable part in the present day situation. Primary agricultural co-operative banks should change their structure and programmes in accordance with modern development.

Agricultural loans and advances are misused by the farmers as well as the employees of the banks. Hence, there should be a monitoring committee to regulate the agricultural finance.

It is suggested that the PACBs should sanction adequate loans to their members in time.

To minimize wilful default, the officials of PACBs should enquire into the credit worthiness of members before sanctioning the loan.

Primary agricultural co-operative banks should create awareness to the farmers about the necessity of the repayment of loans and also insist to participate actively in the co-operative banks activities.

The communication between the management including the Secretary at one hand and the ordinary members at other hand must be improved. This can be achieved by periodical meetings for follow-up and feedback about policies. This will also encourage active participation of the ordinary members.
The Secretary is the most important communicator in the affairs of PACB. The success of PACB depends on the Secretary’s innovative leadership, sense of belongingness and commitment to the local people. Therefore, the Secretary cadre should be strengthened by offering a salary revision, which will in turn discourage the tendency of frauds and misappropriation.

The Secretaries must undergo rigorous training programmes after being recruited and periodical refresher courses must be arranged by the State Co-operative Union to update the knowledge of Secretaries about new banking policies, amendment of the Acts, co-operative principles and the management aspects.

The PACBs have to adopt new technologies, computerization of their operations and good communication network.

It is suggested that the government should take immediate steps to implement most of the recommendations given by the Task Force of Revival of Rural Co-operative Credit Institutions headed by Prof. A. Vaidyanathan.

**Area for further research**

The following areas have been suggested for further research on the primary agricultural co-operative banks.

1. A study on the impact of revival measures on the working of PACBs in Tamil Nadu.

2. A study on the impact of recent waiver schemes on the performance of PACBs and repayment behaviour of the borrowers in Tamil Nadu.