

A STUDY ON COMPARATIVE PERFORMANCE OF AGRICULTURAL CO-OPERATIVE SOCIETIES WITH SPECIAL REFERENCE TO TAPCMS KOPPA, CHICKMAGLUR DISTRICT, KARNATAKA STATE

Ashwini H A^{a,*}, Srivatsa N C^b and C.Srikant^b

^a Department of Management Studies, Assistant Professor, JNNCE, , Shimoga, Department of Management Studies, JNNCE, Student, ,Shimoga ^b Department of Management Studies, JNNCE, HOD, Shimoga ,India.

Abstract. Agricultural sector constitutes to be the most dominant sector in Indian economy particularly in rural India. Even today agriculture in India is greatly dependent on monsoon and traditional farming methods. Need of finance and marketing assistance is a challenge faced by farmers. In order to address these issues the government has taken several initiatives for establishment of primary co-operative societies and taluk level co-operative societies. These societies are providing various marketing facilities and financial assistance to farmers. However, in order to ensure these co-operative societies are able to deliver required services to farmers effectively, a need for an analysis of their performance becomes necessary. Thus, the study aims at analyzing the financial performance of TAPCMS, Koppa and comparing its performance with another leading co-operative society, i.e., TAPCMS, Mudigere which are two leading primary cooperative societies of Chickmagalur District.

Keywords: Agricultural sector, primary co operative societies, performance, comparing, , analyzing

1. Introduction

Examining the efficiency of co-operative societies has been a vital issue primarily to observe the efficiency of its operations, to examine their debt quality and ensure that they are effectively delivering the cause for which they have been established, i.e., providing adequate credit and marketing facilities to the farmers in rural and semi-urban regions. Earning profits is not the only objective of these banks; providing financial & marketing assistance to the farmers is main objective of such societies, coupled with the objective of ensuring asset quality and minimum returns to their stake holders.

2. Literature Review:

Kurulkar (1983), in his published work on 'agricultural finance in backward area', highlighted apparent defects within the set-up of co-operative credit system. He pointed that, out of the 10 sample owners who took long-term credit from the co-operative banks, 30% could not secure short-term credit. Lack of short-term or manufacturing credit to the farmers who availed long-term credit led to lower output per acre, thereby causing in overdue.

Devadas (1987), in his book titled, "Co-operative Banking and Economic Development" studied the role of Assam Co-operative Apex Bank Ltd. in the State's

economy. He pointed out that aside from working as a commercial bank it had to perform three other functions, i.e., to finance primary credit societies, to act as banking center for primary societies, and to carry out supervisory activity on primary societies. The author argued that bank had not been able to achieve much in these three fields due to lack of proper support from the State government.

Pathania and Singh (1998), in their study titled, "A study of performance of Himachal Pradesh state Co-operative bank" found that the overall performance of the bank in terms of membership force, share capital, deposit mobilization, working capital and advances had stepped forward over the duration of five years, i.e., 1991-92 to 1995-96. But, overall recovery performance turned unsatisfactory and overdue had accelerated sharply. This was because of the after-effects of loan waiver scheme. The per-member and per-department overall performance of the financial institution revealed that there was a considerable boom in share capital, deposits, borrowings, advances and profits. They advised that in the context of globalization and liberalization of economic system, co-operative banks must make sure their enterprise functioned on healthy lines by means of having expert manpower, education & training and a sense of competition.

* Corresponding author. E-mail: .ashwini.shivamogga@gmail.com

3. Objectives of the Study

3.1 To make a comparative study of business operations of TAPCMS, Koppa & TAPCMS, Mudigere.

3.2 To make a comparative evaluation of the deposits generated and the loans given by TAPCMS, Koppa & TAPCMS, Mudigere over the period of 5 years, i.e., from 2011-12 to 2015-16.

3.3 To statistically evaluate the financial performance of TAPCMS Koppa & TAPCMS Mudigere.

4. Scope of the Study

The study primarily aims at evaluating the financial performance of agricultural co-operative societies. The study includes the comparative analysis of performance of TAPCMS, Koppa & Mudigere in terms of business operations, deposits, loans and the financial performance. Further, the performance of TAPCMS, Koppa has been individually analyzed through the technique of ratio analysis.

5. Methodology:

The present study uses descriptive design and is predominantly based on the secondary data – the data collected from societies and other sources. The required data is collected from the societies which are the divisions of the present study. Moreover, the essential data is collected from other sources such as annual reports, magazines, articles, etc. Statistical and accounting tools such as Year-on-Year, CAGR etc. are used to scrutinize the data to find out the financial performance, and the method of analysis followed in this work is purely analytical as to how the selected Co-operative Societies are performing in terms of financial performance. Finally, the technique of Ratio Analysis has been used to evaluate the individual performance of TAPCMS Koppa.

6. Results and Discussion

6.1 Year on Year Analysis

Table 1

Parameters of performance	YOY Koppa	YOY Mudigere	Interpretation
Share capital	5.15	4.54	The growth of share capital of TAPCMS Koppa was showing an increasing trend till 2014-15 and then it reduced to 5.15 in 2015-16. On the other hand, the growth of TAPCMS Mudigere was low from the beginning but managed to improve in the last year, i.e., 2015-16.
Reserves	8.99	2.87	The year on year growth of reserves in TAPCMS Koppa has increased from 7.62 in the year 2011-12 to 8.99 in 2015-16; however, the growth of TAPCMS Mudigere has decreased to 2.87 in 2015-16.
Deposits	18.72	1.79	TAPCMS Koppa is more consistent and has collected more deposits over the period and has a growth rate of 16.93% in the year 2015-16.
Loans	3.32	-53.24	Loan dispersed by TAPCMS Koppa has been increasing till 2014-15 and then it has reduced to Rs. 32,77,575. TAPCMS Koppa has dispersed more amount of loan than that of Mudigere and Koppa is having a growth of 56.56% over the Mudigere in the year 2015-16.

Interest earned	12.62	-10.12	The amount of interest earned by TAPCMS Koppa is consistently increasing from the past five years. TAPCMS Koppa has earned an interest amount of Rs.55,11,229 compared to Rs.8,38,415 by TAPCMS Mudigere. TAPCMS Koppa has a growth of 22.74% over TAPCMS Mudigere with respect to interest earned for the year 2015-16.
Interest expended	8.13	-8.07	The amount of interest expended by TAPCMS Koppa is more when compared to that of Mudigere. TAPCMS Koppa is having a growth rate of 16.2% in 2015-16 in this regard over TAPCMS Mudigere, which shows that the society is giving a fair return to its customers.
Net profits	-32.35	67.62	The net profit of TAPCMS Koppa has increased from Rs.8,72,781.56 in 2011-12 to Rs. 8,75,410.89 in 2015-16; however the year over year growth of profit has decreased to an extent of 32.35% this is due to drastic decrease of profit from Rs.12,94,045.63 to Rs. 8,75,410.89

6.2 Ratio Analysis

Table 2

TOTAL ADVANCE TO TOTAL ASSETS RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Total advances	6,21,78,716	6,68,85,652	7,26,38,626	9,87,70,277	10,20,47,852
Total Asset	5,93,66,669	6,45,29,400	7,73,33,563	8,12,22,962	9,68,68,873
Ratio	1.05	1.04	0.94	1.22	1.05

(Source: T.A.P.C.M.S Koppa Annual report)

Interpretation: However, the society can make attempts to increase the proportion of advances in the total assets of the firm. The above ratio measures the proportion of total advances to total assets of TAPCMS Koppa. It can be observed that the ratio is consistent over the year.

Table 3

INTEREST EARNED TO NET PROFIT RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Interest earned	26,15,781	33,53,032	40,65,323	48,93,495	55,11,229
Net profit	8,72,781.56	8,75,946.52	11,86,749.19	12,94,045.63	8,75,410.89
Ratio	2.99	3.83	3.42	3.78	6.29

(Source: T.A.P.C.M.S Koppa Annual report)

Interpretation:

The above ratio indicates the proportion of interest income in the total profits earned by TAPCMS Koppa. It can be observed that the proportion of interest

income to the total profits has been increasing which is good for the firm. However, it can be observed that the proportion is still less for the society; hence it can take measures to increase its loan portfolio.

Table 4

CURRENT ASSET TO CURRENT LIABILITY RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Total current asset	29,17,935	30,98,127	34,87,601	15,75,038	32,41,923
Total current liability	28,58,775	23,97,372	35,26,763	29,21,913	57,88,716
Ratio	1.02	1.29	0.99	0.54	0.56

(Source: T.A.P.C.M.S Koppa Annual report)

Interpretation:

The above table highlights the current ratio. It can be observed that the current ratio is declining over the

years. There is an increase in current assets; however the current liabilities are increasing in greater proportion, causing a decline in the ratio

Table 5

NON-INTEREST INCOME TO NON-INTEREST EXPENSE RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Total non-interest expenses	1901695.64	2356324.35	2497911.50	2684367.95	2950942.45
Total non-interest income	885125.82	993567.50	888325.42	1230222.62	851225.51
Ratio	2.15	2.37	2.81	2.18	3.47

(Source: T.A.P.C.M.S Koppa Annual report)

Interpretation:

The above table highlights the proportion of total non-interest expenses to the total non-interest income of TAPCMS Koppa. The ratio has been increasing over the years, indicating an increase in the propor-

tion of non-interest expenses to non-interest income each year. The non-interest income is increasing as the society is able to control the non-interest expenditure, which is also increasing, the profitability of the firm would increase further.

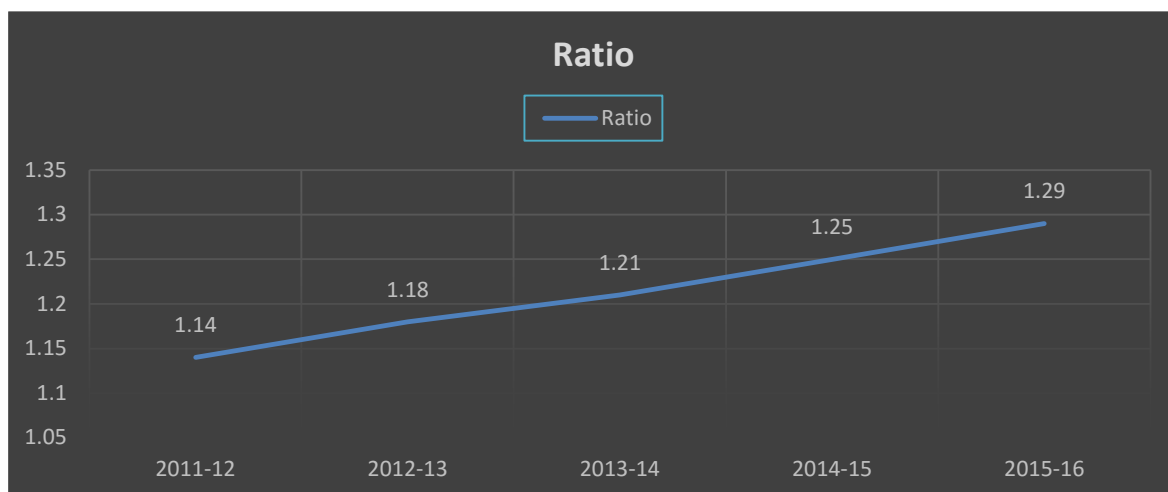
Table 6

RESERVES TO EQUITY RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Reserves	28.62	30.80	32.99	35.96	39.19
Share capital	25.03	26.08	27.17	28.86	30.35
Ratio	1.14	1.18	1.21	1.25	1.29

(Source: T.A.P.C.M.S Koppa Annual report)

Graph 1



Interpretation:

Reserves and surplus speak of the profitability of the concern. From the graph it is understood that the 'Reserve to Equity Ratio' has increased from 0.866

in the year 2011-12 to 1.075 in the year 2015-16. There is an upward trend in the ratio which indicates that the internal sources of the society are good.

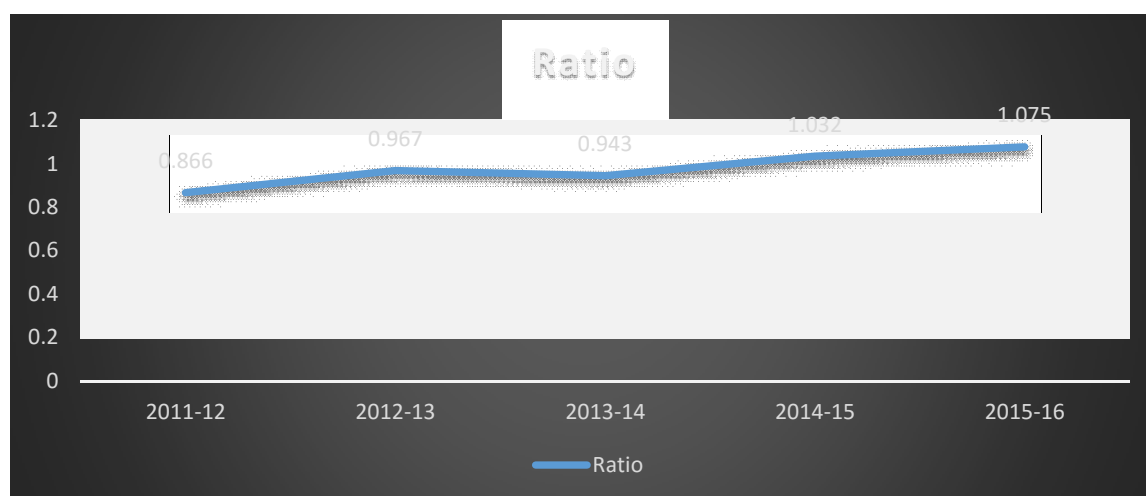
Table 7

INTEREST EARNED TO INTEREST EXPENDED RATIO

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Earned	26.15	33.53	40.65	48.93	55.11
Interest Expended	30.17	34.65	43.10	47.37	51.22
Ratio	0.866	0.967	0.943	1.032	1.075

(Source: T.A.P.C.M.S Koppa Annual report)

Graph2



Interpretation:

Interest earned is the income gained by the concern from its investments and advances. Interest ex

7. Conclusion:

The comparative performance analysis of different branches of the Society helps it to identify the positive aspects of the branches over the others. The current study on two branches, namely, Koppa and Mudigere, of TAPCMS highlights that with respect to certain important parameters like Share capital,

pendent is the interest amount paid by the concern on borrowings and deposits of its customers. The ratio is in an increasing trend which is a good sign.

Reserves, Deposits and Profits, the position of Koppa branch is more efficient than that of Mudigere. However, there are certain issues particularly with respect to popularizing the loans and enhancement of loan portfolio, where the Koppa branch has to focus upon to enhance its profitability

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