

# ***CHAPTER-IV***

**PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE  
CREDIT SOCIETIES IN THE SOLAPUR  
DISTRICT (1989-90 TO 1993-94)**

**4.1 INTRODUCTION :**

The Primary Agricultural Co-operative Credit Societies, today have created a unique place in the credit co-operatives of rural Maharashtra. This type of movement has emerged as an integral part of farmers' borrowing pattern. Thus it is also called as rural peoples' movement. Everchanging nature of credit structure dominated by everflowing needs of the farmers poised a number of challenges as well as provided opportunities before this movement. This chapter is an effort to analyse different aspects of PACS; such as membership, share capital, deposits, reserve funds, borrowings etc. The motive behind this chapter is recognising what primary Agricultural Credit Co-operative Societies have done in the past by conducting a dialogue in the form of information to the relevant period.

Thus this chapter deals with the analytical part of study of the working of the PACS in Solapur district in respect with the selected variables and its behaviour in the period between 1990-91 to 1994-95.

**4.2 MEMBERSHIP :**

Table 4.1 shows the co-operative movement in the Solapur district in terms of number of societies and their

membership. In 1991-92 there were 4611 societies having a membership of 7,94,000. In subsequent year that is 1992-93 the number of societies increased upto 5796 that is an increase of 1,185 in number (25.69%) while the membership increased to 9,63,000, by 1,97,000 over the previous year, an increase of 21.28%. In the years 1994-94, 1994-95 and 1995-96, there was an increase in the number of societies, but the rate of increase was very low i.e. 6.4%, 9.31% and 8.32% over the respective years. Similarly the membership also went up but at a slower rate as compared to the year 1992-93.

Table 4.2 shows the growth of PACS in the Solapur district over the selected period. In 1989-90 the number of PACS in the district were 857, which increased to 900 in 1990-91, remained same in 1991-92 went up to 912 in 1992-93 and 920 in 1993-94. Which shows a fairly steady quantitative growth of the PACS except in the year 1991-92.

TABLE 4.1

## CO-OPERATIVE MOVEMENT IN THE SOLAPUR DISTRICT

1991-92 TO 1995-96

Sr. No.	Year	No. of Societies	Member-ship	Change Over Previous Year			
				No. of Societies	% change	No. of Members	% change
1.	1991-92	4611	7,94,000	-	-	-	-
2.	1992-93	5796	9,63,000	1185	25.69	1,69,000	21.28
3.	1993-94	6146	11,60,000	350	6.04	1,97,000	20.45
4.	1994-95	6718	13,00,000	572	9.31	1,40,000	12.06
5.	1995-96	7277	15,90,000	559	8.32	2,90,000	22.30

Source : District Statistical Booklet Published by District Federation of Co-operatives, Solapur.

**TABLE 4.2**  
**WORKING OF PACS IN SOLAPUR DISTRICT**  
**1989-90 TO 1993-94**

Sr. No.	Year	No. of Societies	Member-ship	Change Over Previous Year			
				No. of Societies	% change	No. of Members	% change
1.	1989-90	857	2,81,929	-	-	-	-
2.	1990-91	900	3,69,203	43	5	87,274	31
3.	1991-92	900	3,46,510	00	-	22,993(-)	(-) 6
4.	1992-93	912	3,50,376	12	1	3,866	1
5.	1993-94	920	3,68,125	08	1	17,749	5

Source : District Statistical Booklet Published by District Federation of Co-operatives, Solapur.

Correspondingly the membership of the PACS also increased from 2,81,929 in 1989-90 to 3,68,125 in the year 1993-94.

This increasing trend in the number of societies and its membership reveals that these types of societies have a unique role to play in the credit pattern accepted by the farmers of the district. It also shows the increasing participation of farmers in the rural co-operative movement working for upliftment of financial position of the farmers in general and agricultural development in particular.

#### 4.3 SHARE CAPITAL :

As per the provision of co-operative societies Act and individual who wants to be a member of primary agricultural co-operative credit society has to purchase a share of the society. Here the term share is not defined by the Co-operative Societies Act. But section 2(46) of the Companies Act of 1956 defined the term as : "A share in the capital of the company" . In the parlance of present study the PACS. In other words a share is the interest of the shareholder in the PACS measured by the sum of money for the purpose of liability and of interest (dividend). Therefore a share is the unit value of the capital. This is the main source of mobilisation of resources of co-operatives. The financial strength of any co-operative institutions depends upon its ability to raise share capital. Generally the by-laws impose restrictions on the maximum number of shares beyond which a member is prohibited to buy shares.

The share capital is an important constituent of the working capital which specifies the variable of owned capital or fund of the PACS. It is therefore expected that the members of the society should contribute regularly towards the share capital. Generally at the time of disbursing loans, the amount of share capital of the member is deducted. In this sense this procedure of collection of share capital involves an element of compulsion. Therefore the volume of share capital increases with the increase in the membership and also increase in loans.

Table 4.3 shows that the share capital of PACS in the Solapur District increased to Rs.2,803.39 lakh in 1993-94 from its corresponding figure of 1989-90 of Rs.1,638.46. Accordingly Table 4.4 signified that the average share capital per society and per member rose from Rs.1.91 lakhs to Rs.3.05 lakhs and from Rs.581 to Rs.762 respectively during the period 1989-92 to 1993-94. Similarly it can be seen from Table 4.5 that in the year 1990-91 the all India average of share capital per society and per member were Rs.1,47,930 and Rs.153 respectively. Table 4.4 reveals that the figures were Rs.2,52,000 and Rs.613 the Solapur district. So it is concluded that the position of Solapur district in this regard is better than the all India average. This is because the demography of Solapur district is dominated by rural population, agriculture is the main occupation of the rural population and developing nature of agriculture credit in the area.

**TABLE 4.3**  
**WORKING OF PACS IN SOLAPUR DISTRICT**  
**1989-90 TO 1993-94**

Rs. in Lakhs						
Sr. No.	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6	7
1.	No. of societies (Nos)	857	900	900	912	920
2.	Membership	2,81,929	3,69,203	3,46,510	3,50,376	3,68,125
3.	Paid-up share capital	1638.46	2264.73	2284.73	2410.63	2803.39
4.	Statutory and other reserves	5383.63	4546.84	824.21	1855.21	1556.49
5.	Owned funds (3+4)	7022.09	6811.57	3108.94	4265.84	4359.88
6.	Deposits	71.65	79.89	85.65	100.30	113.15
7.	Borrowings	2761.65	4418.15	8296.12	7980.49	8765.29
8.	Working capital (5+6+7)	9855.39	11309.61	11490.71	12346.63	13238.32
9.	Loans Outstanding	7926.77	9462.99	9462.99	9223.97	9922.27
10.	Loans advanced	5549.19	4781.50	4381.50	2107.85	5112.29
11.	Loans overdues	2761.65	4940.76	4940.76	4217.06	5449.33
12.	Percentage of overdues to outstanding	34.84%	41.64%	41.64%	45.71%	54.92%
13.	Proportion of working capital to paid-up share capital	1:6	1:4.99	1:5	1:5.12	1:4.72

Source : District Statistical Booklet Published by District Federation of Co-operatives, Solapur.



**TABLE 4.4**  
**OVERALL (AVERAGE) PERFORMANCE OF PACSs OF THE**  
**SOLAPUR DISTRICTS (1989-90 TO 1993-94)**

Rs.in lakhs

Srno	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6	7
1.	Membership per Society	329	410	385	384	400
2.	Share capital per society	1.91	2.52	2.54	2.64	3.05
3.	Share capital per members (Rs.)	581	613	658	688	762
4.	Deposits per society (Rs.)	8361	8877	9517	10998	12299
5.	Deposits per member (Rs.)	25.40	21.65	24.75	28.65	30.75
6.	Working capital per member (Rs.)	3496	3063	3316	3534	3496
7.	Loans advnaced per member (Rs.)	1968	1295	1264	601	1389
8.	Lonas advnaced per society	6.48	5.31	4.87	2.31	5.56
9.	Working capital per society	11.50	12.57	12.77	13.54	14.39

**TABLE 4.5**  
**AGRICULTURAL CREDIT SOCIETIES : ALL INDIA AVERAGES**

Amount in Rs.

Year	Average Per Member			Average Per Society			
	Share Capital	Deposits	Loan Advanced	Share Capital	Deposits	Working Capital	Loans Advanced
1	2	3	4	5	6	7	8
1980-81	99	50	-	60,443	30,754	4,27,160	2,00,314
1986-87	131	107	-	103,644	84,203	8,88,943	4,23,107
1987-88	136	122	-	116,714	105,142	10,27,855	4,48,671
1988-89	132	129	-	135,860	132,558	12,55,758	6,53,092
1990-91	153	168	491	147,930	162,406	14,42,684	4,74,256

Source : NABARD, Important Items of Data Credit and Non-credit  
Co-operative Societies, 1991-92.

#### 4.4 DEPOSITS :

Deposits in this study imply the amount of money kept by the members with the PACS. In this sense this is an important indicator of success and efficiency of the PACS, because it is an instrument of resource mobilisation larger the size of deposits, larger would be the lending operations to meet the credit needs of the members, considering the saving institutions available in the rural areas such as post offices, credit societies, banks etc. The PACS must encourage the deposit system and ultimately

the saving habits proving the security, attractive returns and regularity in repayment.

Table 4.3 indicates the performance of PACS in Solapur District in this respect. The total deposits collected by the PACS increased from Rs. 71.65 lakhs in 1989-90 to Rs. 79.89 lakhs in 1990-91, Rs. 85.65 lakhs in 1991-92, Rs. 100.30 lakhs in 1992-93 and Rs. 113.15 lakhs in 1993-94. This shows a steady increase in the volume of deposits. But at the same time Table 4.4 shows the average deposits per society increased from Rs. 8,361 in 1989-90 to Rs. 12,299 only in 1993-94. Deposits per member increased from Rs. 25.40 in 1989-90 to Rs. 30.75 in 1993-94. This analysis shows deposits increased but at a low rate and ultimately resulting in the poor performance of PACS of the area in this respect.

Similarly as compared to all India average deposits per society as well as per member, the position of Solapur District is very unfavourable, particularly in 1990-91, the all India average was Rs. 1,62,706 and Rs. 168 respectively while Solapur District averages were Rs. 8,877 and Rs. 21.65 respectively. This poor performance is mainly caused by lack of safety and liquidity of deposits, low rate of interest failure of PACS to attract more depositor's and highlight the deposit schemes and attitude of the farmers. There is also an impression that the PACS are only lending institutions.

#### 4.5 RESERVE FUNDS :

The Reserve Fund is an amount kept aside out of the divisible profit. As per the co-operative societies' Act. every PACS has to set portion of its profits for reserve fund called as statutory reserve fund. In addition to the statutory reserve fund, various other reserves and funds are created by these societies for specific purposes, eg. dividend equalisation fund, building fund, credit stabilisation fund, bad debts reserves etc.

The difference between the rate of interest which PACS charge on their lendings to the member and the interest rate at which they borrow from District Central Co-operative Bank (DCCB) is the gross profit. Some portion of the gross profit is utilised for meeting administrative expenses. The remaining portion is the net profit. In this sense the reserve fund is an important element of working capital of a society and is also used for (a) Meeting unforeseen losses (b) Providing a security against borrowing. (c) Serving as an important source of internal finance by ploughing back profit etc. Thus the size of the reserve fund of each society is an indication of financial strength and soundness of the society.

Generally PACS which concentrate only on supply of credit and are unwilling to take-up new activities such as distribution of fertilizers, implements and other activities, do not make substantial profits. At the same time due to heavy administrative expenses they are unable to make good amount of profit.

Table 4.3 reveals that the reserve funds of PACS in Solapur District decreased from Rs. 5,383.63 lakhs in 1989-90 to Rs. 1,556.49 lakhs in 1993-94. The total decrease during this period is of Rs. 3,827.14 lakhs which shows poor performance of the reserve fund. Thus, the PACS in Solapur District were unable to build-up strong reserves mainly because these societies are single purpose co-operatives and they have poor membership and low volume of business. Ultimately, the net result is that these societies are unable to earn sufficient profit.

#### 4.6 BORROWINGS :

A preponderance of borrowed capital as distinguished from owned capital has always been a chief characteristic feature of PACS. The PACS experience an acute shortage of capital. The need for borrowing arises out of inadequate contribution towards the capital fund by the farmer-members.

The PACS borrow from the Central Co-Operative Bank, the State Governments, Commercial Banks etc. Like in other parts of Maharashtra, the PACS in Solapur District rely heavily upon the Solapur District Central Co-Operative Bank for the support of their activities.

From Table 4.3 we can see that the total borrowings of PACS increased continuously from Rs. 2,761.65 lakhs in 1989-90 to Rs. 8,765.29 lakhs. Thus, the total increase during this period was Rs. 6,003.64 lakhs. This increase in borrowings was due to the inadequacy of their own funds to satisfy the increasing demand

for credit from the farmers. The increase in demand for credit is caused by an increase in the number of member cultivators and their need for credit.

Table 4.6 shows another notable dimension of the borrowings viz its proportion in the total amount of working capital.

**TABLE 4.6**  
**COMPOSITION OF WORKING CAPITAL**  
**(PERCENTAGE OF COMPONENTS TO TOTAL)**  
**(1989-90 TO 1993-94)**

Srno Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1. Owned Funds	71.25	60.23	27.06	34.55	32.93
2. Deposits	0.73	0.71	0.75	0.81	0.86
3. Borrowings	28.02	39.06	72.19	64.64	66.21
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

In the year 1989-90 this share was 28.02 percent of working capital which increased to a total of 66.21 percent. Thus the borrowings are everincreasing in the total working captil of the PACS.

#### 4.7 COMPOSITION OF WORKING CAPITAL :

The working capital of the co-operative credit societies (PACS) consists of

- a) owned funds, that is paid-up share capital and reserve fund.
- b) deposits from members as well as non member farmers and
- c) borrowing from the State Goverment and District Central Bank as well as other Goverment Agencies. In this sence working capital of the PACS determines their capacity to advance loans.

Table 4.3 reveals that the total working capital of PACS in Solapur District was Rs.9855.39 lakhs consisting of owned funds Rs. 7,022.09 lakhs, deposits Rs. 71.65 lakhs and borrowings Rs. 2,761.65 lakhs, in the year 1989-90 the corresponding composition of working capital for the year 1993-94 represents a total Rs. 13,238.32 lakhs, owned funds Rs. 459.88 lakhs deposits Rs. 113.15 lakhs and borrowings Rs.8,765.29 lakhs.

Table 4.6 shows the same picture in the form of percentages. In the year 1989-90 the owned fund constituting 71.25, deposits 0.73 percent and borrowing 28.02 percent. In the year 1993-94 the correspondng figures were 32.93 percent, 0.86 percent and 66.21 percent respectively. This indicates that the owned fund as a component in the working capital has decreased by 38.32

percentage points during 1989-90 and 1993-94 but at the same time the borrowings have acquired a unique importance in the composition as its proportion has increased from 28.02 percent in 1989-90 to 66.21 percent in 1993-94. Thus the net increase is by 38.19 percent. This reveals another dimension of the working capital; that is the owned funds are replaced by borrowings by about same percentage. This also shows everincreasing reliance of PACS on borrowings for its working capital needs.

#### **4.8 LOAN ADVANCED :**

Tables 4.3 and 4.7 show the performance of the PACS of Solapur district in advancing loans to the members during the period, 1989-90 to 1993-94. The amount of loans advanced decreased from Rs. 5,549.19 lakh in the year 1989-90 to Rs. 5,112.29 lakhs in the year 1993-94. The average loan advanced per society and per member decreased from Rs. 6.48 lakhs to Rs. 5.56 lakhs and 1,968 to Rs.1,389 respectively during the same period. By this we can say that the performance in respect of loans advanced is good.

#### **4.9 WORKING CAPITAL - LOANS AND OVERDUES OF PACS :**

An Analysis of Their Inter-Relationship

##### **4.9.1 WORKING CAPITAL AND LOANS :**

Working Capital of PACS determines their capacity to make loans. Practically the working capital determines the amount of loans given in a financial year from first July to 30th June irrespective of the amount repaid during the same period.



**TABLE 4.7**  
**PERCENTAGE OF LOANS ADEVANCED TO WORKING CAPITAL**  
**(1989-90 TO 1993-94)**

Rs.in lakhs

Sr. No.	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94	Increase in 1993-94 over 1989-90 %
1	2	3	4	5	6	7	8
1.	Working Capital	9855.39	11309.61	11490.71	12346.63	13238.32	34.33
2.	Loans giving during the year	5549.19	4781.50	4381.50	2107.85	5112.29	(-)7.88
3.	% of (2) to (1)	56.30	42.28	38.13	17.07	38.62	-

**TABLE 4.8**  
**PERCENTAGE OF LOAN OVERDUES TO WORKING CAPITAL**  
**(1989-90 TO 1993-94)**

Rs.in lakhs

Srno.	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6	7
1.	Working Capital	9855.39	11309.61	11490.71	12346.63	13238.32
2.	Loans Overdues	2761.65	3940.76	3940.76	4217.06	5449.33
3.	% of (2) to (1)	28.02	34.84	34.30	34.15	41.16

**TABLE 4.9**  
**PERCENTAGE OF OVERDUES TO OUTSTANDING LOANS**  
**(1989-90 TO 1993-94)**

Rs.in lakhs

Srno.	Particulars	1989-90	1990-91	1991-92	1992-93	1993-94
1	2	3	4	5	6	7
1.	Outstanding Loans	7926.77	9462.99	9462.99	9223.97	9922.27
2.	Overdues During the year	2761.65	3940.76	3940.76	4217.06	5449.33
3.	% of (2) to (1)	34.84	44.64	41.64	45.71	54.92

Table 4.7 shows the loans as percentage of working capital which indicates decreasing trend that is 56.30 percent in 1989-90 to 38.62 percent in 1992-93. Here we can say that additional working capital was not available for giving loans and advances.

#### 4.9.2 OVERDUES AND WORKING CAPITAL :

Table 4.3 shows the State of affair of the overdues Rs.2,761.65 lakhs in 1989-90, Rs. 5,449.33 lakhs in 1993-94, which shows an increasing trend of overdues and reflect bad performance of the PACS. In other words, Table 4.8 reveals the percentage of loans overdues to working capital in the year 1989-90 this was 28.02 percent and increased to 41.16 percent in

1993-94. This reveals that a major portion of the working capital was not available for making loans.

#### **4.9.3 OVERDUES AND OUTSTANDING LOANS :**

The outstanding loans are those loans which remain to be recovered on by a particular date. They include loans which are due for payment liable to be repaid over a period of time and overdues. In other words the amount of loans outstanding is equal to the amount borrowed less amount repaid.

Table 4.3 indicates the increasing trend of loans outstanding; that is from Rs. 2,726.77 lakhs in 1989-90 to Rs.9,922.27 lakhs in 1993-94. Table 4.9 reveals that the percentage of overdues to outstanding loans increased from 34.84 in 1989-90 to 54.92 in 1993-94. Thus it shows a deteriorating position with respect to overdues in the District, which has a critical bearing on the development of PACS in the Solapur District.