

CHAPTER - VANALYSIS OF CAPITAL STRUCTURE OF PACCS IN BARAMATI TALUKA5.1 INTRODUCTION :

This chapter analysis capital structure of primary Agricultural Cooperative Credit Societies in the study area of Baramati Taluka.

The following aspects of capital structure are considered.

1. Membership.
2. Turnover.
3. Total Assets.
4. Share Capital.
5. Owned Capital.
6. Composition of working capital.

5.2 CAPITAL STRUCTURE OF PRIMARY AGRICULTURAL COOPERATIVE CREDIT SOCIETIES IN BARAMATI TALUKA.

The Baramati Taluka in Pune District in Western Maharashtra has been selected for the present study. The efforts have been made here to study the trends of the progress of " Primary Agricultural Cooperative Credit Societies" in respect of its Financial structure which includes membership, turnover, total assets, share capital, owned capital working capital.

The Baramati Taluka in Pune District represents both irrigated and non irrigated part of the Taluka. Nira left canal has divided the Taluka into two parts. It passes through Baramati

Taluka from west to east. Thus, the north part of the canal is dry and southern part of the canal is irrigated. This is reflected by the progressive and economically viable primary agricultural credit societies. On the other hand northern part of the canal of Baramati Taluka come under dry and drought areas. So the primary agricultural cooperative credit societies in northern part of canal of Baramati taluka are economically non viable institutions.

There are 104 primary agricultural cooperative credit societies in Baramati Taluka upto 1987-88, which form more than 12.5% of total number of primary agricultural credit societies in Pune District. The Baramati Taluka is for-front in case of number of primary agricultural cooperative societies in Pune District. The following table No. 5.1 gives information about the talukawise position of primary agricultural credit societies.

TABLE NO. 5.1

TALUKAWISE POSITION OF PACCS IN PUNE DISTRICT AT THE END OF  
30-6-1988

<u>Sr.No.</u>	<u>Name of the Taluka</u>	<u>Number of paccs</u>
1.	Ambegaon	44
2.	Baramati	104
3.	Bhor	74
4.	Dund	65
5.	Haweli	59
6.	Indapur	93
7.	Junner	63
8.	Khed	87
9.	Mulasi	31
10.	Maval	40
11.	Purandar	73
12.	Shirur	66
13.	Valhe	23
Total		821

NOTE : PACCS : Primary agricultural cooperative credit societies

SOURCE : Office of the Pune Dist. Cooperative Board Ltd. Pune.

In Maharashtra the majority of PACCS are Multi-purpos institutions. Although supply of credit is one of the major functions or activities of PACCS, their functions include marketing of food-grains, consumer stores, marketing of agri agricultural implements, chemicals, pesticides, supply of go facilities, seeds etc. While considering these activities of PACCS, Three aspects, membership, share capital and turnover the important indicators of growth of PACCS. The capital structure of PACCS in Baramati Taluka is studied with the he some indicators such as membership. turnover, total assets, capital, working capital, owned capital, over a period of ei years from 1980-81 to 1987-88.

Capital structure of PACCS in Baramati Taluka can be analysed with the help of the following table No. 5.2

TABLE NO.5.2

## CAPITAL STRUCTURE ( GROWTH PERFORMANCE) OF PACCS IN BARAMATI TALUKA

Item	1980-1981	1981-1982	1982-1983	1983-1984	1984-1985	1985-1986	1986-1987	1987-1988
No.of Societies	99	99	99	100	103	104	104	104
Membership	26880 (100)	29662 (110)	29140 (108)	29214 (109)	29539 (110)	33669 (125)	35185 (131)	33806 (126)
A.P.S. *	(272)	( 300)	( 294)	( 292)	( 287)	( 324 )	( 338)	( 325)
Turnover	36609	42628	49944	46281	51183	60991	51956	58950
				(126)	(140)	(167)	(142)	(161)

## 5.2 MEMBERSHIP

Almost all the members of Primary Agricultural Co-operative Credit Societies are land holders. As above table No. 5.2. it is remarkable to note that the membership shows fluctuating rate during the period under study. For instance, in 1982-1983 it is below that in 1981-1982. It has increasing trend in the period from 1982-1983 to 1986-1987. But it has come down for the one year in 1987-1988.

There was change in total number of Primary Agricultural Co-operative Credit Societies during the period under study. It is remarkable to note that the average membership shows fluctuating rate during the period under study.

## 2. TURNOVER :

Turnover which is an economic indicator of the financial structure of Primary Agricultural Credit Societies, consists mainly of the agricultural loans given by the society and the business made in other activities, such as marketing of agricultural goods, agricultural implements, fertilizers, seeds, consumer goods etc.

It is remarkable to note that the total turnover shows fluctuating rate during the period under study. For instance, in 1982-1983 the total turnover was more than Rs. 49940 thousands,

which came down to Rs. 46281 thousands in 1983-1984. As well as it was more than Rs. 60900 thousands in 1985-86 which came down to less than Rs. 60900 thousands for two years in 1986-87 and 1987-88.

TABLE NO.5.3

COMPOSITION AND THE RATE OF TOTAL TURNOVER OF PACCS IN BARAMATI

<u>IN PERCENT OF TOTAL TURNOVER</u>			(Rs. in thousands)
Year	Agricultural Loans	Other Activities	Total Turnover
1980 - 1981	26621 (72.22)	9988 (27.28)	36609 (100.00)
1981 - 1982	29731 (69.75)	12897 (30.25)	42628 (100.00)
1982 - 1983	40696 (81.49)	9248 (18.51)	49944 (100.00)
1983 - 1984	37601 (81.25)	8680 (18.75)	46281 (100.00)
1984 - 1985	41378 (80.85)	9855 (19.15)	51183 (100.00)
1985 - 1986	45993 (75.41)	14998 (24.59)	60991 (100.00)
1986 - 1987	44724 (86.09)	7232 (13.91)	51956 (100.00)
1987 - 1988	44439 (75.39)	14511 (24.61)	58950 (100.00)

NOTE : Figures in brackets are showing percentage.

SOURCE : 1. Office of the District Deputy Registrar, Pune.

2. Office Records of the Assistant Registrar, Co-op.  
Societies, Baramati Taluka

### 5.3 TOTAL ASSETS :

N.A.

### 5.4 SHARE CAPITAL :

Share capital constitutes the main indicator of financial strength of the co-operative organisations, share capital which consists of members own contribution and contribution made by the Government. It showed the increasing trend through out the period of eight years under the study. For instance the average share capital per societies wass Rs. 144 thousand, in the year 1980-1981 which increased up to Rs. 275 thousand and Rs. 297 thousand in the year 1986-1987 and 1987-1988 respectively.

Composition of share capital of Primary Agricultural Credit societies is shown in the following Table No. 5.4.



TABLE NO.5.4COMPOSITION OF SHARE CAPITAL OF PACCS IN BARAMATI TALUKA

			(Rs. in Thousands)
Years	Members Contribution	Government Contribution	Total Share Capital
1980 -1981	14089 (99.10)	129 (0.90)	14218 (100)
1981 -1982	15881 (99.13)	139 (0.87)	16020 (100)
1982 -1983	18380 (99.24)	140 (0.76)	18520 (100)
1983 -1984	20499 (98.66)	278 (1.34)	20777 (100)
1984 -1985	22682 (96.73)	766 (3.27)	23448 (100)
1985 -1986	24775 (96.06)	1015 (3.94)	25790 (100)
1986 -1987	27544 (95.14)	1108 (3.86)	28652 (100)
1987 -1988	29786 (96.48)	1086 (3.52)	30872 (100)

NOTE : Figures in brackets shows the percentage.

SOURCE : Office of the District Deputy Registrar, Pune.

Table No. 5.4 shows that the amount of members contributed increasing trend throughout the period of eight years under the study. As well as the amount of Government contribution increasing trend up to year 1986-87. But comparatively it was less in the year 1987-88 than that of 1986-87. The average share capital as shown in the table No. 5.4 showed an increasing trend throughout the periods of eight years under the study.

It is remarkable to note that in percent of total share capital, the members contribution increasing trend up to year 1982-1983. And from the year 1984-1985 generally, it remain constant up to year 1987-1988. As well as it is remarkable to note in per cent of total share capital, the Government contribution increasing trend up to year 1986-1987. In the year 1986-1987 it was 3.86% to total share capital, which came down to 3.52% to total share capital in 1987-1988.

We can make following three statements regarding the composition and structure of share capital of primary agricultural credit societies in Baramati Taluka with the help of Table No. 5.4 and Table No. 5.4 and Table No. 5.5 respectively.

TABLE NO.5.5AVERAGE SHARE CAPITAL PER MEMBERS OF PACCS IN BARAMATI TALUKA

(Rs. in Thousands)

Year	Share Capital	Members	Average Share Capital per member
1980-1981	14218	26880	0.53
1981-1982	16020	29662	0.54
1982-1983	18520	29140	0.64
1983-1984	20777	29214	0.71
1984-1985	23448	29439	0.80
1985-1986	25790	33669	0.77
1986-1987	28652	35185	0.81
1987-1988	30872	33806	0.91

SOURCE : Office of the District Deputy Registrar, Pune.

1. The average share capital per society went on increasing during the period of eight years (1980-1981 to 1987-1988) under the study.
2. The Government contribution in total share capital ranges between 0.76 to 1.34% from the year 1980-1981 to 1983-1984. And it ranges between 3.27% to 3.94% from 1984-1985 to 1987-1988.
3. Average share capital per member ranges between Rs. 0.53

To Rs. 0.64 (Rs. in Thousand) from 1980-1981 to 1982-1983, and it ranges between Rs. 0.71 to Rs. 0.91 (Rs. in Thousand) from 1983-1984 to 1987-1988.

These fact finding results of composition of share capital imply that the Primary Agricultural Credit Societies in Baramati Taluka could not repay the Government share capital, which is a permanent liabilities on the part of the Primary Agricultural Credit Societies. Moreover, the constant amount of average share capital, which is basically low, shows financial weakness of the Primary Agricultural Credit Societies. Membership has been increasing throughout the period under the study, except in 1987-1988 the average share capital also showed. The increasing trend throughout the period of eight years under the study.

#### 5.5 OWNED CAPITAL :

The owned capital which consists of members share capital, reserve and other funds shows the financial soundness of the co-operative institution. Table No. 5.2 shows that there is an increasing trend of owned capital during the period under study. except the year 1987-1988 average owned capital per society shows that there is an increasing trend during the period under study, except the year 1987-1988.

TABLE NO.5.6

## COMPOSITION OF WORKING CAPITAL OF PACCS IN BARAMATI TALUKA

(Rs. in Thousands)

Year	Total Share Capital	Reserve Fund	Other Fund	Total Deposits	Bad Debts	Borrowing	Profit	Loss	Total working Capital
1980-1981	14218 (30.10)	3560 (7.53)	2162 (4.57)	554 (1.17)	140 (0.29)	2032 (55.12)	904 (1.91)	349 (0.73)	47221 (100)
1981-1982	16020 (29.17)	4017 (7.31)	1764 (3.21)	459 (0.83)	95 (0.17)	31763 (57.84)	1371 (2.49)	578 (1.05)	54911 (100)
1982-1983	18520 (26.31)	4028 (5.27)	2382 (3.38)	156 (0.22)	97 (0.13)	42118 (59.83)	1654 (2.34)	364 (0.51)	17391 (100)
1983-1984	20777 (26.60)	4410 (5.64)	2563 (3.26)	1297 (1.66)	126 (0.16)	46780 (59.90)	2141 (2.74)	342 (0.43)	78094 (100)
1984-1985	23448 (27.08)	5195 (6.00)	2516 (2.90)	1932 (2.23)	193 (0.22)	25190 (60.29)	1515 (1.75)	323 (0.49)	86557 (100)
1985-1986	25790 (26.35)	5583 (5.70)	2722 (2.78)	2492 (2.54)	212 (0.21)	59455 (60.75)	2090 (2.13)	481 (0.49)	97863 (100)
1986-1987	28652 (25.75)	6088 (5.43)	3109 (2.77)	2687 (2.39)	150 (0.13)	70377 (62.83)	1570 (1.40)	623 (0.55)	112010 (100)
1987-1988	30872 (28.08)	6703 (6.09)	3232 (2.93)	2983 (2.71)	236 (0.21)	63747 (57.98)	2646 (2.40)	447 (0.40)	109942 (100)

Note : i) Figures in Brackets are showing Percentage.

ii) PACCS Primary Agricultural Co-operative Credit Societies.

SOURCE : i) Office of the District Deputy Registrar, Pune.

ii) Office Records of The Assistant Registrar, Co-operative Societies Baramati Taluka.

#### 4.6 COMPOSITION OF WORKING CAPITAL :

The concept of working capital is defined as "The amount of money, which engaged or invested in the form of share capital, Reserve Fund, and other funds, total deposits, Borrowing, Bad Debts, Profit and Loss of the firm," In fact the working capital is the real indicator of the financial management of the society. There has been an increasing trend of working capital throughout the eight years the period under study (1980-1981 to 1987-1988). The average working capital per societies shows an increasing trend throughout the period under study.

While analysing the composition of working capital as stated in the Table No. 5.6 the following conclusions may be drawn.

The working capital both absolute and average per society showed an increasing trend during the period of eight years (1980-1981 to 1987-1988) under the study. The average working capital per society was Rs. 477 thousand in the year 1980-1981, which rose to Rs. 790 thousand in the year 1983-1984 and Rs. 1057 thousand in the year 1987-1988.

Share capital, Reserve Funds, Deposits and Borrowings are the main components of the total working capital of Primary Agricultural Co-operative Credit Societies.

The Reserve Fund and Deposits, although they show the increasing trend have very low percentage share of working capital. The percentage of share capital varied from 25.57%

to 30.10 per cent of the total working capital during the period under study. The low percentage share of the deposits and reserve funds indicate that Primary Agricultural Credit Societies in Maharashtra are not efficient institutions to attract the deposits in rural area. On the other hand these are working as the middle agencies for channelising the Government money in the form of the Agricultural Credit at the door steps of the farmers.

If we study the sources of the working capital of these societies, it can be also said that they are not financially sound and self reliant. While considering the development needs of the area, the PACCS should function as two way traffic firstly, supply of Agricultural Credit and Secondly, Mobilising the financial resources by attracting more deposits and reserve funds. But the PACCS in Maharashtra in general and in a Baramati Taluka in particular, are functioning as the one way traffic i.e. supply of Agricultural Credit only. The deposit mobilisation function of these PACCS is the weak link of the composition of the working capital of the Credit Societies under the study area of Baramati Taluka.

TABLE NO.5.7POSITION OF SHORT-TERM LOANS

(Rs. in Thousands)

Items	<u>YEAR</u>							
	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88
No. of Societies	99	99	99	100	103	104	104	104
Total Members	26880	29662	29140	29214	29539	33669	35185	33806
Debtor Member	9096	7018	6928	6058	6145	5652	4233	5086
Amount	24725	28490	36644	34525	35941	38204	37568	31738

SOURCE : Office of the District Deputy Registrar, Pune.

TABLE NO.5.8POSITION OF MEDIUM-TERM LOANS

Items	<u>Y E A R</u>							
	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88
No. of Societies	99	99	99	100	103	104	104	104
Total Members	26880	29662	29140	29214	29539	33669	35185	33806
Debtor Member	1144	1080	2404	2304	2110	2380	2450	2061
Amount	1896	2141	4052	3076	5437	7789	7156	12701

SOURCE : Office of the District Deputy Registrar, Pune.



TABLE NO.5.9

<u>RECOVERY AND OVERDUES POSITION</u>				(Rs. in Thousands)
<u>Year</u>	<u>Distribution</u> <u>Loan</u>	<u>Recovery of</u> <u>Loans</u>	<u>Overdues</u>	<u>Overdues to</u> <u>Total Loans</u>
1980-81	26621	22272	10612	39.68
1981-82	29731	29731	10194	34.28
1982-83	40696	28404	12277	30.16
1983-84	37601	31871	15770	41.94
1984-85	41378	36120	16129	38.97
1985-86	45993	39633	17943	39.01
1986-87	44724	34920	21380	47.80
1987-88	44439	48492	27369	61.58

SOURCE : Office of the District Deputy Registrar, Pune.

#### 5.4 THE AUDIT CLASSIFICATION OF PACCS IN BARAMATI TALUKA (1987-88)

For judging the progress of the co-operative movement the qualitative assessment the basis of audit classification. In Baramati Taluka the societies are classified in to three types as follows.

##### 1) A GRADE SOCIETIES :

These are the model societies which work on genuine principles of co-operation, inculcate a habit of thrift and spirit of co-operation, maintain proper accounts and are self reliant. They have no overdues as a result of their sound management.

##### 2. B GRADE SOCIETIES :

These are the societies which are working satisfactorily but

fall some what short of the 'A' standard due to some of the problems, They are potentially good societies. They may have a few defaulters.

### 3. C GRADE SOCIETIES :

These are the societies which are mediocre, weak, where majority of borrowers are defaulters, they have the problem of overdues, but any how they manage to pull on with their problems.

NOTE : PACCS : Primary Agricultural Co-operative Credit Societies.

TABLE NO.5.10

#### CLASSIFICATION OF PACCS ACCORDING TO AUDIT CLASS IN BARAMATI TALUKA

1987-1988

Audit Class	No.of Societies.
A Class Societies	19
B Class Societies	43
C Class Societies	39
Total	101

Note : The remaining three societies have been set up recently,  
as such they have to secure the audit class.

TABLE NO.5.11

CLASSIFICATION OF PACCS ACCORDING TO AUDIT CLASS IN IRRIGATED AREA  
AND DRY AREA

Audit Class	No.of PACCS in Irrigated Area	No.of PACCS in Dry Area	Total
A Class	18 (94.73%)	01 (5.27%)	19 (100)
B Class	31 (72.09%)	12 (27.91%)	43 (100)
C Class	20 (25.64%)	29 (74.36%)	39 (100)

NOTE : PACCS : Primary Agricultural Co-operative Credit Societies.

SOURCE : From the Records of the Assistant Registrar,  
Co-operative Societies, Baramati Taluka.