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Strategic Financial Insights of Primary Agricultural Cooperative Societies in Odisha–A Case Study

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Abstract

The Financial strength of an organization is one of the vital components for the survival, growth and sustainability of an organization. Financially sound organization has the insights to resolve many of the adverse administrative, managerial and technological effects on the business whereas financially weak health is the root cause of many problems which affects the business adversely. Many of the Primary Agricultural Cooperative Societies (PACS)/Large Area Multipurpose Cooperative Societies (LAMPCS) in the State as well as in the district under study are suffering from weak financial health and hence an attempt has been made in this study to analyze the financial strength of some sample PACS/LAMPCS in two selected district of Odisha for deducing strategic suggestions for restoring better financial health through expansion/diversification of business.

Keywords: Primary Agricultural Cooperative Society (PACS), Large Area Multipurpose Cooperative Society (LAMPCS), Cooperative Banking, Financial Performance Analysis, Strategic Financial Management.

Introduction

India has a unique cooperative movement which involves citizens and their democratic involvement at a grass root level. A co-operative is a type of business that is quite common in developing nations like India and has a lot of potential as a tool for rural development (Singh and Pundir, 2000) [14]. Cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. A cooperative society is an organization which is owned and run by the people and for the people using its goods and services and is based on the 'one member-one vote' system of decision making. Cooperatives have inherent advantages in tackling the problems of poverty alleviation, food security and employment generation (Singh, 2016) [17]. Several studies, including those by Sharma (2017) [15] have examined the role of PACS in promoting financial inclusion among marginalized rural populations. Moreover, Agricultural cooperative societies are the main pillars of economic development of most countries worldwide. However, farmers encounter various obstacles in a bid to raise their living standards whose solutions can be found in strong cooperative societies (Kumar *et al.*, 2015).

In our country, cooperatives play a pivotal role in advancing agricultural and rural development having its spread to knock and corner of the country covering around 100% rural household by rendering varieties of services required by the people of the country such as credit (agri. And non-agri.), milk, fish, poultry, piggery/guttery, consumer goods, marketing of agricultural produces, fertilizer, seeds, agricultural equipment, sugar, Tea/coffee, cloth, house, labour, hospital, education, hospitality, medicine, petroleum, cooking gas, common services, processing of varieties of goods and many more catering the needs of the people from morning to night every day. Many successful cooperatives in the country recognized for their contribution to the growth of the country. Thus, the financial strength of the cooperatives is one of the vital components contributing towards their survival, growth and sustainability.

It is observed one of the major challenges attributing towards the financial performance of the cooperatives lies in maintaining adequate profitability (Chander and Chandel, 2010) [11] which is further caused by various factors viz. lack of loan, limited revenue generating activities, ineffective use of own fund, inadequate returns on investment, inefficient working capital, lack of active member participation, ineffective decisions of management committee etc. The financial performance of cooperatives is also highly linked to the decisions based on the capital budgeting and appropriate estimate of cost of finance (Kasali, 2013). Strategic financial management encompasses long-term planning, effective resource allocation and risk management (Gupta 2018) [12] explored how PACS could adopt innovative financial

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practices to mitigate risk and enhance member satisfaction. Diversification of services such as introducing non-credit business and other value-added business has been suggested to strengthen the revenue streams.

In this study, keeping in view the above backdrops stated in brief an attempt has been made to provide an insight into the financial challenges of PACS and LAMPCS in Odisha on case study basis.

Objective of the Study

The main objective of the study is to analyze the financial strength of the sample PACS/LAMPCS to provide an insight towards their growth and sustainability in the competing business environment.

Data Base and Methodology

The secondary sources of data collected from the published and unpublished records/reports/financial statements of the PACS/LAMPCS under study for a decade period constitute the main data base for the present study. The analysis will reflect a decade period of their performance but due to limitations in the data provided by the societies, instead of time series analysis, the analysis is focusing on three different point of time such as for the year 2014-15, 2018-19 and 2022-23. The relative Performance of various parameters is measured through ratio analysis and recommendations drawn based on the findings.

There are two districts such as Mayurbhanj and Keonjar districts of Odisha randomly selected for the study. Both the districts are dominated by tribal population even though socio-economic status of the districts differ as Keonjhar is having higher industrial base compared to that of Mayurbhanj district. The dominance of tribal population and their dis-contiguous residential locations give rise to the formation of LAMPCS in Majubhanj district and also similarly in some parts of Keonjhar district. However, the operations/functions of PACS and LAMPCS have resemblance as both are working as grass-root level organization in the Short-Term Cooperative Credit Structure (STCC) in the state of Odisha serving to the cause of their farmer members in particular and rural community in general being a members' owned and democratically controlled/managed institution.

There are 16 number of sample LAMPCS out of 52 LAMPCS from Mayurhbanj district and 13 number of sample PACS (8 Nos. out of 28) and LAMPCS (5 Nos. out of 18) from Keonjhar district have been selected at random from different locations of the districts for this study.

Results and Discussions

The results of the performance of the PACS/LAMPCS are depicted by the following Table-1 for Mayurbhanj district and Table-2 for Keonjhar district and Table-3 for both districts (comparative analysis).

Table 1: Financial Performance of the LAMPCS in Mayurbhanj District (2014-15-2022-23)

Sl. No.	Parameters	2014-15	2018-19	2022-23
1	**Working Fund & Financial Break-even**			
a	Working Fund above Financial Break-even (No. of LAMPCS)	11(68.75)	12(75)	12(75)
b	Working Fund below Financial Break-even (No. of LAMPCS)	5(31.25)	4(25)	4(25)
2	**Credit Business (Percentage)**			
	< 30% (No. of LAMPCS)	2(12.5)	0	0
	≥ 30% - <50% (No. of LAMPCS)	4(25)	3(18.75)	3(18.75)
	≥ 50% - <70% (No. of LAMPCS)	6(37.5)	8(50)	8(50)
	≥ 70% - <90% (No. of LAMPCS)	2(12.5)	4 (25)	5(31.25)
	Above 90% (No. of LAMPCS)	2(12.5)	1(6.25)	0
3	**Accumulated Loss (Rs. in Lakhs)**			
	< 50 Lakhs (No. of LAMPCS)	2(12.5)	1(6.25)	0
	≥ 50< 70 Lakhs (No. of LAMPCS)	0	3(18.75)	3(18.75)
	≥ 70 < 90 Lakhs (No. of LAMPCS)	3(18.75)	1(6.25)	1(6.25)
	≥ 90 < 110 L:akhs (No. of LAMPCS)	5 (31.25)	1(6.25)	3(18.75)
	≥ 110 < 130 L:akhs (No. of LAMPCS)	2(12.5)	1(6.25)	1(6.25)
	≥130 < 150 L:akhs (No. of LAMPCS)	0	1(6.25)	0
	Above 150 Lakhs (No. of LAMPCS)	3(18.75)	7(43.75)	5(31.25)
3 (a)	**Accumulated Profit (Rs. in Lakhs)**			
	< 50 Lakhs (No. of LAMPCS)	1(6.25)	0	1(6.25)
	≥ 50 < 70 Lakhs (No. of LAMPCS)	0	0	2(12.5)
	Above 150 Lakhs (No. of LAMPCS)	0	1(6.25)	0
4	**CRAR (Positive)**			
	< 1% (No. of LAMPCS)	1(6.25)	1(6.25)	0
	≥ 1% < 6% (No. of LAMPCS)	2(12.5)	3(18.75)	1(6.25)
	≥ 6% < 9% (No. of LAMPCS)	0	0	5(31.25)
	Above 9% (No. of LAMPCS)	4(25)	4(25)	5(31.25)
4 (a)	**CRAR (Negative)**			
	< 1% (No. of LAMPCS)	0	1 (6.25)	0
	≥ 1% < 6% (No. of LAMPCS)	2(12.5)	1 (6.25)	2(12.5)

	≥ 6% < 9% (No. of LAMPCS)	1(6.25)	1(6.25)	0
	Above 9% (No. of LAMPCS)	6(37.5)	5(31.25)	3(18.75)
5	**Per Member Business (in Rs.)**			
	< 2000 (No. of LAMPCS)	12(75)	11(68.75)	8(50)
	≥ 2000 < 3000 (No. of LAMPCS)	3 (18.75)	4 (25)	6(37.5)
	≥ 3000 < 4000 (No. of LAMPCS)	0	1(6.25)	1(6.25)
	Above 4000 (No. of LAMPCS)	1(6.25)	0	1(6.25)
6	**Per Director Business (Rs. in Lakhs)**			
	< 1Lakh (No. of LAMPCS)	1(6.25)	0	0
	≥ 1Lakh < 5 Lakhs (No. of LAMPCS)	7(43.75)	8(50)	6(37.5)
	≥ 5 Lakh < 9 Lakhs (No. of LAMPCS)	5(31.25)	2(12.5)	4(25)
	Above 9 Lakhs (No. of LAMPCS)	3(18.75)	6(37.5)	6(37.5)
7	**Per Director Accountability for outstanding dues (Rs. in Lakhs)**			
	00	0	0	2(12.5)
	≥ 0 < 5 Lakhs (No. of LAMPCS)	8(50)	8(50)	2(12.5)
	≥ 5 Lakh < 7 Lakhs (No. of LAMPCS)	0	3(18.75)	2(12.5)
	≥ 7 Lakh < 9 Lakhs (No. of LAMPCS)	5(31.25)	1	0
	Above 9 Lakhs (No. of LAMPCS)	3(18.75)	4(25)	10(62.5)

N.B. Figures in the parenthesis indicates percentage of total Sample LAMPCS i.e. 13 Nos. of PACS and LAMPCS
***Sources:** Financial Statements and other records of the sample societies*

Table 2: Financial Performance of the PACS/LAMPCS in Keonjhar District (2014-15-2022-23)

Sl. No.	Parameters	2014-15	2018-19	2022-23
1	**Working Fund & Financial Break-even**			
a	Working Fund above Financial Break-even (No. of LAMPCS)	7(53.85)	11(84.62)	11(84.62)
b	Working Fund below Financial Break-even (No. of LAMPCS)	6(46.15)	2(15.38)	2(15.38)
2	**Credit Business (Percentage)**			
	< 30% (No. of LAMPCS)	1(7.69)	0	1(7.69)
	≥ 30% - <50% (No. of LAMPCS)	3(23.08)	1(7.69)	1(7.69)
	≥ 50% - <70% (No. of LAMPCS)	4(30.77)	2(15.38)	3(23.08)
	≥ 70% - <90% (No. of LAMPCS)	5(38.46)	9 (69.23)	8(61.54)
	Above 90% (No. of LAMPCS)	0	1(7.69)	0
3	**Accumulated Loss (Rs. in Lakhs)**			
	< 50 Lakhs (No. of LAMPCS)	3(23.08)	2(15.38)	1(7.69)
	≥ 50 < 70 Lakhs (No. of LAMPCS)	0	0	1(7.69)
	≥ 70 < 90 Lakhs (No. of LAMPCS)	1(7.69)	2(15.38)	2(15.38)
	≥ 90 < 110 L:akhs (No. of LAMPCS)	1(7.69)	1(7.69)	0
	≥ 110 < 130 L:akhs (No. of LAMPCS)	5(38.46)	0	2(15.38)
	≥130 < 150 L:akhs (No. of LAMPCS)	0	0	0
	Above 150 Lakhs (No. of LAMPCS)	2(15.38)	6(46.15)	2(15.38)
3.(a)	**Accumulated Profit (Rs. in Lakhs)**			
	< 50 Lakhs (No. of LAMPCS)	1(7.69)	2(15.38)	4(30.77)
	≥ 110 < 130 L:akhs (No. of LAMPCS)	0	0	1(7.69)
4	**CRAR (Positive)**			
	< 1% (No. of LAMPCS)	0	0	0
	≥ 1% < 6% (No. of LAMPCS)	2(15.38)	1(7.69)	2(15.38)
	≥ 6% < 9% (No. of LAMPCS)	1(7.69)	0	2(15.38)
	Above 9% (No. of LAMPCS)	4(30.77)	5(38.46)	5(38.46)
4 (a)	**CRAR (Negative)**			
	< 1% (No. of LAMPCS)			1(7.69)
	≥ 1% < 6% (No. of LAMPCS)	3(23.08)	2(15.38)	1(7.69)
	≥ 6% < 9% (No. of LAMPCS)	0	0	0
	Above 9% (No. of LAMPCS)	3(23.08)	5(38.46)	2(15.38)
5	**Per Member Business (in Rs.)**			
	< 2000 (No. of LAMPCS)	5(38.46)	5(38.46)	2(15.38)

	≥ 2000 < 3000 (No. of LAMPCS)	4(30.77)	6(46.15)	5(38.46)
	≥ 3000 < 4000 (No. of LAMPCS)	2(15.38)	0	5(38.46)
	Above 4000 (No. of LAMPCS)	2(15.38)	2(15.38)	1(7.69)
6	**Per Director Business (Rs. in Lakhs)**			
	< 1Lakh (No. of LAMPCS)	0	0	0
	≥ 1Lakh < 5 Lakhs (No. of LAMPCS)	6(46.15)	7(53.85)	4(30.77)
	≥ 5 Lakh < 9 Lakhs (No. of LAMPCS)	4(30.77)	3(23.08)	2(15.38)
	Above 9 Lakhs (No. of LAMPCS)	3(23.08)	3(23.08)	7(53.85)
7	**Per Director Accountability for Outstanding (Rs. in Lakhs)**			
	00	1(7.69)	1(7.69)	3(23.08)
	≥ 0 < 5 Lakhs (No. of LAMPCS)	6(46.15)	9(69.23)	2(15.38)
	≥ 5 Lakh < 7 Lakhs (No. of LAMPCS)	3(23.08)	1(7.69)	1(7.69)
	≥ 7 Lakh < 9 Lakhs (No. of LAMPCS)	1(7.69)	1(7.69)	0
	Above 9 Lakhs (No. of LAMPCS)	2(15.38)	1(7.69)	7(53.85)

N.B. *Figures in the parenthesis indicates percentage of total Sample LAMPCS i.e. 16 Nos. of LAMPCS*
Sources: *Financial Statements and other records of the sample societies*

Table 3: Financial Performances of PACS/LAMPCS in Mayurbhanj and Keonjhar District-A Comparative Analysis

Sl. No.	Parameters	Mayurbhanj	Keonjhar
1	**Working Fund & Financial Break-even**		
a	Working Fund above Financial Break-even (% of LAMPCS)	73.00	74.37
b	Working Fund below Financial Break-even (% of LAMPCS)	27.00	25.63
2	**Credit Business (Percentage)**		
	< 30% (% of LAMPCS)	4.00	3.00
	≥ 30% - <50% (% of LAMPCS)	20.81	15.00
	≥ 50% - <70% (% of LAMPCS)	45.81	23.00
	≥ 70% - <90% (% of LAMPCS)	23.13	56.00
	≥ 90% - 100% (of% of LAMPCS)	6.25	3.00
	Median	61%	73.21%
3	**Accumulated Loss (Rs. in Lakhs)**		
	< 50 Lakhs (% of LAMPCS)	6.25	15.38
	≥ 50 < 70 Lakhs (% of LAMPCS)	12.5	2.54
	≥ 70 < 90 Lakhs (% of LAMPCS)	10.4	12.85
	≥ 90 < 110 L:akhs (% of LAMPCS)	18.75	5.15
	≥ 110 < 130 L:akhs (% of LAMPCS)	8.35	17.92
	≥130 < 150 L:akhs (% of LAMPCS)	2.06	-
	150 Lakhs and above (% of LAMPCS)	31.25	25.62
	Median (Accumulated Loss in lakhs)	106.90	112.02
3 (a)	**Accumulated Profit (Rs. in Lakhs)**		
	< 50 Lakhs (% of LAMPCS)	4.19	17.92
	≥ 50 < 70 Lakhs (% of LAMPCS)	4.1	
	≥ 110 < 130 L:akhs (% of LAMPCS)	0	2.62
	≥ 150 and above (% of LAMPCS)	2.06	
4	**CRAR (Positive)**		
	< 1% (% of LAMPCS)	4.18	
	≥ 1% < 6% (% of LAMPCS)	12.50	12.58
	≥ 6% < 9% (% of LAMPCS)	10.44	7.69
	≥ 9% and above (% of LAMPCS)	27.07	35.92
	Median	8.99	9.61
4 (a)	**CRAR (Negative)**		
	< 1% (% of LAMPCS)	2.06	2.54
	≥ 1% < 6% (% of LAMPCS)	10.44	15.30
	≥ 6% < 9% (% of LAMPCS)	4.18	
	≥ 9% and above (% of LAMPCS)	29.13	25.62
	Median	9.63	9.46

5	**Per Member Business (in Rs.)**		
	< 2000 (% of LAMPCS)	64.56	30.77
	≥ 2000 < 3000 (% of LAMPCS)	27.06	38.46
	≥ 3000 < 4000 (% of LAMPCS)	4.19	17.92
	≥ 4000 and above (% of LAMPCS)	4.19	12.85
	Median	< Rs.2000	Rs. 2500
6	**Per Director Business (Rs. in Lakhs)**		
	< 1Lakh (% of LAMPCS)	2.06	-
	≥ 1Lakh < 5 Lakhs (% of LAMPCS)	43.75	43.62
	≥ 5 Lakh < 9 Lakhs (% of LAMPCS)	22.94	23.07
	Above 9 Lakhs (% of LAMPCS)	31.25	33.31
	Median	Rs. 5.73 lakhs	Rs. 6.11 Lakhs
7	**Per Director Accountability for Outstanding (Rs. in Lakhs)**		
	00	4.12	12.85
	≥ 0 < 5 Lakhs (% of LAMPCS)	37.50	43.54
	≥ 5 Lakh < 7 Lakhs (% of LAMPCS)	10.44	12.84
	≥ 7 Lakh < 9 Lakhs (%. of LAMPCS)	12.50	5.15
	Above 9 Lakhs (% of LAMPCS)	35.44	25.62
	Median	Rs. 6.61 Lakhs	Rs. 4.27 Lakhs

Sources: *Financial Statements and other records of the sample societies*

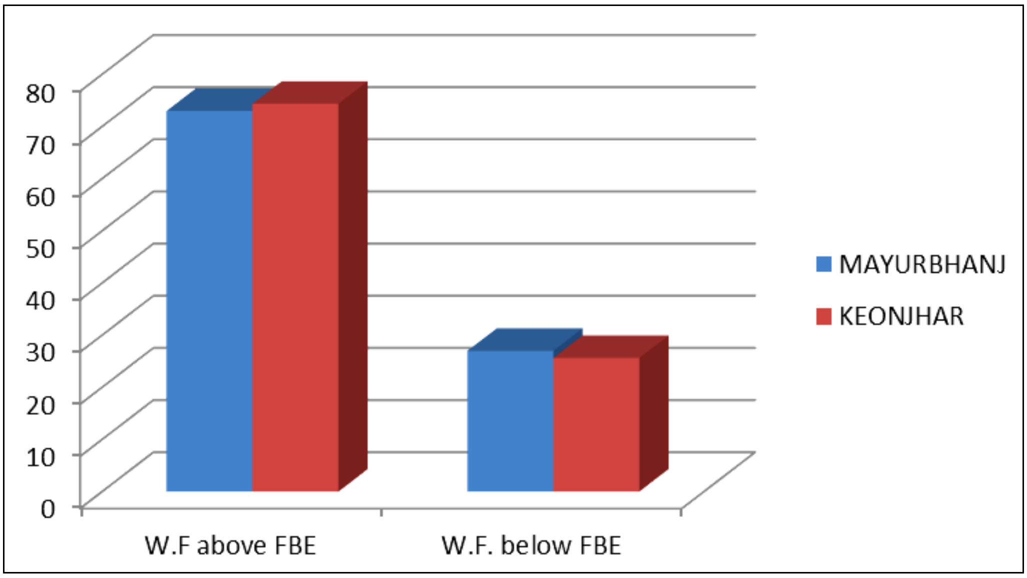

Fig 1: Percentage of Societies having Working Fund above and below the Financial Break-even in Mayurbhanj and Keonjhar Districts

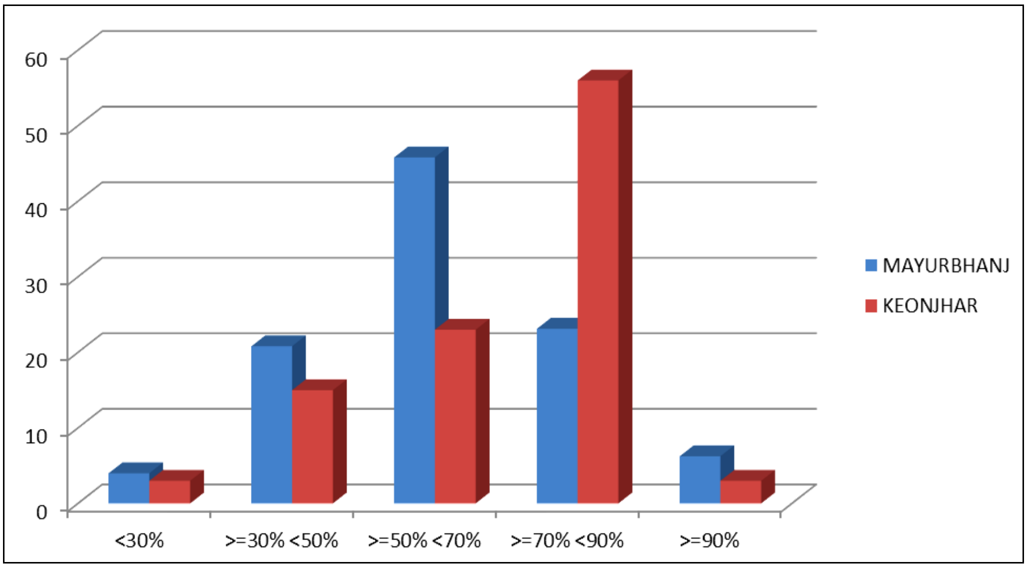

Fig 2: The percentage of Societies undertaking the percentage of Credit Business under different ranges in Mayurbhanj and Keonjhar Districts

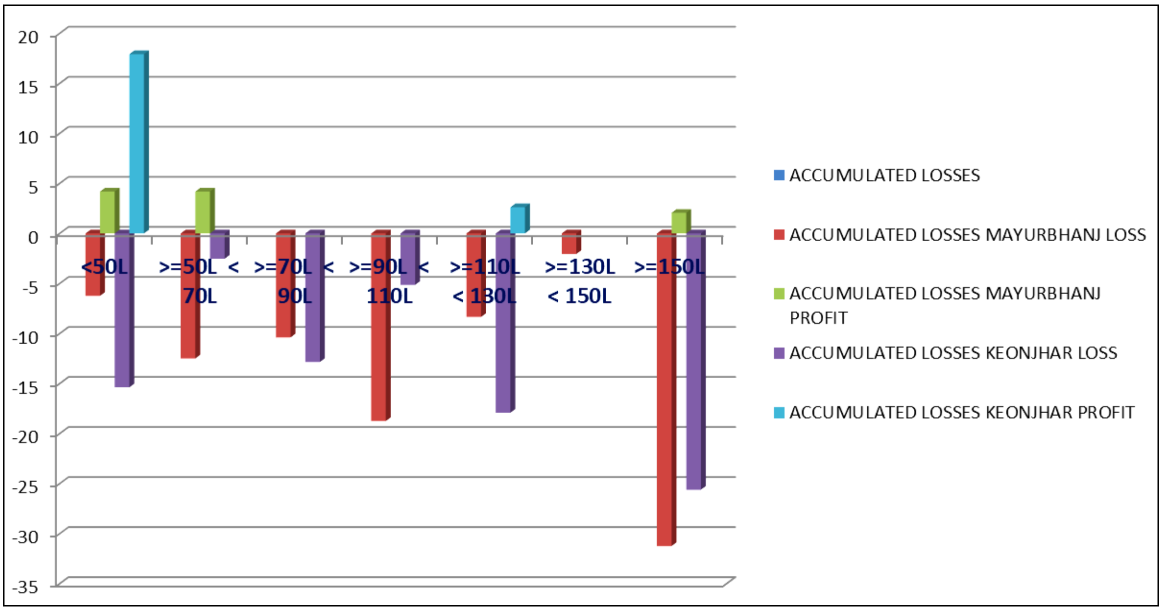

Fig 3: The percentage of Societies suffering from accumulated loss under different ranges (in Lakhs) and earning profit under different ranges in Mayurbhanj and Keonjhar Districts

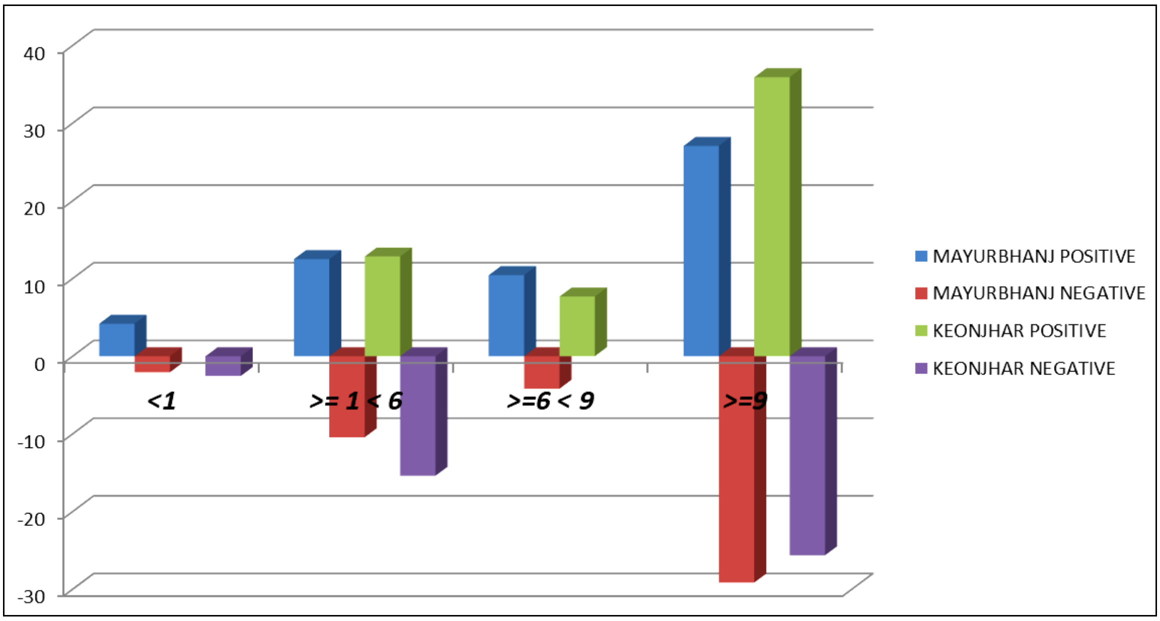

Fig 4: The percentage of Societies maintaining CRAR (Positive & Negative) under different ranges (in %) in Mayurbhanj and Keonjhar Districts

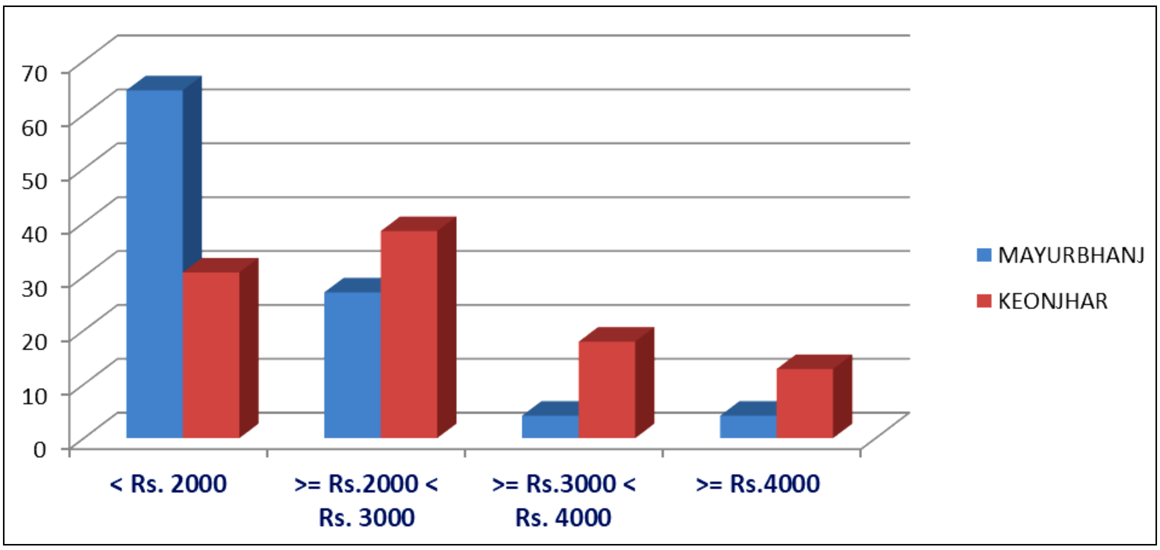

Fig 5: the percentage of Societies having per member business (in Rs.) under different ranges (in %) in Mayurbhanj and Keonjhar Districts

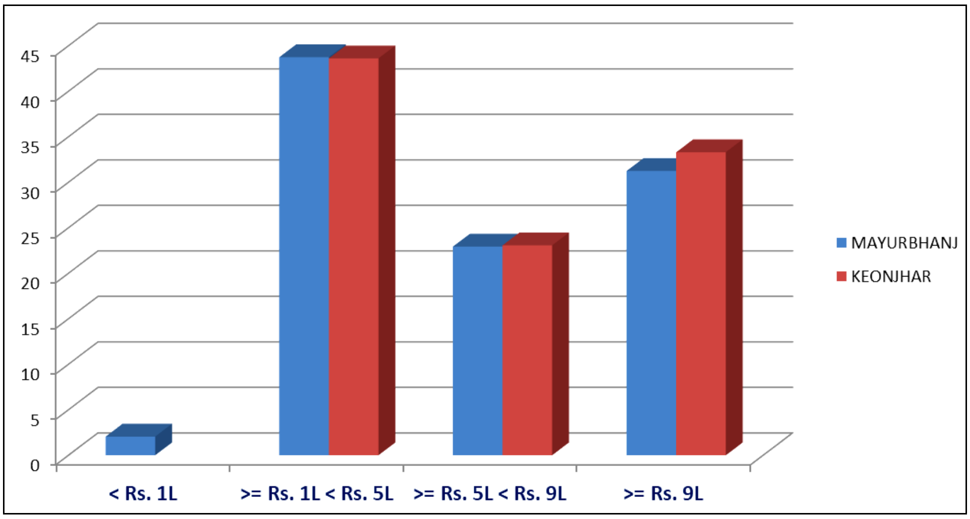

Fig 6: The percentage of Societies having per Director Business (Rs. in Lakhs) under different ranges in Mayurbhanj and Keonjhar Districts

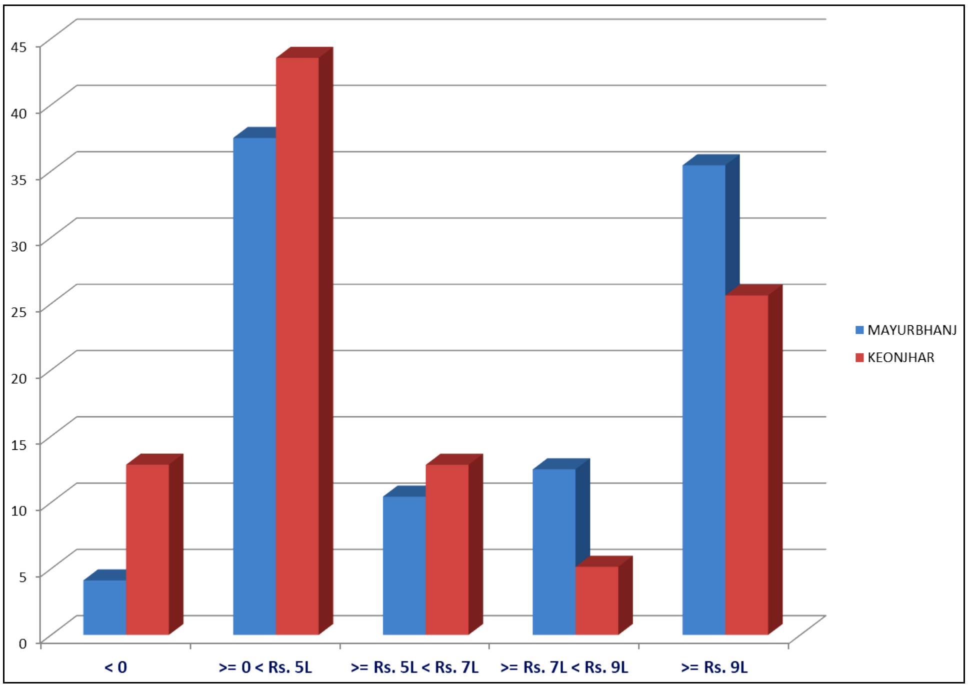

Fig 7: The percentage of Societies having per Director Accountability for Outstanding dues (Rs. in Lakhs) under different ranges in Mayurbhanj and Keonjhar Districts

Working Fund

Working fund is the invested amount by a society in the form of loans and advances including savings account, current account as well as fixed deposits, investment in shares of other societies etc. so that the interest income from such investment would comfortably cover interest expenses, management expenses, provision on NPA and a required amount of net profit so as to pay dividend to the stakeholders after strengthening reserve fund.

Therefore, each society is required to calculate the financial break-even to know the minimum working fund which would be able to cover all the expenses only without any profit or loss. A higher amount of working fund above break-even level results a better amount of net profit and on the contrary net loss. However, the working fund is not a fixed amount but keeps on changing due to change in NPA provisions as well as other management expenses.

The excess level of working fund is also detrimental for the society. Therefore, certain level of working fund is desirable. A moderate level of working fund takes place under the following situation.

i). By reducing management expenses which consists of salary and other administrative expenses
ii). By increasing the non-credit business which would contribute to cover management expenses
iii). By reducing risk costs i.e. provision for NPA. Hence the recoverable need to be attended on priority
iv). By maintaining a higher level of financial margin i.e. YOA less COF. The cost of fund needs to be kept at lowest side which may be possible provided the society is maintaining higher level of net worth.

The parameter concerned i.e. Working Fund & Financial Break-even as depicted in Table-1 indicates that during 2014-15, 2018-19 and 2022-23 there are 11, 12 and 12 numbers of LAMPCS representing 68%, 75% and 75% of the total 16 LAMPCS under study respectively are maintaining higher amount of working fund in Mayurbhanj district. It can thus be suggested that these societies having higher working fund are to maintain a moderate level of working fund by adopting the above stated measures.

The parameter concerned i.e. Working Fund & Financial Break-even as depicted in Table-2 for the societies under study in Keonjhar district indicates that during 2014-15, 2018-19 and 2022-23 there are 7, 11 and 11 numbers of LAMPCS representing around 54%, 85% and 85% of the total 13 numbers of PACS and LAMPCS under study respectively are maintaining higher amount of working fund in Keonjhar district. It can thus be suggested that these societies having higher working fund are to maintain a moderate level of working fund by adopting the above stated measures.

Credit Business

The main objectives of the primary agricultural cooperative societies such as PACS or LAMPCS are to make the agricultural credit accessible and available for their farmer members. In turn the farmer members are also getting benefited by availing the credit at reasonable rate of interest as compared to informal sector viz. money lenders and patty traders etc. So to certain extent the farmers are getting rid of usury in rural credit market even though the PAC/LAMPCS are yet to carter the agricultural credit needs of the farmers fully in India in general and Odisha state in particular. Besides this the PACS or LAMPCS are also providing the agricultural inputs, crop insurance service and procurement of agricultural produces. As a result of which to avail the agricultural credit and other related facilities on easy terms with easy accessibility the farmers are interested to enrolled themselves as members of the society and the society are enriched with their members as the members are owners as well as customers of the society even though in recent years apathetic attitude of the members towards the society is observed in many cases in India and Odisha. The district under study is also not an exception of this situation. In the district under study i.e. Mayurbhanj district all most all the societies i.e. LAMPCS of are mainly undertaking agricultural credit business along with other credit and non-credit business. Hence the survival and sustenance lies on the strength of their credit business. However, due to the lack of proper mechanism in identifying the loanee members (i.e. lack of professionalized loan appraisal system) and receivable policies of the societies, the outstanding are accumulating years together which may need a separate thorough study for solutions.

It is observed from the analysis of table-1 (for Mayurbhanj district) that during 2014-15, out of total business < 30%, ≥ 30% - <50%, ≥ 50% - <70%, ≥ 70% - <90% and above 90% were undertaken as credit business by around 12.5%, 25%, 37.5%, 12.5% and12.5% of the total number of societies under study respectively. Similarly, during 2018-19, more than 30% of the total business was credit business by all the societies under study. For instance, as observed from the table the credit business as a percentage of total business ranging from ≥ 30% - <50%, ≥ 50% - <70%, ≥ 70% - <90% and above 90% were undertaken by 18.75%, 50%, 25% and 6.25% of the total number of societies respectively. During the year 2022-23 a similar trend is observed as shown in the table viz. the proportion of credit business to total business categorized into different ranges i.e. ≥ 30% - <50%, ≥ 50% - <70% and ≥ 70% - <90% are undertaken by 18.75%, 50% and 31.25% of the total number of societies. During this year no society was found undertaking more than 90% of their total business as credit business.

The Table-2 reveals the number of societies undertaking different percentage of credit business out of their total business in Keonjhar district during the periods under study i.e. 2014-15, 2018-19 and 2022-23. During the year 2014-15, out of total business < 30%, ≥ 30% - <50%, ≥ 50% - <70% and ≥ 70% - <90% were undertaken as credit business by around 7.7%, 23%, 30.8%, 38.46% of the total number of societies under study respectively. Similarly, during 2018-19, more than 30% of the total business was credit business by all the societies under study. For instance, as observed from the table-2 that the credit business as a percentage of total business ranging from ≥ 30% - <50%, ≥ 50% - <70%, ≥ 70% - <90% and above 90% were undertaken by around 7.7%, 15.38%, 69.23% and 7.7% of the total number of societies respectively. During the year 2022-23 it is observed as shown in the table-2 that the proportion of credit business to total business categorized into different ranges i.e.< 30%, ≥ 30% - <50%, ≥ 50% - <70% and ≥ 70% - <90% are undertaken by around 7.7%, 7.7% and 23.08% and 61.54% of the total number of societies respectively. During this year no society was found undertaking more than 90% of their total business as credit business.

It can thus be inferred from the analysis that the proportionate share of credit business to total business has increased by most of the society over time. But each society is left with certain percentage of their business for either undertaking other non-credit business or underutilizing the left out percentage to be utilized in future for any viable business or not interested to utilized the unutilized percentage scope. Those who are utilizing the potentiality by way of undertaking non-credit business, they are enjoying economies of scope over the years as reflected by their reduction in cost of management/business and profitability and those who are only dependent on the exiting range of credit business and very less percentage of non-credit business such as customized commission based non-credit business e.g. paddy procurement only then they struggling for profitability and sustainability. However, it can be said that there exists ample scope with every society to go for business diversification for optimal use of their resources and maximizing their profitability in a cost effective manner. It is up to the society concerned to decide which type of business will be viable and members friendly to undertake for growth and sustainability of the society in the competitive environment and changing expectations of members.

Accumulated Loss

Accumulated loss of the society is also one of the important criteria to judge the performance of the society. The accumulated loss may reduce the working fund, possess a threat on the net worth, create difficulties in borrowings and exert adverse impact on CRAR.

The occurrence of accumulated loss is attributed to several reasons. Some of the important reasons are as follows:-

i). Lack of identifying the needy loanee i.e. lack of professionalized loan appraisal mechanism.
ii). Existence of willful defaulters
iii). Improper or misutilisation of loans by members
iv). Conversion of old loan to new loans only on papers (i.e. paper transitions instead of physical transactions in credit business)
v). Imbalances between PACS/LAMPCS and DCCB which may be due to improper policy of the government and misinterpretation or improper implementation of interest and payment of principal takes place between DCCB and PACS/LAMPCS.

vi). Undue interference of President/Board of Directors of the society while constituting the loan committee and sanctioning of loans
vii). Lack of proper monitoring mechanism towards utilization of loan by members
viii). Ineffective loan recovery mechanism

The above factors cause NPA and thereafter subsequently become bad assets which lead to loss and keep on accumulating.
It is observed from the analysis as shown in table-1 (Mayurbhanj district) that baring a few (negligible percentage) all most all societies under study are suffering from the problem of accumulated loss. As evident from the table there are 10 (ten) numbers of LAMPCS are having accumulated loss ranging from Rs. 90 Lakhs to more than 150 Lakhs up to the year 2014-15. Further, during the year 2018-19, 7(seven) numbers of LAMPCS are found having accumulated loss of more than 150 Lakhs. The same type of trend is also found in the year 2022-23 with little deviation. Thus the LAMPCS concerned in consultation with its own Management Committee Members, DCCB, DRCS/ARCS and other such stakeholders should take appropriate measures to recover the debts and minimize the accumulated loss so as to strengthen its financial health.
It is observed from the analysis as shown in table-2 (Keonjhar district) that many of societies under study are suffering from the problem of accumulated loss. As evident from the table-2 there are 10(ten) numbers of societies are having accumulated loss ranging from Rs. 50 Lakhs to less than 130 Lakhs and 2(two) number of societies are having accumulated loss ranging from Rs. 150 Lakhsand above up to the year 2014-15. Further, during the year 2018-19, there are 5(five) numbers of societies are having accumulated loss ranging from Rs. 50 Lakhs to less than 110 Lakhs and 6(six) numbers of societies are found having accumulated loss of more than 150 Lakhs. Similarly, during the year 2022-23 it is found that there are 6(six) numbers of societies are having accumulated loss ranging from Rs. 50 Lakhs to less than 130 Lakhs and 2(two) number of societies are having accumulated loss ranging from Rs. 150 Lakhs and above. This indicates that some of the societies in Keonjahar districts who were suffering from accumulated loss to the magnitude of more than 150 lakhs are found recovering as observed during 2022-23. However, the societies concerned in consultation with its own Management Committee Members, DCCB, DRCS/ARCS and other such stakeholders should take appropriate measures to recover the past debt and minimize the accumulated loss so as to strengthen its financial health.
The following are some of the important strategies to recover the loss.

Strategy for Recovery of Loss:-

i). The societies (i.e. PACS/LAMPCS) are suggested to adopt/implement the loss recovery strategies as adopted/implemented by Private and Nationalized Banks.
ii). The defaulters (with more emphasis on willful defaulters) are to be identified and persuasive/legal actions as deem fit to be initiated. The EP-Dispute cases are also to be initiated whenever needed with prompt decisions by the authority concerned.
iii). The President/Directors of Board if recommended for sanction of any loan unduly and not recovered on due date should be warned and if required action as deemed fit may be taken ageist them with the approval of General Body and other authority concerned as per bye-law and Act.
iv). The credentials of the official of the Societies/DCCB/Cooperation Department who had scrutinized/supervised the scrutiny process of the loan applications are to be detected and actions as deemed fit to be initiated against them for default in repaying the loans by the loanee members.
v). There should be an Enforcement Team comprising of officials and Board of Directors of the Society concerned, representative official from DCCB, SCB and Cooperation Department of the Circle concerned for recovery of loans of the society.

Capital to Risk Assets Ratio (CRAR):-

This is another important criterion to assess the performance of a society. The Capital to Risk Assets Ratio (CRAR) indicates that to what extent the shareholders' investment is safe. The lenders to the society happen to be under comfortable zone, when they find the safe side of the shareholders money in the society. As per the NABARD guidelines, the PACS/LAMPCS must have at least 9% of CRAR. It means at least the risky assets must have a contribution of 9% to the share capital. The percentage of 9% or more can be increased further when there are enough reserve and surplus and accumulated net profit. On the contrary it will reduce when there are huge amount of accumulated loss and recoverables.
It is observed from the analysis of CRAR as depicted in table-3 (Mayurbhanj district) that in the year 2014-15, there are 3(three) numbers of LAMPCS not able to maintain CRAR at 9%. Further, during this year 3(three) numbers of LAMPCS are found having negative CRAR below 9% and this is worst further as another 6(six) numbers of LAMPCS are falling under negative CRAR above 9%. This indicates the shareholders' fund has already been eroded completely and the borrowed fund is at a threat. This type of situation is completely under alarming state. During this year 2014-15 it is found that only 4(four) numbers of LAMPCS are able to manage their CRAR position beyond 9%. The situations/positions of CRAR are found having similar trend in 2018-19 and up to 2022-23. However, there are possibilities of 5(five) numbers of societies who can manage their CRAR to 9% in near future as they are now (year 2022-23) under 6% but below 9%. The poor conditions of CRAR position of the LAMPCS in Mayurbhanj district should be discussed in the AGM (Annual General Body Meeting) and Meetings of Board of Directors of the society concerned so as to make the members and directors aware about the consequences of CRAR and performances of other financial parameters for taking effective decisions.
It is observed from the analysis of CRAR as depicted in table-2 (Keonjhar district) that in the year 2014-15 only 4(four) numbers of societies are able to manage their CRAR position beyond 9%. During this year there are 3(three) numbers of societies not able to maintain CRAR at 9%. Further, during this year 3(three) numbers of societies are found having negative CRAR below 6%and this is worst further as another 3(three) numbers of societies are falling under negative CRAR above 9%. This indicates the shareholders' fund has already been eroded completely and the borrowed fund is at a threat. This type of situation is completely under alarming state. During 2018-19, only 5(five) numbers of societies are able to manage their CRAR position beyond 9% and 1(one) number of society is not able to maintain CRAR at 9%.

Further, during this year 2(two) numbers of societies are found having negative CRAR below 6%and this is worst further as another 5(five) numbers of societies are falling under negative CRAR above 9%. During 2022-23 only 5(five) numbers of societies are able to manage their CRAR position beyond 9%, 2(two) numbers of societies are not able to maintain the CRAR at 9% and another 2(two) numbers of societies possibly can manage their CRAR to 9% in near future as they are now (year 2022-23) under 6% but below 9%. Further, during this year 2(two) numbers of societies are found having negative CRAR below 6%and this is worst further as another 2(two) numbers of societies are falling under negative CRAR above 9%. However, there are possibilities of The poor conditions of CRAR position of the PACS and LAMPCS in Keonjhar district should be discussed in the AGM (Annual General Body Meeting) and Meetings of Board of Directors of the society concerned so as to make the members and directors aware about the consequences of CRAR and performances of other financial parameters for taking effective decisions.

Per Member Business (Credit and Non-credit):

The Cooperative Society is formed by way of democratic principle i.e. "For the members, by the members of the members". The members' active participation and their loyalty towards the development of the society can be justified by the volume or amount of business reciprocations with the society by the members. The members' Rights, Duties and responsibilities on the society can be reflected when per member business is considered. It is found from the analysis as shown in table-1 (Mayurbhanj district) that members of 75%, 69% and 50% of the total number of societies are having business/trade less than Rs. 2000 per member for the year 2014-15, 2018-19 and 2022-23 respectively. Similarly 19%, 25% and 38% of the total number of societies are having business per member ranging from Rs. 2000 to Rs. 3000for the year 2014-15, 2018-19 and 2022-23 respectively. It is found only in case of one society, the business per member is Rs. 4000 and above.

It is found from the analysis as shown in table-2 (Keonjhar district) that members of 38.46%, 38.46% and 15.38% of the total number of societies are having business/trade less than Rs. 2000 per member for the year 2014-15, 2018-19 and 2022-23 respectively. Similarly 30.77%, 46.15% and 38.46% of the total number of societies are having business per member ranging from Rs. 2000 to Rs. 3000 for the year 2014-15, 2018-19 and 2022-23 respectively. Further, 15.38%, and 38.46% of the total number of societies are having business per member ranging from Rs. 3000 to Rs. 4000 for the year 2014-15, 2018-19 and 2022-23 respectively It is found that 15.38%, 15.38 and 7.69% of the total number of societies are having business per member ranging from Rs. 4000 and above for the year 2014-15, 2018-19 and 2022-23 respectively.

It can be inferred from the analysis that every society under study in particular and district and state in general should try to increase per member business by enhancing active member participation by way of awareness to the members inculcating the fact to them that they are the owner as well as customers of the institution and hence without them survival and growth of the society will be at stake. Besides this providing them timely and better service, business related information, organization of member awareness programmers, inviting them for get together at society premises, encouraging them to participate in Annual General Body meeting and enquire from time to time about their expectation from the society etc. can contribute positively.

Per Director Business (Credit and Non-credit):

The members of cooperative society elect/select some of their members as per bye-law, Act and Rules as Board of Directors to look after the day to day affairs/business of the society. The resolution passed by the Board of Directors with thumb rule of majority becomes the policy for the society to be implemented by the employees of the society under the supervision, review and monitoring of the Board of Directors. So the functional and operational business management of the society depends on the Board of Directors. Thus their contribution towards the business of the society is a matter of concern towards the growth of the society.

It is observed from the table-1 (Mayurbhanj district) that around 44%, 50% and 38% of the total number of societies are having business per Director ranging from Rs. 1 Lakh to 5 Lakhs for the year 2014-15, 2018-19 and 2022-23 respectively. Further around 19%, 38% and 38% of the total number of societies are having business per Director above 9 Lakhs for the year 2014-15, 2018-19 and 2022-23 respectively. This indicates the participation of Board of Directors in the business growth of the society which is not found encouraging in the LAMPCS under study. So the Board of Directors should also be trained and aware about their role and responsibility towards the business management and growth of the society so that they can be encouraged to involve with positive attitude for the improvement of the society.

It is observed from the table-2 (Keonjhar district) that around 46%, 54% and 31% of the total number of societies are having business per Director ranging from Rs. 1 Lakh to 5 Lakhs for the year 2014-15, 2018-19 and 2022-23 respectively. Further around 31%, 23% and 15% of the total number of societies are having business per Director ranging from 5 to 9 Lakhs for the year 2014-15, 2018-19 and 2022-23 respectively. Similarly, around 23%, 23% and 54% of the total number of societies are having business per Director above 9 Lakhs for the year 2014-15, 2018-19 and 2022-23 respectively. This indicates the participation of Board of Directors in the business growth of the society which is not found encouraging in the societies under study. So the Board of Directors should also be trained and aware about their role and responsibility towards the business management and growth of the society so that they can be encouraged to involve with positive attitude for the improvement of the society.

Per Director Accountability for Outstanding Dues

The ineffective involvement of the Board of directors (BODs) for reviving the unhealthy financial conditions of the societies is one of the major impediments towards the growth of the society. Being the representatives of the members and leaders of the society concerned the directors can influence, pursue and pressurize the defaulters members for repayment/recovery of past loans and encourage the transacting members for repayment of loan within due date.

Keeping the above fact in view it is justified to draw the attention of the directors' regarding the huge and accumulated amount of receivables reflected in the financial statement so that during the Board of Directors' meeting the directors can feel their importance to create a healthy environment for the society to grow. However, it is observed while discussing about the management and governance of the society that the chief executives officer (CEO) of the society in most of the cases conceal many facts due to the cold conflict between the CEO and president/directors of the society. Further due to lack of representation of any professional having the knowledge about the financial and management aspects of the society in the Board of Directors in all most all the societies (even though it is recommended by many committees including Vaidyanathan Committee to have at least a professional in BODs) the financial and legal issues of the societies are not properly addressed.

It is observed from the analysis as revealed by table-1 (Mayurbhanj district) that the directors of 50% of the total societies are having receivables less than 5 lakhs per director during2014-15 and 2018-19 which has subsequently been reduced to 12.5% in 2022-23. Similarly, 19%, 25% and 62.5% of the societies are having their receivables per director is found above Rs. 9 lakhs and above during 2014-15, 2018-19 and 2022-23 respectively.

It is observed from the analysis as revealed by table-2 (Keonjhar district) that the directors of 7.69%, 7.69% and 23.08% of the total societies are having Zero receivables per director during 2014-15, 2018-19 and 2022-23 respectively. Similarly, directors of around 46%, 69% and 15% of the total societies are having receivables per director less than 5 lakhs during 2014-15, 2018-19 and 2022-23 respectively. The directors of around 23%, 8% and 8% of the total societies are having receivables per director ranging from 5 to 7 lakhs during 2014-15, 2018-19 and 2022-23 respectively. The directors of around 8%, 8% and 0% of the total societies are having receivables per director ranging from 7 to 9 lakhs during 2014-15, 2018-19 and 2022-23 respectively less than 5 lakhs per director during2014-15 and 2018-19 which has subsequently been reduced to 12.5% in 2022-23. The directors of around 15%, 8% and 54% of the societies are having their receivables per director is found more than Rs. 9 lakhs and above.

The above analysis indicates a poor participation of the Members of Board of Directors in the loan recovery drive of the society. The directors should rather adopt the cluster approach in dividing the villages/hamlets under the area of operation of the society into different clusters and giving the charge of different clusters to different directors for recovery of past and present loans so that loan can be recovered as well as information on the society be disseminated among members and non-members which will be helpful in business promotion and diversification of the society and also contributes towards the transparency and service provisions of the society through the feedback analysis of the members on the society obtained during recovery drive.

Financial Performance-Comparative Analysis

The financial performance of PACS/LAMPCS in Mayurbhanj and Keonjhar district over a period of time consider for the study can comparatively be analyzed based on the average value of the performance made by different societies under study on different parameters discussed earlier in Table 1 and Table 2. On an average the comparative analysis of Mayurbhanj and Keonjhar district based on the selected parameters as discussed earlier can made based on the findings as represented in Table 3.

Working Fund: It is observed from the analysis of table-3 that the working fund (W.F.) is found more than Financial Break-Even (FBE) in 73% and 74.37% of total sample societies under study in Mayurbhanj and Keonjhar districts respectively. It indicates that in both the districts most of the societies are having more working fund which is detrimental for the societies. Thus they should try to maintain a moderate level of working fund by adopting the measures suggested as discussed above.

Credit Business: It is observed from the Median Value depicted in table–3 that credit business is found encouraging in Keonjhar as 73.21% of the total business of the societies are attributed to credit business compared to that of 61% in Mayurbhanj district. So, non-credit business is more possible in Mayurbhanj district.

Accumulated Loss: It is found from the table-3 that in both the districts most of the societies are suffering from the accumulated loss ranging between Rs. 90 Lakhs to 110 Lakhs as evident from the median value. Thus, the societies are required to adopt required strategies (as suggested in discussion made above) to recover the loss.

CRAR: It is observed that the CRAR position of societies in Keonjhar district is comparatively better than that of Mayurbhanj district as evident from the median value (i.e. 8.99 and 9.61 for Mayurbhanj and Keonjhar district respectively) as shown in table-3. It indicates that the borrowing capacity of the societies in both the district on an average is found good (as they are on an average maintaining CRAR) even though Keonjhar district is relatively little better than that of Mayurbhanj district.

Per Member Business: On an average as observed from the median value depicted in table-3 that the per member business is found little higher in Keonjhar district than that of Mayurbhanj district' Thus, the societies of both the district should take measures to increase per member business for ensuring sustainable growth with profitability,

Per Director Business: It is observed on an average as evident from the median value as depicted in table-3 that the per director business ranging between Rs. 5 lakhs to 9 lakhs and is found little higher in Keonjhar district than that of Mayurbhanj district.

Per Director Accountability for Recovery Outstanding Dues: It is observed from the Median value as shown in the table-3 that incase of societies in Mayurbhanj district the accountability of the directors for recovering the dues (like interest, loan etc.) is found lacking as compared to that of Keonjhar district.

Conclusion

The findings of the analysis made above based on the selected parameters shows that the financial health of the primary Agricultural Cooperative societies (PACS and LAMPCS) on an average in both the districts under study are not found encouraging and far from the desired level of performance. Thus the following can be suggested to strengthen the financial performance of the society.

i). The working fund of the society should be maintained at moderate level by undertaking the measures suggested during the course of analysis.

ii). The credit business to be maintained efficiently and every society should undertake viable non-credit business by way of business diversification so that financial stability of the organization can be maintained. Every society is found to have potentiality to undertake non-credit business. The LAMPCS of Mayurbhanj district are found to have more potentialities for non-credit business compared to that of Keonjhar district.

iii). The recent initiatives taken by Ministry of Cooperation, Government India with regard to various non-credit business to be undertaken by the PACS/LAMPCS based on the viability in their area of operations will boost the societies having potentiality to diversify their business. The Changes in Bye-Law by way of Model-Bye has also been made in Odisha State to encourage the business diversification strategies of PACS/LAMPCS. These efforts if undertaken effectively may improve the financial health of the societies. It is observed that some of the societies have already started their business diversification in both the districts under study as the recent initiatives of the government.

iv). The societies suffering from the problems of accumulated loss should adopt the measures suggested during the course of analysis for minimizing the magnitude of loss so as to sustain in the competitive edge.

v). The CRAR should be maintained by the society at the desired level so as to enhance their credit worthiness and borrowing capacity otherwise the borrowed fund wills be at threat.

vi). The business per members should be enhanced by the societies of both the districts even though it is relatively found little higher in Keonjhar district than that of Mayurbhanj district.

vii). The business per director is found ranging from 5 lakhs to 9 lakhs on an average found across the societies and time period under study. The per director business further needs to be improved in both the district even though it is found little higher in Keonjhar district than that of Mayurbhanj district. Moreover, the Board of Directors should also be trained and aware about their role and responsibility towards the business management and growth of the society so that they can be encouraged to involve with positive attitude for the improvement in the business of the society.

viii). The accountability per director in recovery of the outstanding dues of the society should be enhanced in both the district even though on an average it is found little better in Keonjhar district as compared to that of Mayurbhanj district. Because the role of Board of Directors is very crucial in the process of recovery of dues of the society.

ix). The growth in every parameter analyzed at three points of time reflecting a decade period of time is found sluggish and below the expected level. Thus every society should make them prepared to improve their financial strength for their survival and growth.

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