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Research Paper

Operational Efficiency Of The Selected Viable PACSs

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ABSTRACT
Efficiency is important for increasing profitability. It has a direct relationship with revenue and expenses. It is not possible to improve the revenue and expenses without improving operational efficiency. The Cooperative Societies receive both interest and noninterest income and also incur interest and noninterest expenditure. As the Societies go on increasing their scale of operations, both their income and expenses are also expected to increase. This paper aims to make a comparative analysis of the operational efficiency of seven selected viable PACSs in the Dindigul District. The efficiency ratios are used in assessing the efficiency with which the operations of the Societies are carried on. To evaluate the operational efficiency of the selected PACSs, the following operational ratios are used for analysis: Ratio of Total Income to Working Funds, Ratio of Total Income to Total Assets, Ratio of Total Expenditure to Total Income, Ratio of Interest Paid to Interest Earned, Ratio of Interest Expenses to Total Income, Ratio of Interest Income to Total Income, Ratio of Interest Expenses to Total Expenses, Ratio of Noninterest Income to Total Income and Ratio of Noninterest Expenses to Total Expenses. Thus, this paper evaluates the operational efficiency of the selected viable PACSs in terms of income statement and balance sheet.

KEYWORDS: *Interest Income, Noninterest Income, Interest Expenses, Noninterest Expenses, Total Income, Total Expenses*

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I. INTRODUCTION

Operational efficiency is termed as the skill or technique of making the most out of the available resources. According to Beamon (1998), efficiency is how well the resources expended are utilized, i.e., how well the banks raise their funds and how it is incurred is assessed by operational efficiency. It determines the success or failure of the Cooperative Societies. The better management of funds results in a larger amount of return.

II. OBJECTIVES OF THE STUDY

The primary objective is to study the operational efficiency of the selected viable Primary Agricultural Cooperative Societies in the Dindigul District for ten years from 2009-10 to 2017-18.

III. METHODOLOGY OF THE STUDY

The present study is based on the secondary data which are collected from the annual reports of the selected PACSs. The collected data are tabulated to analyze and interpret, and a summary has been drawn. Ratios are used to study the operational efficiency of PACSs. For the purpose of the study, seven viable PACSs in the Dindigul district are selected purposively. They are Janananankottai Primary Agricultural Cooperative Society (JK PACS), Javadupatty Primary Agricultural Cooperative Society (JD PACS), Kallimandayam Primary Agricultural Cooperative Society (K PACS), Mettupatti Primary Agricultural Cooperative Society (M PACS), Pungamuthur Primary Agricultural Cooperative Society (P PACS), Thadicombu Primary Agricultural Cooperative Society (T PACS) and Vedasandur Primary Agricultural Cooperative Society (V PACS).

IV. OPERATIONAL RATIOS

The following operational ratios are used to judge the effectiveness of funds utilization.

4.1. Ratio of Total Income to Working Funds

The working funds should be employed profitably in both investment and lending operations. The income received from interest and other ancillary services is said to be the total income. This ratio is used to judge how much working funds are utilized to earn the total income. If the ratio is high, the profitability would also be high and vice versa. It is calculated by using the following formula.

$$\text{Ratio of Total Income to Working Funds} = \frac{\text{Total Income}}{\text{Total Working Funds}} \times 100$$

Table 1

Ratio of Total Income to Working Funds of the Selected PACSs from 2009-10 to 2018-19

(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	12.19	19.57	19.23	15.25	20.99	15.78	17.23	**17.18**
2010-11	12.14	14.01	11.25	13.37	10.01	13.99	16.46	**13.03**
2011-12	11.55	11.88	14.12	13.53	12.47	13.04	14.15	**12.96**
2012-13	13.56	14.67	13.23	14.82	10.38	13.38	13.59	**13.37**
2013-14	12.95	14.82	9.78	14.16	11.17	12.17	14.52	**12.80**
2014-15	13.60	14.15	11.56	15.08	10.83	16.84	14.11	**13.74**
2015-16	10.89	11.00	10.47	13.63	9.30	15.82	11.60	**11.82**
2016-17	8.77	12.15	7.41	11.47	8.23	11.67	10.27	**10.00**
2017-18	7.63	9.83	8.59	15.67	8.42	10.87	9.38	**10.06**
2018-19	7.99	7.70	8.49	8.67	7.71	10.46	8.49	**8.50**
Average	***11.13***	***12.98***	***11.41***	***13.56***	***10.95***	***13.40***	***12.98***	***12.35***
SD	***2.25***	***3.26***	***3.46***	***2.11***	***3.82***	***2.20***	***2.94***	***2.43***
CV	***20.18***	***25.13***	***30.33***	***15.52***	***34.89***	***16.38***	***22.67***	***19.70***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

Table 1 shows the details of the ratio of total income to working funds of the selected viable PACSs in the Dindigul district from 2009-10 to 2018-19. It is clear from the table that the year-wise analysis of these Societies shows a downtrend with fluctuations, and it ranges between 8.50 per cent to 17.18 per cent. The analysis of the selected individual Societies reveals the fact that the average ratio ranges from 10.95 per cent to 13.56 per cent, with an overall aggregate average ratio of 12.35 per cent for the study period. Hence, it is concluded that the selected Societies have not used their working funds effectively to earn more income.

4.2. Ratio of Total Income to Total Assets

This ratio measures to what extent the financial institutions use their assets in generating total income. If the ratio is high, the capability of earning income from the assets is also high. This ratio is calculated by dividing the total income by total assets, and thus the formula is.

$$\text{Ratio of Total Income to Total Assets} = \frac{\text{Total Income}}{\text{Total Assets}} \times 100$$

Table 2
Ratio of Total Income to Total Assets of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	10.45	15.29	14.24	14.06	18.58	13.28	13.16	**14.15**
2010-11	10.15	11.67	9.05	12.31	9.02	11.73	13.38	**11.05**
2011-12	9.62	9.89	11.56	12.30	11.56	11.31	11.57	**11.12**
2012-13	11.25	11.91	10.73	13.34	9.54	11.76	11.28	**11.40**
2013-14	11.11	12.08	8.27	12.87	10.14	10.81	11.99	**11.04**
2014-15	11.67	11.70	9.89	13.23	9.83	14.17	11.80	**11.75**
2015-16	9.51	9.31	9.12	11.88	8.56	13.12	10.01	**10.22**
2016-17	7.89	9.90	6.59	10.08	7.71	9.82	9.21	**8.74**
2017-18	6.94	8.19	7.6 8	13.91	7.86	9.22	8.45	**8.89**
2018-19	7.10	6.69	7.62	7.75	7.34	9.01	7.73	**7.60**
Average	***9.57***	***10.66***	***9.47***	***12.17***	***10.01***	***11.42***	***10.86***	***10.60***
SD	***1.72***	***2.40***	***2.25***	***1.93***	***3.27***	***1.75***	***1.93***	***1.85***
CV	***17.95***	***22.54***	***23.74***	***15.87***	***32.66***	***15.36***	***17.78***	***17.44***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

Table 2 presents the total revenue in relation to the total assets for ten years from 2009-10 to 2018-19. The year-wise figures indicate that the selected Societies show a declining trend with fluctuations. The Society-wise average ratio is found to range between 9.47 per cent and 12.17 per cent, showing that the Societies are not even in their performance in terms of this ratio. The overall aggregate average ratio of total income to total assets of these Societies is 10.60 per cent over the ten years. Hence, it can be stated that the earning capacity of the total assets is poor, i.e., the selected Societies have not deployed their assets efficiently towards obtaining maximum income from their operations.

4.3. Ratio of Total Expenditure to Total Income

The Total expenditure includes the interest and the noninterest expenses, while the total income includes both the interest and the noninterest income. The Societies earn their interest income from their lending activities and incur the noninterest income by performing other ancillary services. The noninterest income includes fees, service charges, commission, rent, brokerage, etc. The total expenditure incurred in mobilizing funds has always been in control. This ratio shows the relationship between the total expenses and the total income of the Societies. It is calculated by dividing the total expenses by total income, and thus, the formula is:

$$\text{Ratio of Total Expenditure to Total Income} = \frac{\text{Total Expenditure}}{\text{Total Income}} \times 100$$

Table 3
Ratio of Total Expenditure to Total Income of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	82.06	62.96	81.75	73.47	89.76	79.19	54.58	**74.83**
2010-11	80.36	79.85	91.96	67.57	82.02	74.51	73.48	**78.54**
2011-12	87.02	73.21	88.43	58.75	92.61	84.17	69.82	**79.14**
2012-13	65.71	72.23	87.62	61.12	94.91	78.11	72.71	**76.06**
2013-14	94.11	63.28	78.15	53.66	93.60	93.48	69.26	**77.93**
2014-15	88.83	71.88	86.92	63.62	90.81	73.22	66.72	**77.43**
2015-16	93.99	94.57	94.53	52.07	90.30	71.11	83.70	**82.90**
2016-17	88.50	75.09	92.02	44.95	97.96	74.75	81.21	**79.21**

2017-18	90.75	64.89	92.63	29.69	88.00	66.90	89.23	**74.58**
2018-19	97.69	86.46	92.82	40.35	98.16	68.23	86.46	**81.45**
Average	***86.90***	***74.44***	***88.68***	***54.53***	***91.81***	***76.37***	***74.72***	***78.21***
SD	***9.16***	***10.22***	***5.29***	***13.29***	***4.82***	***7.92***	***10.54***	***2.67***
CV	***10.54***	***13.73***	***5.97***	***24.37***	***5.25***	***10.37***	***14.11***	***3.42***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

It is clear from Table 3 that the Society-wise average ratio of total expenditure to total income of these selected Societies ranges between 54.53 per cent and 91.81 per cent during the period from 2009-10 to 2018-19. The year-wise analysis of the ratio is found to range between 74.58 per cent and 82.90 per cent during the study period. Four out of the seven Societies have registered an average ratio less than the overall aggregate average ratio of 78.21 per cent. This indicates that the selected Societies incur more expenses. In order to increase profitability, a lower ratio is preferable. This is done by effective control over the overheads.

4.4. Ratio of Interest Paid to Interest Earned

The health of the Societies is determined on the basis of interest earned and interest paid. Paying interest on deposits and borrowings is inevitable for any Cooperative Society. This ratio measures to what extent the banks generate profit from their lending operations. If the interest expenses are high, the capability of earning surplus will be low. Hence the Societies should control interest expenses to a certain extent. It is calculated by dividing the interest paid by interest earned, and thus, the formula is:

$$\text{Ratio of Interest Paid to Interest Earned} = \frac{\text{Interest Paid}}{\text{Interest Earned}} \times 100$$

Table 4
Ratio of Interest Paid to Interest Earned of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	**JD PACS**	**JK PACS**	**K PACS**	**M PACS**	**P PACS**	**T PACS**	**V PACS**	**Industry Average**
2009-10	48.55	65.51	55.48	57.65	67.40	58.90	18.13	**53.09**
2010-11	49.31	74.43	65.17	58.44	61.95	58.87	43.18	**58.77**
2011-12	61.66	74.46	60.55	52.64	68.99	64.42	53.85	**62.37**
2012-13	55.81	61.42	63.73	51.66	76.98	60.80	56.10	**60.93**
2013-14	58.60	64.55	69.08	44.72	75.07	79.41	53.95	**63.62**
2014-15	52.81	76.70	59.81	63.03	77.02	58.90	47.99	**62.32**
2015-16	86.61	119.13	55.79	53.43	90.73	50.32	68.00	**74.86**
2016-17	92.70	64.67	67.57	54.82	118.47	51.34	53.33	**71.84**
2017-18	88.34	80.64	65.14	55.78	97.95	45.30	56.93	**70.01**
2018-19	83.16	55.57	63.87	67.82	113.15	47.52	50.50	**68.80**
Average	***67.76***	***73.71***	***62.62***	***56.00***	***84.77***	***57.58***	***50.19***	***64.66***
SD	***17.75***	***17.75***	***4.62***	***6.35***	***19.54***	***9.90***	***12.98***	***6.63***
CV	***26.19***	***24.07***	***7.37***	***11.34***	***23.05***	***17.20***	***25.86***	***10.26***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

Table 4 presents the ratio of interest paid to interest earned of the selected PACSs. From the table, it could be understood that the selected Societies indicate an increasing trend with minor fluctuations during the study period. The fluctuating trend is clear from the industry average, which ranges between 53.09 per cent and 74.86 per cent. The average ratio of individual Societies ranges between 50.19 per cent and 84.77 per cent during the ten years of the reference period. The overall aggregate average ratio of the selected Societies is 64.66 per cent, which indicates that the selected Societies have incurred more interest expenses than the interest earned, resulting in poor profitability performance of these Societies. Hence the Societies should maintain a higher interest income to meet the increasing interest expenses.

4.5. Ratio of Interest Expenses to Total Income

The ratio of interest expenses to total income measures to what extent the total income is to make use of for payment of interest on both borrowings and deposits. If the ratio is high, the total income drained by way of interest expenses is also high. This ratio is calculated by dividing the interest expenses by the total income, and thus the formula is:

$$\text{Ratio of Interest Expenses to Total Income} = \frac{\text{Interest Expenses}}{\text{Total Income}} \times 100$$

Table 5
Ratio of Interest Expenses to Total Income of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	41.25	33.86	36.29	44.96	24.16	43.98	12.17	**33.81**
2010-11	42.85	42.15	52.58	51.64	52.74	47.05	28.93	**45.42**
2011-12	44.25	52.43	49.66	50.84	49.67	57.34	43.63	**49.69**
2012-13	42.54	48.65	59.16	49.98	65.65	57.45	48.11	**53.08**
2013-14	47.58	45.83	57.09	42.59	63.91	75.18	45.86	**54.01**
2014-15	42.75	50.15	54.01	52.76	63.52	53.35	40.34	**50.98**
2015-16	58.77	73.62	48.95	41.45	64.81	48.28	56.01	**55.98**
2016-17	50.88	35.79	56.97	32.81	67.14	49.52	51.00	**49.16**
2017-18	54.80	39.73	54.05	19.09	59.85	41.79	52.44	**45.96**
2018-19	51.77	45.29	51.55	28.10	65.16	41.70	46.21	**47.11**
Average	***47.74***	***46.75***	***52.03***	***41.42***	***57.66***	***51.57***	***42.47***	***48.52***
SD	***6.03***	***11.20***	***6.43***	***11.35***	***13.12***	***10.08***	***13.00***	***6.23***
CV	***12.64***	***23.96***	***12.36***	***27.40***	***22.76***	***19.55***	***30.60***	***12.83***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

It is clear from Table 5 that the average ratio of interest expenses to the total income of the selected Societies shows a varying trend, which ranges between 41.42 per cent and 57.66 per cent across the Societies. The overall aggregate average ratio of 48.52 per cent shows that nearly 49 per cent of the total income is utilized to pay interest on both borrowings and deposits. The industry average ratio fluctuated between 33.81 per cent and 55.98 per cent for the entire ten-year period. The K PACS, P PACS and T PACS have recorded an average ratio more than the overall aggregate ratio. Therefore, these Societies need to take appropriate steps to minimize their interest expenses so as to ensure profits.

4.6. Ratio of Interest Income to Total Income

The ratio of interest income to total income reveals the efficiency of the Societies in the recovery of loans and in choosing profitable investment avenues. The interest income is the income that comes from the bank's core business of lending. The total income of the PACSs includes interest income as well as noninterest income. This ratio is obtained by dividing the interest income by the total income of the society. It is calculated by using the following formula.

$$\text{Ratio of Interest Income to Total Income} = \frac{\text{Interest Income}}{\text{Total Income}} \times 100$$

Table 6
Ratio of Interest Income to Total Income of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	84.96	51.68	65.42	77.99	35.84	74.68	67.14	**65.39**
2010-11	86.90	56.63	80.67	88.35	85.14	79.93	67.01	**77.81**
2011-12	71.77	70.42	82.02	96.59	72.00	89.01	81.02	**80.41**
2012-13	76.22	79.21	92.83	96.75	85.28	94.49	85.76	**87.22**
2013-14	81.19	71.00	82.64	95.25	85.14	94.68	85.00	**84.99**
2014-15	80.96	65.39	90.29	83.71	82.48	90.57	84.05	**82.49**
2015-16	67.85	61.80	87.74	77.57	71.43	95.96	82.37	**77.82**
2016-17	54.88	55.33	84.31	59.84	56.67	96.46	95.63	**71.88**
2017-18	62.03	49.27	82.97	34.22	61.10	92.25	92.12	**67.71**
2018-19	62.26	81.50	80.70	41.43	57.59	87.75	91.52	**71.82**
Average	***72.90***	***64.22***	***82.96***	***75.17***	***69.27***	***89.58***	***83.16***	***76.75***
SD	***10.90***	***11.22***	***7.41***	***22.70***	***16.42***	***7.19***	***9.66***	***7.34***
CV	***14.95***	***17.47***	***8.94***	***30.20***	***23.70***	***8.02***	***11.61***	***9.56***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

The details presented in Table 6 shows that the society-wise average ratio of interest income to the total income of the selected PACSs varies between 64.22 per cent and 89.58 per cent during the study period. The industry average ratio of all the Societies ranges between 65.39 per cent and 87.22 per cent during this period. The overall aggregate average ratio of the interest income to the total income is 76.75 per cent, which states that around 77 per cent of the total income is earned by the interest income. Thus, the performance of these Societies in this regard is quite satisfactory.

4.7. Ratio of Interest Expenses to Total Expenses

The components of the total expenditure of the Cooperative Societies are interest paid on deposits and borrowings, salary, rent, electricity charges, stationary and other operational overheads. To raise the source of funds, the Societies have to mobilize the deposits and borrow funds from other financial agencies. Both the activities attract a cost by way of payment of interest. This ratio is obtained by dividing the interest expenses by the total expenses of the society. It is calculated by using the following formula.

$$\text{Ratio of Interest Expenses to Total Expenses} = \frac{\text{Interest Expenses}}{\text{Total Expenses}} \times 100$$

It is understood from Table 7 that the ratio of interest expenses to total expenses of the selected Societies has ranged between 55.13 per cent and 75.48 per cent during the study period. Only three Societies have registered below the industry average performance, while the other Societies have recorded relatively high performance in terms of this ratio. The industry average ratio of all the Societies ranges between 44.91 per cent and 70.05 per cent. The overall aggregate average ratio for the entire study period is 62.54 per cent indicating that interest expenses occupy the major portion of the society's total expenditure.

Table 7
Ratio of Interest Expenses to Total Expenses of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	50.26	53.77	44.39	61.20	26.91	55.54	22.30	**44.91**
2010-11	53.33	52.79	57.18	76.42	64.30	63.15	39.38	**58.08**

2011-12	50.86	71.61	56.16	86.54	53.64	68.12	62.50	**64.20**
2012-13	64.73	67.35	67.52	81.78	69.17	73.55	66.17	**70.04**
2013-14	50.56	72.43	73.05	79.37	68.28	80.43	66.21	**70.05**
2014-15	48.13	69.77	62.14	82.93	69.95	72.86	60.45	**66.61**
2015-16	62.53	77.85	51.78	79.61	71.77	67.90	66.91	**68.33**
2016-17	57.48	47.66	61.90	72.98	68.54	66.25	62.81	**62.52**
2017-18	60.38	61.22	58.35	64.30	68.00	62.48	58.77	**61.93**
2018-19	53.00	52.38	55.53	69.63	66.39	61.11	53.45	**58.78**
Average	***55.13***	***62.68***	***58.80***	***75.48***	***62.70***	***67.14***	***55.89***	***62.54***
SD	***5.77***	***10.48***	***8.01***	***8.30***	***13.54***	***7.16***	***14.38***	***7.53***
CV	***10.47***	***16.72***	***13.62***	***11.00***	***21.59***	***10.66***	***25.73***	***12.04***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

4.8. Ratio of Noninterest Income to Total Income

By extending other services, the Cooperative Societies earn a sizeable income, which forms part of the total income. It is said to be the noninterest income. It excludes the interest income from advances and investments. The ratio of the noninterest income to the total income measures to what extent the income from other services occupies the total income. It is calculated by dividing the noninterest income by interest income, and thus the formula is:

$$\text{Ratio of Noninterest Income to Total Income} = \frac{\text{Noninterest Income}}{\text{Total Income}} \times 100$$

It is inferred from Table 8 that the ratio of noninterest income to the total income across the Societies ranges between 10.42 per cent and 35.78 per cent during the study period. The overall aggregate average ratio of the selected Societies is 23.25 per cent indicating that the noninterest income accounts for 23.25 per cent in terms of the total income of the selected Societies. When compared to the overall aggregate average ratio, the noninterest income is lower in K PACS with 17.04 per cent, in T PACS, it accounts for 10.42 per cent and in V PACS it accounts for 16.84 per cent. In recent years the growth of noninterest income has been vital for the development of the Cooperative Societies. Hence, these Societies should focus more on nonbanking activities.

Table 8
Ratio of Noninterest Income to Total Income of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	15.04	48.32	34.58	22.01	64.16	25.32	32.86	**34.61**
2010-11	13.10	43.37	19.33	11.65	14.86	20.07	32.99	**22.19**
2011-12	28.23	29.58	17.98	3.41	28.00	10.99	18.98	**19.59**
2012-13	23.78	20.79	7.17	3.25	14.72	5.51	14.24	**12.78**
2013-14	18.81	29.00	17.36	4.75	14.86	5.32	15.00	**15.01**
2014-15	19.04	34.61	9.71	16.29	17.52	9.43	15.95	**17.51**
2015-16	32.15	38.20	12.26	22.43	28.57	4.04	17.63	**22.18**
2016-17	45.12	44.67	15.69	40.16	43.33	3.54	4.37	**28.12**
2017-18	37.97	50.73	17.03	65.78	38.90	7.75	7.88	**32.29**
2018-19	37.74	18.50	19.30	58.57	42.41	12.25	8.48	**28.18**
Average	***27.10***	***35.78***	***17.04***	***24.83***	***30.73***	***10.42***	***16.84***	***23.25***
SD	***10.90***	***11.22***	***7.41***	***22.70***	***16.42***	***7.19***	***9.66***	***7.34***
CV	***40.22***	***31.35***	***43.51***	***91.43***	***53.42***	***68.97***	***57.35***	***31.57***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

4.9. Ratio of Noninterest Expenses to Total Expenses

The noninterest expenses include wages, establishment expenditure, rent, taxes, printing and stationery, depreciation, allowances and contribution to employees' provident fund, auditor's fees, legal charges, expenses for postage, telegrams and telephones, repairs and maintenance, insurance, etc. If the noninterest expenses are high, the total expenses are also high. So a decrease in noninterest expenses increases the net profit or surplus of the Societies. This ratio is calculated by dividing the noninterest expenses by the total expenses, and thus the formula is:

$$\text{Ratio of Noninterest Expenses to Total Expenses} = \frac{\text{Noninterest Expenses}}{\text{Total Expenses}} \times 100$$

It is observed from Table 9 that the noninterest expenses to total expenses ratio of selected Societies showed a wavering trend and ranges between 24.52 per cent and 44.87 per cent across the Societies taken for the study. Among the selected seven Societies, JD PACS has maintained an average ratio of 44.87 per cent, K PACS 41.20 per cent and V PACS 44.11 per cent during the last decade. This ratio is higher than the overall aggregate average ratio of 37.46 per cent. Hence, these selected Societies are spending more than one-third of their total expenses as noninterest expenses. This should be reduced to earn a sufficient profit.

Table 9
Ratio of Noninterest Expenses to Total Expenses of the Selected PACSs from 2009-10 to 2018-19
(In %)

Year	JD PACS	JK PACS	K PACS	M PACS	P PACS	T PACS	V PACS	Industry Average
2009-10	49.74	46.23	55.61	38.80	73.09	44.46	77.70	**55.09**
2010-11	46.67	47.21	42.82	23.58	35.70	36.85	60.62	**41.92**
2011-12	49.14	28.39	43.84	13.46	46.36	31.88	37.50	**35.80**
2012-13	35.27	32.65	32.48	18.22	30.83	26.45	33.83	**29.96**
2013-14	49.44	27.57	26.95	20.63	31.72	19.57	33.79	**29.95**
2014-15	51.87	30.23	37.86	17.07	30.05	27.14	39.55	**33.39**
2015-16	37.47	22.15	48.22	20.39	28.23	32.10	33.09	**31.67**
2016-17	42.52	52.34	38.10	27.02	31.46	33.75	37.19	**37.48**
2017-18	39.62	38.78	41.65	35.70	32.00	37.52	41.23	**38.07**
2018-19	47.00	47.62	44.47	30.37	33.61	38.89	46.55	**41.22**
Average	***44.87***	***37.32***	***41.20***	***24.52***	***37.30***	***32.86***	***44.11***	***37.46***
SD	***5.77***	***10.48***	***8.01***	***8.30***	***13.54***	***7.16***	***14.38***	***7.53***
CV	***12.86***	***28.08***	***19.44***	***33.84***	***36.29***	***21.79***	***32.60***	***20.11***

Source: Computed from Published Annual Reports of the respective PACSs (2009-10 to 2018-19)

V. CONCLUSION

To sum the foregoing analysis, the ratio of total income to working funds of the selected Societies is found to be low and the Societies have not used their working funds productively during the study period. The ratio of total income to total assets shows a declining trend throughout the study period. The earning capacity of the total assets has been poor, i.e., the selected Societies have not employed their assets effectively towards generating more income. The industry average ratio of total expenditure to the total income of the selected Societies ranges between 74.58 percent and 82.90 per cent, registering an overall aggregate average ratio of 78.21 per cent. The industry average ratio of interest paid to interest earned shows a wavering trend, and it ranges between 53.09 per cent and 74.86 per cent. The overall aggregate average ratio of all the selected Societies is 64.66 per cent. This states that the selected Societies incur nearly 65 per cent as interest expenses than the interest earned.

The selected Societies have utilized around 49 per cent of their total income for paying the interest expenses. The interest income is the main income which covers an average of 76.75 per cent of the total income. This trend is good for the growth of the society in the competitive environment. The industry average ratio of interest expenses to total expenses of all the Societies ranges from 44.91 per cent to 70.05 per cent, registering an overall aggregate average ratio of 62.54 per cent. This indicates that the interest expenses occupy a major proportion of the Society's total expenditure. The overall aggregate average ratio of noninterest income to total income is only 23 per cent. The overall aggregate average ratio of noninterest expenses to total expenses is 37.46 per cent for all the selected Societies. This states that the Societies are spending more than one-third of their total expenses against noninterest expenses. This ratio should be as low as possible for the development of PACs.

VI. SUGGESTIONS

In the near future, PACSs will have to face more challenges from the other financial institutions. Hence, they should take more effective steps to improve their operational efficiency and reduce their overhead expenses.

- As per the above research, it is suggested that the Societies should utilize all their total assets and working funds to the maximum potential to increase their earnings in the future.
- The Societies incur more interest expenses than interest income. It leads to lower operational efficiency and profitability. Hence the Societies need to take efforts to reduce the interest expenses and also keep these expenses within limits and thereby earn more profit.
- It is also suggested that the Societies are advised to diversify their ancillary services in order to boost their noninterest income and expand their business.
- The noninterest expenses should be controlled and minimized by the Societies to the extent possible for generating profit.

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