**INTRODUCTION**

Agriculture sector needs finance, short-term, medium-term and long-term loan to get better production both in the terms of quantity and quality. Multipurpose agricultural co-operative credit societies are set up for financing the short-term and medium-term needs of the farmers. The basic purpose to encourage co-operatives in agricultural sphere was to get rid of the exploitation of farmers by indigenous bankers or money-lenders who charge high rate of interest and takes various types of charges as well as in kind of land from farmers.

Farmers need finances for purchasing high yield varieties of seeds, fertilizers, pesticides and agricultural implements. These agricultural inputs are also made available through co-operative societies which are functioning level. Multipurpose agricultural co-operative credit societies are set up under the co-operative act and rules and their members get the limited finance from these societies in the month of June-July every year so that they are able to purchases the various inputs to be used in agricultural sector. The Multipurpose agricultural co-operative credit societies provide short-term finance to the farmers. The very back-bone of our economy is agricultural sector which should be developed on strong and sufficient lines.

Multipurpose agricultural co-operative credit societies as economic institution play a very important role at the grass roots level in the development of local areas.

They are not only multipurpose organizations catering to the needs of diverse sectors of society, but they are also multifunctional organizations a host of activities like banking, in out supplies, marketing produce and trading in consumers goods.

Hence effective performance of multipurpose agricultural co-operative credit societies would be crucial for satisfying the needs of members in particular and the needs of the general public in their respective area in general.

This approach, the authors point out is different from that used in accounting and financial management literature, which average transaction cost as a percentage of liabilities. But as the authors further point out that this can be derived from the estimate based on the approach used in their study by
simply doubling the cost since liabilities equal assets. While discussing the profitability of the RFIs authors state that besides transaction costs any financial institution has to bear financial costs. These financial costs plus the transaction costs make up the total costs.

The authors reveal that the functioning and performance of multifunctional primary agriculture co-operative credit societies is distinctively better than the non multifunctional primary agriculture co-operative credit societies. The multifunctional primary agriculture co-operative credit societies fared better than the non-multifunctional primary agriculture co-operative credit societies in the following aspects:

1. Multifunctional primary agriculture co-operative credit societies reached a larger proportion of rural household and had higher percentage of borrowing members.
2. Multifunctional primary agriculture co-operative credit societies had larger share of deposits to liable funds.
3. It loaded larger average amount of loan per member and had a larger share of loans in kind for short term loans.
4. It had larger share of non-financial operations which provided greater opportunities of revenue.
5. Delinquency rate was distinctively less in the multifunctional primary agriculture credit societies.
6. Average transaction costs as well as total costs were lower in multifunctional primary agriculture co-operative credit societies profitability and dividend rate were also higher.

Authors further point that the farmers in the area of multifunctional primary agriculture co-operative credit societies used more resources, used technology better, had more income per hectar and a higher rate of return to family capital, labor and land. The authors reveal that multifunctional primary agriculture co-operative credit societies had better leadership, the upper level federal organisation made more loan available to it, including marketing credit which enabled it undertake input distribution.

Further it had larger storage facilities enabling it to undertaking input distribution and lastly the managing committee and the general membership
was more committed to their organisation.