

# A STUDY OF FINANCIAL PERFORMANCE OF SELECTED PRIMARY AGRICULTURE COOPRATIVE SOCIETY IN GANDEVI TALUKA

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**Abstract:** The Financial Statements are generally prepared for the measurement of financial position of a particular company for a particular period of time. The financial statements i.e. (i) Profit and loss account and (ii) Balance sheet provide useful information regarding financial situation of company. The information has its own value, but if someone wants to have better judgment of the concern, he has to analyse them. This paper provides the guidelines about analysis of Profitability ratio of The Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd., located at Navsari District in Gandevi taluka.

## I. INTRODUCTION

Financial Analysis is the art and science of examining and drawing inferences from the financial statements, Financial Analysis also known as analysis and interpretation of financial statements. It refer to the process of determining financial strength and weakness of the company by studying relationship various financial factors in a business disclosed by a single set of statements and a study of the these factors as shown in series of statements. The financial analyst needs certain tools to be applied on various financial aspects. One of the powerful and widely used tools is ratio. Ratios express the numerical relationship between two or more related variables/values. This relationship can be expressed as percentages, times or proportion of numbers. Accounting ratios are used to describe significant relationships, which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in any other part of the accounting organization. Weaknesses of a company relative to that of other companies in the same industry. The analysis also reveals whether the company's financial position has been improving or deteriorating over a period of time.

### About Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd.:

It was registered on 23 January 1961 and has a trademark of MKM. There are only 326 members and it operates in only one village i.e. Manekpur. Main activities are distribution of agricultural inputs, pooling of chikoo, banana paddy, and mango produce, selling of food grains edible oils and other seasonal items. Average pooling of chikoo is 1,200 mt/year. Other activities include selling of pvc pipes, steel, cement, cement sheets etc. The capital, reserves and net profit of this society was `1, 53,800 , `1,57,247 and `48,362 respectively in the year 2004-05. The total sales, net profit and capital were `2, 17,18,113 `1,08,958 and `1,98,400 in the year 2013-14 respectively.

## II. LITERATURE REVIEW

Madhava Das K. (1960) "E.M.Hough's: Co-operative Movement in India" suggested valuable suggestions to overcome the deficiencies or weaknesses founds in Indian cooperative. He observed that co-operative marketing and processing has lagged far behind co-operative credit, therefore, integration of co-operative credit and marketing was essential. He suggested that the loans only be given by the co-operative society to a member who undertakes to sell his produce through a marketing society to which the credit society is linked. Secondly, the main problem of co-operative development in India was the building up of a sound structure of co-operation in the various States, particularly at the village level. The co-operative credit structure itself, at all levels, but particularly at the primary and district levels, was weak. The problem of finding resources ranked very much below this prime requisite. For sound development of co-operatives author stressed on improvement in administration structure i.e. better-qualified supervisors, auditors, bank managers etc. He mentioned that for the development of the cooperative credit, sound arrangements of audit and supervision should be made.

Dubhashi P.R. (1969) in the paper titled "Strategy of Co-operative Development" explained that the term "Strategy of Development" came into popular trend with its increasing use in literature on economic development. The strategy of future development evolved out of the past experience and stages through which development took place. He explained that the stages of the evolution had always been thought of by social thinkers i.e. Karl Marx and Rostow. As the co-operative movement was spread to different countries in the world, it became clear that co-operative movement had different origins and different lines of development. The co-operative movement started as a small local discrete activity isolated instances rather than as part of a grand design or a coordinated plan of development. The author took a brief review of the evolution of the co-operative movement in the world and the development of the various types of co-operatives. He explained that the possibility of cooperative development originating in one of the sectors of the economy like the distributive sector or the marketing sector and spreading itself over through a kind of a general process to other sectors, as well as, possibilities of a fruitful inter-co-operative relationship depended on the development of internal economic strength within the particular sector. He focused on the development process of Indian economy. The progress of the co-operative movement in India measured with the increasing numbers of co-operative societies, on the contrary, in western countries it was measured by the reduction in numbers, it means the progress was measured by the elimination of hundreds and hundreds of small co-operatives and their consolidation into bigger units with greater strength.

Desai and Reddy (1990) "Cooperative approach to agricultural management" studied the crucial factors responsible for the success of Andhra Pradesh Co-operative Oilseed Growers Federation i.e. development of village level organizations involving local people, arrangement for marketing and price support, timely availability of technological guidance, etc.

Suresh K.A., Joseph Molly (1990) "Co-operatives and Rural Development in India", analyzed the different rural development programmes implemented by government of India. The role of the co-operatives under the five year plans and the major types of functional co-operatives as agents of rural development were enunciated by author with historical background. In the study, the authors studied credit co-operatives of Kerala, the leading State in co-operative movement in India. In the study the review of co-operative efforts revealed that the functions and performance of co-operatives were affected by many factors. Co-operatives rarely functioned on co-operative principles and did not act as an effective instrument of social transformation. Analysis of impact of co-operative credit on production revealed that the supply of credit was inadequate to meet the production needs, a portion of the limited supply of credit was diverted and finally whatever was used for production had no statistical significant impact on income for which the credit was available. The impact on distribution showed that only 1.19% of beneficiaries hailed from low income group who received about 0.64% of total loans disbursed. Thus the study showed that business efficiency did not necessarily mean organizational efficiency and both may even move in opposite directions and co-operatives were not different from other forms of business organization. The author focused on several organizations involved in rural development such as government, co-operatives, voluntary organizations, commercial banks, industrial houses, etc. About eleven rural development programmes were explained in detailed, the major operational approaches of these programmes were reformist, functional, target and total approach. The author explained that most of the programmes were welfare programmes without any impact on income and employment directly. Success stories of cooperatives like Amul, IFFCO, Warna, etc. showed that they were simultaneously working on the basis of sound canons of business and organizational objectives.

Kainth (1997) "Co-operative movement in India- A Comparative View", observed that there was an urgent need for a strong political will at all levels to promote co-operativisation of common pool of the natural resources of the country. The co-operative leadership should play a more vigorous role in lobbying for necessary changes in the existing laws, rules and regulations.

#### OBJECTIVES OF THE STUDY

- To Study analyze the profit ability performance of Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd.,
- To examine the profitability position of the selected cooperative society.
- To offer suggestions to improve the financial performance of the select co-operative society.

#### RESEARCH METHODOLOGY

The Study is based on secondary data collected for a period of last Five years from the annual reports (2009-10 to 2013-14) The data collected has been tabulated, classified and analysed to achieve the objectives of the study using key financial ratios. Like Profitability Ratio (Gross profit ratio, Net profit ratio and Operating ratio).

#### III. RATIO ANALYSIS OF DATA

The term profitability means the profit earning capacity of any business activity. Thus, profit earning may be judged on the volume of profit margin of any activity and is calculated by subtracting costs from the total revenue accruing to a firm during a particular period. Profitability Ratio is used to measure the overall efficiency or performance of a business. Generally, a large number of ratios can also be used for determining the profitability as the same is related to sales or investments. The important Profitability ratios are:

1. Net Profit Ratio

2. Operating Profit Ratio

3. Gross Profit Ratio

#### DATA ANALYSIS AND INTERPRETATION:

##### Tools Used for Analysis of the Data

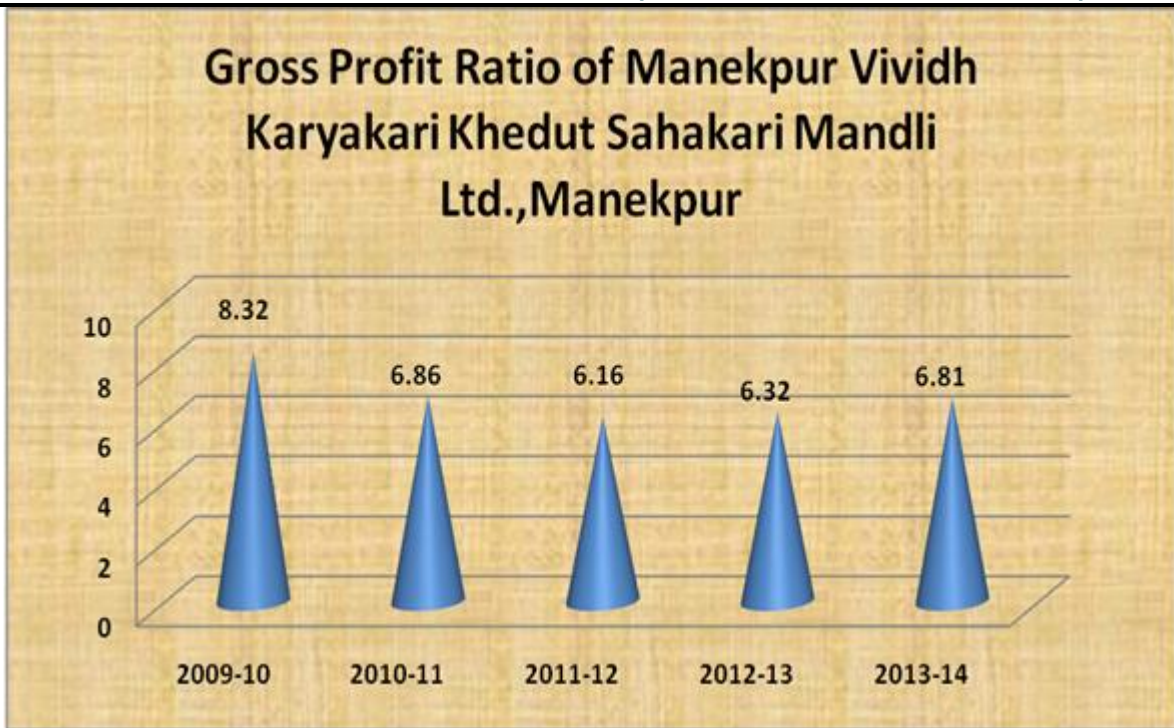
The data has been analyzed by using the following tools.

##### Ratio Analysis:

##### 1. Gross profit Ratio :

**Table 1: Gross Profit Ratio of Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd.,manekpur**

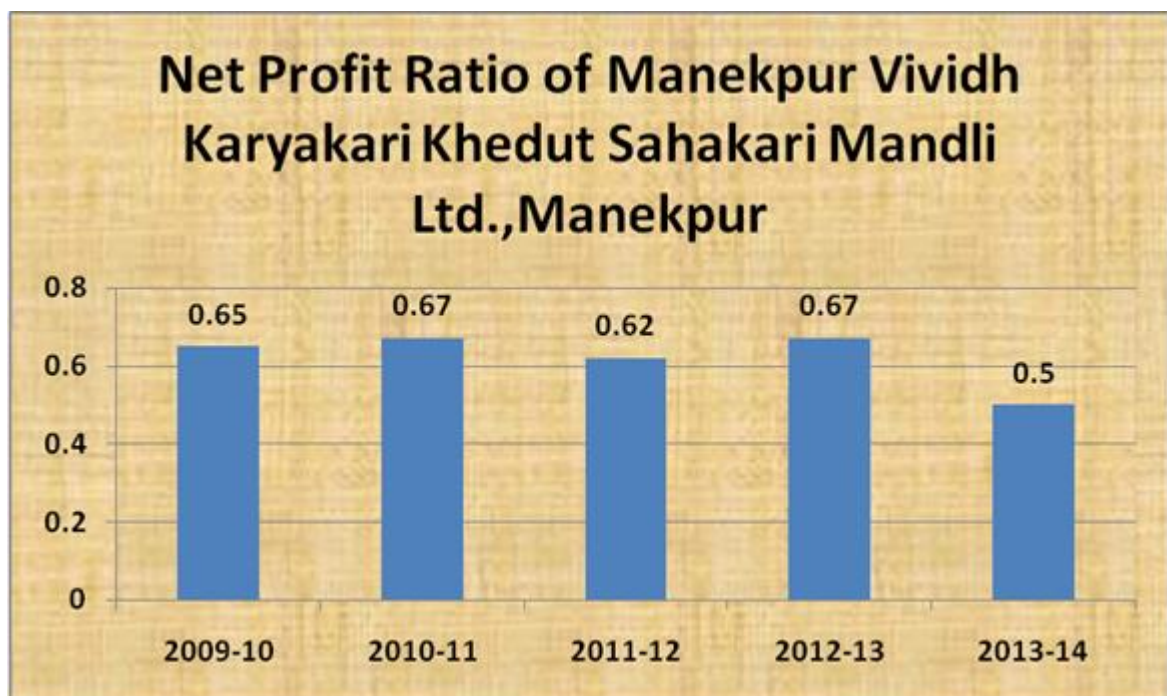
Year	Gross Profit ratio
2009-10	8.32
2010-11	6.86
2011-12	6.16
2012-13	6.32
2013-14	6.81



From the Above table f Manekpur Cooperative society has Gross profit ratio shows the margin of profit. A high gross profit ratio is a great satisfaction to the management. It represents the low cost of goods sold. Higher the rate of gross profit, lower the cost of goods sold. It is clear from the table that the gross profit ratio is falling year by year. For the year 2009-10 the Gross Profit ratio was 8.32%. And it has decreased to 6.86% in the year 2010-11 and also it has decreased 6.16 in the year 2011-12. Its increased 6.32 in year 2012-13 and shows 6.81 in year 2013-14.Hence it was found that the Gross profit Ratio was Not Good average found. It is clearly indicating low average trend in the last year. The management has to take steps to increase the Gross profit ratio. The cost of the goods sold appears to be at Medium side and the sales also needs to be increased with more margins to keep the Gross profit ratio at higher end.

**Table 2: Net Profit Ratio of Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd.,manekpur**

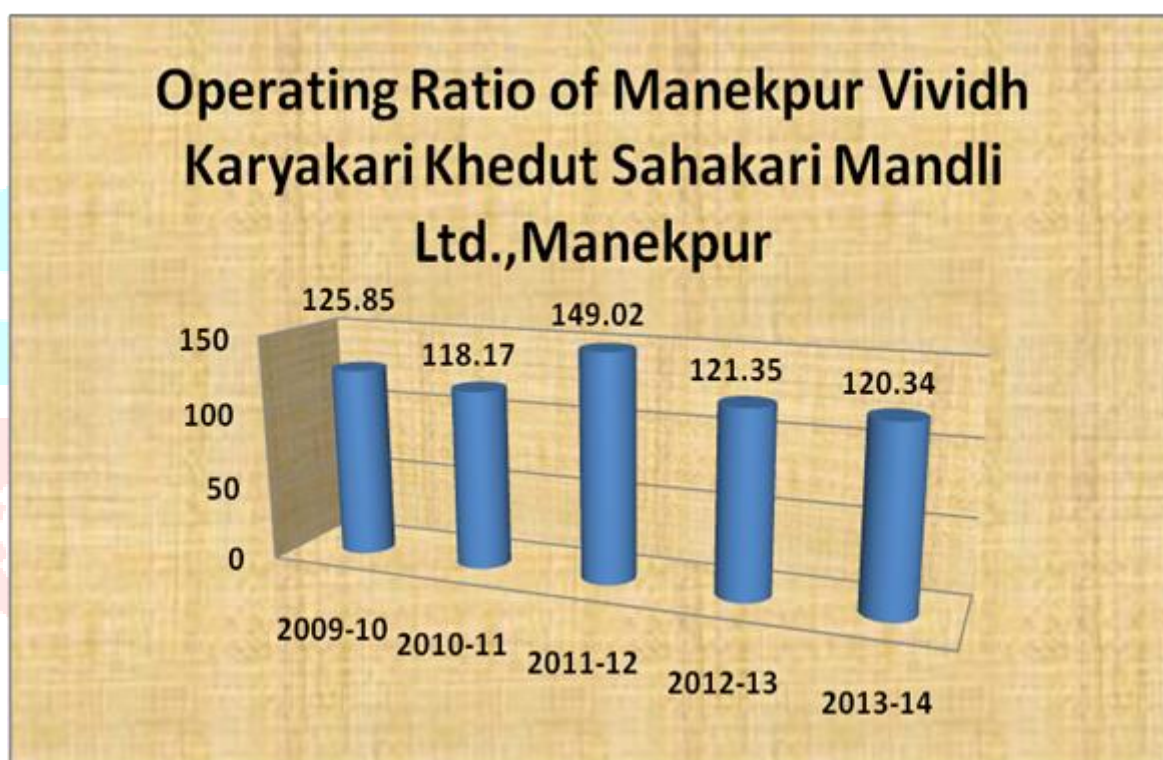
Year	Net profit ratio
2009-10	0.65
2010-11	0.67
2011-12	0.62
2012-13	0.67
2013-14	0.50



Above table and graph manekpur Cooperative society has Net profit ratio. The net profit ratio establishes the relationship between net profit and sales, and indicates the overall efficiency of the management in manufacturing, selling, administrative and other activities of the Company. This Net profit ratio also gives the firm's capacity to face adverse economic conditions such as price competition, low demand etc. Obviously higher the ratio, the better is the profitability. From above figures clear that in 2009-10 the net profit ratio was 0.65 % which can say satisfactory, cooperative society improved ratio in 2010-11 to 0.67 %, and net profit ration decreased in year 2011-12 to 0.62%.again its increase 0.67 in year 2012-13.than after net profit ratio decreased 0.50 in year 2013-14. to in efficiency in operation as well as in management which is not good indication to investors. In 2010-11 cooperative society Recovered from the situation but again decreased year 2011-12 and also year 2013-14 so cooperative society could not maintain this good position for long time net profit ratio. So cooperative society should concentrate on minimization of the expenses.

**Table 3: Operating Ratio of Manekpur Vividh Karyakari Khedut Sahakari Mandli Ltd.,manekpur**

Year	Operating Ratio
2009-10	125.85
2010-11	118.17
2011-12	149.02
2012-13	121.35
2013-14	120.34



Above table and graph showing the Operating Ratio is calculated to measure the relationship between total operating expenses and sales. The total operating expenses is the sum total of cost of goods sold, office and administrative expenses and selling and distribution expenses. In other words, this ratio indicates a firm's ability to cover total operating expenses. This ratio is very important for analyzing the profitability of concern. A high operating ratio is not good since it would leave a small amount of operating income to meet interest, dividends etc. for getting a proper idea of behavior of operating expenses, the ratio has to be compared with different firms. Operating Ratio is calculated to measure the relationship between total operating expenses and sales. The total operating expenses is the sum total of cost of goods sold, office and administrative expenses and selling and distribution expenses. In other words, this ratio indicates a firm's ability to cover total operating expenses. The highest was 149.02 in the year 2011-12 and the lowest 118.17 in the year 2010-11 .

#### **FINDINGS:**

The gross profit ratio is falling year by year. For the year 2009-10 the Gross Profit ratio was 8.32%. And it has decreased to 6.86% in the year 2010-11 and also it has decreased 6.16 in the year 2011-12 .its increased 6.32 in year 2012-13 and shows 6.81 in year 2013-14.Hence it was found that the Gross profit Ratio was Not Good average found. It is clearly indicating low average trend in the last year. The management has to take steps to increase the Gross profit ratio. The cost of the goods sold appears to be at Medium side and the sales also needs to be increased with more margins to keep the Gross profit ratio at higher end.

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profit ratio. So cooperative society should concentrate on minimization of the expenses. Operating Ratio was highest 149.02 in the year 2011-12 and the lowest 118.17 in the year 2010-11.

#### IV. CONCLUSION

It can be concluded from the study of 5 financial periods of Cooperative society, manekpur in Gandevi taluka the maximum Financial Indicators of cooperative society are not at a very good position but Medium Situation. From the analysis of main Financial Indicators it is clear that Gross Profit ratio, Net profit ratio, And operating profit ratio etc. are at a Medium position.

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