



A Study of Profitability of Selected APMCs of Saurashtra Region

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ABSTRACT

The Agriculture sector contributes considerable amount in the national income of the Indian economy and also provide large number of employment opportunity in the country. The defects can be removed through establishment of regulated markets (APMCs). The word 'Profitability' is composed of two words "profit and ability." The net profit margin indicates the management's ability to earn sufficient profit on not only to cover all revenue operating expenses of the business. The cost borrowed fund and cost of business (including depreciation), the cost of borrowed fund and cost of merchandising of servicing but also to have sufficient margin to pay reasonable compensation to shareholders on their contribution to the firm.

KEYWORDS: Profitability, ratio, APMCs, Net Profit ratio

INTRODUCTION

The Agriculture sector plays a vital role in the growth of the Country. It contribute considerable amount in the national income of the Indian economy and also provide large number of employment opportunity in the country. The

The history of marketing started long before, from barter system of marketing in primitive age to e-commerce in this electronic era. Despite this, various malpractices are still exercised by marketing intermediaries at various stages of marketing. This problem is comparatively more acute in agricultural marketing because it is one of the unorganized and under-managed sectors particularly in India. The defects can be removed through establishment of regulated markets (APMCs). Operational efficiency can be measured by the profitability of APMCs.

The word 'Profitability' is composed of two words "profit and ability. Thus,

Profitability = profit + ability

For the accounting purpose the profit is the difference between total revenue and total expenses over a period of time. The term ability is also referred to "earning power" or "operating performance of the concerned investment. In the words of Haward and Upton "profitability is the ability of a management in given investment to earn a return from its use."

PERIOD OF STUDY, DATA COLLECTION AND DATA ANALYSIS

The study is based on secondary data taken from published annual reports of APMCs. The published annual reports of APMCs of Saurashtra region are collected from the offices of APMCs, Various publications of the APMCs would also be considered for data collection purpose.

The present study has been made for ten years from 1999-2000 to 2008-2009. Various reports and publication is used for this purpose. Other information related to the APMCs has been collected from Economic time, financial express, other periodicals, Journals and from various relevant Websites.

The collected data and information is duly edited, classified and analyzed by appropriate ratio. The data were presented through simple classification and with the help of percentage, average, etc.

SAMPLES OF THE STUDY

- (1) APMC Amreli
- (2) APMC Bhavnagar
- (3) APMC Junagadh
- (4) APMC Hapa (Jamnagar)
- (5) APMC Rajkot
- (6) APMC Wadhwan (Surendranagar)

Net Profit Ratio

Net Profit margin is good indicator of the management. "The net profit margin indicates the management's ability to earn sufficient profit on not only to cover all revenue operating expenses of the business. The

cost borrowed fund and cost of business (including depreciation), the cost of borrowed fund and cost of merchandising of servicing but also to have sufficient margin to pay reasonable compensation to shareholders on their contribution to the firm. As pointed out by van Horn, this ratio, "this ratio tales us the relative efficiency of the firm after taking into account all expenses and taxes but not extraordinary charges.

Net profit ratio expresses the relationship between net profits after taxes to sale, in present study revenue, as APMCs are not manufacturing firm. The Net profit margin ratio is calculated by dividing the amount of net surplus by amount of operating revenue multiplying by 100. The formula for calculating the ratio is:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Revenue}} \times 100$$

A high ratio of Net profit to revenue is a sign of managerial effectiveness as it ensures adequate return to the proprietors while a low net profit ratio indicate that firm is fail to achieve satisfactory return to owners. The following table showed Net profit ratio of all APMCs under study.

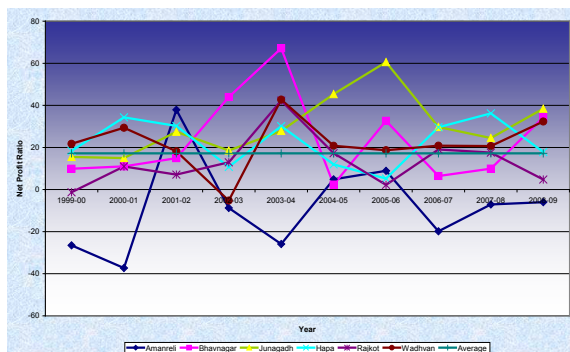
Table
Net Profit Ratio of APMCs from 1999-00 to 2008-09

Year	APMC Amreli	APMC Bhavnagar	APMC Junagadh	APMC Hapa	APMC Rajkot	APMC Wadhwan
1999-00	-26.53	9.87	15.48	18.37	-1.28	21.76
2000-01	-37.28	11	14.96	34.31	10.95	29.39
2001-02	37.89	14.91	27.45	30.24	7.09	18.18
2002-03	-8.73	43.96	18.54	10.72	12.95	-5.22
2003-04	-25.88	67.11	27.84	30.12	42.25	42.76
2004-05	4.88	2.34	45.34	11.94	17.3	20.79
2005-06	8.92	32.66	60.55	5.2	2.2	18.7
2006-07	-19.81	6.43	29.74	29.59	19.06	20.85
2007-08	-7.06	9.95	24.47	36.19	17.57	20.68
2008-09	-5.98	34.27	38.45	17.82	4.77	32.33
Average	-7.96	23.25	30.28	22.45	13.29	22.02
Average of All APMCs Under Study 17.22						

Source: Computed and Compile from the Annual Reports of Sampled APMCs

Chart

Net Profit Ratio of APMCs from 1999-00 to 2008-09



Source: Computed and Compile from the Annual Reports of Sampled APMCs

APMC Amreli

In APMC Amreli net profit ratio showed fluctuating trend during study period. The ratio was negative during first two year of study period. It was -26.53 per cent and -37.28 per cent (lowest during study period) in the year 1999-00 and 2000-01. The ratio increased with rocket Jump to positive 37.89 per cent, the highest ratio in the year 2001-02. Then it decreased and started negative trend during next two years it was -8.73 per cent and -25.88 per cent in the years 2002-03 and 2003-04 respectively. The ratio showed increasing trend during the year 2004-05 and 2005-06 when it was 4.88 per cent and 8.92 per cent respectively. Then again the ratio witnessed negative during last three years of study period. It was -19.81, -7.06 per cent and -5.98 per cent in the year 2006-07, 2007-08 and 2008-09 respectively. The average ratio of this APMC was negative 7.96 per cent which is lowest among average ratio (17.22) per cent of all APMCs under study. It indicates that the position of net profit of this APMC was very worst. The APMC should take necessary action to improve the position.

APMC Bhavnagar

The ratio of net profit in APMC Bhavnagar witnessed increasing trend during first five year of study period it was 9.87 per cent in the year 1999-00 and increased to 67.11 per cent (the highest among all APMCs under study) in the year 2003-04. Then fall down to 2.34 per cent, (the lowest) in the year 2004-05. Again it increased to 32.66 per cent in the year 2005-06. The ratio decreased to 6.43 per cent in the year 2006-07. Then it increased to 9.95 per cent and 34.27 per cent in the year 2007-08 and 2008-09 respectively. The average ratio of this APMC was 23.25 per cent which was higher than average ratio (17.22 per cent) of all APMCs under study, it indicated satisfactory performance.

APMC Junagadh

In APMC Junagadh net profit ration revealed fluctuating trend it ranged between 14.96 per cent in the year 2000-01 and 60.55 per cent in the

year 2005-06. The average ratio of this APMC was 30.28 per cent which was highest average among average ratio of all APMCs under study. It indicated satisfactory performance. More moreover the ratios of this APMC was more than average ratio of all APMCs under study during study period except the years 1999-00 and 2000-01.

APMC Hapa

In APMC Hapa the ratio of net profit witnessed fluctuating trend during study period. It was 18.37 per cent in the year 1999-00 and increased top 34.31 per cent in the year 2000-01. Then it decreased to 30.24 per cent and 10.72 per cent in the year 2001-02 and 2002-03 respectively. It was increased to 30.12 per cent in the year 2003-04 then the ratio was declined to 11.94 per cent and 5.20 per cent (lowest during study period) in the year 2004-05 and 2005-06 respectively. Then it was increased to 29.59 per cent and 36.19 per cent (highest during study period) in the year 2006-07 and 2007-08 respectively. In the year 2008-09 it was declined and reached to 17.82 per cent. The average ratio of this APMC was 22.45 per cent which was more than average ratio of all APMCs under study. It indicated satisfactory performance.

APMC Rajkot

The ratio of net profit in APMC Rajkot showed fluctuating trend. It was negative 1.28 per cent in the year 1999-00 and increased to 10.95 per cent in the year 2000-01. Then it declined to 7.09 per cent in the year 2001-02 and increased to 12.95 per cent and 42.25 per cent (highest during study period) in the year 2002-03 and 2003-04 respectively. Further ratio declined and reached to 17.30 per cent and 2.20 per cent in the years 2004-05 and 2005-06 respectively. Then the ratio increased to 19.06 per cent in the year 2006-07 and further it declined to 17.57 per cent and 4.77 per cent in the years 2007-08 and 2008-09 respectively. The average ratio of this APMC was 13.29 per cent which is lower than average ratio of all APMCs under study. The performance of this APMC was not satisfactory except years 2003-04, 2004-05, 2006-07 and 2007-08 because the ratio was less than average ratio of sampled APMCs.

APMC Wadhwan

In APMC Wadhwan the ratio of net profit registered fluctuating trend. It was 21.76 times in the year 1999-00 and increased to 29.39 per cent in the year 2000-01. Then the ratio decreased to 18.18 per cent and negative 5.22 times (lowest during study period.) in the years 2001-02 and 2002-03 respectively. Again it went up to 42.76 per cent (highest during study period) in the year 2003-04. Then it showed decreasing trend till the year 2005-06. It was 20.79 per cent in the year 2004-05 and declined and reached to 18.70 per cent in the year 2005-06. It further increased to 32.33 per cent in the year 2008-09. The average ratio of this APMC was 22.02 which are higher than average ratio (17.22 per cent) of sampled APMCs. The performance of this APMC was satisfactory except the year 2002-03 as the ratio was higher than the average ratio of these years were more than average ratio of sampled APMCs.

As a whole it can be concluded that the performance of APMC Junagadh found satisfactory followed by Bhavnagar Hapa and Wadhwan and poor in APMC Amreli followed by Rajkot.

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