

## Financial Profitability Analysis of Co-operative society of Taluk-Kaprada



### Commerce

**KEYWORDS :** Profitability,Ratio analysis,profit,sale

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### An Overview of Co-operative Society in India :

Cooperatives play an important role in the socio-economic development of rural masses. A small beginning was made with the enactment of first Cooperative Credit Societies Act in 1904 and now the cooperative movement has completed a century. In order to increase the tempo of economic development through financial stability of the cooperatives in general and cooperative credit societies in particular, steps had been taken to promote the development of various types of economic activities in the sphere of cooperation both in rural and urban areas. However, the financial stability of these societies has a direct bearing to the extent of mobilization of deposits and the collection of loans before they become overdue. If the overdues are not kept under control, they will have a crippling effect of curtailing the ability of the societies to recycle the funds and expand their business. Co-operatives all over the world have become an effective and potential instrument of economic development. There is not a single major sphere of economic activity which has not been touched by Co-operatives. Co-operatives are also envisaged as an instrument for implementing many important policies like agricultural credit, urban credit, market intervention, price support for agricultural commodities through Co-operative wholesale stores, public distribution system etc.

### Co-operative Society of Taluka Kaparada

Different education level of five talukas of dist Valsad of Gujarat can be seen .Base on the education level of the people, a variety can be seen in their languages, culture, living standard etc has undergone a huge changes in last two decades to go. One can not ignore the opportunity in term of trade, religion, heritage, and industry in these areas under study. Even today one can see the presence of traditional as well as modernization touch in the business of these local areas. The areas are surrounded by lush green natural beauty covering the areas by hill. Even till date, many areas are under developed. Due to bad economic condition, many people are still living below poverty line. We find good presence to traditional system of "HAAT" bazaar catching the heart of local peoples. People prefer to visit such bazaar for buying their basic requirement .The political benefits has not reached this areas and that is also responsible for underdevelopment of this areas. Considering all the above mention factors.

### Review of Literature

<sup>1</sup>Gurumoorthy.T.R (2001) revealed that the loan recovery would contribute to fresh loans that create new business and employment and interest income would meet establishment expenditure and profit requirement of the financial institutions. Sarthak Chowdhury and Prabuddha Ray (2001) found that women were not given equal opportunity in availing credit from the Cooperative Banks. A study conducted by Somorendra Singh (2001) identified that Self reliance, deployment of Resources, Member Utilization, participation and Economic Performance were the criteria for assessing the performance of PACCS.Veerakumaran G (2001) stated that the huge overdue, breaks the recycling of

funds and thus adversely affects the profitability of the banks. Ravi Verma S (2003) revealed that among the different categories of the farmers, large and medium farmers are provided disproportionately higher amount of credit than their corresponding share in the number of accounts.Mariappan,V (2003) indicated that 75 percent of deposits come from high cost schemes such as fixed deposits, deposits doubling schemes etc. The Report of the Task Force on Revival of Cooperative Credit

Institutions (2004) pointed out that the low recovery of loans obviously affected the profitability of the institutions and poor loan recovery had resulted in a peculiar phenomenon, often referred to as imbalances. Mishra J.P. and Maurya S.K (2005) expressed that agricultural credit disbursed by cooperatives in Gola block of Gorakhpur District has increased production, productivity income and employment of borrowers in crop and milk production. Shacheendran V. (2007) indicated that Cooperatives showed a better performance in issuing Kisan Credit Cards than RRBs (Regional Rural Bank) and CBs (Commercial Bank). Deepak Shah (2007) made an attempt to measure the viability of PACCS during pre economic reform period and the post economic reform period.

### Problem Statement

For my research purpose I have identified 12 co-operative societies working under the chosen taluka of dist valsad. Financial data related to all 12 selected co-operative societies will be collected for further analysis and an attempt will be made to come out with a concrete solution for further development of the same and some suggestion for making the societies more profitable.

### Objective of the study :

1. To study the financial profitability position of the selected co operative society.
2. To analyze the profitability performance of selected co operative society.

### Research Methodology :

The study is based on secondary sources only. The secondary data were collected from , Co operative society Waroli,Tal-kaprada Dist : Valsad, And personal Meeting sof cooperative society's Manager Mr. Nathu bhai Dalvi.The study period was during the year 2008-9 to 2012-13.

### RATIO ANALYSIS

#### Profitability Ratios

The main aim of an enterprise is to earn profit which is necessary for the survival and growth of the business enterprise. It is earned with the help of amount invested in business. It is necessary to know how much profit has been earned with the help of the amount invested in the business. This is possible through profitability ratio. These ratios examine the current operating performance and efficiency of the business concern. These ratios are helpful for the management to take remedial measures if there is a declining trend. The important profitability ratios are :

- (i) Gross profit ratio
- (ii) Net profit ratio
- (iii) Operating profit ratio

#### Gross profit ratio :

It expresses the relationship of gross profit to net sales. It is expressed in percentage.

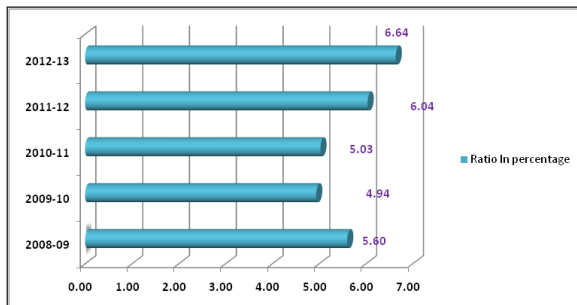
It is computed as :

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Net sales

Year	Gross Profit	Sale	Ratio
			Percentage
2008-09	205683	3670823	5.60
2009-10	210946	4269283	4.94
2010-11	184504	3667896	5.03
2011-12	216472	3584737	6.04
2012-13	300464	4524882	6.64

Source: Compiled Calculated Data



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 2008 the Gross Profit ratio was 5.60 % . where as it was decreased to 4.94 % for the year 2009-10, The GP Ratio was to 5.03%, for the year 2010-11 , and it has increased to 6.04% in the year 2011-12. Again in the year 2012-13 the ratio was Increased to 6.64% . Hence it was found that the Gross profit P Ratio was Medium average also found. It is clearly indicating medium average trend and 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 margin to keep the Gross profit ratio at higher end.

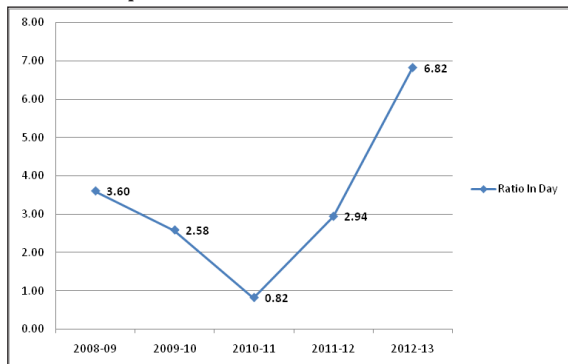
**Net profit ratio :**

A ratio of net profit to sales is called Net profit ratio. It indicates sales margin on sales. This is expressed as a percentage. The main objective of calculating this ratio is to determine the overall profitability. The ratio is calculated as :

**Net profit ratio : Net profit X100**  
**Net sales**

Year	Net Profit	Sale	Ratio
			Percentage
2008-09	132164	3670823	3.60
2009-10	110230	4269283	2.58
2010-11	30050	3667896	0.82
2011-12	105305	3584737	2.94
2012-13	308468	4524882	6.82

Source: Compiled Calculated Data



Net profit ratio determines overall efficiency of the business. It indicates the extent to which management has been effective in reducing the operational expenses. Higher the net profit ratio, better it is for the business. It is clear from the above table that the net profit ratio is just 3.60% for the year 2008-09 it was decreased 2.58 % in the year 2009-10. During the year 2010-11 it was very low profit ratio 0.82% . and it has increased to 2.94 % in the year 2011-12. Again in the year 2012-13 the ratio was Increased Vry High to 6.82%. It is concluded that the overall efficiency Good of the Cooprative society has to be increased and the management has to reduce its operational expenses.

**Operating profit ratio :**

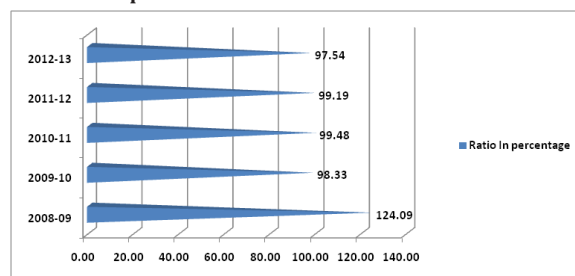
Operating profit is an indicator of operational efficiencies. It reveals only overall efficiency. It establishes relationship between operating profit and net sales. This ratio is expressed as a percentage. It is calculated as :

**Operating profit Raio : Operating profit X 100**  
**Net sales**

**Operating Profit = Gross Profit - (Administration expenses + selling expenses)**

Year	Cost of Sold Goods	Administration expenses	Sale	Ratio
				Percentage
2008-09	3465140	1090065	3670823	124.09
2009-10	4058337	169062	4299283	98.33
2010-11	3483392	165395	3667896	99.48
2011-12	3368265	187380	3584737	99.19
2012-13	4224419	189222	4524882	97.54

Source: Compiled Calculated Data



It helps in examining the overall efficiency of the business. It measures profitability and soundness of the business. Higher the ratio, the better is the profitability of the business. This ratio is also helpful in controlling cash. Some firms take profit before tax but usually companies take profit after tax. We have taken only the exact operating expenses that is selling and administrative expenses and financial expenses only in this project report. We have neither taken depreciation nor taxes. This is very liberal way of taking operating profit ratio. If we consider depreciation and taxes then we will arrive exact position of the operating profit ration. It is clear from the above that the operating ratio is showing negative results in the year 2009-10, 2010-11, 2011-12 and in the year 2012-13. Hence, the expenses the Waroli Cooperative society, Taluka Kaprada has to control to get the operating profit. If the firm is not in a position to maintain very good percentage which shall be positive, then the firm has to face several problem for profits and as well as margin. The management has to take several steps to bring back the Waroli Co operative society on the rail.

**Findings & Suggestion :**

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