



ORIGINAL RESEARCH PAPER

MANAGEMENT

COMPARATIVE STUDY OF PROFITABILITY ANALYSIS OF SELECTED PRIMARY AGRICULTURE SOCIETIES IN GANDEVI TALUKA.

KEY WORDS: Financial analysis, Financial Statements, Profitability Ratio, Relationship

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ABSTRACT

Financial analysis is the process of identifying the financial strengths and weakness of the Organizations from the available accounting data and financial statements. The focus of financial analysis is on key data in the financial statements. The analysis of financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. This study aims at analyzing the overall financial profitability of the Amalsad Cooperative and Gadat Cooperative Societies in Chikhali Taluka " by using various financial tools. The study has been undertaken for the period of 5 years from 2009-10 to 2013-14. In order to analyze financial efficiency in terms of Profitability ratios have been used.

INTRODUCTION

The word profitability is composed of two words, namely, profit and ability. The term profit has been explained above and the term ability indicates the power of a business entity to earn profits. The ability of a concern also denotes its earning power or operating performance. The profitability may be defined as the ability of a given investment to earn a return from its use. Profitability is a relative concept whereas profit is an absolute connotation. Despite being closely related to and mutually interdependent, profit and profitability are two different concepts. In other words, in spite of their generic nature, each one of them has a distinct role in business. As an absolute term, profit has no relevance to compare the efficiency of a business organization. A very high profit does not always indicate sound organizational efficiency and low profitability is not always a sign of organizational sickness. Therefore, it can be said that profit is not the prime variable on the basis of which the operational efficiency and financial efficiency of an organization can be compared. To measure the productivity of capital employed and to measure operational efficiency, profitability analysis is considered as one of the best techniques. .

SELECTED TWO COOPRATIVE SOCIETY IN GANDEVI TALUKA Amalsad: Vibhag Vividh Karyakari Sahakari Khedut Mandli Ltd, Amalsad:

This Co Operative Society has won the award of National Council of Co-operative Development, (NCDC) twice. It was registered on 11 Dec 1941 with the trade mark of K.S.S. It has 7,738 members who have been categorized in two categories (i) A-Class-(2,855) member who are active in delivering their crop produce (Chikoo) in the society and (ii) B-Class (4,883), who do not deliver their Chikoo produce. This society covers 17 villages, serving total population of around 80,000. It has its own branch in each of the 17 villages and provides all necessary items viz. food grains, edible oils, grocery items, seasonal items etc. to the members at a reasonable rate. Its main office is situated at Amalsad. The society is also engaged in selling items like fire crackers, kites, dry fruits, stationery etc. But the major thrust area of the society is the pooling of Chikoo, mango, banana and paddy produce. Chikoo and mango are collected from the farmers on pooling basis and after grading them and packing them in 10 Kgs. of corrugated boxes, fruits are sent for selling at various places like Delhi, Jaipur, Mumbai etc. The average collection of chikoo 13,000 Mt/Year and that of mango is 3,000 Mt/Year. Other activity includes providing all agricultural inputs viz. seeds, fertilizers, organic manures, plant protection chemicals, steel, cement, cement sheets, petrol, diesel, oil, etc.

Gadat Vibhag Vividh Karyakari Sahakari Khedut Mandal Ltd., Gadat

It was established in 1944 by the Freedom Fighters of the surrounding area. Its main office is at Gadat. It has 2,889 members with the trademark of GKM Main activities include

collection of mango, chikoo, banana and paddy on pooling basis and giving reasonable price to its members. It has branches in all eight operational villages. This society has adopted The Ambica High School, Gadat as its permanent project and provides strong support to the school. This society has also appointed veterinary doctor who looks after the cattle of its members. The average collection of mango is around 3,000 Mt/Year and that of chikoo is 5,000 Mt/Year. Other activities include selling of steel, cement cement sheets, petrol, diesel, oil etc.

REVIEW OF LITRECTURE

An Empirical Study Of Profitability analysis in Cooperative societies in KapradaTaluka,Patel Dilipkumar: This study aims at analyzing the overall financial profitability of the Shree Mandava Vibhag Bagayati Sahkari Mandali and Shree Dixal Vibhag Bagayati Sahkari Mandali Ltd. In Kaprada Taluka " by using various financial tools. The study has been undertaken for the period of 5 years from 2009-10 to 2013- 14. In order to analyze financial efficiency in terms of Profitability ratios have been used.

Role of primary agricultural credit societies to develop agriculture in Andhra Pradesh Gogulamud V. S. Ramakrishna 2016:The main objective of this paper is to evaluate the role of primary agricultural credit society to develop agriculture in Andhra Pradesh. The Cooperative Credit Societies Act 1904 permitted only to form PACS, which laid more emphasis on the promotion of agricultural credit. The Cooperative Credit Societies Act of 1912 removed the defects of 1904 Act and was made applicable to both credit and non-credit cooperative societies. In Andhra Pradesh, Credit Co-operatives are playing a significant role in serving the needy farmers by fulfilling their credit requirements. On this backdrop, an attempt is made to analyze its role in the agricultural development of the state. The distinction between rural and urban societies was abolished and provision was made for societies with limited or unlimited liability. In this way, the 1912 Act paved the way to widen the Cooperative Credit Structure. These are providing not only credit, but also non-credit services for all activities under primary, secondary and tertiary sectors of rural economy. Through cooperative credit the farmers benefitted to maximum extent by increasing their agricultural output which in turn increased their levels of employment and income.

Primary Agricultural Credit Societies in India A. Saravanadurai N. Manimehalai (2016), Agriculture is a backbone of Indian economy. As per the census, about 68.8 percent of population resides in rural area and depending directly or indirectly upon agriculture for their livelihood. The contribution of this sector to the gross domestic product (GDP) is however declining very rapidly and is presently about 14.5 percent(in 2010-11) and this sector is also showing deceleration in growth rates. Therefore, it is very important for this sector to achieve higher growth rates and also be an engine of growth, so that growth in

other sectors and overall growth rate of the economy can be achieved. The primary agricultural credit co-operative societies are considered to be the pillars of the entire cooperative edifice. The PACSs continue to be the main source of agricultural credit to the farmers in rural areas.

Financial Viability of Sugar Factories in South Gujarat-A Case Study Dr. Martina. R. Noronha; Prof.DilipsinhThakor (2012): The Indian Sugar Industry is marked by co-existence of different ownership and management structures. At one extreme, there are privately owned sugar mills in Uttar Pradesh that procure sugarcane from nearby cane growers. At the other extreme are cooperative factories owned and managed jointly by farmer. This article attempts to find the financial viability of sugar factories located in South Gujarat in India. It uses ratio analysis and discriminate analysis to give the actual prediction equation to classify new cases.

Financial Performance of Milk Producing Co-Operative Society in Valsad District (With Reference to Gujarat State in India) Patel Dilipkumar1& Patel Alkaben (2014),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 analyses them. This paper provides the guidelines about analysis of Profitability ratio of The Waroli Milk Producer Co-operative Ltd. located at Valsad District of Backward area Kaprada Taluka.

OBJECTIVES OF THE STUDY:

1. To study the financial performance of selected Amalsad VibhagVividhKaryakari Sahakari Khedut Mandli Ltd.,AmalsadAnd GadatVibhag Vividh Karyakari Sahakari Khedut Mandal Ltd., Gadat.
2. To make suggestions for the betterment of the Co-operative Societies in general and selected co-operative societies in particular.

SOURCES OF DATA:

SECONDARY SOURCES: Published annual reports of the Cooperative Society 2009-10 to 2013-14.

PRIMARY SOURCES:

1. Detailed discussions with President and Accountant of Cooperative Societies.
2. Discussions with the other Cooperative society members And District Level Information Department Officer.

DATA ANALYSIS:

The collected data has been processed using the tools of Ratio analysis, Graphical analysis.

LIMITATION OF THE STUDY

1. The study has been conducted over a limited period of Six years only.
2. The study is mainly based on secondary data.
3. The study is limited to two Selected Cooperative societies only.
4. The study is based on consolidated financial statement, which may lead to some errors and assumptions.

DATA ANALYSIS & INTERPRETATION

OPERATING RATIO

The operating ratio is the ratio of production and administrative expenses to net sales. The measure excludes financing costs, non-operating expenses, and taxes. Essentially, it is the cost per sales dollar of operating a business. A lower operating ratio is a good indicator of operational efficiency, especially when the ratio is low in comparison to the same ratio for competitors and benchmark firms.

The operating ratio is only useful for seeing if the core business is able to generate a profit. Since several potentially significant expenses are not included, it is not a good indicator of the overall

performance of a business, and so can be misleading when used without any other performance metrics. For example, a company may be highly leveraged and must therefore make massive interest payments that are not considered part of the operating ratio.

Table: 1 Operating Ratio

YEAR	AMALSAD	GADAT
2009-10	103.1	107.33
2010-11	103.62	107.54
2011-12	104.11	108.9
2012-13	104.16	109.52
2013-14	104.7	112.79

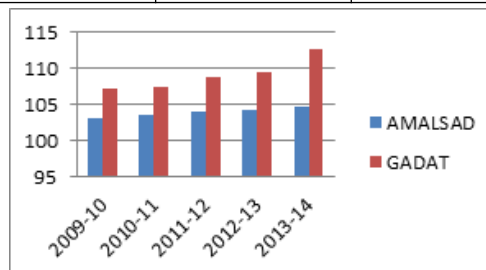


Figure 1 Operating Ratio

Interpretation:

Operating ratio of Amalsad Cooperative society in Chikhali Taluka's The highest ratio 104.16 was in the year 2012-13 and the lowest 103.1 in the year 2009-10.and Gadat cooperative society highest ratio 112.79 in 2013-14 and lowest ratio 107.33 in year 2009-10.It can be concluded that Gadat cooperative society is office and administrative expenses and selling and distribution expenses is control in all study period. And Amalsad cooperative society compare to Gadat society is Average good.

RETURN ON EQUITY CAPITAL

Return on equity or return on capital is the ratio of net income of a business during a year to its stockholders' equity during that year. It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.

Table: 2 Return on equity capital

YEAR	AMALSAD	GADAT
2009-10	58.06%	59.07%
2010-11	60.99%	65.13%
2011-12	63.49%	68.02%
2012-13	70.04%	71.98%
2013-14	72.36%	73.17%

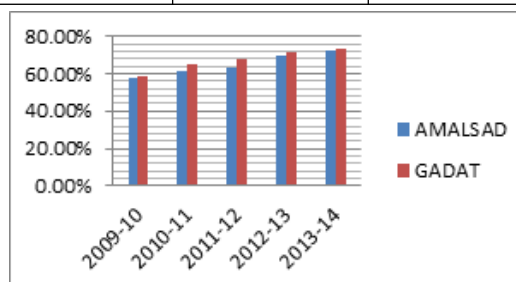


Figure 2 Return on equity capital

Interpretation:

Return on equity is an important measure of the profitability of a company. Higher values are generally favorable meaning that the company is efficient in generating income on new investment. This means that a Amalsad co. Society has 72.36% (0.7236) of net income for every Rupees that has been invested by shareholder. And In Gadat co. Society has 73.17% (0.7317) of net income for every Rupees that has been invested by shareholder. Both Co. societies is profitable for stockholder's investment.

STOCK TURNOVER RATIO

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is "turned" or sold during a period.

Inventory Turnover Ratio is one of the efficiency ratios and measures the number of times, on average, the inventory is sold and replaced during the fiscal year.

Table 3: Stock Turnover ratio

YEAR	AMALSAD	GADAT
2009-10	6.72	8.22
2010-11	7.51	8.2
2011-12	10.5	9.18
2012-13	9.92	9.89
2013-14	8.09	8.09

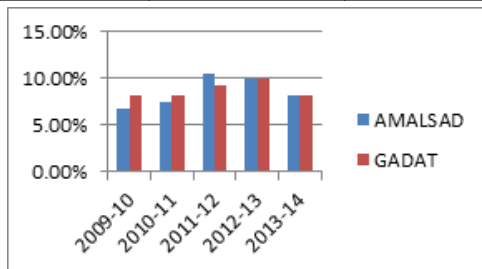


Figure 3 Stock Turnover ratio

Interpretation:

Inventory Turnover Ratio measures company's efficiency in turning its inventory into sales. Its purpose is to measure the liquidity of the inventory. Inventory turnover ratio is used to assess how efficiently a business is managing its inventories. This means that Amalsad Cooperative Society effectively replenished its inventory 6.72 times in the year 2009-10 & increase every year and reach to 8.09 times in the year 2013-14. And In Gadat Cooperative Society effectively replenished its inventory 8.22 times in the year 2009-10 and decrease in the year 2013-14 i.e. 8.09 times.

NET PROFIT RATIO:

The net profit percentage is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. As such, it is one of the best measures of the overall results of a firm, especially when combined with an evaluation of how well it is using its working capital. The measure is commonly reported on a trend line, to judge performance over time. It is also used to compare the results of a business with its competitors.

Net profit is not an indicator of cash flows, since net profit incorporates a number of non-cash expenses, such as accrued expenses, amortization, and depreciation.

Table 4 Net profit ratio

YEAR	AMALSAD	GADAT
2009-10	0.38	0.22
2010-11	0.35	0.23
2011-12	0.31	0.20
2012-13	0.33	0.19
2013-14	0.35	0.23

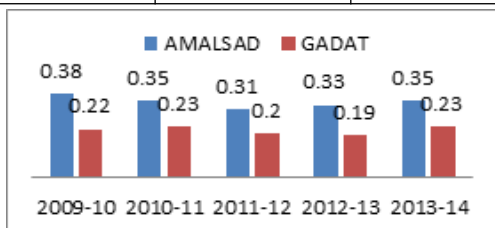


Figure 4 Net profit ratio

Interpretation:

Net Profit ratio of Amalsad Cooperative society 0.31 the year 2011-12 in subsequent years increase it is 0.33 in 2012-13, 0.38, 2009-10 and 0.35 in 2013-14. The Gadat cooperative society Net profit ratio 0.23 in 2013-14 and 2010-11. The analysis clearly shows that the Net profitability ratio is Amalsad Cooperative society has study period five year is net Profit and its compare to Gadat cooperative society is also net profit. So, Amalsad cooperative society's Management good working and show in good financial health. It can be calculated that the Net profit ratio position of Amalsad Cooperative society is better than the Gadat cooperative society in term of Net profit ratio.

GROSS PROFIT RATIO

Gross profit margin (gross margin) is the ratio of gross profit (gross sales less cost of sales) to sales revenue. It is the percentage by which gross profits exceed production costs. Gross margins reveal how much a company earns taking into consideration the costs that it incurs for producing its products or services. Gross margin is a good indication of how profitable a company is at the most fundamental level, how efficiently a company uses its resources, materials, and labour. It is usually expressed as a percentage, and indicates the profitability of a business before overhead costs; it is a measure of how well a company controls its costs.

Table: 5 Gross Profit ratio

YEAR	AMALSAD	GADAT
2009-10	4.72	5.5
2010-11	4.38	5.42
2011-12	4.08	4.57
2012-13	4.3	4.9
2013-14	5.03	5.58

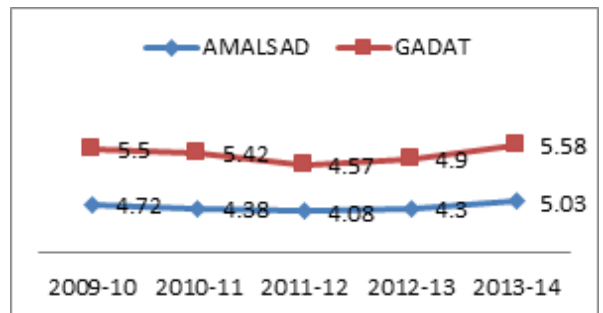


Figure 5 Gross Profit ratio

Interpretation:

Gross Profit ratio of Amalsad Cooperative society in Chikali taluka's Gross Profit 5.03 in the year 2013-14 in the years 2010-11 profit is 4.38, and decrease in ratio 4.08 in 2011-12. The Gadat cooperative society Gross profit ratio 5.50 in 2009-10 and increasing ratio 5.58 in 2013-14. The analysis clearly shows that the profitability ratio is Gadat Cooperative society highly average ratio in all year so Gadat society is get raw material purchase lowest price and Amalsad Society lowest ratio show highest price in product so Amalsad co. society is last three year study they don't use assets and other machinery. From the above it can be calculated that the financial position of Gadat cooperative society is better than the Amalsad cooperative society in term of gross profit because Gadat has more variation in Gross Profit as compared to Amalsad.

SUGGESTIONS & CONCLUSION

From the above study, it is concluded that the values of Profitability ratios standard. This indicates the cooperative financial position was good to meet its current both cooperative societies, But Net profit ratio are not that much maintain every year so management take some step to increase net profit and sale of promotion policy, absolute Return on Equity Capital ratio and Stock Turnover ratio of the cooperative are below the Cooperative Societies average, because ,cooperative societies net profit are not too much regular

every year in study period that shows the financial position of the cooperative is not that much satisfactory but we can't say very bad situation. Amalsad Cooperative Society effectively replenished its inventory Both Co. societies is profitable for stockholder's investment.

Finally, still there is a scope and hope for the betterment to maintain the optimum level financial stability in future, if the cooperative societies operate the management in profitability manner, try to maintain the optimum level of financial health stability in future.

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