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FINANCIAL PERFORMANCE OF MILK PRODUCING CO-OPERATIVE SOCIETY IN VALSAD DISTRICT (WITH REFERENCE TO GUJARAT STATE IN INDIA)

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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 some one 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 Waroli Milk Producer Co-operative Ltd. located at Valsad District of Backward area Kaprada Taluka.

KEYWORDS: Profitability, Ratio Analysis, Profit, Sale

INTRODUCTION

Financial Analysis is the art and science of examining and drawing in references 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 stuying 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 deterorating over a period of time.

REVIEW OF LITERATURE

Tejani Rachana (2011) in the research project "Financial Inclusion and Performance of Rural Co-operative Banks in Gujarat" In an Index of Financial Inclusion, India has been ranked 50 out of 100 countries. Only 34% of the India's population has access to basic banking services. The objective of the paper is to study financial inclusion in rural areas, reasons for low inclusion, satisfaction level of the rural people toward banking services and to assess the performance of the banks which are working in the rural areas which mainly include the co operative banks and regional rural banks. Structured questionnaire designed on the basis of literature review was used to collect data from 200 people residing in Ambasan, Jotana and Khadalpur villages of Gujarat. The paper first describes in detail the financial inclusion status in India and Gujarat followed with a review of scenario at the global level.

The third section analyses the data with the help of Chi-square test and Tabulation followed with the discussion of analysis, recommendations and conclusion indicating that there is lot of opportunity for the commercial banks to explore the rural unbanked areas. Though Regional Rural Banks (RRBs) and Primary Agriculture Credit Societies (PACS) have good coverage but most of them are running into losses. Commercial banks should seize this opportunity rather than looking at it as a social obligation.

There is lot of opportunity for the commercial banks to explore the rural unbanked areas. Though RRBs and PACS have good coverage but most of them are running into losses. Again, the number of kisan credit cards issued and the amount of credit granted under it is also showing a declining trend. Commercial banks should seize this opportunity rather than looking at it as a social obligation. Going with Mahajan and Laskar (2010), let us enable every Indian to conduct a financial transaction, a deposit or a withdrawal, a payment or a receipt, of up to Rs 1000, in a secure and convenient way, by going less than 1000 metres away from home or work place, at an all-in cost, including authentication, transaction authorisation, cash-in/cash-out and non-repudiation (using printed paper receipts), for less than 1000 paise, or Rs 10. At a transaction size of Rs 1000, this would be one percent. Let us all in the financial sector take a pledge to usher Universal Financial Inclusion for all Indians by 2020.

Dr. Ruchira Prasad And Dr. Ruchira Prasad (2013) in the research article "A CASE STUDY OF AMUL CO-OPERATIVE IN INDIA IN RELATION TO ORGANIZATIONALDESIGN AND OPERATIONAL EFFICIENCY" Organizational Structure can improve the working condition of an organization and a poor structure can ruin all the possibilities of openness, dynamism and decision-making. Organizational effectiveness on the other hand, is the extent to which an organization, given certain resources and means, achieves its objectives without placing undue strain on its members. Another important role is played by the technology. More an organization is able to adapt itself to the changing technology the better will be its efficiencies.

In the present research paper a relationship between the designs of an organization with its operational efficiency indicators has been examined in the context of Amul. The factors were studied in context to a cooperative form of organization and while comparing with the corporate form, it was found that the design of the basic structure is somewhat different as it believes in the federal form of structure each unit is independent of each other. It is a popular belief that co-operatives are a failure, but Amul with Co-operative Structure is a grand success. Amul has an appropriate blend of policy makers, technology and a support system to the milk producers without disturbing their agro-economic system and ploughing back the profits, by prudent use of men, materials and machines.

Looking back at the path traversed by AMUL, the following features make it a pattern and model for emulation elsewhere. Producing an appropriate blend of the policy makers, farmers board of management and the professionals, bringing the best of the technology to rural producers, providing a support system to the milk producers without their agro-economic system and plugging back the profits, by prudent use of men, material and machines. Even though growing with time and on scale, it has remained with the smallest producer members. AMUL is an example par excellence, of an intervention for rural change.

OBJECTIVE OF THE STUDY

- To Study analyze the profit abilitiy performance of Milk producing co operative society.
- To examine the profitability position of the selected Milk producing society.
- To offer suggestions to improve the financial performance of the select co operative milk producing society.

RESEARCH METHDOLOGY

The Study is based on secondary data collected for a period of last three years from the annual reports (2008-09 to 2010-11)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)

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:

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio

Tools Used for Analysis of the Data

The data has been analyzed by using the following tools.

Ratio Analysis

Table 1: Gross Profit Ratio of Milk Producing Cooperative Society

Year	Gross Profit	Sales	Ratio
			In Percentage
2008-09	159241	7314079	2.18
2009-10	183911	6084809	3.02
2010-11	139424	7167193	1.95

Source: Compiled Calculated Data

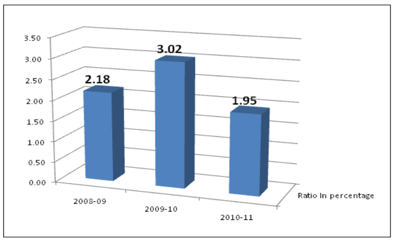

Figure 1

Above table & Graph Waroli Milk Producing Co operative 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 2008-09 the Gross Profit ratio was 2.18%. And it has increased to 3.02% in the year 2009-10 and it has discreased 1 95 in the year 2010-11. 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 margin to keep the Gross profit ratio at higher end.

Table 2: Net Profit Ratio of Milk Producing Cooperative Society

Year	Net Profit	Sales	Ratio In Day
2008-09	35741	7314079	0.49
2009-10	64793	6084809	1.06
2010-11	43918	7167193	0.61

Source: Compiled Calculated Data

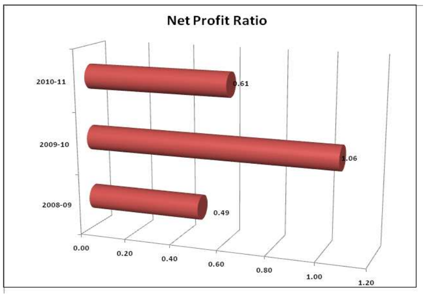

Figure 2

Above table and graph Waroli Milk Producing Co operative society has Net profit ratio. The net profit ratio establishes the relationship between net profit and sales, and indicate 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 2008-09 the net profit ratio was 0.49 % which can not be said satisfactory, but cooperative milk producer society improved ratio in 2009-10 to 1.06 %, and net profit ration discreased in year 2010-11 to 0.61% to in efficiency in operation as wel as in management which is not good indication to investors. In 2009-10 cooperative society Recovered from the situation but again discreased year 2010-11 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 Milk Producing Cooperative Society

Year	Cost of Goods	Operating Cost	Sales	Ratio In Percentage
2008-09	7154838	233481	7314079	101.02
2009-10	5900898	228517	6084809	100.73
2010-11	7027769	233975	7167193	101.32

Source: Compiled Calculated Data

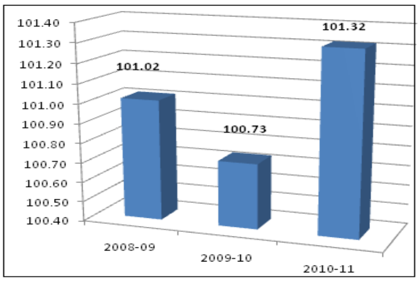

Figure 3

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 Rs. 233975 in the year 2010-11 and the lowest in the year 2009-10 amount to Rs. 228517. The average sales was Rs. 233481 in the year 2008-09.

FINDINGS AND SUGGESTIONS

The Gross profit ratio is falling year by year. For the year 2008-09 the Gross Profit ratio was 2.18 % and it has increased to 3.02% in the year 2009-10 and it has discreased 1.95 in the year 2010-11. 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 margin to keep the Gross profit ratio at higher end.

The Net profit Ratio showing that in 2008-09 the net profit ratio was 0.49 % which cannot be said satisfactory, but cooperative milk producer society improved ratio in 2009-10 to 1.06 %. And net profit ration decreased in year 2010-11 to 0.61 % to in efficiency in operation as well as in management which is not good indication to investors, In 2009-10

The highest was Rs. 233975 in the year 2010-11 and the lowest in the year 209-10 amount to Rs. 228517 The average sales was Rs. 233481 in the year 2008-09. It discloses that operating expenses are more in all the year which shows very critical situation of the Cooperative society.

CONCLUSIONS

It can be concluded from the study of 3 financial periods of Co operative society, Waroli in Valsad District that the maximum Financial Indicators of co operative 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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