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A STUDY ON THE FINANCIAL PERFORMANCE OF MILK PRODUCERS' CO-OPERATIVE SOCIETIES IN KANYAKUMARI DISTRICT

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ABSTRACT:

Milk Producers' Cooperative Societies in Kanyakumari District is functioning at the village level, where milk producers get registered as members. The co-operative movement in Kanyakumari district has played a vital role in the social and economic development of the district, particularly in rural areas. Dairy co-operative movement in the district has contributed significantly towards the considerable increase in milk production. The main focus of this paper is to highlight the financial performance of Kanyakumari District Milk Producers Cooperative Society. For this research purpose the researcher used Current Ratio, Gross Profit Ratio, Net Profit Ratio, Quick Ratio, Return on Investment and Return on Assets. The result reveals the fact that the financial performance of Milk Producer's Co-operative Societies in Kanyakumari District is well in all position of business transactions. As there is wider scope for the procurement as well as consumption of milk and milk products in the district, efforts can be made to reduce the cost and to maximize the profit to make the milk society a vibrant and viable one in the district and state.

KEYWORDS: *Current Ratio, Gross Profit Ratio, Net Profit Ratio, Quick Ratio, Return on Investment, Return on Assets, Return on Investment.*

INTRODUCTION:

The Dairy development department was established in 1958 in Tamilnadu. The administrative and statutory control over all the milk co-operatives in the state were transferred to the Dairy Development Department on 1st August 1965. The commissioner for Milk production and Dairy development was made as the functional Registrar under the Tamilnadu Co-operative Societies Act. With the adoption of 'Anand pattern' in the state of Tamilnadu, Tamilnadu Co-operative Milk producers' Federation Limited was registered in the state on 1st February 1981. Kanyakumari District co-operative Milk producers' union with Register No 2946 was first registered as Nanjil Nadu Milk supply society on 25th January 1949 and started its functioning from 7th February 1950. Later it was elevated as Nanjil nadu Milk supply co-operative union on January 1951. During 1961, it was renamed as Kanyakumari District Co-operative Milk supply union. Later it was converted as Kanyakumari District co-operative Milk producers' union on 16th February 1982. This Dairy is located at Nagercoil, the Head quarters of the district.

SCOPE OF THE STUDY

- The study covers the financial position of the Milk producers ' co-operative societies in Kanyakumari District.
- The study aims to reveal the position in respect to liquidity and an effective use of asset.
- The study made by making the financial analysis of five years from 2011-2012 to 2015-2016.

OBJECTIVES OF THE STUDY

1. To know the financial position of Milk producers' cooperative societies in kanyakumari District.
2. To know the liquidity and profitability position of Milk producers' co-operative societies in Kanyakumari District.

RESEARCH DESIGN

This study is mainly based on secondary data. Data pertaining the behaviour of liquidity solvency and profitability position were collected from the Balance Sheet and Profit & Loss account of Milk producer's cooperative societies in Kanyakumari District. The required data were obtained from the published annual reports of Milk producers' co-operative societies.

Ratio Analysis

A proportion is basically one number communicated as far as another number. At the end of the day, a proportion communicates scientific connection between one number and another. Proportion investigation is an incredible and most usually utilized instrument of examination and understanding of fiscal reports. It focuses on the between relationship among the figures showing up in the fiscal reports. It breaks down the past execution of an organization and to make future projections. It permits different invested individuals like administration, investors, potential speculators, leasers, Government and different examiners to make an assessment of the different parts of organization's execution from their own perspective and premium.

Liquidity Ratio

Liquidity means ability of a firm to meet its current liabilities. The liquidity ratios, therefore, try to establish a relationship between current liabilities, which are the obligations soon becoming due and current assets, which presumably provide the source from which these obligations will be met. The current ratio and Quick ratios are commonly used to indicate the liquidity of business.

Current ratio

Current ratio is most commonly used to perform the short- term financial analysis. Also Known as the working capital ratio, this ratio matches the current assets of the firm to its current liabilities.

Current Ratio = Current Assets/ Current Liabilities

Table 1 Current Ratio

Year	Current Assets	Current Liability	Current Ratio
2011 – 2012	8,14,27,582	1,30,44,819	6.24
2012 – 2013	8,12,72,844	3,04,97,941	2.66
2013 – 2014	8,57,87,856	2,02,69,656	4.23
2014 – 2015	5,23,60,086	3,87,42,956	1.35
2015 – 2016	3,45,63,819	3,47,54,819	0.99

Source: compiled from the Records of Milk Producer's Co-operative Society.

The ratios of the above table during the years 2011-2012 is 6.24, 2012-2013 is 2.66, 2013- 2014 is 4.23, 2014- 2015 is 1.35 and 2015 – 2016 is 0.99. The average current ratio over the years under study has crossed the standard with 3.094. Hence it can be concluded that the position of Milk producers co-operative Societies in Kanyakumari District is good at its liquidity position as far as the current ratios are concerned. The ratio is high in the year 2011 -2012. The position is decreased in the following year 2012 -2013, though it is positive appreciation the third year and decreased in the following year as 1.35. But in the year 2015 – 2016 the current asset is decreased than the current liability, that means the liquidity position of the Society is in trouble.

Quick Ratio

Quick Ratio is also known as acid test ratio or liquid ratio. It is a more severe test of liquidity of a company than the current ratio. It shows the ability of a business to meet its immediate financial commitments.

Quick Ratio = Quick Assets/ Quick liabilities

Table 2 Quick Ratio

Year	Quick Assets	Quick Liabilities	Quick Ratio
2011 – 2012	5,03,80,315	1,30,44,819	3.86
2012 – 2013	4,92,34,577	3,04,97,941	1.61
2013 – 2014	3,09,33,034	2,02,69,656	1.53
2014 – 2015	4,34,05,327	3,87,42,956	1.12
2015 – 2016	7,37,87,672	3,47,54,819	2.12

Source: compiled from the Records of Milk Producer's Co-operative Society.

The average quick ratio of the firm should be 2.048, but the ratios of the company are above one from the year 2011 - 2012 to 2015 - 2016. It tells that the business was in a position to pay the debts due within one year from assets that it expects to turn into cash within the year. The ratios of the company reach the target during the years 2011 - 2012 (3.86), 2012- 2013 (1.61), 2013 -2014 (1.53), 2014 - 2015 (1.12) and 2015 - 2016(2.12). The highest ratio is recorded in the year 2011 - 2012. On an overall assessment, the financial performance of Milk producer's co-operative Society in terms of quick ratio is good.

Profitability Ratio

Every business should earn sufficient profits to survive and grow over a long period of time. In fact, efficiency of a business is measured in terms of profits. Profitability ratios are calculated to measure the efficiency of a business. Profitability of a business may be measured in two ways

1. Profitability in relation to sales
2. Profitability in relation to investment

Profitability in relation to sales indicates the amount of profit per rupee of sales. Similarly, Profitability in relation to investment indicates the amount of profit per rupee invested in assets. If a company is not able to earn a satisfactory return on investment, it will not be able to pay a reasonable return to its investors and the survival of the company may be threatened. Profitability Ratios based on sales ratios are Gross profit Ratio, Net profit ratio and Operating profit ratio.

Gross Profit Ratio

This ratio expresses the relationship between gross profit and sales. It is calculated as follows

Gross profit Ratio = Gross Profit/Net Sales*100.

Table No. 3. Gross Profit Ratio

Year	Gross Profit	Net Sales	Gross Profit Ratio
2011 – 2012	61,37,504	18,91,41,146	3.24
2012 – 2013	88,05,504	24,82,71,192	3.55
2013 – 2014	1,77,17,504	29,82,50,686	5.94
2014 – 2015	2,38,44,104	43,66,44,326	5.46
2015 – 2016	3,02,18,917	92,14,41,892	3.27

Source: compiled from the Records of Milk Producer's Co-operative Society.

The Milk Producer's Co-operative Society has got a steady flow up from the year2011-2012 to 2013- 2014. From the year 2014 - 2015 it is slightly decreasing. The average Gross Profit Ratio is 4.292. From this it is made clear that the Milk producer's Co-operative Society has to concentrate on the Gross profit of the Society.

Net Profit Ratio

This is the ratio of net profit to net sales. It is computed as

Net profit Ratio = Net profit/Net sales*100

Table 4. Net Profit Ratio

Year	Net Profit	Net Sales	Net Profit Ratio
2011 – 2012	37,57,649	18,91,41,146	1.99
2012 – 2013	51,58,939	24,82,71,192	2.08
2013 – 2014	54,87,739	29,82,50,686	1.83
2014 – 2015	79,58,913	43,66,44,326	1.82
2015 – 2016	62,55,402	92,14,41,892	0.67

Source: compiled from the Records of Milk Producer's Co-operative Society.

The Milk Producer's co-operative Society in Kanyakumari district was able to earn net profit increasingly from the year 2011 - 2012 to 2014-2015 except during the year 2015- 2016 in which the industry has got a decreasing Net profit. This may be due to the over expenditure and low price for the milk. Due to this there is a fluctuation in the net profit ratio too. But the sale is increasing. So the Society has to take the correct action to reduce the Indirect Expenses.

Return on Assets (ROA):

Return of Asset ratio is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. This ratio is used to know the 'Productivity of the total assets'. The assets of the company are comprised of both debt and equity. The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income. The higher the ROA number, the better, because the company is earning more money on less investment.

Return on Asset=Net Profit /Total Asset*100

Table 5 Return On Asset Ratio

Year	Net Profit	Total assets	Return on Asset
2011 – 2012	37,57,649	10,15,87,620	3.7
2012 – 2013	51,58,939	10,52,09,715	4.9
2013 – 2014	54,87,739	10,84,99,538	5.06
2014 – 2015	79,58,913	12,89,70,849	6.17
2015 – 2016	62,55,402	13,08,96,242	4.78

Source: compiled from the Records of Milk Producer's Co-operative Society.

The Return on Asset is increased up to the year2014 -2015. In the next year, the Return on Investment falls in the ratio of 4.78. There is a huge change in the year 2015 -2016. The reason may be that there is no proper utilization of total assets in the company.

RETURN ON INVESTMENT (ROI):

Return on Investment is also called as overall profitability ratio or Return on capital employed (ROCE) Ratio. This ratio is the broadest measure of the overall performance of business firm. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio. The higher ratio, the more efficient use of the capital employed. It is calculated on the basis of the following:

Return on Investment= Net Profit/total capital employed*100
Where, Capital Employed = Total Assets – Current Liabilities

Table 6 Return On Investment Ratio

Year	Net Profit	Total capital employed	Return on Investment
2011 – 2012	37,57,649	8,85,42,801	4.24
2012 – 2013	51,58,939	7,47,11,774	6.9
2013 – 2014	54,87,739	8,82,29,882	6.22
2014 – 2015	79,58,913	9,02,27,893	8.82
2015 – 2016	62,55,402	9,61,41,423	6.5

Source: compiled from the Records of Milk Producer's Co-operative Society.

The return on investment is decreased during the year 2015 - 2016 due to the fall in the Net profit of Society though the capital employed during that period is healthy.

2. CONCLUSION

Dairy development activities are encouraged and promoted all over the district and not restricted to specific areas. Kanyakumari district is the least milk producing district in Tamil Nadu. The producers have to accept the changing scenario and formulate their marketing strategies to sell their products. With regards to the financial performance of Milk Producer's Co-operative Society, ratio analysis has been applied and it is revealed that the average current ratio over the years under study has crossed the standard with 3.094, liquid ratio is 2.048, Gross Profit Ratio 4.292, Net Profit Ratio 1.678, Return on Asset Ratio 4.922 and Return on Investment 6.536. The financial Performance of Milk Producer's Co-operative Society in Kanyakumari District is good in all the aspects. As there is wider scope for the procurement as well as consumption of milk and milk products in the district, efforts can be made to reduce the cost and to maximize the profit to make the milk industry a vibrant and viable one in the district and state.

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